

BASE PROSPECTUS

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

EUR 5,000,000,000

Euro Medium Term Note Programme

Under this EUR 5,000,000,000 Euro Medium Term Note Programme (the **Programme**), REN – Redes Energéticas Nacionais, SGPS, S.A. (the **Issuer** or **REN**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 5,000,000,000, subject to increase as described herein. The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market. References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List. The London Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**). The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes will be issued in dematerialised book-entry form (*forma escritural*) and can be either *nominativas* (in which case Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (**Interbolsa**), at the Issuer’s request, can ask the affiliate members of Interbolsa (the **Affiliate Members of Interbolsa**) information regarding the identity of the Noteholders and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders). The Notes will be registered by Interbolsa as management entity of the Portuguese Centralised System of Registration of Securities (*Central de Valores Mobiliários*) (**CVM**).

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC (the **Prospectus Directive**) will be EUR 1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Notes issued under the Programme will have a maturity of one year or more. So long as the Notes are held through Interbolsa, in accordance with applicable rules, and subject to any amendments thereto, the Notes shall be tradable only in integral multiples of their denomination.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes contained herein, in which event a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Any person (an **Investor**) intending to acquire or acquiring any securities from any person (an **Offeror**) should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 (**FSMA**), the Issuer may be responsible to the Investor for the Base Prospectus under section 90 of FSMA, only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.

Each of Moody’s Investors Service Ltd (**Moody’s**) and Standard & Poor’s Credit Market Services, SAS France (**Standard & Poor’s**) has rated the Issuer and the Programme, see pages 109-110.

Moody’s Investors Service Ltd is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such Moody’s Investors Service Ltd is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Standard & Poor’s Credit Market Services, SAS France is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such Standard & Poor’s Credit Market Services, SAS France is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the **CRA Regulation**) will be disclosed in the Final Terms.

Barclays	Arrangers	
Banco Bilbao Vizcaya Argentaria, S.A.		Caixa – Banco de Investimento
BNP PARIBAS	Dealers	
Caixa – Banco de Investimento		Banco BPI, S.A.
Espírito Santo Investment Bank		Barclays
Citigroup		BofA Merrill Lynch
HSBC		Deutsche Bank
Millennium investment banking		J.P. Morgan
	UBS Investment Bank	Banco Santander Totta, S.A.
		The Royal Bank of Scotland

This Base Prospectus is dated 26 June 2012

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**).

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (the **Responsible Person**) (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The previous paragraph should be read in conjunction with the 9th paragraph on the first page of this Base Prospectus.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE NOTES AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Portugal) and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the

Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

All references in this document to **U.S. dollars, U.S.\$** and **\$** refer to United States dollars; all references to **Sterling** and **£** refer to pounds sterling; all references to **Japanese Yen** and **¥** refer to Japanese yen; all references to **Swiss francs** and **CHF** refer to Swiss francs; all references to **euro, EUR** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this summary.

Issuer:	REN – Redes Energéticas Nacionais, SGPS, S.A.
Description of the Issuer:	REN – Redes Energéticas Nacionais, SGPS, S.A. (REN) is a listed company organised as a " <i>Sociedade Gestora de Participações Sociais</i> " and a " <i>Sociedade Anónima</i> " under the laws of the Portuguese Republic. REN has its registered office at Avenida Estados Unidos da América, no. 55, Lisbon, Portugal (Telephone: +351 21 001 35 00) and is registered at the Lisbon Commercial Registry Office of Lisbon under taxpayer and commercial registration number 503.264.032. As per article 3 of its articles of association, REN's purpose consists of the management of shareholdings in other companies which carry out activities in the areas of transmission of electricity, transmission and storage of natural gas and of reception, storage and re-gasification of liquefied natural gas and other related activities. Being a holding company (<i>Sociedade Gestora de Participações Sociais</i>), REN does not directly perform operational activities.
Arrangers:	Barclays Bank PLC and Caixa – Banco de Investimentos, S.A.
Dealers	Barclays Bank PLC Caixa – Banco de Investimento, S.A. Banco Bilbao Vizcaya Argentaria, S.A. Banco BPI, S.A. Banco Comercial Português, S.A. Banco Espírito Santo de Investimento, S.A. Banco Santander Totta, S.A. BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities Ltd. Merrill Lynch International The Royal Bank of Scotland plc

UBS Limited
and any other Dealers appointed in accordance with the
Amended and Restated Programme Agreement.

Agent:

Caixa – Banco de Investimento, S.A.

Risk Factors:

There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme*" below and include risks relating to the electricity and gas industry the Issuer operates in, in particular: (i) the effect of laws and regulations, including regulations regarding the prices REN may charge for electricity transmission and natural gas activities; on REN's results of operations; (ii) the effect of regulation of electricity and natural gas in Portugal which is in a state of transition; (iii) possible incorrectness of assumptions on which REN basis the tariffs which it charges for electricity transmission and for the natural gas regulated activities; and (iv) the possible adverse affect of network construction project delays on REN's business, financial condition and results of operations.

In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors – Factors which are material for the purpose of assessing market risks associated with the Notes issued under the Programme*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.

Programme Size:

Up to EUR 5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution:

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Form of Notes:

The Notes will be issued in dematerialised book-entry form (*forma escritural*) and can be either *nominativas* (in which case Interbolsa, at the Issuer's request, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Noteholders and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders).

Terms of Notes:

Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Notes will be denominated in euro and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.

The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as set out in the relevant Final Terms).

The Notes will have a maturity of one year or more.

The terms of the Notes will be specified in the applicable Final Terms. The following types of Note may be issued: (i) Notes which bear interest at a fixed rate or a floating rate; (ii) Notes which do not bear interest; and (iii) Notes which bear interest, and/or the redemption amount of which is, calculated by reference to a specified factor such as movements in an index or a currency exchange rate, changes in share or commodity prices or changes in the credit of an underlying entity. In addition, Notes which have any combination of the foregoing features may also be issued.

Interest periods, rates of interest and the terms of and/or amounts payable on redemption may differ depending on the Notes being issued and such terms will be specified in the applicable Final Terms.

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area

in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR 1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Fixed Rate Notes:

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

1. on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
2. on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
3. on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Index Linked Notes:

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree in accordance with Interbolsa procedures and regulations.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Taxation:	All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes or duties imposed by any Relevant Jurisdiction subject to what is provided in Condition 8 (Taxation). In the event that any such deduction is made, the Issuer will, save in certain circumstances provided in Condition 8 (Taxation), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4 (Negative Pledge).
Events of Default:	<p>The terms of the Notes will contain events of default as further described in Condition 10 (<i>Events of Default</i>) including, amongst others, the following events of default:</p> <ul style="list-style-type: none"> (a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time; (b) non-performance or non-observance by the Issuer of any of its other obligations under the Terms and Conditions continuing for a specified period of time; (c) (i) any Indebtedness for Borrowed Money (as defined in the Terms and Conditions) of the Issuer or any of its Material Subsidiaries is declared due and repayable prematurely by reason of an event of default (however described); or (ii) the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment continuing for a specified period of time; or (iii) any security given by the Issuer for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person where the aggregate amount of Indebtedness for Borrowed Money in respect of which one or more of the events listed in (i) to (iv) above have occurred equals or exceeds EUR 40,000,000 or its equivalent ; and (d) events relating to the insolvency or winding up of the Issuer.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (Negative Pledge)) unsecured obligations of the Issuer and will rank <i>pari passu</i>

among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Use of Proceeds: The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

Rating: The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) will be disclosed in the Final Terms.

Listing and admission to trading: Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law: The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law save that, the form (*representação formal*) and transfer of the Notes, the creation (if any) of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law.

Selling Restrictions: There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Portugal) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Risks Related to the business and industry of the Issuer

REN's results of operations are affected by laws and regulations, including regulations regarding the prices REN may charge for electricity transmission and natural gas activities

As a public service provider, REN operates in a highly regulated environment. The Portuguese State has created the current legal and regulatory framework governing the Portuguese electricity and gas sectors in which REN operates. REN cannot predict which regulatory changes will be made in the future or, if any such regulatory changes were made, the effects these changes would have on its business, financial condition and results of operations.

The Portuguese State established an independent regulator, the Entidade Reguladora dos Serviços Energéticos (**ERSE**) to regulate the electricity and natural gas industries in Portugal. The ERSE tariff codes define the tariffs that REN may charge in these two regulated sectors. ERSE also sets out the operating service levels that REN is obliged to maintain. In attempting to achieve an appropriate balance between the interests of electricity and gas consumers as well as the interests of REN and other participants in the energy sector in generating an appropriate remuneration, ERSE may take action that has an adverse impact on REN's profitability. Although ERSE is an independent regulator, the Portuguese State could pass laws or take other actions that could have an impact on REN's business.

In addition, the Direcção Geral de Energia e Geologia (**DGEG**) must approve any proposed improvements to the electricity and natural gas infrastructure operated by REN. DGEG has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of the energy supply in Portugal. In particular DGEG is responsible for (i) assisting in defining, enacting, evaluating and implementing energy policies; (ii) identifying geological resources in order to ensure that their potential uses are properly evaluated; (iii) promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity and natural gas; (iv) promoting and preparing the legal and regulatory framework and policies related to research, usage, protection and assessment of geological resources; (v) supporting the Ministry of Economy at an international and European level; (vi) supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector for the electricity and the natural gas transmission and distribution grids, natural gas storage facilities and the quality of service provided to energy consumers; (vii) providing decision-making support to the Portuguese Government during crisis and emergency situations; (viii) approving the issuance,

modification and revocation of electricity generation licences, and (ix) conducting the public tender procedure for the attribution of grid interconnection points in the renewable energy sector. Whilst carrying out its responsibilities, the DGEG must consider the following national objectives: (i) guaranteed energy supply; (ii) energy diversification; (iii) energy efficiency; and (iv) the preservation of the environment. If REN is unable to obtain such approvals, it may not be able to expand its transmission network and increase its regulated asset base.

The regulation of electricity and natural gas in Portugal is in a state of transition

The current electricity regulatory scheme in Portugal, following the development of the Iberian Electricity Market (**MIBEL**), is in a period of transition, in which the Portuguese electricity market is being deregulated and REN's role as a "single buyer" of electricity has terminated. The current regulatory scheme contemplates that the power purchase agreements with EDP – Gestão de Produção de Energia, S.A. (**EDP Produção**), Tejo Energia, S.A. (**Tejo Energia**) and Turbogás – Produtora Energética, S.A. (**Turbogás**) are to be terminated early with compensation to be paid to these parties. This compensation is intended to maintain a contractual balance between the parties and guarantee the generators the payment of revenues they would not receive under a market regime. However, REN has no right to compel the generators to terminate their power purchase agreements, and termination of these agreements will be subject to certain third party consents, including from their lenders, over which REN has no control. Currently, only EDP Produção has terminated its power purchase agreement, on 1 July 2007.

Until 1 July 2007 REN operated as a "single buyer" for the Portuguese Public Electric System. In this context, REN had to buy and sell all the energy needed for the System. As a result, REN could act as trader in the market as a way to optimise the assets under its management. To encourage REN's trading activities, the Regulator allowed the company to keep the equivalent of 50 per cent. of the gains realised through electricity trading activities. Since that date, the framework incentives to trade electricity has changed. The new framework set by ERSE to optimise the management and trading of the two remaining power purchase agreements allows REN (through REN Trading) to retain up to EUR 5,000,000 per year. If the power purchase agreements with Tejo Energia and Turbogás terminate, REN will cease to trade electricity and its activities in the electricity sector will be limited to acting as the operator of Portugal's national electricity transmission network (**RNT**). Accordingly, REN's revenues and profitability in the electricity sector will be entirely dependent upon its success in this role, which includes the construction, operation and maintenance of the RNT and also the technical management of the national electricity system.

The regulation of the natural gas industry in Portugal is changing significantly. Deregulation of the natural gas industry is at an early stage, and as a result it is more difficult for REN to assess the total potential effect of regulatory changes. REN can give no assurance that such regulatory changes will not have a material adverse effect on its business, financial condition, or results of operations.

REN may not be able to successfully execute its business strategy

REN's ability to successfully execute its business strategy depends on a number of factors, including its ability to achieve its objectives of focusing on regulated activities in Portugal, improving operating performance and quality of service, creating an integrated energy infrastructure platform, and optimising its capital structure.

These objectives may not be successful or fully executed. If REN fails to achieve these strategic objectives, its results of operations may decline adversely impacting its financial position. REN's ability to achieve these objectives is subject to a variety of risks, including the specific risks related to its current strategic plan.

The expiration or early termination of REN's concessions, permits or licences by the granting authorities may prevent REN from realising the full value of certain assets and cause REN to lose future profits without adequate compensation

REN conducts its electricity and gas businesses pursuant to concessions and licences granted by the Portuguese State and various municipalities respectively. REN's concession to operate the RNT has a term of 50 years from 15 June 2007, and REN's three natural gas concessions have each been granted for terms of 40 years from 26 September 2006. However, these concessions are subject to early termination under specified circumstances. These concessions include compensation systems geared to safeguard the recovery of REN's investments. The recovery of these investments is conditional upon the formulation and stability of the concession frameworks in the medium and long term. These are aspects that, in many cases, go beyond REN's control and management capacity. New social, political and economic standards may affect the stability of such frameworks, causing unexpected effects on REN's strategic business plans and compromising the return on long-term investments.

Moreover, failure to comply with the terms of a concession may result in the termination of that concession. The expiration or termination of concessions permits or licences would have a material adverse effect on REN's operating revenues. The expiration or termination of concessions, the intangible assets associated with REN's concessions will, in general, revert to the Portuguese State or relevant municipality, as appropriate. Although compensatory amounts should be paid to REN with respect to these assets in such circumstances, the loss of these assets would have a material adverse effect on its results of operations.

Upon the termination of certain of its power purchase agreements, REN will lose most of its revenues from trading electricity.

REN purchases all of the electricity produced in the two power plants whose power purchase agreements (PPAs) have not been terminated (Tejo Energia and Turbogás) and then sells the electricity in the Iberian electricity market (OMIE) or through bilateral contracts. From 1 January 2008, the Regulator published a set of rules (Despacho No. 11210/2008, dated 17 April 2008) establishing incentives for good management of the power purchase agreements and optimisation of the trade of the electricity produced by the power plants. These incentives allow REN to keep up to a maximum of EUR 5,000,000 per year.

Although the two PPAs (Tejo Energia and Turbogás) remained in effect after 1 July 2007, these agreements may be subject to early termination at anytime thereafter should the parties thereto so agree.

REN's historical results of operations may not reflect its future financial performance

Following the termination of all but two of REN's existing PPAs, its activities in the electricity sector are primarily limited to acting as the RNT operator, and REN has lost substantial amounts of revenues from trading electricity, which are included in its historical financial results.

As a result of the foregoing, the historical financial information contained herein does not necessarily reflect (i) what REN's financial position, results of operations and cash flows would have been had the PPAs not been in effect during the periods presented or (ii) what REN's financial position, results of operations and cash flows may be in the future. As a result, investors should not place undue reliance on REN's historical financial information as an indicator of future financial performance.

The tariffs REN charges for electricity transmission and for the natural gas regulated activities are based on a number of assumptions, which may prove incorrect

Until the end of 2008, the tariff schemes for the electricity and the natural gas sectors sought to provide REN with a pre-determined return on REN's average cost of capital, with any variation between projected return and actual return being corrected in the tariffs over the two following years. Although REN is compensated for the shortfall in actual return compared to projected return in future tariffs, the receipt of lower revenues

by REN adversely affects its cash flow as a result of the delay in receiving compensation for this difference. At the beginning of 2007, the obligation to buy renewable and co-generated electricity was transferred from REN to EDP-Serviço Universal, S.A. (the last resort supplier). However, REN maintains the obligation to manage the two remaining PPAs (Turbogás and Tejo Energia), selling their production in the market. Possible differences between projected and actual compensation for this activity may lead to significant tariffs deviations. REN can give no assurance that the estimates used in setting future tariffs will not prove to be incorrect, and any such incorrect estimates may have a material adverse effect on its business, financial condition and results of operations.

From the beginning of 2009, the regulatory scheme for the electricity transmission changed with the introduction of several incentives. The regulatory asset base (RAB) of the new investments is no longer based on actual investment costs but, instead, considers “standard costs” for each type of investment. Furthermore, the regulator defined a remuneration premium of 150 b.p. in addition to the remuneration applied to other electricity assets. In the electricity transmission activity, the revenue permitted by the regulator concerning the operational expenditures (OPEX) to operate and maintain the electricity grid is based on a “revenue-cap” formula (GDP Price Deflator rate minus “X”, where “X” is an applicable efficiency factor) accrued of the marginal OPEX resulting from the expansion of the network (length of transmission lines and number of circuit ends).

Under the new regulatory period 2010/2012, since 1 July 2010, the regulation of the natural gas sector introduced efficiency incentives. Tariffs continue to be set annually by the regulator based on ex-ante projections of demand, costs and investments. Remuneration in relation to the regulatory asset base is still based on a rate of return determined at the beginning of each regulatory period. However, the OPEX is based on a “revenue cap” formula (GDP Price Deflator rate minus “X” where, “X” is an applicable efficiency factor and OPEX induced by network expansion will be subject to a “price cap” formula (with growth limited to GDP Price Deflator rate minus “X”, where “X” is an applicable efficiency factor).

REN cannot guarantee that actual electricity investment costs will not exceed the corresponding “standard costs”. For both the electricity and gas sectors, REN cannot guarantee that actual OPEX will not exceed the corresponding revenue allowed pursuant to the regulations.

In addition, projected returns do not take into account disasters, accidents or failures by third-party suppliers to provide electricity or gas for transmission. To the extent that any such disasters, accidents or failures by third-party suppliers reduce the amount of electricity or gas transmitted through REN’s networks, REN’s revenues and cash flows could be adversely affected. Furthermore, any damage to REN’s electricity or gas concession assets could result in a devaluation of its regulated asset base according to which its allowed rate of return is calculated. If REN is not able to negotiate higher tariffs to compensate it for any devaluation of the regulated asset base, REN could experience lower revenues in the future, which could have an adverse effect on its business, financial condition and results of operations. Gas supply for transmission could also be subject to risks of contract fulfilment by counterparties.

Network construction project delays could adversely affect REN’s business, financial condition and results of operations

The large-scale network construction projects that REN undertakes present certain risks, such as shortages of materials and labour, increases in the cost of materials and labour, general factors affecting economic activity and borrowing, delays in obtaining regulatory approvals, including environmental permits, opposition to energy infrastructure development by political or other groups, expiration and/or renewal of existing rights in real property, malfeasance by REN’s contractors and subcontractors and disruptions, either resulting from adverse weather conditions or from unforeseeable technical or environmental problems. Any of these factors may cause delays in completion or commencement of operations of REN’s construction projects and may increase the cost of contemplated projects. An inability to recover the increased costs through higher tariffs on a timely basis could have an adverse effect on its business, financial condition and results of operations.

REN is subject to operational risks

In the ordinary course of its business REN is subject to certain operational risks, including interruption of service, errors, fraud by third parties, omissions, delays in providing services and risk management requirements. REN continually monitors these risks by means of, among other things, administrative and information systems and insurance coverage in respect of certain operational risks. Any failure in its risk management and control policies with respect to operational risks could have an adverse effect on its business, financial condition and results of operations.

This risk factor should not be taken to imply that REN will be unable to comply with its obligations as a company with securities admitted to the Official List.

REN could be adversely affected by a change in tax legislation and regulation and increased taxes or decreased tax benefits.

REN could be adversely affected by tax changes in Portugal or the European Union. REN has no control over such tax changes, or changes in interpretation of tax laws by any fiscal authority. Significant changes in tax legislation, or difficulty in implementing or complying with new tax legislation could have an adverse effect on REN's business, financial condition and results of operations.

The public may react negatively to periodic tariff readjustments

Adverse public reaction may result in pressure to restrict tariff increases. If Government action restricts tariff increases or reduces tariffs, and REN is not able to secure adequate compensation, its business, financial condition and results of operations could be adversely affected.

REN may have difficulty in hiring and retaining qualified personnel

REN intends to expand and develop its business and will need to hire additional employees in order to continue its expansion strategy. This strategy will require REN to recruit and promote additional executive management and technical personnel. The inability in the future to attract and retain sufficient technical and managerial personnel could limit or delay REN's network and associated infrastructure development efforts, which could have an adverse effect on its business, financial condition and results of operations.

REN may face labour disruptions that could interfere with its operations and business

Approximately 47 per cent. of the employees of REN are members of unions.

REN has established a committee of representatives of employees which meets with the board of directors approximately every three months to discuss and resolve any significant employment issues and REN believes that it maintains satisfactory working relationships with its employees. In spite of the above REN remains subject to the risk of labour disputes and adverse employee relations that could disrupt its business operations and adversely affect such operations, its business and its financial condition. REN has not experienced any significant labour disputes or work stoppages, but its existing labour agreements may not prevent a strike or work stoppage at any of its facilities in the future. Any such work stoppage could have an adverse effect on REN's business, financial condition and results of operations.

REN may incur future costs with respect to its defined benefit pension plan

REN – Rede Eléctrica Nacional, S.A. (**REN Rede Eléctrica**) grants its employees a supplementary retirement and survival plan. In order to address the costs of the supplementary retirement plan, REN Rede Eléctrica invests in an autonomous pension fund, managed by an independent managing entity, to which REN transfers all the liabilities and will pay the necessary contributions to cover the responsibilities arising

in each period. The liabilities and corresponding annual costs are determined through annual actuarial calculations, using the projected unit credit method, by an independent actuary.

The most critical risks relating to pensions accounting often relate to the returns on pension fund assets and the discount rate used to assess the present value of future payments. Pension liabilities can place pressure on cash flows. In particular, if REN Rede Eléctrica's pension fund is underfunded, REN may be required to make additional contributions to the fund, which could adversely affect its business, financial condition and results of operations.

REN's assets could be damaged by natural and man-made disasters and REN could face civil liabilities as a result thereof

REN's assets include electricity towers and transmission lines, gas pipelines, compression and natural gas storage facilities and related infrastructures, buildings, vehicles and other equipment. These assets could be damaged by fire, earthquakes, acts of terrorism, pipeline ruptures, gas explosions or damages caused by ships in the transport of natural gas and other natural and/or man-made disasters. While REN seeks to take precautions against such disasters, maintain disaster recovery strategies and/or purchase levels of insurance coverage that it regards as commercially appropriate, should any damage occur and be substantial, REN could incur losses and damages not recoverable under insurance policies in force, which could have an adverse effect on its business, financial condition and results of operations.

REN may also face civil liabilities or fines in the ordinary course of its business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in REN being required to make indemnification payments in accordance with applicable laws which may not be covered by its insurance policies. Such payments could have an adverse effect on its business, financial condition and results of operations.

REN is subject to the regime set out in the Directives of the European Parliament and of the Council in relation to the environmental liability, with regard to the prevention and remedying of environmental damage. Throughout its business, REN is exposed to environmental risks that create new and significant potential liabilities for costs, damages and losses caused to nature and to the natural heritage. As required by Portuguese law, REN maintains specific insurance to cover its environmental liability.

REN's operations are subject to extensive environmental regulation

REN is subject to extensive environmental regulation, which, among other things, raises the possibility of fines and civil litigation in the event of non-compliance and requires REN to perform environmental impact studies on future projects, to obtain regulatory licences, permits and other approvals and to comply with the requirements of such licences, permits and regulations. REN is subject to the risks that:

these environmental impact studies may not be approved by governmental authorities;

public opposition may result in delays or modifications to any proposed project; or

laws or regulations may change or be interpreted in a manner that increases REN's costs of compliance or adversely affects its operations or its plans for the companies in which it has an investment.

In recent years, environmental requirements have become stricter in Portugal. Although REN has been making the necessary investments to comply with this legislation, the future evolution of environmental regulation may have an adverse effect on its business, financial condition and results of operations.

REN's inability to comply with existing environmental regulations or requirements or changes in applicable environmental regulations or requirements may have an adverse effect on its business, financial condition and results of operations.

REN relies on expropriation and rights of way over land in building its networks and storage facilities.

In order to build or extend its electricity and natural gas transmission networks in Portugal, REN relies on governmental expropriation and rights of way over the land on which the network is to be constructed. This includes land used for transformers, switching stations and the towers of REN's overhead transmission lines and land used for natural gas pipelines, dispatching centres, operation and maintenance centres and pipeline stations, as well as the necessary permits for the development of new salt cavity underground storage caverns. Objections by landowners and environmental and other groups may prevent REN from obtaining necessary expropriation or rights of way over the land, which may cause the process to be more expensive and may cause delays, any of which could adversely affect the expansion and upgrading of REN's electricity and natural gas transmission networks.

Increases in interest rates and the lack of financing on favourable terms could have a material adverse effect on REN's business, financial condition and results of operations

REN can use floating rate instruments to finance its operations. REN can give no assurance about the availability of financing methods or the conditions under which it may be able to secure funding. If interest rates increase more than REN anticipates, or if obtaining new financing proves more expensive than in the past (for example due to a downgrade in REN's credit ratings), its business, financial condition and results of operations may be adversely affected.

To the extent REN has not hedged its exposure to adverse changes in interest rates, such changes could have an adverse effect on its business, financial condition and results of operations.

REN may not be able to finance its planned capital expenditures

REN's business activities require significant capital expenditures. REN expects to finance a substantial part of these capital expenditures out of cash flow from its operating activities. If REN's operations do not generate sufficient cash flow, however, it may have to finance more of its planned capital expenditures from outside sources, including bank borrowings and offerings in the capital markets. No assurance can be given that REN will be able to raise the financings required for its planned capital expenditures on acceptable terms or at all. If REN is unable to raise the necessary financing, REN may have to reduce its planned capital expenditures. Any such reduction could adversely affect its business, financial condition and results of operations.

