

# Consolidated Results

## First Half 2011

August 4<sup>th</sup> 2011

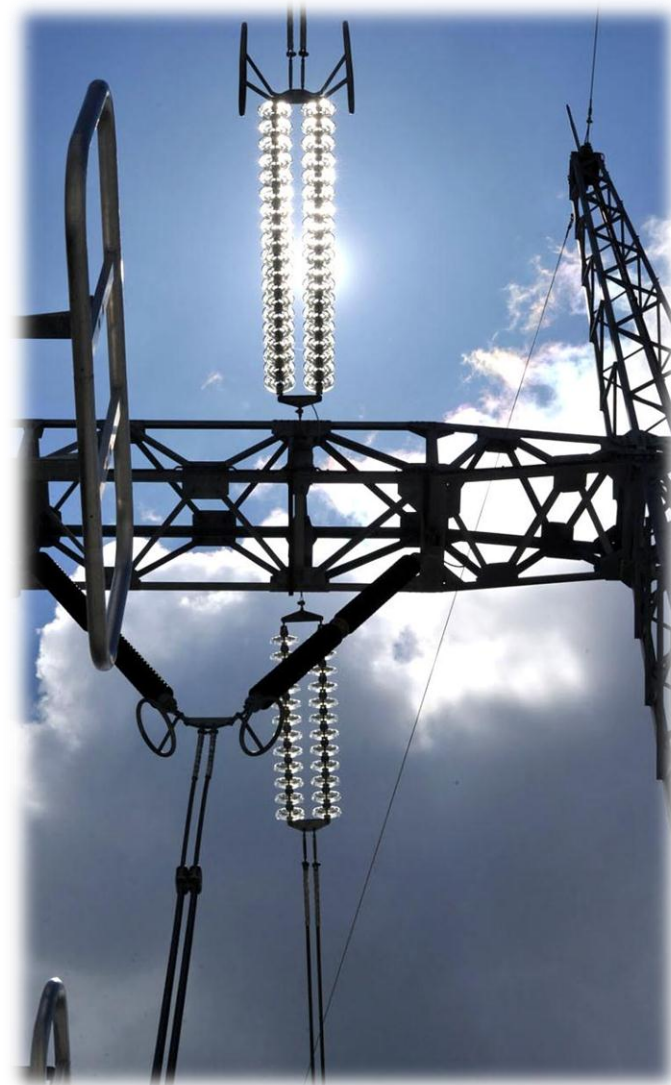
- Net Income amounted to €68.3M, an increase of 20.7% over the same period of 2010. Recurrent Net Income was also €68.3M, but the increase was 14.1% due to the non recurrent items in 2010.
- EBITDA rose 9.8% in the first half of 2011, reaching €235.5M. The main factor was the 7.6% increase in average RAB, which was behind the 11.8% growth of asset remuneration proceeds (excluding hydro land).
- OPEX costs continued to display a strong reduction, reflecting remarkable efficiency gains. Core OPEX costs decreased by 5.9% (€-2.9M), versus the same period of 2010.
- Global CAPEX amounted to €139.7M, an increase of 12.7%.
- Net debt in June 30<sup>th</sup> was €2,298M, a slight increase over the same date in 2010 (+2,1%). The average cost of debt increased 52bps reaching an average of 4.4% by the end of June.

# Main financial indicators 1H11

(€M)	1H10	1H11	Δ%
<b>EBITDA</b>	<b>214.5</b>	<b>235.5</b>	<b>9.8%</b>
<b>Net financial income</b>	<b>-41.2</b>	<b>-46.2</b>	<b>12.2%</b>
<b>Net income</b>	<b>56.6</b>	<b>68.3</b>	<b>20.7%</b>
<b>Recurrent net income</b>	<b>59.8</b>	<b>68.3</b>	<b>14.1%</b>
<b>RAB variation<sup>1) 2)</sup></b>	<b>-15.1</b>	<b>-12.0</b>	<b>-20.4%</b>
<b>RAB<sup>1) 2)</sup></b>	<b>2,839.3</b>	<b>3,059.7</b>	<b>7.8%</b>
<b>CAPEX</b>	<b>123.9</b>	<b>139.7</b>	<b>12.7%</b>
<b>Net debt<sup>1)</sup></b>	<b>2.251</b>	<b>2.298</b>	<b>2.1%</b>

<sup>1)</sup> End of period.

<sup>2)</sup> 1H10 is based on historical costs and 1H11 is based on reference costs.