Reductions in REN's credit ratings would increase the cost of borrowing funds and make the ability to raise new funds or renew maturing debt more difficult.

REN's ability to compete successfully in the marketplace for funding depends on various factors, including financial stability as reflected by the operating results and credit ratings by internationally recognised credit agencies. As a result, a downgrade in credit ratings may impact its ability to raise funding, and could adversely affect its business, financial condition and results of operations.

REN is a party to certain litigation

REN is or has been subject in the ordinary course of its activities to a number of claims relating to its business and it may be subject to further claims in the future. In addition, REN is party to a number of other disputes which REN does not consider to have a significant negative impact on the Group. REN cannot assure that it will prevail in these disputes, or any future disputes, and an adverse decision could have a material adverse effect on its business, financial condition and results of operations.

Part of REN's real estate assets have not been registered in the land registry

REN Rede Eléctrica owns approximately 820 real estate assets of which approximately 440 are registered with the land registry and the tax department.

REN Gasodutos, S.A. (**REN Gasodutos**) owns approximately 424 real estate assets of which approximately 220 are registered with the land registry and the tax department.

REN Armazenagem, S.A. (**REN Armazenagem**) owns approximately 64 real estate assets of which approximately 61 are registered with the land registry and the tax department.

Although registration is not compulsory, the interests subject to registration are not opposable to third parties unless they are registered. Furthermore, there is a legal presumption that the land registry is correct and no rights over real estate may be transferred to third parties if they are not registered in REN's name.

Consequently, if the entities in whose name the real estate assets are currently registered were to sell or encumber those properties to third parties acting in good faith and the latter registers them in the real estate register prior to REN's doing so, they would become the lawful owners of such real estate or encumbrances.

Certain liabilities attached to REN's gas assets have not formally been undertaken by Transgás

Both the promissory agreement and the notarial deed of partial assignment of the commercial establishment as a going concern pursuant to which REN acquired its regulated gas assets from Transgás, do not specify which party is liable in relation to pending litigation regarding its regulated gas assets. However, REN is aware of a number of related judicial proceedings but has not been provided with an assessment of the nature, extent, implications and amount of such judicial proceedings. Further to negotiation, Transgás has informally accepted those liabilities, because in practice they have continued to assume all the consequences of those judicial proceedings.

REN may face public opposition or lack of public support from communities established in the vicinities of existing and/or projected electricity and natural gas transmission networks

If the communities established in the vicinities of existing and/or projected electricity and natural gas transmission networks were to mobilise against existing transmission networks and/or against the construction of new transmission networks or mount legal challenges to the maintenance of existing transmission networks or the construction of new transmission networks, REN may find it to be more difficult, or even impossible, to maintain and/or obtain all necessary licences, permits and/or authorisations necessary to the maintenance and/or construction of such transmission networks, which could have a material adverse effect on REN's business, financial condition or results of operations.

REN has been in the past, and might be in the future, subject to local communities' mobilisation against the construction of new transmission networks. Some of these mobilisations have evolved into legal proceedings that are still pending and that have stalled the construction of some of REN's projected transmission networks. These circumstances can have a material adverse effect on REN's business, financial condition or results of operations.

REN's business and activities may be exposed to the potential impact of the IMF/Eurozone Stabilisation Programme

In May 2011, the previous Portuguese government, with the support of the main Portuguese political parties, agreed to the IMF/Eurozone Stabilisation Programme (the "Stabilisation Programme"). The Stabilisation Programme is expected to provide significant financial support of EUR 78 billion over a three-year period in the form of a cooperative package of IMF and EU funding. On 10 May 2011, the European Commission approved the Stabilisation Programme and on 16 May 2011, EU finance ministers approved it too. The

funding is subject to quarterly reviews for the duration of the Stabilisation Programme to ensure that the conditions of the Stabilisation Programme are being met.

As part of the Stabilisation Programme, the Portuguese government has committed to implement measures to decrease expenses and increase revenues that could potentially reduce the public sector deficit below 5.9 per cent. of GDP in 2011, to below 4.5 per cent. of GDP in 2012 and to below 3.0 per cent. of GDP in 2013. The Stabilisation Programme is intended to put the government debt to GDP ratio on a downward path as of 2013, maintain fiscal consolidation in the medium-term up to a balanced budgetary position, notably by containing growth in expenditure, and support competitiveness by means of a budget-neutral adjustment of the tax structure.

For these purposes, the Stabilisation Programme aims at tackling structural problems so as to boost the country's competitiveness and improve Portugal's growth rates in the medium term with a view to repaying the country's debt burden. Specifically, the Stabilisation Programme includes measures intended to (i) increase revenues, in part through the increase of tax rates for goods and services; (ii) improve the flexibility of the labour market; (iii) reduce the level of pensions for certain government employees; and (iv) improve the competitiveness of Portuguese goods and services. Despite the implementation of the above measures and the Portuguese government's commitment to implement the Stabilisation Programme, there can be no guarantee regarding the extent to which the programme's fiscal targets will be met or the impact of the programme's austerity measures on economic activity. The implementation of structural reforms may meet considerable opposition from labour unions and the general public in Portugal, which could put pressure on the future Portuguese government's ability to meet the requirements of such measures. In addition, the Stabilisation Programme could have a material adverse effect on the Portuguese economy, at least in the short term, which in turn might have an impact on REN and/or on REN's business and activities directly or indirectly through the impact on the Portuguese Republic as a whole.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features.

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all, or a substantial portion of, their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes.

Partly paid Notes

The Issuer may issue Notes when the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a

floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

Save for the form (*representação formal*) and transfer of the Notes, the creation (if any) of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, which are governed by Portuguese law in effect as at the date of this Base Prospectus, the terms and conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English or, as the case may be, Portuguese law or administrative practice after the date of this Base Prospectus.

Risks related to withholding tax

Under Portuguese tax law, interest and other types of investment income derived from Notes issued by Portuguese resident entities are generally subject to Portuguese domestic withholding tax, currently assessed at the rate of 25 per cent. irrespective of the beneficiaries being resident or non-resident, corporate or individual investors. However, in the case of resident entities, as well as for non-resident investors holding a Portuguese permanent establishment to which the income is allocated, such withholding tax rate is withheld on account of the final income tax due, while in the case of non-residents without a Portuguese permanent establishment to which the income is allocated, such withholding tax will be deemed as final, unless a withholding tax exemption applies.

Interest and other types of investment income paid or made available to accounts opened in the name of one or several accountholders acting on behalf of undisclosed third parties is subject to a withholding tax rate of 30 per cent., except where the beneficial owner(s) of such income is/are disclosed, in which case the general rules will apply.

Notwithstanding the above, said non-resident investors (both individual and corporate) without a Portuguese permanent establishment to which the income may be attributable, eligible for the debt securities special tax exemption regime which was approved by Decree-Law No. 193/2005, of 7 November (Decree-Law 193/2005), as amended from time to time, may benefit from an upfront withholding tax exemption, provided that certain formal procedures and requirements are met (see “Taxation – Taxation in Portugal and eligibility for the Portuguese debt securities tax exemption regime”, for these formal procedures and certification requirements). Failure to comply with these procedures and certifications will result in the application of the standard Portuguese domestic withholding rate of 25 per cent., (or the withholding tax rate of 30 per cent.)

or, when applicable, in the application of reduced withholding tax rates, pursuant to tax treaties signed by Portugal, provided that the formal procedures and certification requirements established by the relevant treaties are complied with (see “Taxation – Taxation in Portugal and eligibility for the Portuguese debt securities tax exemption regime”).

Risks related to procedures for collection of Noteholders’ details

It is expected that the direct registering entities, the participants and the clearing systems will follow certain procedures to facilitate the collection from the Noteholders of the information referred to in “Risks related to withholding tax” above required to comply with the procedures and certifications required by Decree-Law 193/2005. Under the Decree-Law 193/2005, the obligation of collecting from the Noteholders proof of their non-Portuguese resident status and of the compliance with the other requirements for the exemption rests with the direct registering entities, the participants and the entities managing the international clearing systems. A summary of those procedures is also set out in “Taxation – Taxation in Portugal and eligibility for the Portuguese debt securities tax exemption regime”. Such procedures may be revised from time to time in accordance with applicable Portuguese laws and regulations, further to clarifications from the Portuguese tax authorities regarding such laws and regulations and the operational procedures of the clearing systems. While the Notes are registered by Interbolsa, Noteholders must rely on such procedures in order to receive payments under the Notes free of any withholding, if applicable.

Noteholders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes. None of the Issuer, the Dealers, the Agent or the clearing systems assumes any responsibility.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented amend or broaden the scope of the requirements described above.

Portugal has implemented the above Directive on taxation of savings income into Portuguese law through Decree-Law No. 62/2005, of 11 March, as amended by subsequent laws. If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, nor any Paying Agent, nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including uncertainty of macroeconomic climate, liquidity risk, exchange rate risk, interest rate risk and credit risk:

The uncertainty of the macroeconomic climate

The global economy and the global financial system have experienced a period of significant turbulence and uncertainty, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain EU countries. In addition, recent downgrades of the sovereign debt of Greece, Portugal, Spain, France and Italy (amongst others) have caused further volatility in the capital markets. This market dislocation has also been accompanied by recessionary conditions and trends in many economies throughout the EU, including Portugal.

REN is not able to predict how the economic cycle is likely to develop in the short term or the coming years or whether there will be a further deterioration in this recessive phase of the global and Portuguese economic cycle. Any further deterioration or continuation of the current economic situation in Portugal could have a negative impact on the business, prospects, financial condition and results of operations of the Issuer.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the *Investor's Currency*) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation) from using credit ratings for regulatory purposes, unless such ratings are issued by a

credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified ratings agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in the "*Recent Developments*" of this Prospectus and will be disclosed in the Final Terms.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the UK Listing Authority shall be incorporated in, and form part of, this Base Prospectus:

- (a) a direct and accurate English translation of the unaudited consolidated financial statements and notes to the consolidated financial statements contained on pages 9 to 50 of the consolidated 1st quarter 2012 report and accounts of the Issuer and its subsidiaries for the three month period ended on 31 March 2012;
- (b) a direct and accurate English translation of (i) the audited consolidated financial statements and notes to the consolidated financial statements contained on pages 292 to 372 of the audited consolidated annual report and accounts for the financial year ended 31 December 2011; and (ii) the auditors report in respect of the consolidated financial information contained on pages 419 to 420 of the audited consolidated annual report and accounts of the Group for the financial year ended 31 December 2011;
- (c) a direct and accurate English translation of (i) the audited consolidated financial statements and notes to the consolidated financial statements contained on pages 75 to 130 of the audited consolidated annual report and accounts for the financial year ended 31 December 2010; and (ii) the auditors report in relation to the consolidated financial information contained on pages 160 to 161 of the audited consolidated annual report and accounts of the Group for the financial year ended 31 December 2010; and
- (d) the Terms and Conditions of the Notes contained in the Base Prospectus dated 9 September 2008, pages 34 to 52 (inclusive), the Base Prospectus dated 27 October 2009, pages 35 to 53 (inclusive), the Base Prospectus dated 9 November 2010, pages 33 to 51 (inclusive) and the Base Prospectus dated 22 December 2011, pages 42 to 63 (inclusive) prepared by the Issuer in connection with the Programme.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are covered elsewhere in the Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified offices of the Agent and the Paying Agent for the time being in Lisbon.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES, CLEARING SYSTEMS, EXERCISE OF RIGHTS AND LISTING

Form of the Notes

Notes to be issued under the Programme will be represented in dematerialised book-entry form (*forma escritural*) and can be either *nominativas* (in which case Interbolsa, at the Issuer's request, can ask the Affiliate Members of Interbolsa information regarding the identity of the Noteholders and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders).

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC (the **Prospectus Directive**) will be EUR 1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

The Notes will be tradable in integral multiples of their denomination and will be held through the accounts of affiliate members of the Portuguese central securities depository and the manager of the Portuguese settlement system *Interbolsa Sociedade Gestora de Sistemas de Liquidação de Sistemas Centralizados de Valores Mobiliários, S.A. (Interbolsa)*, as operator and manager of CVM (*Central de Valores Mobiliários*).

Clearing and Settlement

CVM is the centralised system (*sistema centralizado*) for the registration and control of securities in Portugal, (the **Book-Entry Registry** and each entry a **Book-Entry**). CVM is composed of interconnected securities accounts, through which securities (and inherent rights) are created, held and transferred. This allows Interbolsa to control the amount of securities created, held and transferred. Issuers of securities, financial intermediaries which are Affiliate Members (Direct Registration Entities) of Interbolsa (as defined below) and the Bank of Portugal, all participate in this centralised system.

CVM provides for all the procedures which allow the owners of securities to exercise their rights.

In relation to each issue of securities, CVM comprises *inter alia*, (a) the issue account, opened by the relevant issuer in CVM and which reflects the full amount of securities issued; (b) the individual accounts, opened in the Affiliate Members of Interbolsa (as defined below) by their respective customers; and (c) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect, at all times, the aggregate nominal amount of securities held in the individual securities accounts opened by holders of securities with each of the Affiliate Members of Interbolsa.

Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Notes shall be treated as the holder of the principal amount of the Notes recorded.

The expression **Affiliate Member of Interbolsa** means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of Noteholders and includes any depository banks appointed by Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) for the purposes of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Notes registered with Interbolsa will be attributed an International Securities Identification Number (**ISIN**) code through Interbolsa's codification system and will be accepted for registration and clearing through the system operated at Interbolsa and settled by Interbolsa's settlement system.

Exercise of Financial Rights

Payment of principal and interest in respect of the Notes will be subject to Portuguese laws and regulations, notably the regulations from time to time issued and applied by the *Comissão do Mercado de Valores Mobiliários* (the Portuguese Securities Market Commission) and Interbolsa.

The Issuer must give Interbolsa advance notice of all payments and provide all necessary information for that purpose, notably the identity of the financial intermediary integrated in Interbolsa appointed by the Issuer to act as the paying agent in respect of the Notes responsible for the relevant payment.

Prior to any payment such paying agent shall provide Interbolsa with a statement of acceptance of its role of Paying Agent.

Interbolsa must notify such paying agent of the amounts to be settled, which will be determined by Interbolsa on the basis of the account balances of the accounts of the Affiliate Members of Interbolsa.

On the date on which any payment in respect of the Notes is to be made, the corresponding entries and counter-entries will be made by Interbolsa (i) in the Bank of Portugal current accounts held by such paying agent and by the Affiliate Members of Interbolsa in the case of payments in euro or (ii) in the CGD current accounts held by such paying agent and by the Affiliate Members of Interbolsa in the case of payments in currencies acceptable by Interbolsa other than euro.

Whilst the Notes are held through Interbolsa, payment of principal and interest in respect of the Notes will be (i) **if made in euro** (a) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current accounts used by the Affiliate Members of Interbolsa for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; or (ii) **if made in currencies other than euro** (a) transferred, on the payment date and according to the procedures and regulations of Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa to the relevant accounts of the relevant Affiliate Members of Interbolsa and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the beneficial owners of Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

Listing

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer and the Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than EUR 100,000 (or its equivalent in another currency).

[Date]

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

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the EUR 5,000,000,000 Euro Medium Term Note Programme

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 34 of Part A below, provided such person is one of the persons mentioned in Paragraph 34 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression **Prospectus Directive** means Directive 2003/71/EC [(and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.]]¹.

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression **Prospectus Directive** means Directive 2003/71/EC [(and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any

¹ Consider including this legend where a non-exempt offer of Notes is anticipated. The definition of "Prospectus Directive" does not include the 2010 PD Amending Directive throughout the rest of this document.

relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.]]².

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the Conditions) set forth in the Base Prospectus dated [●] 2012 [and the supplement to the Base Prospectus dated [●] (the Supplement) which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [and the Supplement]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms [and] the Base Prospectus [and the Supplement]. The Base Prospectus [and the Supplement] [is/are] available for viewing [at [website]] [and] during normal business hours at REN – Redes Energéticas Nacionais, SGPS, S.A., Avenida Estados Unidos da América, 55 1749-061 Lisbon [and copies may be obtained from [address]].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus dated [original date] [which are incorporated by reference in the Base Prospectus dated [current date] and are attached hereto]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated [●] 2012 [and the supplement to the Base Prospectus dated [●] (the **Supplement**)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, and the Base Prospectus dated [●] 2012 [, the Supplement]. Copies of such Base Prospectus are available for viewing [at [website]] [and] during normal business hours at REN – Redes Energéticas Nacionais, SGPS, S.A., Avenida Estados Unidos da América, 55 1749-061 Lisbon [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

- | | | | |
|----|-----|-----------------------------------|--|
| 1. | (a) | Issuer: | REN – Redes Energéticas Nacionais, SGPS, S.A. |
| 2. | (a) | Series Number: | [] |
| | (b) | Tranche Number: | []
<i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)</i> |
| 3. | | Specified Currency or Currencies: | [] ³ |

² Consider including this legend where only an exempt offer of Notes is anticipated. The definition of "Prospectus Directive" does not include the 2010 PD Amending Directive throughout the rest of this document.

³ For the time being, Interbolsa will only settle and clear Notes denominated in euro, U.S. dollars, Sterling, Japanese yen, Swiss francs, Australian dollars and Canadian dollars.

4. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. Specified Denominations: []
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €[1,000] minimum denomination is not required.)*
- (N.B. Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date:⁴ [Fixed rate - specify date/
Floating rate - Interest Payment Date falling in or nearest to *[specify month and year]*]
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)

⁴ Notes to have a maturity of one year or more.

10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: Senior
- (b) [Date [Board] approval for issuance of Notes obtained: []
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]
(If payable other than annually, consider amending Condition 5 (Interest))
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]
(N.B. This will need to be amended in the case of long or short coupons)

- (c) Fixed Coupon Amount(s): [] per []
- (d) Broken Amount(s): [] per [], payable on the Interest Payment Date falling [in/on] []
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (f) [Determination Date(s): [] in each year
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration
N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: []
- (b) First Interest Payment Date []
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]]
- (d) Additional Business Centre(s): []
- (e) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []

- (g) Screen Rate Determination:
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)
- Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (h) ISDA Determination:
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)
 Actual/365 (Fixed)
 Actual/365 (Sterling)
 Actual/360
 30/360
 30E/360
 30E/360 (ISDA)
 Other]
(See Condition 5 (Interest) for alternatives)

- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: per cent. per annum
- (b) Reference Price:
- (c) Any other formula/basis of determining amount payable:
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.5 and 7.10 apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (e) Specified Period(s)/Specified Interest Payment Dates:

- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
- (g) Additional Business Centre(s): []
- (h) Minimum Rate of Interest: [] per cent. per annum
- (i) Maximum Rate of Interest: [] per cent. per annum
- (j) Day Count Fraction: []
19. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per []/*specify other/see Appendix*]

- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []
- (d) Notice period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

21. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per []/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

22. Final Redemption Amount: [[] per []/specify other/see Appendix]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): per /specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
- (a) Form: Book-entry form held through Interbolsa:
[Nominativas]
[Ao portador]
- (b) New Global Note: No
25. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]
(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(d) and 18(g) relate)
26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details.]
27. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
28. Redenomination applicable: Redenomination [not] applicable
[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))][(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]
29. Other final terms: [Not Applicable/give details]

(Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.)

DISTRIBUTION

30. (a) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names, addresses and underwriting commitments]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (b) Date of [Subscription] Agreement: []
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name]
31. If non-syndicated, name and address of relevant Dealer: [Not Applicable/give name and address]
32. Total commission and concession: [] per cent. of the Aggregate Nominal Amount
33. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA C applies/TEFRA not applicable]
34. Non exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by the Managers") or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Managers, the **Financial Intermediaries**) other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) - which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)] (**Public Offer Jurisdictions**) during the period from [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] (**Offer Period**). See further Paragraph 10 of Part B below.

(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)

35. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)*]] of the Notes described herein] pursuant to the EUR 5,000,000,000 Euro Medium Term Note Programme of REN – Redes Energéticas Nacionais, SGPS, S.A..

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of **REN – Redes Energéticas Nacionais, SGPS, S.A.**

By:
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended). [As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No 1060/2009 (as amended). [Insert the

legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). However, [*insert the legal name of the relevant credit rating agency entity that applied for registration*], which is established in the European Union and registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*]].

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the European Union, but it is certified in accordance with such Regulation (EC) No. 1060/2009, as amended.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - *Amend as appropriate if there are other interests*]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer []

(See ["Use of Proceeds"] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

(ii) Estimated net proceeds:

[]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[]

(iii) Estimated total expenses:

[Expenses are required to be broken down into each

principal intended "use" and presented in order of priority of such "uses".]
(N.B.: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: []

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index-linked Notes only*)

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

8. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*)

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and

comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

(N.B. The requirement below only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

9. OPERATIONAL INFORMATION

- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Interbolsa-Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): []
- [(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
- [Note that the designation “yes” simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity as a securities settlement system, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.][Include this text if “yes” selected].

10. TERMS AND CONDITIONS OF THE OFFER

- Offer Price: [Issue Price/Not applicable/*specify*]
- [Conditions to which the offer is subject:] [Not applicable/*give details*]
- [Description of the application process:] [Not applicable/*give details*]

[Details of the minimum and/or maximum amount of application]:	[Not applicable/ <i>give details</i>]
[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]:	[Not applicable/ <i>give details</i>]
[Details of the method and time limits for paying up and delivering the Notes:]	[Not applicable/ <i>give details</i>]
[Manner in and date on which results of the offer are to be made public:]	[Not applicable/ <i>give details</i>]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not applicable/ <i>give details</i>]
[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:]	[Not applicable/ <i>give details</i>]
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[Not applicable/ <i>give details</i>]
[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[Not applicable/ <i>give details</i>]
[Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.]	[None/ <i>give details</i>]

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 100,000 (or its equivalent in another currency).

[Date]

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

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EUR 5,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus dated [●] 2012 [and the supplement to the Base Prospectus dated [●] (the **Supplement**)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [and the Supplement]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms [and] the Base Prospectus [and the Supplement]. The Base Prospectus [and the Supplement] [is/are] available for viewing [at [website]] [and] during normal business hours at REN – Redes Energéticas Nacionais, SGPS, S.A., Avenida Estados Unidos da América, 55 1749-061 Lisbon [and copies may be obtained from [address]].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus dated [original date] [which are incorporated by reference in the Base Prospectus dated [current date] and are attached hereto]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated [●] 2012 [and the supplement to the Base Prospectus dated [●] (the **Supplement**)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive., Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Base Prospectus dated [●] 2012 [, the Supplement]. Copies of such Base Prospectuses are available for viewing [at [website]] [and] during normal business hours at REN – Redes Energéticas Nacionais, SGPS, S.A., Avenida Estados Unidos da América, 55 1749-061 Lisbon [and copies may be obtained from [address]].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

1. Issuer: REN – Redes Energéticas Nacionais, SGPS, S.A.
2. (a) Series Number: []

(b) Tranche Number: []

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)

3. Specified Currency or Currencies: []**

4. Aggregate Nominal Amount:

(a) Series: []

(b) Tranche: []

5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]

6. Specified Denominations: []

(N.B. Following the entry into force of the 2010 PD Amending Directive on 31 December 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1 July 2012) must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)

(Note – where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:

"€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.")

(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the EUR 100,000 minimum denomination is not required.)

** For the time being, Interbolsa will only settle and clear Notes denominated in euro, U.S. dollars, Sterling, Japanese yen, Swiss francs, Australian dollars and Canadian dollars.

7. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8. Maturity Date*** [Fixed rate – specify date/
Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR/other] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
(*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: Senior
- (b) [Date [Board] approval for [] issuance of Notes obtained:
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs*)

*** Notes to have a maturity of one year or more.

of this paragraph)

- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]
(If payable other than annually, consider amending Condition 5 (Interest))
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]
(N.B. This will need to be amended in the case of long or short coupons)
- (c) Fixed Coupon Amount(s): [] per []
- (d) Broken Amount(s): [] per [], payable on the Interest Payment Date falling [in/on] []
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (f) [Determination Date(s): [] in each year
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration
N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]

16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates: []
- (b) First Interest Payment Date []
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (d) Additional Business Centre(s): []
- (e) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (f) Party responsible for calculating []

the Rate of Interest and Interest Amount (if not the Agent):

(g) Screen Rate Determination:

Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)

Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

(h) ISDA Determination:

Floating Rate Option: []

Designated Maturity: []

Reset Date: []

(i) Margin(s): [+/-] [] per cent. per annum

(j) Minimum Rate of Interest: [] per cent. per annum

(k) Maximum Rate of Interest: [] per cent. per annum

(l) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition 5 (Interest) for alternatives)

(m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []

17. Zero Coupon Note Provisions

[Applicable/Not Applicable]
(if not applicable, delete the remaining subparagraphs of this paragraph)

(a) Accrual Yield: [] per cent. per annum

- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.5 and 7.10 apply/specify other] (Consider applicable day count fraction if not dollar denominated) US.
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
- (a) Index/Formula: *[give or annex details]*
- (b) Calculation Agent: *[give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]*
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): []
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (e) Specified Period(s)/Specified Interest Payment Dates: []
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s): []
- (h) Minimum Rate of Interest: [] per cent. per annum
- (i) Maximum Rate of Interest: [] per cent. per annum
- (j) Day Count Fraction: []
19. Dual Currency Interest Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] Per []/specify other/see Appendix]
- (c) If redeemable in part:
 - (i) Minimum Redemption Amount: []
 - (ii) Maximum Redemption Amount: []
- (d) Notice period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

21. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] Per [] / specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): []
- (N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22. Final Redemption Amount: [[] Per [] / specify other/ see Appendix]
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): [[] Per [] / specify other /see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
- (a) Form: Book-entry form held through Interbolsa:
[Nominativas]
[Ao portador]
- (b) New Global Note: No
25. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]
(Note that this paragraph relates to the place of payment and not Interest Period end dates to which subparagraphs 16(d) and 18(g) relate)

26. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
27. Redenomination applicable: Redenomination [not] applicable
 [(if Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))][(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]
28. Other final terms: [Not Applicable/give details]
 (Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers)

DISTRIBUTION

29. (a) If syndicated, names of Managers: [Not Applicable/give names]
 (If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers)
- (b) [Date of Agreement] [Subscription] []
 (The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)]
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name]
30. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
31. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA C applies/TEFRA not applicable]
32. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market

or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] of the Notes described herein pursuant to the EUR 5,000,000,000 Euro Medium Term Note Programme of REN – Redes Energéticas Nacionais, SGPS, S.A.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source].] The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **REN – Redes Energéticas Nacionais, SGPS, S.A.**

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading [[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)*] with effect from [].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)*] with effect from [].] [Not Applicable.]]
- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].]
(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

[[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended). [As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). However, [insert the legal name of the relevant credit rating agency entity that applied for registration], which is established in the European Union and registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [insert the legal name of the relevant non-EU credit rating agency entity]].

[[Insert legal name of particular credit rating agency entity providing rating] is not established in the European Union, but it is certified in accordance with such Regulation (EC) No. 1060/2009, as amended.]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – Amend as appropriate if there are other interests]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer []

[(ii) Estimated net proceeds: []

[(iii) Estimated total expenses: []]

(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)]

5. YIELD (FIXED RATE NOTES ONLY) INDICATION OF YIELD: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING (INDEX-LINKED NOTES ONLY)

[Need to include details of where past and future performance and volatility of the index/ formula can be obtained.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

7. PERFORMANCE OF RATE[S] OF EXCHANGE (DUAL CURRENCY NOTES ONLY)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

8. OPERATIONAL INFORMATION

- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Interbolsa-Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): []
- (vi) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
- [Note that the designation “yes” simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity as a securities settlement system, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility

criteria.][Include this text if “yes” selected].

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be applicable to each Note (as defined below) and agreed by the Issuer and the relevant Dealer at the time of issue. The applicable Final Terms in relation to any Tranche of Notes will supplement the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be applicable to each Note. Reference should be made to “Form of Final Terms” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

Each Note is one of a Series (as defined below) of Notes issued by REN-Redes Energéticas Nacionais, SGPS, S.A. (the **Issuer**) in accordance with the Agency Agreement (as defined below).

References herein to the Notes shall be references to the Notes of this Series and shall mean the book-entries representing the Notes while held in Interbolsa (as defined below) corresponding to the units of the lowest Specified Denomination in the Specified Currency.

The Notes have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 26 June 2012 and made and agreed between the Issuer, Caixa – Banco de Investimento, S.A. (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for each Note (or the relevant provisions thereof) supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, supplement these Terms and Conditions for the purposes of such Note. References to the applicable Final Terms are to Part A of the Final Terms (or the relevant provisions thereof).

Any reference to holders of Notes or Noteholders shall mean the persons in whose name the Notes are registered in the individual securities account held with an Affiliate Member of Interbolsa in accordance with Portuguese law and the relevant Interbolsa procedures and, for the purposes of Condition 8 (Taxation), the effective beneficiary of the income attributable thereto.

As used herein, Tranche means Notes which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates, interest rates and/or Issue Prices.

Copies of the Agency Agreement are available for inspection during normal business hours at the specified office of the Agent. Copies of the applicable Final Terms are obtainable during normal business hours at the specified office of the Agent save that, if the Notes are unlisted, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of such Notes and identity. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

The Notes are held through Interbolsa in book entry form (*forma escritural*) and can either be nominativas (in which case Interbolsa, at the Issuer's request, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Noteholders and transmit such information to the Issuer) or ao portador (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders), and title to the Notes is evidenced by registration in the relevant individual securities accounts held with an Affiliate Member of Interbolsa in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of the Notes. Each person shown in the relevant individual securities accounts held with an Affiliate Member of Interbolsa as having an interest in Notes shall be treated as the holder of the principal amount of the Notes recorded therein.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index Linked Interest Notes, Index Linked Redemption Notes, Dual Currency Interest Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

The Notes may be Index Linked Redemption Notes, Instalment Notes, Dual Currency Redemption Notes, Partly Paid Notes or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Terms applicable to other types and structures of Notes that the Issuer and any Dealer(s) may agree to issue will be set out in the applicable Final Terms.

The Notes to be issued on or after the date hereof will be issued in a denomination specified in the relevant Final Terms, provided that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR 1,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

2. TRANSFERS OF NOTES

The transferability of the Notes is not restricted.

Subject as set out below, title to Notes will pass upon registration of transfers in the relevant individual securities accounts held with an Affiliate Member of Interbolsa in accordance with the provisions of the Portuguese Securities Code and the relevant procedures of Interbolsa. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue) for all purposes.

Notes may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Note. No holder of a Note will be able to transfer such Note, except in accordance with Portuguese law and with the applicable procedures of Interbolsa.

Any reference herein to Interbolsa, Euroclear or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. The holders of Notes will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS OF THE NOTES

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured (subject to the provisions of Condition 4) and unsubordinated obligations of the Issuer from time to time outstanding.

4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding the Issuer will not create, save by operation of law, or have outstanding any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) other than any Permitted Security, as defined below, upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by the Issuer under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement).

In these Terms and Conditions:

Relevant Indebtedness means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities (not including for the avoidance of doubt, preference shares or other equity securities) which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness.

Permitted Security means:

- (i) in the case of a consolidation or merger of REN with or into another company (the **Combining Company**) any Security Interest over assets of REN if it is the surviving company or the company (if other than REN) surviving or formed by such consolidation or merger provided that: (i) such Security Interest was created by the Combining Company over assets owned by it, (ii) such Security Interest is existing at the time of such consolidation or merger, (iii) such Security Interest was not created in contemplation of such consolidation or merger and (iv) the amount secured by such Security Interest is not increased thereafter; or
- (ii) any Security Interest on or with respect to assets (including but not limited to receivables) of the Issuer which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the indebtedness secured by such Security Interest or the indebtedness in respect of any guarantee or indemnity which is secured by such Security Interest is limited to the value of such assets; or
- (iii) any Security Interest securing any indebtedness incurred in relation to any asset for the purpose of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/ or such asset (or any derivative asset thereof) and/or the shares held in such project borrower.

5. INTEREST

5.1 *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

In these Terms and Conditions, Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Terms and Conditions, Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (i) if Actual/Actual (ICMA) is specified in the applicable Final Terms:
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - 1. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - 2. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if 30/360 is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 *Interest on Floating Rate Notes and Index Linked Interest Notes*

(A) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an Interest Payment Date) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) in any case where Specified Periods are specified in accordance with Condition 5.2(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, **Business Day** means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Lisbon and any Additional Business Centre(s)) and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the TARGET2 System) is open.

(B) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Notes:

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this Condition, ISDA Rate for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

1. the Floating Rate Option is as specified in the applicable Final Terms;
2. the Designated Maturity is the period specified in the applicable Final Terms; and
3. the relevant Reset Date is either (A) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period, or (B) in any other case, as specified in the applicable Final Terms.

For the purposes of this Condition 5.2(B), Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes:

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

1. the offered quotation; or
2. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) or, as applicable, the relevant Calculation Agent, of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(C) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.2 above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.2 above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(D) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Calculation Agent, if any, will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, will calculate the amount of interest payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination (each an Interest Amount) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Day Count Fraction means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if Actual/Actual (ISDA) or Actual/Actual is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if Actual/365 (Fixed) is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if Actual/365 (Sterling) is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if Actual/360 is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if 30/360, 360/360 or Bond Basis is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

- (vi) if 30E/360 or Eurobond Basis is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction where:} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

- (vii) if 30E/360 (ISDA) is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction where:} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and in which case D_2 will be 30.

(E) *Notification of Rate of Interest and Interest Amounts*

The Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any Stock Exchange or other relevant competent listing authority or quotation system on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed, quoted and/or traded (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 12 (Notices) as soon as possible after their determination but in no event later than the fourth Lisbon Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to each Stock Exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing or trading and to the holders of Notes in accordance with Condition 12 (Notices). For the purposes of this paragraph, the expression Lisbon Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Lisbon.

(F) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all holders of Notes and (in the absence of wilful default or bad faith) no liability to the Issuer or the holders of Notes shall attach to the Agent or, if applicable, the Calculation Agent, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

5.4 *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the holders of Notes in accordance with Condition 12 (Notices).

6. PAYMENTS

6.1 *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (iii) payments in US dollars will be made by a transfer to a US dollar account maintained by the payee with a bank outside the United States (which expression as used in this Condition 6 (Payments), means the United States of America which includes the States, and the District of Columbia, and its possessions or by cheque drawn on a US bank. In no event will payment be made by a cheque mailed to an address in the United States. All payments of interest will be made to accounts outside the United States except as may be permitted by US tax law in effect at the time of such payment without detriment to the Issuer. Payments will be subject in all cases to any clearing system regulations, fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (Taxation).

6.2 *Payments in relation to Notes held through Interbolsa*

Payments of principal and interest in respect of Notes held through Interbolsa may only be made in euro, U.S. dollars, Sterling, Japanese Yen and Swiss francs until such date as Interbolsa accepts registration and clearing of securities denominated in other currencies.

Whilst the Notes are held through Interbolsa, payment of principal and interest in respect of the Notes will be (i) if made in euro (a) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts used by the Affiliate Members of Interbolsa for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the beneficial owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; or (ii) if made in currencies other than euro (a) transferred, on the payment date and according to the procedures and regulations of Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (Sistema de Liquidação em Moeda Estrangeira), managed by Caixa to the relevant accounts of the relevant Affiliate Members of Interbolsa and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the beneficial owners of Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the owners of Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

6.3 *Payment Day*

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 9 (Prescription)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) Lisbon and London; and
 - (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.4 *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;

- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms, in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 12 (Notices), the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (Taxation) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (Taxation)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 (Redemption and Purchase – Redemption for Tax Reasons) will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 *Redemption at the option of the Issuer (Call Option)*

If Issuer Call Option is specified in the applicable Final Terms, the Issuer may, having given (unless otherwise specified, in the applicable Final Terms) not less than 15 nor more than 30 days' notice to the Agent and, in accordance with Condition 12 (Notices), the holders of Notes (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem all or some only (as specified in the applicable Final Terms) of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the nominal amount of all outstanding Notes will be reduced proportionally.

7.4 *Redemption at the option of the holders of Notes (Investor Put)*

If Investor Put Option is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 12 (Notices) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable. While Notes are held through Interbolsa, the right to require redemption will be exercised directly against the Issuer, through the relevant Paying Agent.

7.5 *Early Redemption Amounts*

For the purpose of Condition 7.2 above and Condition 10 (Events of Default), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

7.6 *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

7.7 *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.8 *Purchases*

Subject to applicable provisions of Portuguese law, the Issuer or any of its subsidiaries may at any time purchase or otherwise acquire Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary (as the case may be), cancelled.

7.9 *Cancellation*

All Notes which are redeemed will forthwith be cancelled in accordance with Interbolsa regulations. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 above shall be cancelled by Interbolsa or the Agent (as applicable) and cannot be held, reissued or resold.

7.10 *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note, upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 (Events of Default) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 (Notices).

8. TAXATION

8.1 *Payment of interest without Withholding*

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature (**Taxes**) imposed or levied by or on behalf of any of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

- (i) to, or to a third party on behalf of, a Noteholder who is liable to the Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) to, or to a third party on behalf of, a Noteholder that may qualify for the application of Decree Law No. 193/2005, of 7 November, as amended from time to time, and in respect of whom the information (which may include certificates) required in order to comply with the said Decree-Law No. 193/2005 of 7 November, and any implementing legislation, is not received or which does not comply with the formalities in order to benefit from tax treaty benefits, when applicable; or
- (iv) to, or to a third party on behalf of, a Noteholder resident for tax purposes in the Relevant Jurisdiction, or a resident in a country, territory or region subject to a clearly more favourable tax regime (a tax haven jurisdiction) as defined in the Ministerial Order ("Portaria") No. 150/2004, of 13 February, as amended from time to time, with the exception of central banks and governmental agencies located in those black-listed jurisdictions, or a non resident legal entity held, directly or indirectly, in more than 20 per cent. by entities resident in the Republic of Portugal; or
- (v) to, or to a third party on behalf of (i) a Portuguese resident legal entity subject to Portuguese corporation tax with the exception of entities that benefit from an exemption of Portuguese withholding tax or from Portuguese income tax exemptions, or (ii) a legal entity not resident in Portugal with a permanent establishment in Portugal to which the income or gains obtained from the Notes are attributable; or
- (vi) presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
- (vii) presented for payment by or on behalf of a Noteholder who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

For the purposes of this Condition 8:

- (i) Noteholder means the ultimate beneficial owner of the Notes who is the effective beneficiary of the income attributable thereto; and
- (ii) Relevant Jurisdiction means the Republic of Portugal or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

8.2 *Additional Amounts*

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

9. **PRESCRIPTION**

The Notes will become void unless presented for payment within 20 years (in the case of principal) and 5 years (in the case of interest) in each case from the date on which such payment first becomes due, subject in each case to the provisions of Condition 6 (Payments).

10. **EVENTS OF DEFAULT**

10.1 *Events of Default*

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

- (i) default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (ii) the Issuer fails to perform or observe any of its other obligations under these Terms and Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
- (iii) (a) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Material Subsidiaries is declared due and repayable prematurely by reason of an event of default (however described); or (b) the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment and the failure continues for 5 days in case of principal and 10 days in case of interest; or (c) any security given by the Issuer for any Indebtedness for Borrowed Money becomes enforceable; or (d) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person PROVIDED THAT the aggregate amount of Indebtedness for Borrowed Money in respect of which one or more of the events listed in (a) to (d) of this paragraph have occurred equals or exceeds EUR 40,000,000 or its equivalent; or
- (iv) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or

- (v) the Issuer or any of its Material Subsidiaries ceases to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer or any of its Material Subsidiaries stops payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them, unless (other than in the case of the appointment of an administrator) (A) such proceedings or applications are frivolous or vexatious and contested in good faith and appropriately by the Issuer having been advised by recognised independent legal advisers of good repute that it is reasonable to do so, and/or (B) are discharged within 60 days; or
- (vii) the Issuer or any of its Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (viii) it is or will become unlawful for the Issuer to perform or comply with any of its material obligations under or in respect of the Notes; or
- (ix) any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to perform its obligations under the Notes, as the case may be, or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified in a manner which materially impairs the ability of the Issuer to comply with its obligations under the Notes or adversely affects any rights or claims of any of the Noteholders; or
- (x) any of the concessions previously awarded to the Issuer is suspended, terminated or revoked and such suspension, termination or revocation has, as a direct result, a material adverse effect on the business or results of operations of the Issuer or any of its Material Subsidiaries and continues for a period of 30 days; or
- (xi) except in the context of a reorganisation of the Group, all of the assets of any Material Subsidiary are transferred, sold, assigned or contributed to a third party or parties (whether associated or not) otherwise than for full consideration received by the Issuer or the Material Subsidiary on an arm's length basis and such transfer, sale, assignment or contribution has a material adverse effect on the financial condition, assets or liabilities of the Group; or
- (xii) the Issuer ceases to control or have power to control, whether by ownership of share capital or voting rights, contract, the power to appoint or remove members of the governing body or otherwise, any of its Material Subsidiaries; or

- (xiii) any event occurs which, under the laws of the Republic of Portugal, has or may have, an analogous effect to any of the events referred to in subparagraphs (iv) to (vii) above,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

10.2 Interpretation

For the purposes of this Condition 10:

Group means REN and its Subsidiaries;

IFRS means International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB).

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any bank loan or acceptance or acceptance credit;

Material Subsidiary means at any time any Subsidiary of the Issuer:

- (a) whose total assets or revenues (consolidated in the case of a company which itself has subsidiaries) represent not less than 10 per cent. of the consolidated total assets or consolidated revenues of the Group taken as a whole, all as calculated by reference to the then most recent financial statements and in accordance with IFRS (consolidated or, as the case may be, unconsolidated) of that Subsidiary and the most recent consolidated financial statements of the Group; or
- (b) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which, immediately prior to such transfer, is a Material Subsidiary; and

Subsidiary means an entity from time to time in respect of which REN (a) has the right to appoint the majority of the members of the board of directors or similar board or (b) owns directly or indirectly more than 50 per cent. of (i) the share capital or similar right of ownership or (ii) voting rights (by contract or otherwise).

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be an Agent;
- (ii) so long as any of the Notes are registered with Interbolsa there will at all times be a Paying Agent having a specified office in such place of registration and complying with any requirements that may be imposed by the rules and regulations of Interbolsa;

- (iii) so long as any of the Notes are listed on any Stock Exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or as the case may be, other relevant authority; and
- (iv) there will at all times be a Paying Agent in a member state of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to such Directive.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in accordance with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading, which may include publication in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the Financial Times in London. The Issuer shall comply with disclosure obligations applicable to listed companies under Portuguese law in respect of Notices relating to the Notes, which are integrated in and held through Interbolsa in dematerialised form. Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Notices to be given by any Noteholder shall be in writing and given by lodging the same either with the Issuer or with the Agent.

13. MEETINGS OF HOLDERS OF NOTES

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Resolution of a modification of these Terms and Conditions or any of the provisions of the Agency Agreement.

The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing whatever the nominal amount of the Notes so held or represented; or (ii) a Resolution regarding a Reserved Matter of the Notes, will be any person or persons holding or representing at least 50 per cent. in nominal amount of the Notes for the time being outstanding or, at any adjourned meeting, any person being or representing whatever the nominal amount of the Notes so held or represented. Each Note grants its holder one vote.

The majorities required to approve a Resolution at any meeting convened in accordance with the applicable rules shall be: (i) if in respect to a Resolution not regarding a Reserved Matter, the majority of the votes cast at the relevant meeting; or (ii) if in respect to a Resolution regarding a Reserved Matter, at least 50 per cent. in nominal amount of the Notes for the time being outstanding or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting.

For the purposes of these Terms and Conditions, a **Reserved Matter** means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Notes of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Notes of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Notes of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Notes of all or of a

given Series into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Notes of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Notes of all or of a given Series; (vi) to amend this definition; and (vii) any other changes to the conditions of the credits held by the Noteholders.

- (A) A Resolution approved at any meeting of the holders of Notes of a Series shall, subject as provided below, be binding on all the holders of Notes of such Series, whether or not they are present at the meeting.
- (B) Any such meeting to consider a Resolution may be convened by the Chairman of the General Meeting of Shareholders of the Issuer or if the Chairman of the General Meeting of Shareholders of the Issuer refuses to convene the meeting, then 5 per cent. of the holders of Notes of any Series may petition the court to order a meeting to be convened.
- (C) A Resolution passed at any meeting of the holders of Notes of all Series shall be binding on all holders of Notes of all Series, whether or not they are present at the meeting.
- (D) In connection with any meeting of the holders of Notes of more than one Series where such Notes are not denominated in euro, the nominal amount of the Notes of any Series not denominated in euro shall be converted into euro at the relevant exchange rate at the date of the meeting.

14. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the holders of Notes to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes of such Series.

15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing law

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law save that the form (*representação formal*) and transfer of the Notes, the creation (if any) of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law.

The Agency Agreement and any non-contractual obligations arising out of or in connection with this Agreement are governed by, and shall be construed in accordance with, Portuguese law.

16.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

16.3 *Appointment of Process Agent*

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom, as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

17. **DEFINITIONS**

In these Terms and Conditions, the following defined terms have the meanings set out below:

Affiliate Member of Interbolsa means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of Noteholders and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg, for the purposes of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Clearstream, Luxembourg means Clearstream Banking, société anonyme.

CMVM means the Comissão do Mercado de Valores Mobiliários, the Portuguese Securities Market Commission.

Euro, € or euro means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty.

Euroclear means Euroclear Bank S.A./N.V.

Final Terms means, in relation to each Tranche, the applicable final terms attached to, or endorsed on, such Notes.

Interbolsa means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the Central de Valores Mobiliários.

Portuguese Securities Code means the Código dos Valores Mobiliários approved by Decree Law 486/99 of 13 November as amended.

Prospectus Directive means Directive 2003/71/EC, as amended.

Resolution means a resolution adopted at a duly convened meeting of holders of Notes and approved in accordance with the applicable provisions.

Stock Exchange means the London Stock Exchange or any other stock exchange where Notes may be listed as per the relevant Final Terms.

Terms and Conditions means in relation to the Notes, the terms and conditions applicable to the Notes and any reference to a particular numbered Condition shall be construed in relation to the Notes accordingly.

Treaty means the treaty establishing the European Communities, as amended by the Treaty on European Union.

USE OF PROCEEDS

The net proceeds resulting from each issue of Notes will be applied by the Issuer for general corporate purposes.

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

REN – Redes Energéticas Nacionais, SGPS, S.A. (**REN**) is a listed company organised as a "*Sociedade Gestora de Participações Sociais*" and a "*Sociedade Anónima*" under the laws of the Portuguese Republic. REN has its registered office at Avenida Estados Unidos da América, no. 55, Lisbon, Portugal (Telephone: +351 21 001 35 00) and is registered at the Lisbon Commercial Registry Office of Lisbon under taxpayer and commercial registration number 503.264.032. As per article 3 of its articles of association, REN's purpose consists of the management of shareholdings in other companies which carry out activities in the areas of transmission of electricity, transmission and storage of natural gas and of reception, storage and re-gasification of liquefied natural gas and other related activities. Being a holding company (*Sociedade Gestora de Participações Sociais*), REN does not directly perform operational activities.

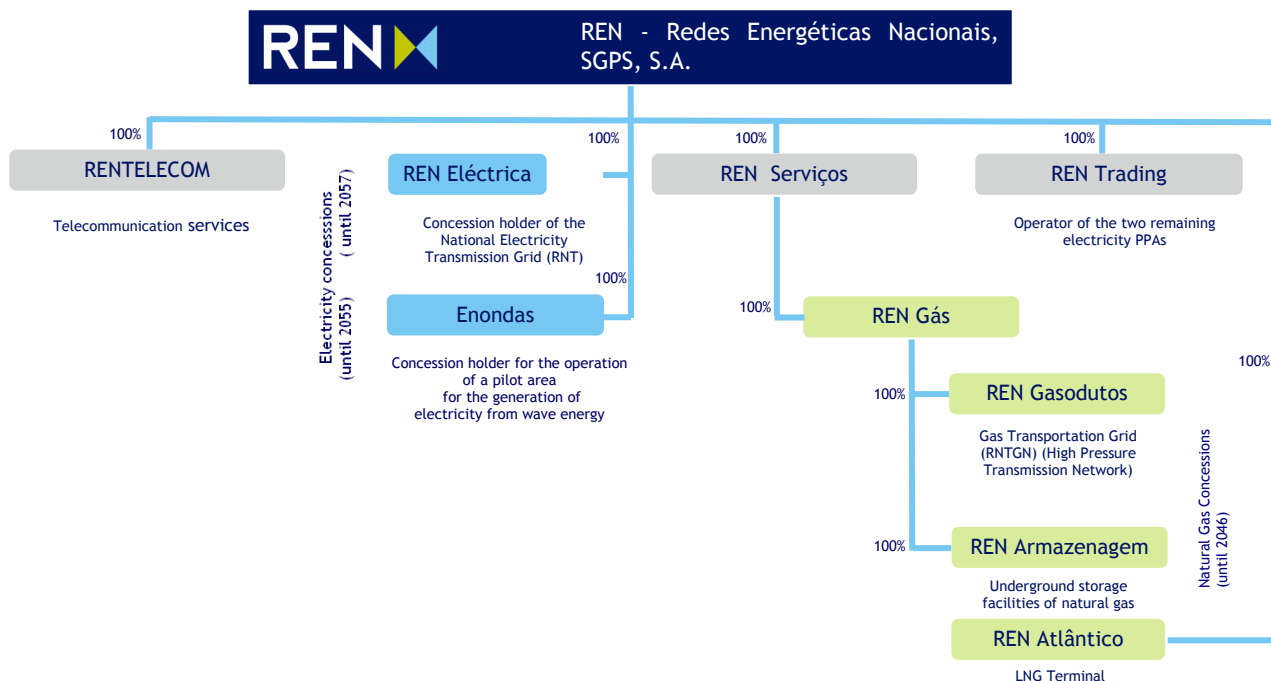
REN was incorporated in 1994 under the name of REN – Rede Eléctrica Nacional, S.A. (**REN Rede Eléctrica**) as a result of the spin-off of a business unit of EDP – Energias de Portugal, S.A. (**EDP**). In November 2000, the Portuguese State acquired a 70 per cent. stake in REN from EDP as part of the liberalisation of the domestic energy market, which required the legal separation of electricity transmission, distribution and generation companies.

Until September 2006, REN's core business was the operation and technical management of the National Electricity Transmission Grid (**RNT**), acting also as a sole purchaser of electricity, through the long-term power purchase agreements (**PPAs**) executed between 1993 and 1996 with the hydro and thermal electricity generation plants in mainland Portugal. In September 2006, REN acquired certain assets and companies relating to the transportation and underground storage of natural gas (**NG**) and the liquefied natural gas (**LNG**) terminal and regasification facility in Sines from Transgás as defined above.

On 5 January 2007, REN changed its by-laws to reorganise the group (the **Group**), becoming a holding company that operates electricity and gas businesses through its subsidiaries. It also changed its name to REN – Redes Energéticas Nacionais, SGPS, S.A.

On 1 July 2007, the majority of the PPAs were terminated early and REN's activity as sole purchaser of electricity was replaced with a new trading activity in the context of a market environment, involving the two PPAs that were kept in force.

The diagram below sets out the structure of the Group as at the date of this Base Prospectus:



In July 2007 two new companies were incorporated by REN: REN Trading, S.A. (**REN Trading**), which manages the two remaining PPAs (entered into with Turbogás – Produtora Energética, S.A. (**Turbogás**) and Tejo Energia, S.A. (**Tejo Energia**)) and sells the energy acquired pursuant to those PPAs in the market (operating since 1 July 2007); and REN Serviços, S.A. (**REN Serviços**), which provides back office services to the Group.

In October 2010, a new company Enondas, Energia das Ondas, S.A. (**Enondas**), whose share capital is fully owned by REN, was incorporated for the operation of a pilot zone for the generation of electric energy from sea waves, under a concession agreement entered into on 20 October 2010 with the Portuguese State.

The above diagram also reflects the creation in March 2011 of REN Gás, S.A., of which 100 per cent. is held by REN Serviços, S.A.. REN Gás, S.A. now holds the entire share capital of REN Gasodutos, S.A. and REN Armazenagem, S.A. and is expected to hold in the near future the entire share capital of REN Atlântico, Terminal GNL, S.A.. This was the result of a corporate restructuring, which aimed to rationalise the organisation's structure and improve flexibility. The corporate restructuring placed particular emphasis on the organisation of the Group's main business areas and on the reinforcement of the Group's institutional image. The restructuring did not affect the substance of the Group's main activities nor the ownership of its assets and main holdings. The above diagram does not include entities which fall outside the Issuer's scope of consolidation, where REN holds a stake of less than 50 per cent. of representing share capital.

Business Overview

REN engages in two principal lines of business: (i) electricity transmission and system operation where it operates the RNT (the only electricity transmission network in mainland Portugal); and (ii) natural gas, where it is engaged in the operation of the national high-pressure natural gas transportation network (the only natural gas transportation network in mainland Portugal), reception, storage and regasification of LNG, and underground storage of natural gas. In general, REN owns all the respective infrastructure that are operated under public concessions.

REN's businesses are the result of the deregulation of the electricity and natural gas industries in Portugal. This involved, in the case of electricity, the unbundling of certain regulated functions previously carried out by EDP (the vertically integrated electricity company in Portugal) into separate companies. In the case of natural gas, the regulated activities of Transgás (a former subsidiary of GALP Energia, S.A. (**GALP**)) were split up under a reorganisation that included, among other things, the segregation of the natural gas regulated infrastructure for transport, underground storage and reception, storage and regasification of LNG.

REN's electricity transmission business is conducted through its subsidiary REN Rede Eléctrica, which holds a concession to operate the electricity transmission network in Portugal (renewed for a 50 year period commencing on 15 June 2007). Pursuant to this concession, REN provides a public utility service in Portugal, which includes planning, constructing, operating and maintaining the electricity transmission network and managing the technical aspects of the national electricity system.

REN's natural gas business comprises the ownership and operation of (i) the high-pressure natural gas transportation network in Portugal; (ii) the LNG terminal in Sines, which is engaged in the reception, storage and regasification of LNG; and (iii) the underground storage and related facilities in Carriço. REN operates these businesses through 40-year concessions, granted by the Portuguese State on 26 September 2006.

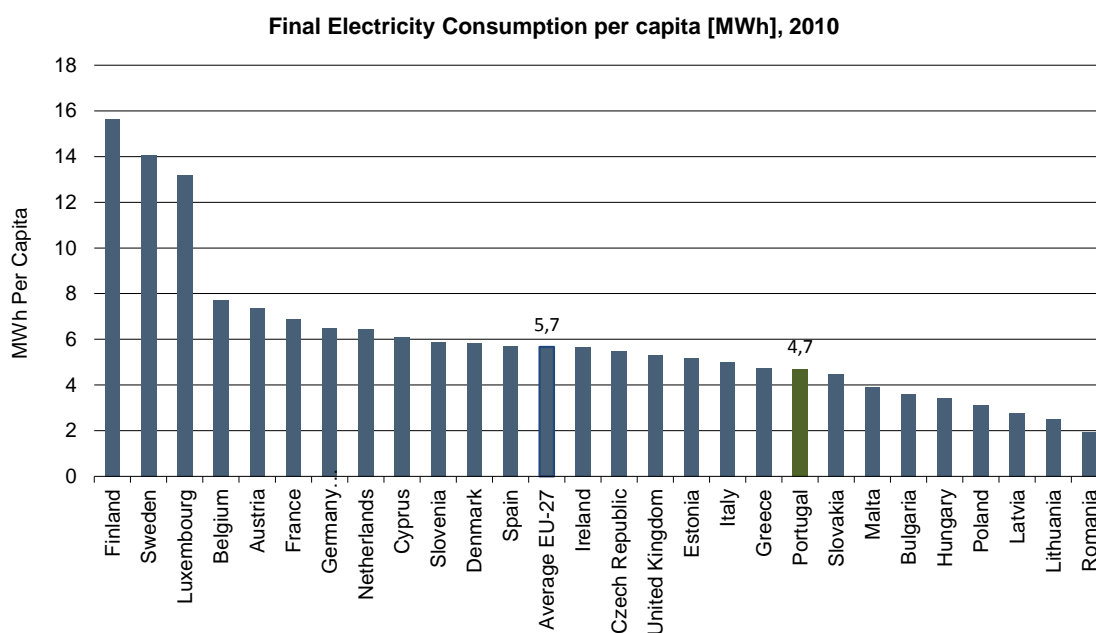
REN also operates certain other businesses that complement its core electricity and natural gas businesses: a telecommunications business which markets the excess telecommunications capacity of its electricity and natural gas networks, an energy trading business (under the PPAs that were not subject to early termination) and it is also involved in the Portuguese marketplace for trading Iberian electricity derivatives.

For the year ended 31 December 2011, REN's total operating income, total operating results and net profit were EUR 917.3 million, EUR 283.2 million and EUR 120.6 million, respectively.

ELECTRICITY INDUSTRY

Although electricity consumption in Portugal has experienced consistent growth in the past, it has decreased in recent years as a consequence of the financial and economic crisis, with the exception of 2010, essentially due to the recovery of exports in the industrial sector. The worsening of the economic situation caused a decrease in 2011 of 3.2 per cent. in electricity consumption compared with 2010.

Portugal has one of the lowest consumption per capita in the EU. The graph below indicates the final electricity consumption per capita in the EU countries listed below:



Source: Eurostat

In 2010 the electricity consumption per capita in Portugal was 4.7 MWh, compared with 5.7 MWh in Spain and across all other EU countries. Between 2000 and 2010, the compound annual growth rate of the electricity consumption per capita was 2.2 per cent. in Portugal, 1.9 per cent. in Spain and 0.8 per cent. in the EU countries.

The table below illustrates the growth in annual electricity consumption by source in Portugal between 2002 and 2011:

<i>Consumption by source (TWh)</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
Coal	14.3	13.6	13.9	14.3	14.1	11.7	10.4	11.9	6.6	9.1
Hydro	6.6	14.2	8.8	3.9	9.5	9.0	5.8	7.0	14.4	10.1
Gas	7.7	6.1	9.8	11.5	9.9	10.5	12.6	11.5	10.7	10.3
Fuel	7.3	2.6	2.0	4.8	1.5	1.3	0.8	0.3	0.0	0.0
SRG (*)-Wind	0.3	0.5	0.8	1.7	2.9	4.0	5.7	7.5	9.0	9.0
SRG (*)-Others	2.5	3.2	3.7	4.8	5.9	6.2	5.9	6.9	8.9	9.2
Imports	1.9	2.8	6.5	6.8	5.4	7.5	9.4	4.8	2.6	2.8

<i>Consumption by source (TWh)</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
TOTAL	40.7	43.1	45.5	47.9	49.2	50.1	50.6	49.9	52.2	50.5

(*) Special Regime Generators

Source: REN

Portugal has experienced an increase in the diversification of its energy sources, reducing its dependence on any single source. While coal-fired and hydroelectric plants remain significant contributors to electricity production, there has been no growth in the installed capacity of these energy sources. There has been a strong increase in gas-fired and special regime generation, including renewable resources and, in particular, wind power.

The national electricity system in Portugal (**Sistema Eléctrico Nacional** or **SEN**) can be divided into five major functions: generation, transmission, distribution, supply and operation of the regulated electricity market.

Electricity generators produce electricity in power plants using a variety of primary sources and technologies (coal, gas, fuel, water, wind and biomass, among others). The main electricity generators in Portugal are currently EDP – Gestão da Produção de Energia, S.A., (a subsidiary of EDP), Tejo Energia (which is a subsidiary of International Power/GDF SUEZ and Endesa) Elecgas (which is also a subsidiary of International Power/GDF SUEZ and Endesa), and Turbogas (a subsidiary of International Power/GDF SUEZ). REN Rede Eléctrica Nacional operates the transmission grid connecting generators and distributors and matching supply with demand. It is currently the only electricity transmission company in mainland Portugal.

Electricity distribution companies distribute electricity received from the national transmission and distribution grids directly to consumers. EDP Distribuição Energia, S.A. (a subsidiary of EDP) is currently the largest high voltage and medium voltage distribution company in Portugal.

Electricity supply companies are responsible for managing client relationships with customers, including billing and customer service. EDP Serviço Universal, S.A. (a subsidiary of EDP), which acts as a last resort supplier of the SEN, is currently the main supplier in Portugal. At the date of this Base Prospectus, the other relevant supply companies in Portugal are EDP Comercial – Comercialização de Energia, S.A. (a subsidiary of EDP), Endesa Energia S.A. (Portugal), Iberdrola Generación S.A.U., and four other smaller suppliers.

The development of the national electricity system

Until 1999, the generation, transmission, distribution and supply activities of the electricity industry in Portugal were integrated in one group of companies, the EDP Group. Since 2000, the electricity industry in Portugal has been partially deregulated, which has resulted in the division of the activities of this group among different companies. In the organisation of the electricity business under the legislation approved in 1995 (the **Old Electricity Framework**), a public sector (the **Sistema Eléctrico de Serviço Público** or **SEP**) and a market sector (the **Sistema Eléctrico Não Vinculado** or **SENV**) were developed. These public and market sector divisions are respectively referred to as the binding and non-binding sectors. In the binding sector, power generators sold energy to a single buyer, REN Rede Eléctrica, under long-term PPAs, and clients purchased energy under regulated tariffs. In the non-binding sector, private power generators sold energy in the bulk power markets through bilateral contracts, and supply companies competed for eligible consumers. The transmission and distribution networks were available to all power generators and supply companies on a regulated basis. Ultimately, customers would decide whether to purchase electricity in the

binding or non-binding markets, although until 2004, the non-binding market was only available to higher voltage corporate customers.

The current electricity industry framework under EU Electricity Directive No. 2003/54/EC of the European Parliament and of the Council of 26 June, was introduced into Portuguese law by Decree-Law No. 29/2006, of 15 February and Decree-Law No. 172/2006, of 23 August. Recently, the EU Electricity Directive No. 2009/72/EC of the European Parliament and of the Council of 13 July, repealing the 2003/54/EC Directive, was transposed to the Portuguese legislation by the Decree-Law No. 78/2011, of 20 June, which reviewed and republished Decree-Law No. 29/2006 (the **Current Electricity Framework**). Pursuing the Current Electricity Framework, the binding and non-binding sectors of the national electricity system have been replaced by a unified market system, and generation and supply of electricity and management of the organised electricity markets are now fully open to competition, subject to the applicable mandatory licences and approvals. The transmission and distribution activities of the electricity industry are provided through the award of public concessions. As a consequence of the deregulation of the electricity generation activity, since 1 July 2007, power generators that operated under PPAs and which have seen their agreements terminated early are currently being compensated for any differences between the electricity prices paid to them in the Iberian Peninsula market and the amounts payable under their legacy PPAs through the payment of a stranded costs mechanism called contractual balance maintenance costs (**CMECs**).

The current national electricity system

As referred to in the previous section, under the Current Electricity Framework, the SEN is divided into five major activities: generation, transmission, distribution, supply and operation of the electricity market. These activities have to comply with unbundling criteria as per EU Electricity Directive market structure models. The Transmission System Operator (**TSO**) was unbundled from EDP, which concentrated the generation and supply of electricity. Strict unbundling criteria separating transmission and generation and supply are set forth in the Current Electricity Framework. Further limits regarding the holding of direct or indirect participations in the TSO were set by the industry's framework, for avoidance of industry capture and of lack of transparency or discrimination. Distribution activity is unbundled from a legal, accounting and decision making standpoint. Generation and supply activities are unbundled from a legal and accounting standpoint.

Electricity generation

Electricity generation is fully open to competition, subject to obtaining the mandatory licences and approvals for the implementation of the project and carrying out the activity. Electricity generation is divided into two regimes: (i) the ordinary regime generation, referring to the generation of electricity through traditional sources and including large hydroelectric plants, and (ii) the special regime generation, covering generation of electricity and cogeneration from alternative endogenous and renewable sources. Special regime generation is subject to different licensing requirements and benefits from special feed-in tariffs pursuant to the type of renewable source used. Under the Current Electricity Framework, the last resort supplier (currently EDP Serviço Universal) is obliged to purchase all electricity generated by special regime generation.

Under the Current Electricity Framework, centralised planning of power generators has been replaced by the influence of market forces in the private sector, with intervention of the electricity system manager only coming into play to cover market failures.

Electricity in Portugal is produced from a number of thermal sources, including coal, natural gas and fuel oil, and from hydroelectric and other renewable sources, mainly wind. In addition, depending on market conditions, electricity may be exported and imported through the interconnections with Spain.

The base load in Portugal is mainly provided by natural gas-fired and coal-fired plants, which met 38 per cent. of total consumption in 2011. The remaining demand is met by large hydroelectric sources, which have low operating costs and can be brought in line immediately. However, hydroelectric supply depends greatly

on meteorological conditions and therefore it fluctuates widely depending on availability and existent storage of water (in 2011, it accounted for 20% of consumption). The use of other renewable sources, particularly wind generation, has been increasing continually and represented 25 per cent. of total consumption in 2011.

Electricity transmission

Electricity transmission activities are carried out through the RNT, by means of an exclusive concession granted by the Portuguese State to REN Rede Eléctrica, a subsidiary of REN, on 15 June 2007 for a 50-year period, under article 69 of Decree-Law No. 29/2006, of 15 February. Previously, REN was already the concessionaire of the RNT (through a concession awarded under article 64 of Decree-Law No. 182/95, of 27 July). REN Rede Eléctrica's electricity transmission activities are described below in greater detail.

Electricity distribution

Electricity distribution is operated through the national distribution grid, consisting of a medium and high voltage network, and through the low voltage local distribution grids. The national distribution grid is operated through an exclusive concession granted by the Portuguese State. At the present moment, the exclusive concession for the activity of electricity distribution in high and medium voltage is awarded to EDP Distribuição – Energia, S.A. (**EDP Distribuição**), under article 70 of Decree-Law No. 29/2006, of 15 February, as a result of the conversion into a concession agreement of the former licence held by EDP Distribuição. The low voltage distribution grids continue to be operated under concession agreements awarded by municipalities. The existing concession agreements have been amended to comply with the new regime as provided for in Decree-Law No. 172/2006, of 23 August.

Electricity supply

The supply of electricity is open to competition, subject only to a licence regime. Suppliers may openly buy and sell electricity. For this purpose they have the right of access to the transmission and distribution grids upon payment of access charges set by the sector's regulator, Entidade Reguladora do Sector Energético (**ERSE**). Under the Current Electricity Framework, consumers are free to choose their supplier, and may switch suppliers without incurring any additional charges.

Suppliers are subject to certain service standards in respect of the quality and continuous supply of electricity and are required to provide access to information in simple and understandable terms.

In addition, the new role of the last resort supplier, which is subject to regulation by ERSE, has been undertaken by EDP Serviço Universal and by a few local low voltage distribution companies. These entities are responsible for supplying electricity to customers and/or to customers determined by the regulator, purchasing electricity under regulated, fixed tariffs and are subject to universal service obligations. Following the implementation of the liberalised market structure, last resort suppliers are also responsible for the purchase of all electricity generated by Special Regime Generators. This purchase obligation was on REN Rede Eléctrica until 1 January 2007.

Operation of the Electricity Markets

Since 1 July 2007, the Iberian electricity market (**MIBEL**), a joint initiative of the Portuguese and Spanish states, is fully operational, with the launching of the spot market (day-ahead and intraday). The forwards market has been successfully operating since July 2006, making daily transactions on derivatives contracts available to market agents.

The objective of this joint electricity Iberian market is to develop a competitive and efficient market for the benefit of consumers. MIBEL has at present two market operators incorporated, respectively, in Spain and in Portugal: the "OMIE", the previous Spanish spot market operator that operates the day-ahead and intraday markets, based on a "market splitting" model for the cross-border capacity allocation; and the "OMIP", as

well as a clearing house, "OMIClear" (totally owned by OMIP), a derivatives market operator and a clearinghouse, which are established and operating in Portugal.

As per the Compustela Agreement dated 1 October 2004 signed by the Spanish and Portuguese governments, in September 2010, REN established a holding "OMIP SGPS", initially with 100% of OMIP shares, in order to implement the merger of the spot and derivatives operators into a single market operator (**OMI**).

In this context, REN sold shares representing 55 per cent. of the share capital of OMIP SGPS, through the transfer of blocks of shares representing 5 per cent. of the share capital of OMIP SGPS to entities acting or holding interests in the energy and financial sector in the Iberian Peninsula, a majority of which are simultaneously shareholders of OMEL (Spanish holding equivalent to OMIP SGPS). As a result of the transaction, REN currently owns 35 per cent. of the share capital of OMIP SGPS. These transactions are expected to be followed by further disposals by REN of shares representing 25 per cent. of the share capital of OMIP SGPS in the near future, aiming to further reduce REN's participation to 10 per cent. of the OMI (the single operator in the Iberian Power Market) capital to attain the consolidation of the OMI described above.

On the same date, REN acquired 10 per cent. of the share capital of OMEL.

Furthermore, an exchange of shares between OMIP SGPS and OMEL holdings took place, with OMIP now being held in equal parts by these two OMI holdings.

The Portuguese companies (OMIP and OMIClear) operate on a free market basis, subject to authorisations jointly granted by the Minister of Finance and by the Minister responsible for the energy sector. Generators, suppliers and financial institutions, among others, can become market members.

Tariffs

Electricity tariffs are uniform across mainland Portugal and are set ex-ante by ERSE, on an annual basis, based on investments in the sector/networks by the regulated companies of the electricity sector (TSO, DSO, last resort suppliers, etc.), incentives for generation, and quantity reviews, according to the rules set out in the "Tariff Code".

Regulated tariffs for supply of final customers for mainland Portugal were abolished on 1 January 2011 for supplies in very high voltage, high voltage, medium voltage and special low voltage and are now subject to a free pricing regime. A transitional period has been legally foreseen for full adaptation of customers. Thus, as of 1 July 2012, tariffs for consumers with electricity supply with a contracted capacity of 10.35 kVA or higher shall be abolished and as of 1 January 2013, removal of all regulated tariffs, i.e., of supply contracted capacities under 10.35 kVA.

The activities established under the Tariff Code for REN Rede Eléctrica and REN Trading, with the obligation to keep them in separate regulated accounts, are set out below.

On 1 July 2007, the Iberian electricity spot market started and the majority of the PPAs were subject to early termination, except for two long-term PPAs, which are still effective.

As a consequence, REN (through the National Transmission Network (**RNT**) concessionaire – the TSO) ceased acting as a "single buyer" of electricity and focused on its regulated activities: (i) electricity transmission activity, which ensures the investment and operation of the electricity transmission network in adequate technical and economic conditions; and (ii) global use of the system activity, which ensures (a) inter-operational and real-time functioning of all the facilities of the transmission network and of the facilities physically attached to it to ensure a constant production – consumption balance, (b) buying system services through efficient, transparent and competitive market mechanisms for operational reserve of the system and the compensation of electricity production and consumption deviations, (c) receipt from market

agents of information on both the materialisation of bilateral agreements established and of the quantities traded by each participant in the organised markets, (d) settlement of system services, (e) calculation of the CMECs adjustments – under the standard costs mechanism, (f) monitoring the security of supply, (g) payments of global costs of the system included in the Global Use of System tariff, such as the compensation given to the commercial agent, - i.e. Ren Trading- for the difference between (A) the cost of the PPAs and (B) the revenues from selling the electricity in the spot market and the revenues from ancillary services; the payment of part of ERSE's costs; the payment to the electricity companies of Azores and Madeira of the difference between the mainland tariffs and the islands' tariffs; the payment of the CMEC costs to the respective generators which had their long-term PPAs earlier terminated; and the payment of interruptible services to customers.

REN's regulated activities are remunerated through two tariffs related to the use of the electricity transmission network (**URT**) and the global use of the system (**UGS**). The legislation and the Tariff code establish the permitted revenues for REN, in its role of TSO and of "Commercial Agent" for the remaining two PPAs. The benefits arising from the purchase and sale of electricity by the commercial agent are shared with the consumers. The mechanisms to incentivise the efficient optimisation of this activity allow REN Trading to keep its revenues up to an amount of EUR 5,000,000 every year.

The allowed revenues and the tariffs that remunerate REN's regulated activities are set annually by ERSE, based on determined assumptions on estimated energy and economic variables (namely demand, costs and investments) and arise from an economic regulation model based on the application of a rate of return to the net assets (net of subsidies and depreciation) assigned to each activity. While the UGS regulatory model is still based on accepted costs, the regulatory model for the electricity transmission activity is not. Since 2009, the latter has adopted two major changes: (i) the revenue allowed by the regulator in relation to the operating expenditures is based on a revenue-cap formula (GDP Price Deflator rate minus an applicable efficiency factor, accrued of the marginal operation and maintenance costs resulting from the expansion of the network); and (ii) the new assets are valued through a "standard costs" system and, if efficient, subject to a remuneration premium.

Considering each type of regulation model, the allowed revenues of year "n" are recalculated *ex-post*. The difference between actual revenues and the *ex-post* allowed revenues, with interest added, are recovered in years "n+1" and "n+2" through the tariffs in the case of the "commercial agent" activity and in year "n+2" in the case of the transmission and global use of the system activities.

REN's Electricity Transmission Business

Overview

The exclusive concession for electricity transmission via the RNT was granted to REN Rede Eléctrica by the Portuguese State on 15 June 2007 for a 50-year period under article 69 of Decree-Law no. 29/2006, of 15 February. This concession includes the construction, operation and maintenance of the RNT. It also includes research and development relating to electricity transmission and the global use of the electricity system to ensure the coordination of the electricity distribution and electricity transmission infrastructure, thereby protecting the continuity and security of supply and ensuring the integrated and efficient operation of the national electricity system.

As the concessionaire for the RNT, REN Rede Eléctrica is obliged to ensure the continuous supply of electricity, to meet quality standards and to meet safety criteria set forth by the Direção Geral de Energia e Geologia (**DGEG**), the sector's supervisory entity. DGEG approved a Quality of Service Code (**RQS**) that seeks to enhance the quality of service by setting forth a penalties system for electricity companies which fall below DGEG's determined benchmarks. REN Rede Eléctrica strives to maintain and improve its quality of service through appropriate planning for safety and to ensure continuous supply, adequate investment in the renovation of older power lines and substations, suitable maintenance policies and strategies and efficient use of technical and human resources in the operation and maintenance of the RNT.

For the purpose of calculating the regulated income, the relevant net assets in 2011 amounted to almost EUR 2.141 million.

The national transmission network in Portugal

RNT covers Portugal's mainland and is interconnected with the Spanish electricity system (managed by Red Eléctrica de España, S.A (**REE**)) by means of ten lines, including five at 400 kV, three at 220 kV, one at 130 kV and another at 60 kV. Current interconnection capacity depends on a variety of factors related to the real operation conditions of the network. REN/REE average interconnection capacity for commercial purposes in 2011 reached 1900 MW. This interconnection capacity will grow further as a result of the two new 400 kV interconnection lines, one of which is currently scheduled to be operative in 2013 and another in 2014/2015.

As at 31 December 2011, the RNT consisted of 2,236 kilometres of 400kV power lines, 3,492 kilometres of 220kV power lines and 2,643 kilometres of 150kV power lines which adds up to 8,371 kilometres of lines and a total transformation capacity of 33,777 MVA.

The very high voltage grid is based on 400kV lines running in a north-south direction near the coast, from the Alto Lindoso power plant in the north to Portimão substation in the south. Starting from this axis, the other 400 kV lines run from west to east into Spain: the Alto Lindoso-Cartelle double circuit interconnection; the diagonally spanning branch from Paraimo (close to Anadia municipality, 30 km off the coast) connecting to Armamar and entering Spain through the Lagoaça-Aldeadavila interconnection; the lines from Rio Maior and Batalha entering Spain through the Falagueira-Cedillo interconnection; the line from Sines entering Spain through the Alqueva-Brovaes interconnection; the line from Portimão to Tavira and from Tavira to the Spanish border for the forthcoming Tavira-Andaluzia interconnection. This 400 kV transmission network structure is complemented by 220kV lines, mainly between Lisbon and Oporto, and diagonally from Pereiros (close to the city of Coimbra) to the Miranda power plant (close to the municipality of Miranda do Douro). A series of 150 kV lines provide further coverage to the very high voltage grid.

As of 31 December 2011, the RNT had 65 transformer substations and 12 switching stations. These substations and switching stations connect the different parts of the RNT and provide the entry and exit points at which the power stations, subtransmitters, distributors and large users are connected to the RNT.

The majority of RNT components have an average estimated useful lifespan of between 35 and 40 years from the date of initial construction, with the exception of the power lines, which have an average estimated useful lifespan of about 50 years from the date of initial construction. The building up of the RNT started during the 1950s, but it has been subject to regular maintenance and upgrading, including the upgrading of all of REN's oldest transmission lines. Most of these lines have been replaced since their initial construction.

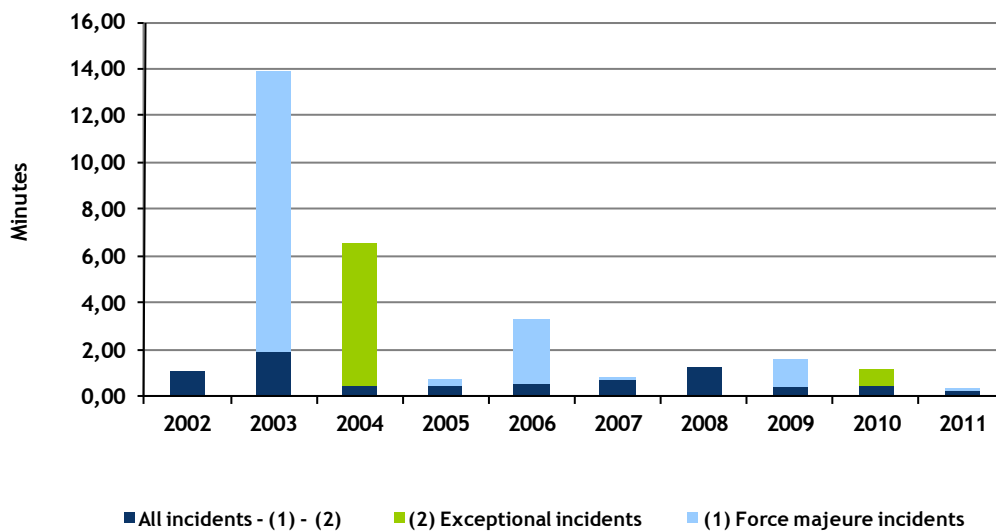
Quality of service of the national transmission network

The quality of service provided by REN, understood as security and continuity of electricity supply with appropriate technical characteristics, once again reached a high level in 2011, maintaining and consolidating the trend established in previous years of a gradual and sustained improvement of the performance of the RNT.

These results are particularly important, given the adverse situations which arose in 2011 including the network being significantly affected by numerous lightning strikes and several fires, in particular in the north and in the centre of mainland Portugal.

The values registered by four of the five general indicators of continuity of service set out in the Quality of Service Regulation (**QSR**) in 2011 (**ENS – Energy Not Supplied**, **AIT – Average Interruption Time**, **SAIFI – System Average Interruption Frequency Index** and **SAIDI – System Average Interruption Duration Index**) were the best ever registered, thereby placing REN among the top of the European TSOs.

The following chart shows the average interruption time in the RNT for the period from 2002 to 2011, including a generic separation of the causes of such interruptions:



Source: REN

Another important aspect that reflects the progressive increase in robustness of the RNT is the fact that 96 per cent. of the delivery points did not register any power supply interruption which significantly exceeds the average of the previous five years (92 per cent.).

The overall performance of substations, equipment and systems was highly satisfactory. In 2011, the number of incidents and perturbations (275) increased by 0.7 per cent. in comparison with 2010. Only eight of these incidents (2.9 per cent. of the total) had an impact on power supply to final customers, while three of them caused outages lasting more than three minutes and have therefore been recorded in indicators of continuity of supply, as established in the Quality of Service Regulation (**RQS**).

As a consequence of the current transmission grid development, as well as of suitable policies and strategies of operation and maintenance, the availability rates reached very high values in 2011. The Combined Availability Rate, introduced in 2009 by the Energy Sector Regulator Authority (**ERSE**), reached its highest recorded value (98.06 per cent.).

The rate of availability for line circuits (overhead lines and cables) is 98.00 per cent. and 98.22 per cent. for power transformers. If only the unavailability due to maintenance reasons were taken into account, these values would increase to 99.67 per cent. and 99.54 per cent., respectively.

Voltage Quality

To evaluate the voltage waveform quality, REN Rede Eléctrica set up and implemented a Monitoring Plan, under which tests were carried out throughout the year to measure harmonic content, three-phase system unbalance, deviation in the root mean square (**rms**) value of voltage and frequency in the busbars of 49 substations and RNT interconnection points, covering all the delivery points where measurement is feasible. The completion rate of the monitoring plan was 70.3 per cent., which is below the rates of the previous years, due to the renovation and expansion of the monitoring system in 2011 which included the replacement of central and local stationary collection of information as well as the creation of an additional 14 facilities collecting information on a permanent basis (fixed equipment).

In general, the average values of the disturbances are relatively low and the (indicative) regulatory limits were fulfilled, except in a few cases in which there were slight and non-continuous deviations from the standards.

Upgrading and expansion of the RNT

REN Rede Eléctrica aims to upgrade and/or expand the RNT in response to demand and supply dynamics. The following are the main drivers for its current upgrade and expansion plans:

Increase transmission capacity in pace with growing electricity consumption. Despite the current international adverse economic situation and reduction on national demand, REN believes that long-term growth in electricity consumption in Portugal will recover, bringing Portugal closer to the average European consumption standards. This will require increases in REN Rede Eléctrica's electricity transmission capacity, driving growth in its regulated asset base.

Facilitate connections to new power plants, namely "special status (feed-in tariffs)" generators. The EU and national goals for renewables should lead to the integration of a growing number of special status generators using renewable sources. Electricity generation capacity on installed "special regime" generators in Portugal is expected to increase from 6,853 MW in 2011 (of which 4,308 MW of wind generation) to near 9,000 MW in 2022 (of which 5,500 MW of wind generation).

Prepare the required infrastructure framework that will be needed to cope with the change in the European Power Grid driven by EU Energy Policies. One of the main goals will be the development of conditions to match supply-side volatility inherent to some renewables with demand-side flexibility.

Increase interconnections with Spain. REN Rede Eléctrica is currently planning to install two further 400 kV interconnections with Spain. The first interconnection is currently expected to be installed in 2013 and the second in 2014/2015. These new interconnections are expected to increase the interconnection capacity from the current value of 1900 MW to 3,000 MW. These interconnections are already formalised in an agreement with Red Eléctrica de España and a further 400 kV interconnection may be considered in the future.

Improve the current impact of the existing network, namely in the peripheries of major cities, in order to achieve better integration of electrical infrastructure into urban and non-urban protected environments. This is also to be considered from a land use planning perspective.

The planned investments mainly cover integration of renewable generation (hydro, wind and others), connection of large thermal power stations, reinforcement of distribution support and Extra High Voltage (EHV) consumers, reinforcement of interconnection capacity, internal grid reinforcement and improvement of environmental impact.

Technical management of the national electricity system

In addition to managing the construction and operation of the RNT, REN Rede Eléctrica is also the system operator of the national electricity system. This involves running a balancing market in Portugal to schedule generation to match, as closely as possible, the demand on the RNT, controlling generators in real time to correct imbalances. As part of managing the RNT, REN Rede Eléctrica is also responsible for controlling the schedule of imports and exports from and to Spain as defined by the market, and it manages, together with REE-Red Eléctrica de España, the mechanisms to cope with interconnection congestions.

NATURAL GAS INDUSTRY

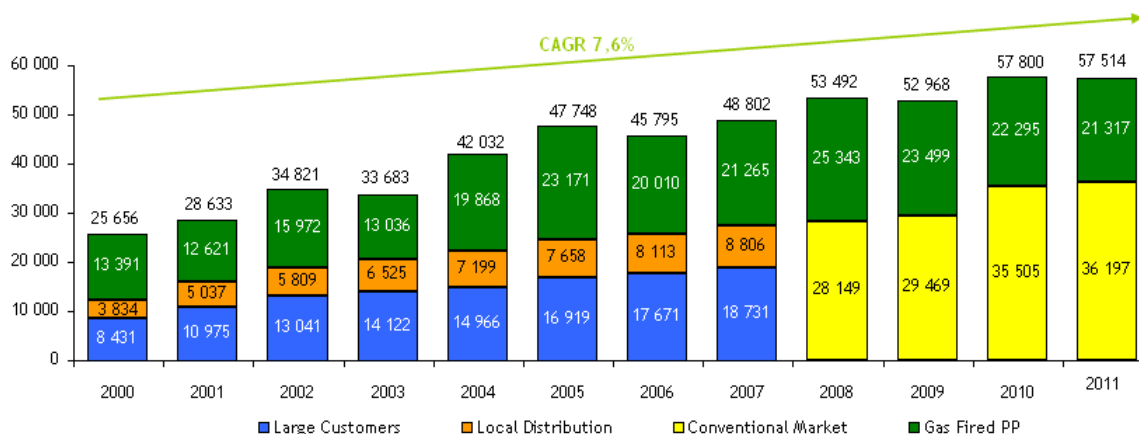
Overview

The first supplies of natural gas to Portugal arrived in January 1997 from Algeria through Morocco via the Europe–Maghreb pipeline. This has made Portugal one of the latest EU member states to receive natural gas. Therefore, the Portuguese gas market is the newest in the European Union and the regulatory framework reflects this, placing no emphasis upon pre-existing competition.

The natural gas industry in mainland Portugal supplied approximately 57.5 TWh of energy in 2011. Demand for natural gas in mainland Portugal can be divided into three main market segments: power plants, large industrial consumers and local distribution. The supply of natural gas to large combined cycle gas-fired electricity power plants reached approximately 21.3 TWh (about 37 per cent. of the market in 2011). However, natural gas demand for this segment varies from year to year depending on the availability of other generating sources, particularly hydroelectric and wind power. Natural gas use in the rest of the market (industry and distribution) comprised approximately 36.2 TWh (63 per cent.) of the demand in 2011.

The table below illustrates the growth in demand for natural gas in mainland Portugal from 2000 to 2011:

Annual demand by Segment (TWh)



Source: REN

The development of electricity generation using natural gas combined cycle gas turbine power plants (CCGT) is of particular importance to the growth in demand for natural gas. This technology consists of utilising natural gas combustion in a gas turbine cycle combined with a "Rankine" cycle, which uses the steam produced by the exhaust gases to generate electricity. These two processes are complementary and enable high efficiency levels to be reached as energy is extracted from the fuel in two stages, expanding the potential of both cycles. Electricity generation using CCGT is both efficient and has minimal environmental impact. It is the main technology used for large-scale electricity generation projects currently being implemented in developed countries due to its low initial costs, high efficiency and low carbon dioxide emissions compared with other fuels.

CCGT power plants also have a main role in securing electricity supply in a market with growing contributions from renewable sources such as wind. CCGT power plants add reliability and availability to electricity supply due to their quick response capabilities. Industrial use of natural gas is becoming more widespread because of the recognised advantages over traditional fuels, including cleaner and easier operation and repair, and lower total cost than most liquid or solid fuels. In large industries, natural gas allows the use of cogeneration, where natural gas heat content is used both for industrial purposes and to

generate electricity. REN believes that growth in its natural gas transportation grid will be driven mainly by increased capacity demand and security of supply requirements, allowing for alternative routes for gas supply to Portuguese consumers. With the concurrent growth of the distribution grids, increased coverage will allow medium and small industries to use natural gas as a main fuel.

The domestic use of natural gas continues to grow as the gas distribution companies connect more users to the distribution grid, particularly in newly developed urban areas.

Demand for natural gas in Portugal is expected to continue to grow in the coming years as the market is not yet fully mature.

As is the case for many European countries, Portugal is not a producer of natural gas. Natural gas is instead purchased from other countries pursuant to long-term supply contracts. Natural gas is fed into the national gas transportation grid through three entry points: the Campo Maior entry point, which receives natural gas from Spain; the LNG terminal located at Sines, which receives shipments of LNG from methane tankers, and the Valença do Minho entry point, which also receives natural gas from Spain.

The national natural gas system (NGS)

The fundamental principles on which the industry is founded are mainly set forth in Decree-Law No. 30/2006, of 15 February, setting out the general basis for the organisation and functioning of the NGS, and Decree-Law No. 140/2006, of 26 July. This enacts the legal regime for transmission and storage of NG, for reception, storage and re-gasification in terminals of LNG and the distribution of NG, as well as modifications to the public service concession for importation, transport and supply of NG through the high pressure grid. Recently the EU third Energy Package was implemented by means of Decree-Law No. 77/2011, of 20 June, which transposed the European Parliament and Council Directive 2009/73/EC regarding the natural gas suppliers. The primary goals of this Decree-Law are to revise and amend Decree-Law No. 30/2006, setting forth: (i) a further unbundling of production, transmission and distribution activities to promote the competition and transparency of the market, (ii) attribution of new powers to the regulatory entity, (iii) increase of consumer protection, (iv) the possibility for new concession opportunities in relation to underground storage of NG with negotiated access.

In this context, REN is a fully owned unbundled Transmission System Operator, Global System Manager, Storage Operator and LNG Terminal Operator and therefore an independent provider of gas network access. This is improving the implementation of a true gas market in the Iberian Peninsula as publicly stated by both the Spanish and Portuguese governments in the creation of the MIBGÁS (**Iberian Gas Market**).

The national natural gas system (**Natural Gas System** or **NGS**) is now divided into six major activities: reception, storage and regasification of LNG; underground storage of natural gas; transportation of natural gas; distribution of natural gas; supply of natural gas; and operation of the natural gas market. As with electricity, each of these functions must be operated under the EU unbundling criteria, independently, as transposed into Portuguese legislation.

In much the same manner as the national electricity system, an integrated national natural gas system has been established, in which the supply of natural gas and management of the organised markets are open to competition, subject to obtaining the required applicable licences and authorisations.

Activities relating to the reception, storage and regasification of LNG and the transportation and underground storage of natural gas are carried out under 40-year period concessions granted by the Portuguese State and are subject to the public service regime pursuant to Decree-Law No. 30/2006, of 15 February and Decree-Law No. 140/2006, of 26 July (both as amended). REN's natural gas activities are identified below in greater detail.

These concessions incorporate the Portuguese high pressure natural gas infrastructure and provide third party access at regulated tariffs applicable to all eligible consumers, energy traders and supply companies within the Portuguese natural gas system. Tariffs must be applied objectively without discrimination to all system users, without prejudice to entering into any long-term supply contracts in compliance with competition law provisions.

REN's regulated activities are remunerated basically through four tariffs related to the use of the infrastructure: the tariff for the Use of the Reception, Storage and Regasification Terminal, applied to its users by the Ren Atlântico as the LNG terminal operator, which should provide the allowed revenues for the activity of reception, storage and regasification of LNG.

The tariff for the Use of Underground Storage is to be applied by Ren Armazenagem and Transgas Armazenagem (the latter is not part of the REN group) as operators of the underground storage facilities in different locations around the country, which shall provide the allowed revenues for this activity.

The Global System Use tariff is to be applied by the transmission grid TSO (**REN**) to all gas supplied to distribution grid operators, licensed operators, privately-owned LNG client plants (**UAG**), and clients directly connected to the transmission grid. This tariff shall provide the allowed revenues for the activity of global technical management of the national natural gas sector.

Finally, the tariff for the Use of the Transmission network is to be applied by the grid's TSO to all gas input into the network at all connecting points and international deliveries, as well as high pressure and LNG deliveries to the distribution networks, deliveries of client-owned UAGs, and backflow deliveries to the LNG reception, storage and regasification terminal and, ultimately, to international interconnections. This tariff shall provide the allowed revenue for the natural gas TSO.

Reception, storage and regasification of LNG

In the Sines terminal, LNG is offloaded and pumped into storage tanks, where it remains until a regasification dispatch order is issued by the gas owner. LNG undergoes regasification prior to delivery into gas pipelines. Regasification occurs at the Sines LNG terminal in order to convert the LNG delivered to the terminal into gaseous form prior to injection into the national gas transportation grid. The Sines terminal also has the appropriate facilities to fill up LNG tanker trucks (meant to supply Autonomous Gas Units (**UAGs**), i.e. satellite regasification plants).

Underground storage of natural gas

Natural gas can be stored for future use. Underground storage in Portugal involves natural gas compression and injection into underground salt gas caverns, where the compressed gas is stored until it is reintroduced into the national gas transportation grid upon user request. These types of caverns have a high deliverability to stored volume ratio and therefore allow for a quick response to market requirements. This provides increased flexibility and storage capacity for users to manage their trade business.

Transportation of natural gas

Natural gas is transported through various high pressure pipelines forming the national gas transportation grid, which is connected to medium and lower pressure pipelines operated by the distribution companies for distribution to end users.

Distribution of natural gas

The distribution of natural gas through medium and low-pressure pipelines is carried out through concessions or licences granted by the Portuguese State by public tender. The entities operating the natural gas distribution grid at the date of enactment of Decree-Law No. 30/2006, of 15 February, as amended, have

maintained their right to operate the natural gas distribution grid as concessionaires or licensed entities under an exclusive territorial public service regime.

Third party access to the natural gas distribution system must be ensured by the relevant concessionaires based on published tariffs applicable to all eligible customers, including supply companies, and applied objectively without discrimination among system users.

Certain local distributors also carry out regasification in cryogenic facilities in limited capacities. In this case, the LNG is transported by truck and delivered in UAGs to supply customers who are not connected to the national natural gas transportation grid.

Supply of natural gas

The natural gas supply activity is open to competition and subject to a licensing regime.

The liberalisation of the natural gas supply began in 2007 (with respect to power plants) and was extended to consumers of over one million cubic metres of natural gas per year in 2008, and to consumers of over ten thousand cubic metres of natural gas per year in 2009. Since 1 January 2010, every consumer has the freedom to choose his own natural gas supplier in an open market environment.

As with electricity, the ERSE published regulated tariffs for the natural gas sector are foreseen in the natural gas sector Tariff Regulation. The regulated supply tariffs are to be progressively abolished up to 1 January 2013, under two phases, (i) the first phase, providing for the removal of regulated tariffs for supplies to consumers with an annual consumption of over 500 m³ as of 1 July 2012 and, (ii) the second phase providing for the final removal of regulated tariffs for all consumptions, i.e., consumers with annual consumptions up to 500 m³.

Gas suppliers are subject to certain public service obligations and are required to ensure the quality and continuous supply of natural gas.

In addition, the role of the last resort supplier has been created and will be in place until the liberalised market is fully efficient. This new role has been assumed by a wholly-owned subsidiary of GALP for wholesale customers and by all other present concessionaires or licensed natural gas distributors within their area of coverage for retail customers, subject to licensing requirements.

Under market conditions, consumers are free to choose their natural gas supplier and are exempt from any payment when switching suppliers. In order to manage the process of switching suppliers a Logistics Operator for Switching Suppliers (**OLMC**) is to be created. This entity will have to be independent in a legal, organisational and decision-making sense, from the other entities in the National Gas System and will be subject to ERSE regulation.

Legislation applicable to this activity is yet to be developed. Nevertheless, until the incorporation of such an entity, ERSE has determined that the management of the process of switching natural gas suppliers should be conducted by the operator holding the concession for the transportation of natural gas. This operator is currently REN Gasodutos, S.A. (**REN Gasodutos**).

Operation of the natural gas markets

The natural gas markets in Portugal are operated on an open market basis, subject to authorisations to be jointly granted by the Minister of Finance and by the Minister responsible for the Energy sector.

The entity managing the organised market is also subject to authorisation granted by the Minister responsible for the Energy sector and, whenever required by law, the Minister of Finance.

REN's Natural Gas Business

The national natural gas system has been restructured. Reception, storage and regasification of LNG, underground storage of natural gas and natural gas transport are now carried out by three entities fully owned by REN under three different concessions:

REN Gasodutos holds the concession for transportation of natural gas through its high pressure grid. This concession also includes the technical global management of the national natural gas system and the coordination of the natural gas distribution and natural gas transportation infrastructure, in order to comply with the continuity and security of supply and ensure the integrated and efficient operation and development of the natural gas system;

REN Atlântico, Terminal GNL, S.A. (REN Atlântico) holds the concession for the reception, storage and regasification of LNG at Sines LNG terminal; and

REN Armazenagem, S.A. (REN Armazenagem) holds a concession for the underground storage of natural gas, in Carriço, in the municipality of Pombal.

The agreements for these three concessions were entered into on 26 September 2006 between the Portuguese State and the relevant concessionaires, each for 40-year terms.

For the purpose of calculating the regulated income for the gas segment, the relevant net assets in 2011 amounted to EUR 1,045 million.

Transportation of natural gas

REN acquired the national gas transportation grid and other related assets, which are held by REN Gasodutos, on 26 September 2006, from the GALP group. The natural gas transportation concession comprises the transportation of high pressure natural gas activity through the network, including:

The reception, transportation and delivery of natural gas through the network;

The construction, operation and maintenance of the national natural gas transportation grid infrastructure, its connections to networks and the premises necessary for such operation;

The planning, development, expansion and technical management of the national natural gas transportation grid;

The operation and maintenance of the connections between the national natural gas transportation grid and the international natural gas pipelines, underground storage infrastructure and LNG terminals;

The infrastructure planning of the national LNG reception, storage and regasification facilities;

Global technical management of the national natural gas system; and

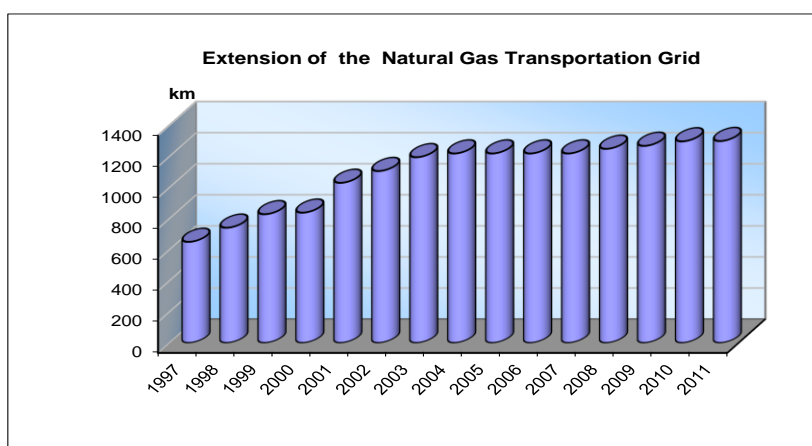
Monitoring of natural gas safety strategic reserves.

The national natural gas transportation grid consists of a main trunk line and branch lines totalling 1,298 kilometres, which is divided into seven route sections, with pipes ranging from a nominal size of 150 mm to 800 mm in diameter, of which more than half exceed 700 mm in diameter. In 2011, the national gas transportation grid transported 58.2 TWh of natural gas. The national gas transportation grid includes 192 pipeline stations, which consist of 43 block valve stations, 61 junction stations, 5 T-branch connection stations, 84 gas regulating and metering systems, and 2 custody transfer stations. The national natural gas transportation grid's main dispatching centre is located in Bucelas (Loures) and it also has an unmanned

emergency dispatching centre in Pombal, which is located in a different seismic zone to the main dispatching centre. There are also 4 operation and maintenance centres located on the grid at Sandim (Vila Nova de Gaia), Pombal, Portalegre and Bucelas (Loures).

As the construction of the national gas transportation grid only started in 1994, it is one of the newest natural gas transportation grids in Europe and accordingly incorporates the latest technology, including cathodic corrosion protection, double-block-and-bleed ball valves for network isolation, double slam shut valves, a built-in leak detection system and online simulation, a supervisory control and data acquisition system, and a redundant telecommunications system.

The following table describes the evolution of the construction process of the national natural gas transportation grid, including total kilometres, from 1997 to 2011:



Source: REN

REN Gasodutos seeks to maintain the national natural gas transportation grid at the highest operational standards. To date, REN Gasodutos has had zero incidents according to the Accumulated Performance Indicator of Non-Intentional Gas Leaking Index published by the European Gas Pipeline Incident Data Group (EGIG). This index measures the number of incidents per 1,000 km of exposed infrastructure per year. REN Gasodutos is a member of the EGIG, which collects and disseminates safety-related data on gas pipeline related incidents.

The natural gas market in Portugal continues to develop, and more infrastructure are planned in order to support the expected growth in capacity demand, including connections with new power stations and a gas compressor station. All infrastructure investment is subject to the approval of DGE.

Reception, storage and regasification of LNG

REN acquired the LNG terminal in Sines on 26 September 2006, by purchasing the total share capital of SGNL – Sociedade Portuguesa de Gas Natural Liquefeito, S.A. (SGNL) (the company is now named REN Atlântico) through which REN operates the reception, storage and regasification concession for LNG, subject to the public service regime. This concession involves the reception of LNG, the storage of LNG, the regasification of LNG and the delivery of LNG to the national natural gas transportation grid. REN Atlântico, under the terms of the concession, also performs the activities of loading and dispatching tanker trucks, marine tankers and also the construction, operation, maintenance and expansion of its own infrastructure.

The Sines LNG terminal entered the first phase of its commercial operation in January 2004. Today, the LNG terminal consists of a ship docking station with an unloading capacity that goes from 40,000 cubic metre methane tankers up to 215,000 cubic metre tankers, with an average unloading time of 19 hours for a

140,000m³ LNG ship, two storage tanks each having a capacity of 120,000 cubic metres (the construction of a third tank with a capacity of 150,000 cubic metres will enter into operation in mid 2012 according to the expansion project of the LNG Terminal) and seven open rack vaporisers for regasification. The LNG terminal has a guaranteed nominal send out capacity of 1,125,000 normal cubic metres per hour, 7.6 bcm per year, with a peak technical capacity of 1,300,000 normal cubic metres per hour (1,350,000 by mid 2012) of high pressure natural gas send out, and is able to load up to 3,000 trucks per year (or an equivalent of 0.08 bcm per year) of LNG.

Underground storage of natural gas

REN incorporated REN Armazenagem on 26 September 2006 using assets acquired from the GALP group, which include the gas station, the leaching facilities and three underground storage caverns with a working volume of 1.7 TWh of natural gas. The three gas storage caverns are in operation. Subject to Ministry authorisation, REN has the right to build and acquire additional natural gas caverns for the expansion of the system. REN Armazenagem holds these assets and rights. REN Armazenagem's underground storage concession includes:

The underground storage of natural gas in the gas caverns and the extraction, treatment and delivery of natural gas to the national gas transportation grid.

The construction, operation, maintenance and expansion of the facilities and infrastructure related to the natural gas storage.

Currently, the three operational gas caverns have a combined storage capacity of 1.7 TWhrs.

The above ground gas station infrastructure has two reciprocating natural gas engine-driven compressors with an injection capacity of 110,000 normal cubic metres per hour and gas dehydration facilities for extraction with a capacity of 300,000 normal cubic metres per hour. It also serves two other gas caverns at the site, which are not owned by REN Armazenagem.

The gas caverns are constructed by leaching salt out of a naturally occurring salt formation at a depth of more than 1,000 metres. Fresh or salt water is pumped through a cavern and leaches the salt, leaving a salt cavern where the salt was dissolved. The cavern undergoes a leakage test after the leaching phase and an inner pipe string is lowered into the cavern to remove as much brine as possible. Finally, a subsurface safety valve is installed at a depth of approximately 50 metres in order to prevent unintentional gas leak out of the cavern.

Control systems

REN's natural gas infrastructure was recently constructed using the latest technology. It is monitored by state-of-the-art systems employing fibre-optic based telecommunications technology connecting the remote stations in the pipeline to the main components of the infrastructure, such as the LNG terminal in Sines and the underground storage facilities in Carriço (Pombal).

REN Gasodutos relies on the Supervisory Control and Data Acquisition (**SCADA**) system and skilled onsite maintenance teams to keep the pipelines and the remote stations secure. The SCADA system, which employs built-in redundancy, allows for early problem diagnosis and quick response to any malfunctions. The onsite maintenance teams regularly inspect the right-of-way to ensure that parties using the infrastructure are complying with safety requirements and minimising the risk of interference with, or damage to, the infrastructure. Data is electronically collected, reducing the margin for human error, and recorded both onsite and centrally, allowing analyses to be conducted at a later stage on equipment performance in order to detect malfunction trends and to anticipate problems.

REN Atlântico and REN Armazenagem both have developed automated monitoring and control systems.

For example, the truck loading bay at the LNG terminal of REN Atlântico is fully automated. The level of automation allows REN to employ a reduced team to manage the facilities and to ensure that the infrastructure is operating at the required capacity, and allows quick access to operational data of the infrastructure.

Technical global management of the national natural gas system

The technical global management of the national natural gas system involves the coordination of the different infrastructure in the system to ensure open and non-discriminatory access to the infrastructure, as well as monitoring capacity, planning and the management of the national natural gas transportation system in order to ensure safe access to it by users.

As technical manager of the system, REN Gasodutos is responsible for overseeing the access of gas to the infrastructure in its different cycles, including managing the nominating process and gas metering for each user, in order to promote an efficient and cost-effective use of the network.

From a technical perspective, REN Gasodutos must ensure that the pipelines have enough capacity to meet user demand, managing the varying pressures and flows in order to maintain the responsiveness and availability of the network. In addition, REN is also responsible for monitoring the compliance of other participants operating in the national natural gas system with legal and operational obligations in relation to the security of supply.

Investments in natural gas infrastructure

REN's main investments in its natural gas infrastructure up to 2016 include the construction of an additional 150,000 m³ tank for LNG at the Sines Terminal and the expansion of its gas peak emission capacity by approximately 30 per cent.; the construction of new underground storage caverns and a new interconnection pipeline with Spain; the installation of a pipeline booster compressor station for gas transportation, new branch lines and gas delivery regulating and metering stations to support gas market growth and connect new areas.

The main drivers for increased investment in the natural gas sector are the increase of capacity demand as a result of the increase in peak consumption resulting from industrial consumption and future power plants, natural gas market growth in Portugal where consumption is still below the European average, and increased market integration for an Iberian gas market.

Tariffs

As referred to above, on 26 September 2006, public service concession contracts were signed between the Portuguese State and the REN Group companies.

Each concessionaire is responsible for the operation and maintenance of its respective infrastructure.

The development of other activities, beyond those included in the concessions, may be allowed, provided that the benefits for the concession are duly justified or aimed at the optimisation of the corresponding assets and that the activities are regarded as complementary to the principal concession activity and do not affect the security and continuity of the public services rendered.

REN's regulated activities are subject to the applicable legislation and regulatory framework established by ERSE and DGEG.

The regulatory gas year for tariff purposes starts on 1 July and ends on 30 June of the following year. The regulatory period lasts three years and tariffs are reviewed annually. The regulatory system recognises the use of gas infrastructure without any previous payment for the capacity. The settlement of physical or

contractual congestion is accomplished through auctions. Tariffs are set ex-ante and deviations are corrected ex-post after two years. A tariff smoothing system in respect of the next seven years has been set out for REN Atlântico and is described in greater detail below.

Tariffs are calculated based on the allowed revenues for the period for each activity and function divided by the estimate of the variables that measure its use.

As the first regulatory period ended on 30 June 2010, new codes, namely the tariff code, were publicly discussed and on 1 July 2010 the tariff codes for the next regulatory period 2010/2013 were published by ERSE. To ease financial audited reporting to ERSE, the revenues are now calculated on a fiscal year basis (January to December). As the tariffs still apply to the gas year, its calculation is based on an average of two consecutive fiscal years. Tariffs for the 2011/2012 gas year are based on the allowed revenues of 2011 and 2012 forecasts.

In general, the allowed revenues for a given fiscal year are calculated by adding the forecasted allowed operational costs to the remuneration of the regulatory asset base net of accumulated regulatory depreciations and subsidies, at a previously approved rate of return, plus the regulatory depreciation for the year net of subsidies. This value deducted from the allowed operational costs is referred to by ERSE as the cost of capital for that year. The relevant regulatory asset base (**RAB**) for the year is the average of the regulated asset base values at the beginning and end of that fiscal year.

ERSE has a medium-term smoothing effect on the use of the reception, storage and regasification tariff (**UTRAR**) to cover the next seven years in order to calculate an average unit cost for that period. This is calculated using the formula presented in the tariff code published by ERSE. In broad terms the average unit cost is the ratio obtained by dividing the "present value" of the future capital cost (RAB revenue calculated using the ROR plus depreciations) for the next seven years, using a discount rate equal to the ROR, by the "present value" of the quantities during the same period with the same discount rate.

Any deviation between projected return and actual return is transferred to the calculations of the allowed revenues for the consecutive year.

In this new three-year regulatory period, an efficiency incentive was introduced in the allowed OPEX of the UTRAR (REN Atlântico) and URT (REN Gasodutos) tariffs.

For the UTRAR tariff related operational expenditure, approximately 45 per cent. of the total is accepted as a revenue cap and the remaining OPEX is indexed (20 per cent.) to infrastructure physical emission capacity, and (30 per cent.) to energy processing as price cap. ERSE defines for both revenue cap and price cap calculation as a factor (GDP Price Deflator rate – "X") where "X" is 1 per cent. per year.

For the URT tariff related operation expenditure, 45 per cent. of the total is accepted as a revenue cap and the remaining is indexed (50 per cent) to the physical size of infrastructure (pipeline length and number of Gas metering Stations) and (5 per cent.), to energy processing as price caps. ERSE also defines, for both the revenue cap and price cap calculation a factor (GDP Price Deflator rate – "X") where "X" was 3.8 per cent. for the first year (2010) and 0 per cent. for the two following years (2011 and 2012)).

OTHER BUSINESSES

Telecommunications

REN established RENTELECOM – Comunicações, S.A. (**RENTELECOM**) in 2002 as a wholly-owned subsidiary to manage the commercial exploitation of the surplus capacity available on the telecommunications safety network.

RENTELECOM focuses on providing telecommunications carrier services within the public telecommunications grid as a licensed operator.

In 2006, that capacity was increased with the integration of the fibre optic network of national natural gas transportation grid.

RENTELECOM revenues have been growing in a sustainable way from EUR 1.9 million in 2004 to EUR 5.6 million in 2011.

Energy Trading

In connection with the phasing out of the PPAs, the Portuguese State has stipulated that PPAs which have not been terminated will be managed until the expiration of their respective terms by REN Trading which was incorporated by REN in July 2007.

REN Trading was incorporated to manage the two remaining PPAs, one of which was entered into with Tejo Energia, in relation to the 600 MW coal fired power plant in Pego, and the other of which was entered into with Turbogás, in relation to the 990 MW natural gas combined cycle power plant in Tapada do Outeiro. The objective of REN Trading is to maximise the revenues from selling energy in the markets and to minimise production costs. In the regulated part of this business, the expected benefits obtained through this activity will be divided between REN and the consumers, according to a set of formulas defined by ERSE in the document "Despacho No. 11210/2008".

Electricity Derivatives Trading Platform

In 2003, REN established the Operador do Mercado Ibérico de Energia – Pólo Português, S.A., (**OMIP**), the Portuguese marketplace for the exchange of Iberian electricity derivatives, following the approval of the *Despacho No. 12596/2003* of the Ministry of Economy. As referred to above, the Portuguese and the Spanish governments plan to merge OMIP with the Operador del Mercado Ibérico de Energia – Polo Español, S.A. (**OMEL**), the Spanish branch of the Iberian Energy Market Operator and have established limitations on the share capital of OMIP. REN currently holds a 35 per cent. stake in OMIP SGPS and intends to reduce its holding in OMIP SGPS to an equivalent 10 per cent. stake in the single Iberian Energy Market Operator, in line with what has been established by the Portuguese and Spanish governments.

In 2004, OMIClear – Sociedade de Compensação de Mercados de Energia, S.G.C.C.C.C., S.A. (clearing agent for the electricity market), a company fully owned by OMIP, was incorporated to be the clearing agent and central counterparty for operations entered into in the electricity market.

OMIP SGMR and OMIClear revenues for the nine months ended 30 September 2011 were EUR 1.9 million (from the last quarter of 2011 onwards, these companies do not consolidate with REN).

EMPLOYEES

In 2011, the number of employees increased 0.8% in comparison to 2010 to 734 as a result of the admission of 36 new employees (30 employees left the Company). In 2010, there was a 52% reduction in the number of employees leaving the company, which explains the decrease of 8.7% in 2010 to 4.1% in the overall rotation rate. In 2009 and 2010 there were high rotation rates because a significant number of employees left the Company due to retirement and early retirement, as well as a result of new employees joining the company.

In relation to the nature of employment contracts, 95% of REN's employees had a permanent employment contract in 2011, and of these, 59.7% were covered by a collective bargaining agreement (in Portuguese, ACT). In an industry where technical expertise is a very important requirement, 55% of the employees have a high level of education.

REN maintains good relations with the workers committee, which meets regularly with the Executive Committee. Meetings are also held with unions, either through the initiative of the company or upon the request of the unions, which represent 47 per cent. of REN's employees.

ENVIRONMENTAL

REN regularly reviews the environmental impact of its business and seeks to minimise the environmental consequences of its activities by promoting the rational use of natural resources, preventing pollution and supporting the development of renewable energy sources. In fulfilling its mission of providing a public service in the Portuguese energy sector, REN considers that the creation of value for shareholders and society cannot be dissociated from real environmental protection.

REN's environmental actions include a continuous monitoring of compliance with current environmental laws, the identification and minimisation of environmental impact and setting environmental improvement goals. REN's work to protect the environment is integrated with other areas of social corporate responsibility such as the occupational health, hygiene and safety components of quality and safety management and the prevention of serious accidents. As a corollary of work in these areas, the scope of the triple quality, environment and safety certification of the REN SGPS management systems (which included REN – Rede Eléctrica Nacional, REN Serviços and REN Trading) was extended to REN Gasodutos and REN Atlântico in May 2009 and to REN Armazenagem and REN Telecom in December 2009.

In 2011, REN invested approximately EUR 3.5 million in environmental preservation, relating to both mandatory and voluntary expenditures, including environmental compensatory measures on the development of new power lines, landscaping integration of power lines and facilities and birdlife protection.

In 2010, under the applicable law, REN has submitted the 2009 report on (i) the monitoring and assessment of the environmental impact of the implementation of the Plan for the Development of and Investment in the Transmission Network (PDIRT) and (ii) the implementation of the measures set out in the environmental statement, to Environment Portuguese Agency (APA-Agência Portuguesa do Ambiente). This report summarises the results of the implementation of the PDIRT in 2009. Additionally, it describes the main technical amendments introduced in the Portuguese Electricity Transmission Network in relation to the PDIRT as well as the amendments to the environmental assumptions made during the strategic environmental assessment of PDIRT.

In 2011, REN concluded the strategic environmental assessment of the PDIRT 2012-2017-2022. The environmental report, resulting from the implementation of the environmental assessment of this PDIRT, was submitted for public consultation in conjunction with the development plan. REN received 48 contributions, of which 43 were opinions of local and central government bodies and five participations of other entities. The comments received have been considered and, when relevant, integrated into the final version of the PDIRT.

RESEARCH AND DEVELOPMENT

REN engages in a number of projects aimed at improving its management and operation of the RNT and reducing the environmental impact of its operations. REN's research and development activities in 2011 are estimated to be valued at EUR 1.6 million.

PATENTS AND INTELLECTUAL PROPERTY

REN owns certain proprietary software that it has developed in connection with its business. Other than this software, there are no patents, trademarks or other intellectual property that are material to REN's business.

MATERIAL CONTRACTS

The principal material contracts to which REN is a party are described below:

Power purchase agreements

Under the Old Electricity Framework, REN entered into 33 PPAs, the majority of which are with EDP Produção, one with Tejo Energia and another with Turbogás. Pursuant to the liberalisation process of the electricity sector, several PPA termination agreements were signed on 27 January 2005 between EDP Produção and REN Rede Eléctrica, which related to termination of the hydro and thermal power plants operated by EDP Produção. These termination agreements came into effect on 1 July 2007. As a consequence of this early termination, according to Decree-Law No. 240/ 2004, of 27 December and Decree-Law No. 99/2007, of 18 May, EDP Produção is entitled to receive compensation from the tariff, which will be passed through under the tariff structure pursuant to CMECs. The amounts necessary to pay the compensation to EDP Produção will be recovered through the tariffs defined by ERSE. In addition, this compensation is subject to a yearly adjustment system during the initial 10 years and a final adjustment in the 10th year. Tariffs will reflect the accrued amounts paid to EDP Produção pursuant to the re-visibility mechanism.

The PPAs related to the thermal power plants operated by Tejo Energia and Turbogás were not terminated early and REN (through REN Trading) maintains its status as buyer under such PPAs until their expiry dates in 2021 and 2024, respectively.

Natural gas management agreement

Following the Turbogás PPA, on 7 December 1994, REN (through one of its subsidiaries) and Transgás (now GALP Gás Natural) entered into a natural gas consumption management agreement that defines the rights, obligations and procedures to be established between REN and Transgás with respect to the supply of natural gas to the thermal power plants managed by REN. This agreement is valid for a period of 25 years from the entry into operation of the thermal combined cycle gas turbine (CCGT) power plant of Tapada do Outeiro (Turbogás).

Pursuant to this agreement, Transgás entered subsequently into individual agreements for gas supply with the relevant thermal power plants.

Concession agreements

REN has entered into:

- a 50-year concession agreement for the activities of electricity transmission;
- a 40-year concession agreement for the activities of reception, storage and regasification of LNG;
- a 40-year concession agreement for the activities of underground storage of natural gas;
- a 40-year concession agreement for the activities of natural gas transportation; and
- a 45-year concession agreement for the operation of a pilot zone for the generation of electric energy from sea waves.

PROPERTY, PLANT AND EQUIPMENT

REN's principal properties are related to its electricity and gas infrastructure, as well as certain office buildings. REN's properties are for the most part held free of encumbrances. In general, REN's properties

will revert to the Portuguese State or to the municipalities, as the case may be, upon the termination of its concessions. Despite the fact that REN holds the right to receive compensatory amounts in relation to these assets, the loss of such assets may have a negative impact on its business.

LITIGATION AND ARBITRATION

In the past 12 months REN has been subject in the ordinary course of its activities to a number of claims relating to its business and may be subject to further claims in the future. In addition, REN Rede Eléctrica is party to a number of other disputes which REN would not consider to have a significant negative impact on the Group. REN does not believe that any of the pending judicial proceedings against it would have a material adverse effect on its business, results of operations, financial condition or cash flows.

As a result of the transfer of the regulated gas assets from the GALP group to the Group, judicial proceedings are pending concerning liabilities related to pipeline construction and payments.

In connection with the transfer of REN's stake of 18.3 per cent. in Galp Energia SGPS SA to Amorim Energia B.V. (**Amorim**), in 2006, the two companies maintained a dispute regarding the dividends distributed by Galp in 2006. On 16 March 2010, REN was notified of an International Chamber of Commerce (**ICC**) Arbitral Award that, with a dissenting vote, ordered REN to pay EUR 20,334,883.91 to Amorim, an amount equivalent to half of its demand and corresponding to half of the amount of the Dividends, plus interest. On 20 July 2010 REN brought annulment proceedings against Amorim before the Cour d'Appel de Paris in order to have the ICC award (of 16 March 2010) set aside. On 22 November 2010 REN filed its Conclusions d'annulation in the annulment proceedings. Subsequently, Amorim filed its Response and REN filed its reply.

In November 2011, REN was notified of the decision of the Cour d'Appel de Paris that the proceedings would not be annulled. Concurrently, on September 2010, Amorim filed proceedings with the Portuguese Courts aimed at having the ICC award (of 16 March 2010) recognised and enforced in Portugal. REN was served and filed its opposition to the recognition and enforcement of the award. Amorim filed its reply. This dispute has already been absolutely settled and duly recorded in the Issuer's accounts for the financial years of 2010 and 2011, having no further impact in the Issuer's accounts (from the year 2012 onwards).

INSURANCE

REN maintains the types and amounts of insurance customary in the industries in which it operates, including coverage for third-party liability, employee-related accidents and injuries, property damage, environment and directors' and officers' liability.

REGULATION

REN operates primarily in the electricity and natural gas sectors, and additionally in the telecommunications sector. As a result, its activities are subject to legislation and regulation on a number of fronts. In particular REN is subject to EU legislation applying to the electricity and natural gas industries. REN is also subject to extensive Portuguese legislation applying to the electricity sector such as Decree-Law No. 78/2011, of 20 June, transposing the Directive No. 2009/72/EC of the European Parliament and of the Council of 13 July, and Decree-Law No. 172/2006, of 23 August, which established the new basis, principles and model of organisation and functioning of the electricity sector in Portugal in accordance with the relevant EU legislation. On the other hand, REN is also subject to extensive Portuguese legislation applying to the natural gas sector such as Decree-Law No. 77/2011, of 20 June, transposing the Directive No. 2009/73/EC of the European Parliament and of the Council of 13 July, and Decree-Law No. 140/2006, of 26 July which established the new basis, principles and model of organisation and operation of the natural gas sector in Portugal in accordance with the relevant EU legislation.

REN is subject to the supervision and regulation of the DGEG and ERSE and, in particular, to several regulatory codes issued by these entities for both the electricity and natural gas sectors. These regulatory codes include; (i) the Quality of Service Code, (ii) the Tariff Code, (iii) the Commercial Relations Code, (iv) the Grid Operations Regulation, (v) the Access to the Grid and Interconnections Code, and (vi) the Transmission Grid Regulation and Distribution Grid Regulation in respect of the electricity sector. In respect of the natural gas sector the regulatory codes are: (i) the Quality of Service Code, (ii) the Tariff Code, (iii) the Commercial Relations Code, (iv) the Access to the Grid, Infrastructure and Interconnections Code, (v) the Infrastructure Operation Regulation, (vi) the Project, Construction, Use and Maintenance of the Underground Storage Technical Regulation, (vii) the Project, Construction, Use and Maintenance of the LNG Reception, Storage and Regasification Terminal Technical Regulation, and (viii) the Project, Construction, Use and Maintenance of the National Natural Gas Transmission Network Technical Regulation.

RECENT DEVELOPMENTS

On 2 February 2012, the Issuer disclosed to the market that in the context of the second re-privatisation phase of the Issuer, the Portuguese Government selected State Grid International Development Limited (**SGID**) and Oman Oil Company S.A.O.C. (**OOC**) to acquire shares, representing 25 per cent. and 15 per cent. respectively of REN's share capital. Furthermore, the Issuer also disclosed that, following the decision of the Portuguese Government, REN's Board of Directors resolved on 2 February 2012 to enter into a framework agreement with each of the purchasers, establishing the terms and conditions of long-term strategic projects, whereby SGID will become REN's main industrial strategic partner, and OOC a financial strategic partner of REN.

On 3 February 2012, the Issuer disclosed an investor presentation to the market to explain the strategic partnerships with SGID and OOC. According to this presentation REN, SGID and OOC will combine efforts in a number of strategic initiatives in Portugal and abroad with the objectives of: (i) enhancing REN's leading position in Portugal and supporting the development of the Iberian energy market; and (ii) supporting REN's internationalisation process, as well as cooperating in areas such as exchange of technology skills, R&D initiatives and procurement. Furthermore, as per the presentation, SGID obtained a commitment for a EUR 1bn credit facility from a Chinese financial institution to fund capital expenditure and debt refinance, as well as additional letters of interest from three other banks to provide further financial support.

On 16 February 2012, the Issuer disclosed to the market that the rating agency Moody's was analysing REN's rating, following the downgrade of the Portuguese Republic's rating, as announced by Moody's on 13 February 2012. The Issuer's rating on the date thereof remained the same. In addition, the Issuer disclosed that Moody's had indicated that if a decision were made to downgrade REN's rating, this was expected to be limited to one notch. Furthermore such a decision would be dependent upon the agency's evaluation of the impact of REN's re-privatisation, namely the final terms and conditions of the credit line(s) referred to above and the specific allocation to capital expenditure (capex) and refinancing requirements, in the context of the new shareholders' strategy and REN's medium-term investment objectives and needs. That evaluation would seek to clarify whether the potential provision of additional liquidity as part of REN's re-privatisation and the involvement of new non-domestic strategic shareholders could enable REN to achieve a higher degree of severance from the sovereign country's risk and mitigate refinancing and liquidity risks.

On 21 February 2012, the Issuer disclosed to the market that amendments to the following concession agreements between the Portuguese State and several companies of the REN Group were signed: *a*) the concession agreement for electricity transmission through the National Electricity Grid, entered into by REN Rede Eléctrica; *b*) the concession agreement for natural gas transmission through the National Natural Gas Transmission Grid, entered into by REN Gasodutos; *c*) the concession agreement for the reception, storage and regasification of Liquefied Natural Gas to the Sines terminal, entered into by REN Atlântico; *d*) the concession agreement for natural gas underground storage, entered into by REN Armazenagem. The Issuer further disclosed that the main purposes of the amendments were (i) to give details of the functions of the operators of the electricity and natural gas national transmission grids; (ii) to develop the regime for the purposes of the monitoring and supervision of the activities of the concessionaires by the Portuguese State; (iii) to clarify the terms applicable to the provision of information by each of those concessionaires; and (iv) to adjust the relevant contractual clauses to reflect the legal and regulatory provisions pursuant to Decree-Law No. 77/2011 and Decree-Law No. 78/2011, both of 20 June.

On 22 February 2012, the Issuer disclosed to the market that in the context of the second re-privatisation phase of REN, the Issuer had entered into an industrial strategic partnership agreement with SGID and a financial strategic partnership agreement with OOC, which would become effective upon the entry of the relevant shareholders in REN's share capital pursuant to the abovementioned re-privatisation phase.

On 28 February 2012, the Issuer disclosed to the market that Standard & Poor's had reviewed REN's long and short-term rating, which were downgraded from "BBB-/A-3" to "BB+/B", as well as the rating of its

unsecured senior debt from "BBB-" to "BB+". At the same time, Standard & Poor's removed REN's ratings from CreditWatch and set out a negative outlook on REN. Standard & Poor's considered that, according to their methodology, REN's rating shall not stay more than one notch higher than the rating of the Republic of Portugal. Nevertheless, Standard & Poor's stated that it considered that the business risk profile of REN was still "strong", considering, on one hand, that REN benefits from a favourable regulatory framework and, on the other hand, that the strategic partnerships with its future shareholders - SGID and OOC – would reduce REN's refinancing risks, through the diversification of its sources of funding.

On 1 March 2012, the Issuer disclosed its consolidated results for 2011 to the market.

On 27 March 2012 and following REN's Annual General Shareholders' Meeting, the Issuer disclosed, *inter alia*, a distribution gross dividend of EUR 0.169 per share, out of profits, in relation to the financial year ended 31 December 2011.

On 9 April 2012, the Issuer disclosed to the market that it has entered into an agreement with Parpública – Participações Públicas, SGPS, S.A. (**Parpública**), CEZA – Companhia Eléctrica do Zambeze, S.A. (**CEZA**) and EDM – Electricidade de Moçambique, EP (**EDM**) under which the Issuer will purchase from Parpública 2,060,661,943 shares, representing 7.5 per cent. of the share capital and voting rights of Hidroeléctrica de Cahora Bassa, S.A. (**HCB**), at a price of EUR 38,400,000.00 (thirty-eight million four hundred thousand euro). The Issuer also informed the market that the abovementioned agreement is subject to the satisfaction of certain conditions. These conditions include consent being granted for the transfer of shares to REN, representing 7.5 per cent. of the share capital of HCB, by a General Shareholders Meeting of HCB, held on or before 15 June 2012. Furthermore, the Issuer also disclosed to the market that at the same time as entering into the abovementioned agreement, REN, CEZA and EDM entered into another agreement to establish the future involvement of REN, by holding a relevant stake, in the *Projecto da Espinha Dorsal da Rede Eléctrica Nacional* (the **Project**), as technological partner and services provider, by purchasing shareholdings in companies directly or indirectly owned by EDM, which were or will be incorporated under the Project, for the purposes of the implementation of the Project. The Issuer further informed the market that the purchase of such shareholdings will lead to the sale to EDM (or to any company in which EDM has a dominant influence) by REN of its shareholding of 7.5 per cent. in the share capital of HCB.

On 14 May 2012, the Issuer disclosed its results for the first quarter 2012 results to the market.

On 23 May 2012, the Issuer disclosed to the market that Decree-Law No. 112/2012 of 23 May, amending article 25 of Decree-Law No. 29/2006 of 15 February and articles 20-A and 21 of Decree-Law 30/2006 of 15 February, was published in the Portuguese Gazette, entering into force on 24 May 2012. The Issuer further disclosed that this Decree-Law amended the maximum threshold of direct and indirect shareholdings, corresponding to 25% of the share capital of the (i) National Transmission Network (**RNT**) operator, (ii) concessionary companies of the LGN Terminals National Network (**RNTIAT**) and (iii) National Natural Gas Transmission Network (**RNTGN**) operator. The entering into force of this Decree-Law lead in turn to the entry into force of paragraph 3 of article 12 of the Issuer's by-laws, as approved at the Issuer's meeting held on 27 March 2012, under which the previous voting cap applicable to REN's general meetings was increased up to 25% of the total voting rights corresponding to its share capital.

MANAGEMENT

Board of Directors

Members

At REN's General Shareholders' Meeting held on 27 March 2012, a resolution was passed to elect the members of the Board of Directors who would exercise managing functions for the period 2012-2014. The full list of current directors is as follows:

Name	Age	Function	Year originally elected	Date of expiry of term
Mr. Rui Manuel Janes Cartaxo	59	Chairman and CEO	2007	2014
Mr. João Caetano Carreira Faria Conceição	37	Executive Director	2009	2014
Mr. Gonçalo João Figueira Morais Soares	40	Executive Director and CFO	2012	2014
Mr. Guangchao Zhu (appointed by State Grid International Development Limited)	45	Vice-Chairman	2012	2014
Mr. Aníbal Durães dos Santos (appointed by Parpública – Participações Públicas (SGPS), S.A.)	64	Director	2012	2014
Mr. José Folgado Blanco (appointed by Red Eléctrica Corporación, S.A.)	68	Director	2011	2014
Mr. Filipe Maurício de Botton (appointed by EGF – Gestão e Consultoria Financeira, S.A.)	54	Director	2008	2014
Mr. José Manuel Félix Morgado (appointed by Gestmin, SGPS, S.A.)	51	Director	2011	2014
Mr. Hilal al Kharusi	44	Director	2012	2014
Mr. Mengrong Cheng	43	Director	2012	2014
Mr. Haibin Wan	48	Director	2012	2014

Name	Age	Function	Year originally elected	Date of expiry of term
Mr. José Luis Alvim Marinho	59	Director and Chairman of the Audit Committee	2007	2014
Mr. José Frederico Vieira Jordão	67	Director and Member of the Audit Committee	2007	2014
Mr. Emílio Rui Vilar	72	Director and Member of the Audit Committee	2012	2014

Each of the members of the Board of Directors exercises his managing functions at REN's head office at Avenida Estados Unidos da América, no. 55, Lisbon, Portugal.

There are no family ties between the members of the Board of Directors or between the members of the Board of Directors and the statutory auditor.

Corporate Governance

In accordance with the corporate governance structure adopted by REN (the so-called "Anglo-Saxon structure"), its management is attributed to the Board of Directors (without prejudice of the delegation of powers to the Executive Committee regarding the day to day management) and its supervision is attributed to the Audit Committee (exclusively composed of non-executive directors) and to a statutory auditor, as set out in article 278(1)(b) of the Portuguese Companies Code.

REN adopts the majority of the Recommendations of the Portuguese Securities Market Commission (CMVM) on the Corporate Governance of Listed Companies, as stated in REN's corporate governance report which is annexed to its audited consolidated annual report and accounts of the Group for the financial year ended 31 December 2011. REN is the entity responsible for the appraisal of compliance with the recommendations. The CMVM has not approved or evaluated the appraisal made by REN.

The following functions outside the Issuer are currently exercised by the directors of the Issuer:

Name	Functions
Mr. Rui Manuel Janes Cartaxo	REN Rede Eléctrica Nacional, S.A. – Chairman of the Board of Directors RENTELECOM – Comunicações, S.A. – Chairman of the Board of Directors Gasoduto Braga-Tuy, S.A. – Chairman of the Board of Directors Gasoduto Campo Maior-Leiria-Braga S.A. – Chairman of the Board of Directors REN Serviços, S.A. – Chairman of the Board of Directors

Name	Functions
Mr. João Caetano Carreira Faria Conceição	<p>REN Gasodutos, S.A. – Chairman of the Board of Directors</p> <p>REN Atlântico Terminal de GNL, S.A. – Chairman of the Board of Directors</p> <p>REN Armazenagem, S.A. – Chairman of the Board of Directors</p> <p>Red Eléctrica de España, S.A. – Member of the Board of Directors</p> <p>Enondas, Energia das Ondas, S.A – Chairman of the Board of Directors</p> <p>REN Rede Eléctrica Nacional, S.A. – Member of the Board of Directors</p> <p>REN Serviços, S.A. – Member of the Board of Directors</p> <p>REN Armazenagem, S.A. – Member of the Board of Directors</p> <p>REN Gasodutos, S.A. – Member of the Board of Directors</p> <p>REN Atlântico, Terminal de GNL, S.A. – Member of the Board of Directors</p> <p>RENTELECOM – Comunicações, S.A. – Member of the Board of Directors</p> <p>Gasoduto Braga-Tuy, S.A. – Member of the Board of Directors</p> <p>Gasoduto Campo Maior-Leiria-Braga, S.A. – Chairman of the Board of Directors</p>
Mr. Gonçalo Morais Soares	-
Mr. Guangchao Zhu	<p>State Grid Development Limited – President, CEO and member of the board of Directors</p> <p>State Grid Brazil Holding S.A. - Chairman of Board</p>
Mr. Aníbal Durães dos Santos	<p>REN Rede Eléctrica Nacional, S.A. – Member of the Board of Directors</p> <p>Member of Associação Portuguesa das Empresas do Sector Eléctrico-Elecpor's Management Board</p> <p>REN Serviços S.A. – Member of the Board of Directors</p> <p>REN Gasodutos S.A. – Member of the Board of Directors</p> <p>REN Atlântico, Terminal de GNL, S.A. – Member of the Board of Directors</p> <p>REN Armazenagem, S.A. – Member of the Board of Directors</p> <p>Member of the Advisory Committee of Portugal Telecom, SGPS, S.A.</p> <p>Enondas, Energia das Ondas, S.A. – Member of the Board of Directors</p>
Mr. José Folgado Blanco	<p>Red Eléctrica Corporación, S.A. – Chairman of the Board of Directors</p> <p>Universidad Autónoma de Madrid – Professor</p>

Name	Functions
Mr. Filipe de Botton	Universidad Autónoma de Madrid – Member of the Social Committee
Mr. José Manuel Félix Morgado	EGF - Gestão e Consultoria Financeira, S.A. – Director
Mr. Hilal al Kharusi	Inapa – Investimentos, Participações e Gestão, S.A. – Chief Executive Officer
	Gestmin, SGPS, S.A. – Member of the Board of Directors
	Oman Rolling Mill Company - Chairman
	Takamul Investment Company - Vice Chairman
	Bharat Oman Refineries Limited - Vice Chairman
	Oman Gas Company - Director
	Oman India Fertilizers Company - Director
	Sohar Aluminum Company - Director
Mr. Mengrong Cheng	IEC MSB Chinese Committee - Member
	State Grid Corporation of China - Co-head, Dept. of International Cooperation, Member of the overseas investment management committee
Mr. Haibin Wan	State Grid European Office - Deputy Director General
Mr. José Luís Alvim Marinho	JLALVIM – Consultoria Estratégica e Formação Avançada, Lda. - Manager
	Microprocessador - Sistemas Digitais S.A. - Chairman of the (non-executive) Board of Directors
	CUF-SGPS - Member (non-executive) of the Board of Directors
	EGP - University of Porto Business School - Professor of Strategy and Finance
Mr. José Frederico Vieira Jordão	-
Mr. Emílio Rui Vilar	Centro Português de Fundações – President
	SEDES – Founder and first President
	Instituto Português de Corporate Governance – Founding member
	Fundação Calouste Gulbenkian – Non-executive member of the Board of Trustees
	Partex Oil and Gás (Holdings) Corporation – Chairman of the Board of Directors
	Banco de Portugal – Chairman of the Audit Committee

Service contracts

No member of the Board of Directors has a service contract with REN or any of its subsidiaries.

Conflicts of interest

No potential conflicts exist between the private interests and/or other duties of the members of the Board of Directors or the supervisory bodies and their duties to REN or to any company of the Group.

Executive Committee

Members

The members of the Executive Committee are Mr. Rui Manuel Janes Cartaxo, Mr. João Caetano Carreira Faria Conceição and Mr. Gonçalo Morais Soares.

Remuneration Committee

Members

The Remuneration Committee is composed of the following members elected by the General Shareholders' Meeting held on 27 March 2012, for the 2012-2014 term of office: Mr. Carlos Adolfo Coelho Figueiredo Rodrigues (Chairman), Rui Horta e Costa and Pedro Sommer de Carvalho.

SUPERVISORY BODIES

Audit Committee

Members

The Audit Committee consists of three independent non-executive directors: Mr. José Luís Alvim Marinho (Chairman), Mr. Fernando António Portela Rocha de Andrade and Mr. Emílio Rui Vilar. The members of the Audit Committee were elected by the General Shareholders' Meeting held on 27 March 2012. The Audit Committee ordinarily meets once a month at the head offices of the Issuer and may convene any collaborators of the Issuer to attend the meetings, whenever deemed necessary. Furthermore, the Audit Committee has access to independent professional advice, as it may deem necessary.

The Audit Committee has the powers and the obligations foreseen in law and in the Articles of Association of REN, therefore being particularly accountable for:

- The supervision of the management of the Company and the compliance with the law and the Articles of Association;
- The verification of the accuracy of the accounting documents prepared by the Board of Directors and the supervision of the respective revision;
- The supervision of the preparation and disclosure of financial information;
- The overseeing of the efficiency of the risk management, internal control and internal audit systems;
- The proposal to the General Meeting of the appointment of the Statutory Auditor;
- The monitoring of the independence of the Statutory Auditor, in particular in relation to the additional services rendering; and
- The reception of communications of irregularities submitted by shareholders, the Company's collaborators or third parties.

Statutory auditor

Members

The Statutory Auditor is Deloitte & Associados, SROC S.A., represented by Mr. Jorge Carlos Batalha Duarte Catulo. The Deputy Statutory Auditor is Mr. Carlos Luís Oliveira de Melo Loureiro.

OTHERS

Secretary of the Company

REN's Board of Directors appointed Mr. Pedro Jorge Cabral Silva Nunes as Secretary of the Company and Mrs. Mafalda Rebelo de Sousa as Deputy Secretary of the Company on 19 April 2012 for the period 2012/2014. They will exercise these functions in accordance with the provisions of the Portuguese Companies Code.

Their term of office ceases with the end of the term of the present Board of Directors.

Market Relations Representative

Mr. Gonçalo João Figueira Morais Soares is REN's market relations representative.

MAIN SHAREHOLDERS

As at 26 June 2012, the major shareholders in REN's share capital were the following:

Shareholders	Head Office	No of shares	Per cent. Capital
State Grid Europe Limited ⁽¹⁾	20-22 Bedford Row, London, UK	133,500,000	25.00
Mazoon, B.V. ⁽²⁾	De Lairesestraat 154, 1075HL Amsterdam, The Netherlands	80,100,000	15.00
Parública – Participações Públicas, SGPS, S.A. ⁽³⁾	Rua Laura Alves, n.º 4, Lisbon	52,871,340	9.90
EDP – Energias de Portugal, S.A.	Praça do Marquês Pombal, no. 12, Lisbon	26,700,000	5.00
EGF – Gestão e Consultadoria Financeira, S.A.	Edifício Logoplaste, Estrada da Malveira, 900, Cascais	44,935,176	8.42
Gestmin, SGPS, S.A.	Rua José Carvalho Araújo, no. 262, 1, Cascais	30,135,818	5.64
J. P. Morgan Chase & Co.	270 Park Avenue, New York, NY 10017, E.U.A.	28,152,643	5.27
Oliren, SGPS, S.A.	Pousada de Saramagos, Vila Nova de Famalicão	26,700,000	5.00

Red Eléctrica Corporación, S.A.	Paseo del Conde de los Gaitanes, 177, Alcobendas (Madrid)	26,700,000	5.00
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⁽¹⁾ State Grid Europe Limited is a wholly-owned subsidiary of State Grid International Development Limited.

⁽²⁾ Mazoon, B.V. is a wholly, indirectly-owned subsidiary of Oman Oil Company S.A.O.C.

⁽³⁾ The Portuguese State holds 100 per cent. of the share capital of Parpública – Participações Públicas, SGPS, S.A.

Significant Shareholders

State Grid International Development Limited, holding a stake representing 25 per cent. of REN's share capital, Oman Oil Company S.A.O.C., holding a stake representing 15 per cent. of REN's share capital, and Parpública – Participações Públicas, SGPS, S.A., a state-owned company, holding a stake representing 9.9 per cent. of REN's share capital are currently the most significant shareholders of the Issuer.

Voting Rights

REN's share capital is represented by 534,000,000 shares, divided into 475,260,000 Class A shares (ordinary shares) and 58,740,000 Class B shares, with the nominal value of one euro each, fully issued and subscribed.

According to no. 3 of article 12 of REN's by-laws, the voting rights exercised by a single holder of Class A shares for themselves or on behalf of another shareholder are limited to a maximum of 25 per cent. of the aggregate voting rights of the share capital. For purposes of computing the votes corresponding to the percentage of the share capital held by a participant in a General Shareholders' Meeting, the votes corresponding to the following shares are aggregated:

the shares held by the participant as a shareholder or of which the participant has the usufruct;

the shares held by any other entity controlled directly or indirectly by the participant;

the shares held by other persons or entities in their own name or in the name of another for the benefit of the participant;

the shares held by an entity belonging to the same corporate group as the shareholder entity;

the shares held by third parties with whom the participant has an option or any other right to buy shares;

the shares held by third parties with whom the participant has entered into an agreement related to the exercise of voting rights, except if under such agreement the participant is bound to follow instructions from third parties;

the shares held as security by any person entitled to exercise the voting rights corresponding to the shares;

the shares held by the members of the corporate bodies of the participant, where the shareholder is a company;

the shares that the participant may acquire pursuant to an agreement entered into with the respective holders of such shares;

the shares held by persons with whom the participant has entered into an agreement that aims to assure the control over REN or to avoid the change of control of REN or that, in any way, constitutes a form of cooperation to exercise influence over REN.

In accordance with article 13 of REN's by-laws, the shareholders should, for the purposes of computing the percentage of the share capital held, provide the Board of Directors with the information requested by the Board, in a true, objective and complete manner. Should shareholders fail to comply with such obligation, the voting rights inherent to shares exceeding 25 per cent. of the share capital are not able to be exercised.

REN's Class B shares are not subject to restrictions on the exercise of voting rights.

FINANCIAL STATEMENTS OF REN

The following financial information is extracted without material adjustment from the audited consolidated financial statements of REN as at 31 December 2010 and 31 December 2011 prepared in accordance with International Financial Reporting Standards, and from the unaudited consolidated financial statements of REN as at 31 March 2011 and 31 March 2012 prepared in accordance with recognition and measurement requirements of International Financial Reporting Standards.

1. Consolidated Income Statement

	Audited Information	
	Year ended 31 December	
	2011	2010
	<i>(thousands of euro)</i>	
Sales	798	917
Services rendered	530,023	509,848
Revenue from construction of concession assets	349,269	420,483
Other operating income	26,909	37,806
Gains from joint ventures	-	8,092
Gains from associates	10,326	-
Operating income	917,325	977,145
Cost of goods sold	(1,417)	(747)
Cost of construction of concession assets	(316,305)	(394,548)
Supplies and services	(52,923)	(80,423)
Personnel costs	(48,284)	(51,223)
Amortization and depreciation	(181,765)	(172,633)
Provisions	(15,234)	(12,774)
Impairment	(2,650)	-
Other expenses	(15,558)	(14,278)
Operating costs	(634,136)	(726,626)
Operating profit	283,189	250,519
Financial costs	(111,942)	(89,883)
Financial income	3,995	2,194
Investment income - dividends	4,596	3,790
Net financial costs	(103,351)	(83,900)
Profit before income tax	179,838	166,619
Income tax expense	(59,250)	(56,353)
Net profit for the year	120,588	110,268
Attributable to:		
Equity holders of the Company	120,576	110,265
Non-controlling interests	12	1
	120,588	110,266
Earnings per share attributable to the equity holders of the company during the year (expressed in euro per share)		
- basic	0.23	0.21

- diluted

0.23

0.21

	Unaudited Information	
	3 months ended 31 March	
	2012	2011
	<i>(thousands of euro)</i>	
Sales	86	88
Services rendered	144,894	128,851 a)
Revenue from construction of concession assets	24,981	60,105
Other operation income	5,264	7,269 a)
Operating income	175,224	196,313
Cost of goods sold	(136)	(19)
Cost with construction of concession assets	(18,009)	(53,127)
External supplies and services	(10,803)	(11,392)
Employee compensation and benefit expense	(11,981)	(12,076)
Depreciation and impairment charges	(48,094)	(45,454)
Other expenses	(3,545)	(4,212)
Operating costs	(92,569)	(126,279)
Operating profit	82,655	70,034
Financial costs	(34,612)	(23,502)
Financial income	612	1,188
Investment income - dividends	1,825	1,541
Net Financial costs	(32,174)	(20,772)
Profit before income tax	50,481	49,261
Income tax expense	(16,030)	(14,862)
Net profit for the year	34,451	34,400
Attributable to:		
Equity holders of the Company	34.451	34.378
Non-controlling interests	-	21
	34.451	34.400
Earnings per share attributable to the equity holders of the company during the year (expressed in euro per share)		
- basic	0.06	0.06
- diluted	0.06	0.06

a) The amount of 570 thousand euros related to congestion revenues was reclassified from other operation income to services rendered, for purposes of comparability with the amounts published earlier.

2. Consolidated Balance Sheet

	Audited information	
	as of 31 December	
	2011	2010
	<i>(thousands of euro)</i>	
ASSETS		
Non-current assets		
Tangible fixed assets	488	1,201
Goodwill	3,774	3,774
Other intangible fixed assets	3,888,161	3,720,857
Deferred tax assets	63,057	60,802
Available-for-sale financial assets	82,051	84,301
Derivative financial instruments	26,696	20,699
Other investments	5,667	7,119
Investments in associates	8,717	-
Trade and other receivables	80,079	66,505
	4,158,691	3,965,255
Current assets		
Inventories	3,628	4,047
Trade and other receivables	226,791	275,796
Current income tax recoverable	14,015	361
Guarantee deposits	-	74,234
Derivative financial instruments	1,144	2,212
Cash and cash equivalents	69,406	138,598
	314,984	495,248
Total assets	4,473,675	4,460,503
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	534,000	534,000
Own shares	(10,728)	(10,728)
Other reserves	215,401	211,582
Retained earnings	178,189	170,453
Net profit for the year	120,576	110,265
	1,037,439	1,015,572
Non-controlling interests	-	6,329
Total equity	1,037,439	1,021,901
LIABILITIES		
Non-current liabilities		
Borrowings	2,354,032	1,910,650
Deferred tax liabilities	66,875	71,551
Liability for retirement benefits and others	55,110	66,031
Derivative financial instruments	14,239	2,875
Provisions	4,520	4,611
Trade and other payables	381,495	451,940

	<u>2,876,271</u>	<u>2,507,659</u>
Current liabilities		
Borrowings	53,587	347,134
Provisions	27,794	12,470
Trade and other payables	476,328	432,806
Income tax payable	520	59,925
Derivative financial instruments	1,735	4,375
Guarantee deposits	-	74,234
	<u>559,965</u>	<u>930,944</u>
Total liabilities	<u>3,436,236</u>	<u>3,438,603</u>
Total equity and liabilities	<u>4,473,675</u>	<u>4,460,503</u>

	Unaudited information 3 months ended 31 March 2012	Audit Information Year ended 31 December 2011
	<i>(thousands of euro)</i>	
ASSETS		
Non-current assets		
Tangible fixed assets	444	488
Goodwill	3,774	3,774
Other intangible fixed assets	3,865,073	3,888,161
Deferred tax assets	58,947	63,057
Available-for-sale financial assets	87,293	82,051
Derivative financial instruments	12,817	26,696
Other investments	5,366	5,667
Investments in associates	8,717	8,717
Trade and other receivables	85,280	80,079
	<u>4,127,712</u>	<u>4,158,691</u>
Current assets		
Inventories	3,288	3,628
Trade and other receivables	204,803	226,791
Current income tax recoverable	14,015	14,015
Derivative financial instruments	751	1,144
Cash and cash equivalents	63,422	69,406
	<u>286,279</u>	<u>314,984</u>
Total assets	<u>4,413,991</u>	<u>4,473,675</u>

EQUITY

Equity attributable to equity holders of the Company

Share capital	534,000	534,000
Own shares	(10,728)	(10,728)
Other reserves	235,809	215,401

Retained earnings	186,868	178,189
Net profit for the year	34,451	120,576
Total equity	980,401	1,037,439

LIABILITIES

Non- current liabilities

Borrowings	2,112,790	2,354,032
Deferred tax liabilities	68,844	66,875
Liability for retirement benefits and others	54,517	55,110
Derivative financial instruments	18,245	14,239
Provisions	4,520	4,520
Trade and other payables	388,987	381,495
	2,647,902	2,876,271

Current liabilities

Borrowings	322,050	53,587
Provisions	64	27,794
Trade and other payables	453,531	476,328
Income tax payable	8,331	520
Derivative financial instruments	1,711	1,735
	785,688	559,965

Total liabilities	3,433,590	3,436,236
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Total equity and liabilities	4,413,991	4,473,675
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3. Consolidated Statement of Cash Flows

	Audited information	
	Year ended 31 December	
	2011	2010
	<i>(thousands of euro)</i>	
Cash flow from operating activities		
Cash receipts from customers	2,243,369	a) 2,155,337
Cash paid to suppliers	(1,733,584)	a) (1,528,101)
Cash paid to employees	(61,267)	(61,759)
Income tax received/ paid	(137,288)	(8,449)
Other payments/receipts relating to operating activities	(14,613)	(8,230)
	-	-
Net flows from operating activities	296,617	548,798
Cash flow from investing activities		
Receipts related to:		
Investments	11,577	-
Investment grants	33,609	22,501
Interest and similar income	3,754	829
Dividends	4,761	3,859
Payments related to:		
Investments	(7,438)	-
Investments available for sale	(1,045)	-
Tangible fixed assets	(153)	(123)
Intangible assets	(347,456)	(363,401)
Net cash used in investing activities	(302,390)	(336,335)
Cash flow from financing activities		
Receipts related to:		
Borrowings	9,764,000	11,065,763
Capital increases	-	6
Interest and similar income	293	190
Payments related to:		
Borrowings	(9,588,200)	(11,033,411)
Interest and similar expenses	(110,991)	(91,918)
Dividends	(89,060)	(88,530)
	-	-
Net cash used in financing activities	(23,958)	(147,899)
Net (decrease)/increase in cash and cash equivalents	(29,731)	64,564
Cash and cash equivalents at the beginning of the year	101,871	24,576
Inclusion of Gasodutos Campo Maior and Braga Tuy in consolidation perimeter	-	12,731
Exclusion of the OMIP group from consolidation perimeter	(3,782)	-
Cash and cash equivalents at the end of the year	68,357	101,871

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

	Unaudited information	
	3 months ended 31 March	
	2012	2011
	<i>(thousands of euro)</i>	
Cash flow from operating activities		
Cash receipts from customers	676,341 a)	674,733 a)
Cash paid to suppliers	(551,788) a)	(547,400) a)
Cash paid to employees	(13,014)	(13,203)
Income tax received/ paid	(321)	(312)
Other payments/receipts relating to operating activities	(47,446)	(1,957)
Net flows from operating activities	63,771	111,861
Cash flow from investing activities		
Receipts related to:		
Interests and similar income	573	838
Dividends	916	796
Payments related to:		
Investments	-	(29,000)
Tangible fixed assets	(4)	(80)
Intangible assets	(73,278)	(124,051)
Net cash used in investing activities	(71,792)	(151,497)
Cash flow from financing activities		
Receipts related to:		
Borrowings	2,907,500	2,407,000
Interests and similar income	17	175
Payments related to:		
Borrowings	(2,890,336)	(2,351,368)
Interests and similar expenses	(14,182)	(6,934)
Net cash (used in)/from financing activities	2,999	48,874
Net (decrease)/increase in cash and cash equivalents	(5,022)	9,238
Cash and cash equivalents at de begining of the year	68,358	101,871
Cash and cash equivalents at the end of the year	63,336	111,109
Detail of cash and cash equivalents		
Cash	24	36
Bank overdrafts	(85)	(18,857)
Bank deposits	63,397	129,929
	63,336	111,109

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.

TAXATION

The following is a summary of certain tax consequences with respect to the Notes based on the tax laws of Portugal as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date, including changes that could have retroactive effect. It is not a complete analysis of all of the potential tax effects relevant to a decision to invest in our Notes. Potentially applicable transitional rules have not been considered. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular Noteholder, including tax considerations that arise from rules of general application or that are generally assumed to be known to Noteholders. The following summary neither takes into account nor discusses investors' individual circumstances or the tax laws of any country other than Portugal, and it relates only to the position of persons who are absolute beneficial owners of the Notes.

Prospective investors in the Notes should consult their professional advisers with respect to particular circumstances and the effects of state, local or foreign laws to which they may be subject. Noteholders who are in doubt as to their tax position should consult their professional advisers.

1. General Tax Treatment

Interest and other types of investment income obtained on Notes by a Portuguese resident individual, who is a beneficial owner, is subject to Portuguese Individual Income Tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 25 per cent., which is the final tax on that income unless the individual elects for aggregation to his taxable income, subject to Portuguese Individual Income Tax, at the progressive rates of up to 46.5 per cent. (according to Law No. 64-B/2011 of 30 December, a non-progressive 2.5 per cent. additional Portuguese Individual Income tax rate shall accrue in the 2012 and 2013 tax years to the taxable income exceeding EUR 153,300). In this case, the tax withheld will be creditable against the recipient's final tax liability.

Where the Notes are redeemed, the difference between the subscription cost and the redemption value is qualified as investment income and will be subject to Portuguese Individual Income Tax, pursuant to the same tax regime as described above.

Notwithstanding the above, interest and other types of investment income paid or made available to accounts opened in the name of one or several accountholders acting on behalf of undisclosed third parties is subject to a withholding tax rate of 30 per cent., except where the beneficial owner(s) of such income is/are disclosed, in which case the general rules shall apply.

Capital gains obtained by Portuguese resident individuals on the transfer of Notes are computed as the difference between the sales proceeds and the acquisition cost, net of interest accrued from the last interest payment date or from the date of issue, placement or endorsement if payment has not occurred, to the date of transfer. Such capital gains, when exceeding EUR 500, are subject to Portuguese Individual Income Tax, at a special rate of 25 per cent., which is levied on any positive balance between any realised capital gains and losses made on the sale of shares, bonds, derivatives, warrants and other financial securities occurred in a given tax year. The respective beneficiary may also opt for the aggregation of said capital gains to his taxable income, in which case the capital gains obtained will be subject to tax at the progressive Portuguese Individual Income Tax rates of up to 46.5 per cent. (according to Law No. 64-B/2011 of 30 December, a non-progressive 2.5 per cent. additional Portuguese Individual Income tax rate shall accrue in the 2012 and 2013 tax years to the taxable income exceeding EUR 153,300).

On the other hand, interest and other investment income, as well as capital gains obtained on the transfer of Notes, when earned by any corporate entities resident for tax purposes in Portugal, or by non-resident corporate entities with a permanent establishment in Portugal to which the income or gains are attributable, are subject to Portuguese Corporate Income Tax. In such case, the applicable taxation will be a 25 per cent.

tax rate. In addition, a municipal surcharge (“*derrama municipal*”) of up to 1.5 per cent. of the beneficiary’s taxable profits may be added, as well as a 3 per cent. State surtax (“*derrama estadual*”) levied on the part of the taxable profits exceeding EUR 1.5 million and a 5 per cent. State surtax (“*derrama estadual*”) levied on the part of the taxable profits exceeding EUR 10 million. Withholding tax, at a rate of 25 per cent. on account of the final tax liability applies on interest and other investment income.

Financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds and some exempt entities, among other entities, are not subject to withholding tax.

Interest and other types of investment income obtained by non-resident individuals, or by non-resident corporate entities, in both cases without a Portuguese permanent establishment to which the income is attributable, is liable to a final withholding tax rate of 25 per cent.

However, interest and other types of investment income paid or made available to accounts opened in the name of one or several accountholders acting on behalf of undisclosed third parties is subject to a withholding tax rate of 30 per cent., except where the beneficial owners of such income are disclosed, in which case the general rules shall apply.

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Prospectus, the withholding tax rate over interest, as well as other investment income sources assimilated to interest, may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes are available for viewing and downloading at www.portaldasfinancas.gov.pt.

Pursuant to the EU Directive on Interest and Royalties (Directive No.° 2003/49/EC of the Council, of 3 June), interest paid to an associated company of the Issuer who is resident in the European Union is subject to withholding tax at a rate of 5 per cent. from 1 July 2009 to 30 June 2013 and no withholding tax shall be applicable from the latter date onwards.

For these purposes, an associated company of the Portuguese Issuer is:

- (i) a company which is subject to one of the taxes on profits listed in Article 3(a)(iii) of the EU Directive on Interest and Royalties without being exempt; which takes one of the legal forms listed in the Annex to the said Directive; and which is considered to be resident in an EU Member State and is not, within the meaning of a double taxation convention on income concluded with a third State, considered to be resident for tax purposes outside the EU;
- (ii) which holds a minimum direct holding of 25 per cent. in the share capital of the Issuer; or is directly held by the Issuer in at least 25 per cent.; or, together with the Issuer, are both held in at least 25 per cent. by a company; and
- (iii) provided that the holding has been maintained for an uninterrupted period of at least two years. If the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of the Issuer to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own account and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

The reduction of the withholding tax rate may take place at source or through the refund of excess withholding tax. The forms currently applicable for the reduction of the withholding tax rate and for the refund of excess withholding tax where the minimum holding period is met after withholding tax becomes due are available for viewing and downloading at www.portaldasfinancas.gov.pt.

Capital gains realised by non-resident individuals on the transfer of Notes are subject to a 25 per cent. flat rate. Again, and as referred to above, accrued interest do not qualify as capital gains for tax purposes. However, and provided the above mentioned conditions apply, such capital gains may be exempt under Portuguese domestic laws, or being out of the scope of Portuguese Individual Tax legislation whenever a tax treaty applies granting full taxing rights to the beneficiary's State of Residency.

Gains obtained on the disposal of Notes by a corporate entity non-resident for tax purposes in Portugal and without a permanent establishment in the Portuguese territory to which gains are attributable, are exempt from Portuguese capital gains taxation, unless (i) the share capital of the beneficial owner is more than 25 per cent. directly or indirectly held by Portuguese resident entities, or (ii) whenever the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial Order (Portaria) No. 150/2004 of 13 February, as amended, or in a jurisdiction within which a double tax treaty or an agreement for the exchange of information relating to tax matters is not in force. Where the exemption does not apply, the respective gains will then be subject to Corporate Income Tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

Stamp Duty at a rate of 10 per cent. applies to the acquisition of Notes through gift or inheritance by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse, parents/grandparents and children.

On the other hand, gratuitous transfers of Notes in favour of a Portuguese resident corporate entity, or of a non-resident corporate entity acting through a Portuguese permanent establishment, both subject to Corporate Income Tax, are exempt from Stamp Duty. However, such gratuitous transfers will trigger at the Portuguese beneficiary's level, a positive variation in worth (*variação patrimonial positiva*), the same being taxable for Corporate Income Tax purposes at the rate of 25 per cent. tax rate. As referred to above, in addition to such taxation a municipal surcharge ("*derrama municipal*") of up to 1,5 per cent. of the beneficiary's taxable profits may be added, as well as a 3 per cent., State surtax ("*derrama estadual*") levied on the part of the taxable profits exceeding EUR 1.5 million and a 5 per cent. State surtax ("*derrama estadual*") levied on the part of the taxable profits exceeding EUR 10 million.

Transfers by a non-resident of Notes by gift or at death will not be subject to Portuguese Stamp Duty provided the beneficiary is also a non-resident or if the beneficiary is the respective spouse, parent or child. However, where the Notes have been issued by a Portuguese entity and the beneficiary is a corporate entity, Portuguese Corporate Income Tax shall be due at the standard 25 per cent. tax rate. Notwithstanding, such taxation may be prevented whenever a tax treaty applies provided that the same tax treaty expressly grants the State in which the non-resident beneficiary is domiciled the exclusive authority to tax any income derived from securities issued by Portuguese companies.

There is neither wealth nor estate tax in Portugal.

2. Tax Treatment of Notes under the Special Tax Regime for Debt Securities

The regime described in paragraph 1. above corresponds to the general tax treatment of investment income and capital gains on Notes issued by a Portuguese entity, and to the acquisition through gift or inheritance of such Notes.

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-Law No. 193/2005, of 7 November, as amended from time to time (hereafter "the special regime approved by Decree-Law No. 193/2005"), investment income and gains on the disposal of debt securities issued by Portuguese resident entities, such as the Notes subscribed by non-resident beneficial owners (individuals and corporate entities), are exempt from Portuguese income tax provided that the debt securities are integrated in a centralised system recognised under the Securities Code and complementary legislation (such as the Central de Valores Mobiliários, managed by Interbolsa), and

- (i) the beneficial owners have no residence, head office, place of effective management or a permanent establishment in the Portuguese territory to which the income is attributable;
- (ii) the beneficial owners are not held, directly or indirectly, in more than 20 per cent. by Portuguese resident entities; and
- (iii) the beneficial owners are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by the Ministerial Order (Portaria) No. 150/2004, of 13 February, except if they are central banks and governmental agencies.

The special regime approved by Decree-Law No. 193/2005 sets out the detailed rules and procedures to be followed on the proof of non-residence of the beneficial owners of the Notes.

Under these procedures (which are aimed at verifying the non-resident status of the Noteholders), each Noteholder is required to hold the Notes through an account with one of the following entities:

- (i) A direct registered entity, which is an entity affiliated with the clearing system recognised by the Portuguese Securities Code;
- (ii) An indirect registered entity, which, although not assuming the role of the direct registered entities, is a client of the latter; or
- (iii) Entities managing an international clearing system, which are entities operating with the international market to clear and settle securities' transactions. For the purposes of the exemption granted under Decree Law No. 193/2005, the Portuguese Government has recognised both Euroclear and Clearstream as entities managing an international clearing system.

Under the above mentioned set of rules, the direct register entity (i.e. the entity affiliated to the centralised system where the securities are integrated), as the entity holding the relevant account with the relevant centralised system in which the Notes are integrated, will be under the obligation to obtain and keep proof, in the form described below, that the relevant beneficial owner is a non-resident entity that is entitled to the exemption. The evidence of non-residence status must be provided to, and received by, the direct registration entity (i) prior to the relevant date on which each interest coupon is paid, and (ii) prior to the respective redemption date, or prior to the transfer of Notes' date, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Prospectus.

(a) Domestic Cleared Notes – held through a direct or indirect registered entity

The beneficial owner of Notes must provide proof of non-residence in Portuguese territory substantially in the terms set forth below.

- (i) If the beneficial owner of the Notes is a central bank, an international organisation or a public law institution integrated in the Public Administration (either central, regional, peripheral, indirect or autonomous), a declaration of tax residence issued by the beneficial owner of the Notes itself, duly signed and authenticated or proof pursuant to paragraph (ii) or (iv) below;
- (ii) If the beneficial owner of the Notes is a credit institution, a financial company, a pension fund or an insurance company, domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, the respective certification shall be made by providing the following documentation: its tax identification or a tax certificate issued by the entity responsible for such supervision or

registration confirming the legal existence of the beneficial owner of the Notes and its domicile; or proof of non-residence status pursuant to paragraph (iv) below.

- (iii) If the beneficial owner of the Notes is either an investment fund, or another type of collective investment undertaking, domiciled in any OECD country or in a country with which Portugal has entered into a double tax treaty, certification shall be provided by means of any of the following documents: declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, the law of incorporation and domicile; or by proof of non-residence status pursuant to paragraph (iv) below.
- (iv) In any other case, confirmation must be made by way of providing a certificate of residence, or equivalent document, issued by the relevant tax authorities; or by providing a document issued by the relevant Portuguese consulate certifying the beneficial owner's residence abroad; or a document specifically issued by a public administration entity (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the non-residence status and existence of the respective beneficial owner.

In addition to the above mentioned documentation, Decree-Law No. 193/2005 also sets out specific rules to be followed in order to assure the authenticity and validity of the documents mentioned in paragraph (iv) above, in particular that the beneficial owner of the Notes must provide an original, or a certified copy of the respective residence certificate or equivalent document. This document must be issued up until three months after the date on which the withholding tax would have been applied and will be valid for a three-year period starting on the date such document is issued. The beneficial owner of the Notes must always inform the direct register entity of any change of his respective status that may prevent the tax exemption from applying.

When the Notes are held by central banks or governmental agencies, the respective proof of non residence in Portuguese territory is provided just once, its periodical renewal not being necessary.

(b) Internationally Cleared Notes – held through an entity managing an international clearing system

If the Notes are held through a centralised system recognised under the Portuguese Securities Code and complementary legislation, and registered in an account with an international clearing system recognised by the Portuguese Minister of Finance (such as Euroclear, or Clearstream), and the management entity of such international clearing system undertakes not to provide registration services (i) to residents for tax purposes in Portugal which do not benefit from either an exemption from Portuguese taxation, or an exemption from Portuguese withholding tax, as well as (ii) to non-resident entities for tax purposes which do not benefit from the above Portuguese income tax exemption; special rules apply regarding the documentation to be provided. In such case, the necessary proof of non-residence will be made through documents provided by the respective beneficial owners to the direct register entity through the international clearing system managing entity. These documents must take into account the total accounts under management regarding each beneficial owner of the Notes that benefits from the applicable tax exemptions.

The relevant procedures are as follows:

- (i) Filing a certificate, on a yearly basis, mentioning the full name of the beneficial owner, his address, taxpayer number (when applicable), as well as a breakdown of all securities held and the legal grounds upon which the income tax exemption and/or the withholding tax exemption shall apply. The certificate on page 130 of this Prospectus corresponds to the current legal form (English version) approved for these purposes, available for viewing and downloading at www.portaldasfinancas.gov.pt. Please note that although the mentioned certificate, reproduced in the present Prospectus, is the one presently made available on the referred official website, the same is out of date with what regards the Portuguese tax laws presently in force and has

not yet been updated by the relevant tax authorities. Parties should therefore always confirm they are filling out the correct version of the applicable certificate.

- (ii) Alternatively to the above mentioned procedure, a yearly declaration stating that the beneficial owner is exempt or not subject to withholding tax can be provided. In this case, and together to the said statement, a list disclosing, on each coupon payment date, the beneficial owner's name, address, taxpayer number (when applicable), the number of securities held, and the legal grounds upon which the income tax exemption and/or the withholding tax exemption shall apply, should be provided. The statement on page 119 of this Prospectus corresponds to the current legal form (English version) approved for these purposes, available for viewing and downloading at www.portaldasfinancas.gov.pt. Please note that although the mentioned certificate, reproduced in the present Prospectus, is the one presently made available on the referred official website, the same is out of date with what regards the Portuguese tax laws presently in force and has not yet been updated by the relevant tax authorities. Parties should therefore always confirm they are filling out the correct version of the applicable certificate.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree Law No. 193/2005. The refund claim is to be submitted by the Noteholder to the registered entity of the Notes within 90 days from the date the withholding took place. A special tax form for these purposes was approved and must be used.

The refund of withholding tax in other circumstances or after the above 90 days is to be claimed by the Noteholder from the Portuguese tax authorities under the general procedures and within the general deadlines.

The absence of evidence of non-residence in respect to any non-resident entity which benefits from the above mentioned tax exemption regime, shall result in the loss of the tax exception and consequent submission to the above applicable Portuguese general tax provisions.

CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 1 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NO. 193/2005, OF 7 NOVEMBER)

The undersigned Participant hereby declares that he holds debt securities covered by the special tax regime approved by Decree-Law No. 193/2005, of 7 November (the “Securities”), in the following securities account number (the “Account”) with (name and complete address of the international clearing system managing entity).

We will hold these Securities in our capacity as beneficial owner or in our capacity as intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

We are:

Name:

Residence for tax purposes (full address).....

Tax ID Number.....

We hereby certify that, from the date hereof until the expiry date of this certificate:

A. We are the Beneficial Owner of the following Securities:

<i>Security Common Code</i>	<i>ISIN</i>	<i>or</i>	<i>Security description</i>	<i>Nominal position</i>
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(i) and we hereby declare that we are not liable to pay Portuguese withholding tax, in accordance with the applicable legislation indicated hereafter:

Special Tax Regime approved by the Decree-Law No. 193/2005, of 7 November

Art. 90 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax

B. We are intermediaries of the following Securities:

<i>Security Code</i>	<i>ISIN</i>	<i>or</i>	<i>Common</i>	<i>Security description</i>	<i>Nominal position</i>
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which are held on behalf of:

Name:

Residence for tax purposes (full address):.....

Tax ID Number:

and we attach a statement of beneficial ownership, which includes the justification for the exemption of personal or corporate income withholding tax.

We hereby undertake to provide (name of the international clearing system managing entity) with a document proving the exemption of personal or corporate income withholding tax referred to in the attached statement of beneficial ownership, whenever the beneficial owner is not a central bank, public institution, international body, credit institution, financing company, pensions fund or insurance company resident in any OECD country or in a country with which Portugal has concluded a Convention for the Avoidance of International Double Taxation, on behalf of which we hold Portuguese debt securities in the Account.

We hereby undertake to notify (name of the international clearing system managing entity) promptly in the event that any information contained in this certificate becomes untrue or incomplete.

We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise (name of the international clearing system managing entity) and its Depository to collect and forward this certificate or a copy hereof, with any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.

THIS CERTIFICATE IS VALID FOR A PERIOD OF TWELVE MONTHS AS FROM THE DATE OF SIGNATURE.

PLACE:

DATE:

.....
Authorised Signatory

.....
Name

.....

.....
Title/position

.....
Authorised Signatory

.....
Name

.....
Title/position

STATEMENT OF BENEFICIAL OWNERSHIP

The undersigned beneficiary:

Name:

Address:

Tax ID number:

Holding via the following financial intermediary:

Name of financial intermediary:

Account number:

The following securities:

Common/ISIN code:

Security name:

Payment date:

Nominal position:

1. Hereby declares that he/she/it is the beneficial owner of the above-mentioned securities and nominal position at the payment date/...../.....; and

2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with the applicable legislation, indicated herein after (tick where applicable):

Special Tax Regime approved by Decree-Law No. 193/2005, of 7 November

Art. 90 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax

Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions

Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no, published in the Diário da República

Art. 16 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds

Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)

Art. 23 – A of EBF – Venture Capital Investment Funds

Art. 26 of EBF – Stock Savings Funds (FPA)

Other legislation (indicate which)

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in Article 17 of the Special Tax Regime approved by the Decree-Law No. 193/ 2005, of 7 November 2005.

Authorised signatory:

Name:

Function:

Signature:

STATEMENT FOR EXEMPTION FROM PORTUGUESE WITHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 2 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY DECREE-LAW NO. 193/2005, OF 7 NOVEMBER)

The undersigned Participant hereby declares that he holds or will hold debt securities in accordance with the special tax regime approved by Decree-Law No. 193/2005, of 7 November (the “**Securities**”), in the following securities account number (the “**Account**”) with (name and complete address of the international clearing system managing entity).

We hold or will hold these Securities in our capacity as beneficial owner or in our capacity as intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

We are:

Name:

Residence for tax purposes (full address):.....

Tax ID Number:

We hereby undertake to provide (*name of the international clearing system managing entity*) with a list of Beneficial Owners at each relevant record date containing the name, residence for tax purposes, Tax Identification Number and nominal position of Portuguese debt Securities for each Beneficial Owner, including ourselves if relevant, on behalf of which we hold or will hold Portuguese debt securities in the Account.

We hereby undertake to notify (*name of the international clearing system managing entity*) promptly in the event that any information contained in this certificate becomes untrue or incomplete.

We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise (*name of the international clearing system managing entity*) and its Depository to collect and forward this statement or a copy hereof, with any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.

This statement is valid for a period of twelve months as from the date of signature.

PLACE:.....

DATE:

.....
Authorised Signatory

.....
Name

.....
Title/position

.....
Authorised Signatory

.....
Name

.....
Title/position

LIST OF BENEFICIAL OWNERS

For:

Interest due/...../.....

Security code (ISIN or Common Code):

Securities description:

Securities Clearance Account Number:

We certify that the above Portuguese debt securities are held on behalf of the following Beneficial Owners:

<i>Name</i>	<i>Tax identification number</i>	<i>Residence for tax purposes</i>	<i>Quantity of securities</i>	<i>Legal basis of the exemption from withholding tax</i>	
				<i>Code (*)</i>	<i>Legislation (**)</i>

(*) Indicate the legal basis of the exemption from withholding tax in accordance with the following table:

<i>Code</i>	<i>Legal basis of the exemption</i>
	Special Tax Regime approved by the Decree-Law No. 193/2005, of 7 November
	Art. 90 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax
	Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by
	public law and social security federations and institutions
	Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental
	social entities
	Art. 16 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
	Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and
	Education Savings Funds (FPR/E)
	Art. 23 – A of EBF – Venture Capital Investment Funds
	Art. 26 of EBF – Stock Savings Funds (FPA)

Other legislation

(**) The completion of this column is mandatory when the code “9” is indicated in the previous column.

In addition, the international clearing system managing entity shall inform the direct register entity of the income paid to each participant for each security payment.

No Portuguese exemption shall apply at source under the special regime approved by Decree-Law No. 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law No. 193/2005. The refund claim is to be filed to the direct or indirect register entity of the Notes within 90 days from the date the withholding took place. A special tax form for these purposes is available at www.portaldasfinancas.gov.pt. The refund of withholding tax in other circumstances or after the above 90 day period is to be claimed from the Portuguese tax authorities under the general procedures and within the general deadlines.

EU Savings Directive

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income into the Portuguese law through Decree-Law No. 62/2005, of 11 March, as amended by Law No. 39-A/2005, of 29 July. The forms currently applicable to comply with the reporting obligations arising from the implementation of the EU Savings Directive are available for viewing and downloading at www.portaldasfinancas.gov.pt.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the **Amended and Restated Programme Agreement**) dated 26 June 2012, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of Final Terms*” and “*Terms and Conditions of the Notes*”. In the Amended and Restated Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment, and any future update, of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Market Act 2000 (the **FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Portugal

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to warrant and agree, that the Notes may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários* “CVM”) enacted by Decree Law no. 486/99 of 13 November, 1999 (as amended from time to time) unless the requirements and provisions applicable to the public offerings in Portugal are met and registration, filing, approval or recognition procedure with the Portuguese Securities Market Commission (“*Comissão do Mercado de Valores Mobiliários*”, “CMVM”) is made. In addition, each Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree that (i) it has not directly or indirectly taken any action or offered, advertised, marketed invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (“*oferta pública*”) of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Notes to the public in Portugal other than in compliance with all applicable provisions of the CVM, the Prospectus Regulation implementing the Prospectus Directive, and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including the compliance with the Rules and regulations that require the publication of a Base Prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 23 July 2008 and this update of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 22 June 2012. Each issue of Notes shall be duly authorised by a specific resolution of the Issuer.

Listing of Notes

Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Lisbon:

- (a) the constitutional documents (with a direct and accurate English translation thereof) of the Issuer;
- (b) the audited consolidated financial statements of the Group in respect of the financial year ended 31 December 2011 and the audited consolidated financial statements of the Group in respect of the financial year ended 31 December 2010 (with an accurate English translation thereof), in each case together with a direct and accurate English translation of the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated financial statements on an annual basis;
- (c) the most recently published audited annual financial statements of the Group and the most recently published interim financial statements (if any) of the Group (with a direct and accurate English translation thereof), in each case together with any audit or review reports prepared in connection therewith (and a direct and accurate English translation thereof). The Issuer currently prepares consolidated interim accounts on a quarterly basis;
- (d) the Amended and Restated Programme Agreement and the Amended and Restated Agency Agreement;
- (e) a copy of this Base Prospectus; and
- (f) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

Notes to be issued under the Programme have been accepted for registration and clearance through CVM managed by Interbolsa. The address of Interbolsa is Avenida da Boavista 3433, 4100-138 Porto, Portugal.

The Notes will also be eligible for clearing and settlement through Euroclear and Clearstream, Luxembourg holding Notes through a custodian that is an Affiliate Member of Interbolsa.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Group since 31 March 2012 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2011.

Litigation

Save for the dispute with Amorim as described under “*Litigation and Arbitration*”, on page 109 which is finally settled, the Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have, or will have had in such period, a significant effect on the Group’s financial position or profitability.

Auditors

The auditors of the Issuer since 1 January 2009 are Deloitte & Associados S.R.O.C. S.A. members of *Ordem dos Revisores Oficiais de Contas* (Institute of Statutory Auditors), and have audited the Issuer's accounts without qualification, in accordance with applicable auditing standards, in the Republic of Portugal for the financial years ended on 31 December 2011 and 31 December 2010. The Issuer’s audit committee (the **Audit Committee**) has also issued a report on the audited consolidated financial statements for each of the two financial years ended on 31 December 2011 and on 31 December 2010. Deloitte & Associados S.R.O.C. S.A., members of *Ordem dos Revisores Oficiais de Contas* (Institute of Statutory Auditors), has issued the legal certification of accounts for each of the two financial years ended on 31 December 2011 and on 31 December 2010 and is therefore responsible for the legal certification of accounts under the Portuguese Securities Code.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future

trading prices of the Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Third party information

Where information in this Base Prospectus has been sourced from third parties, such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

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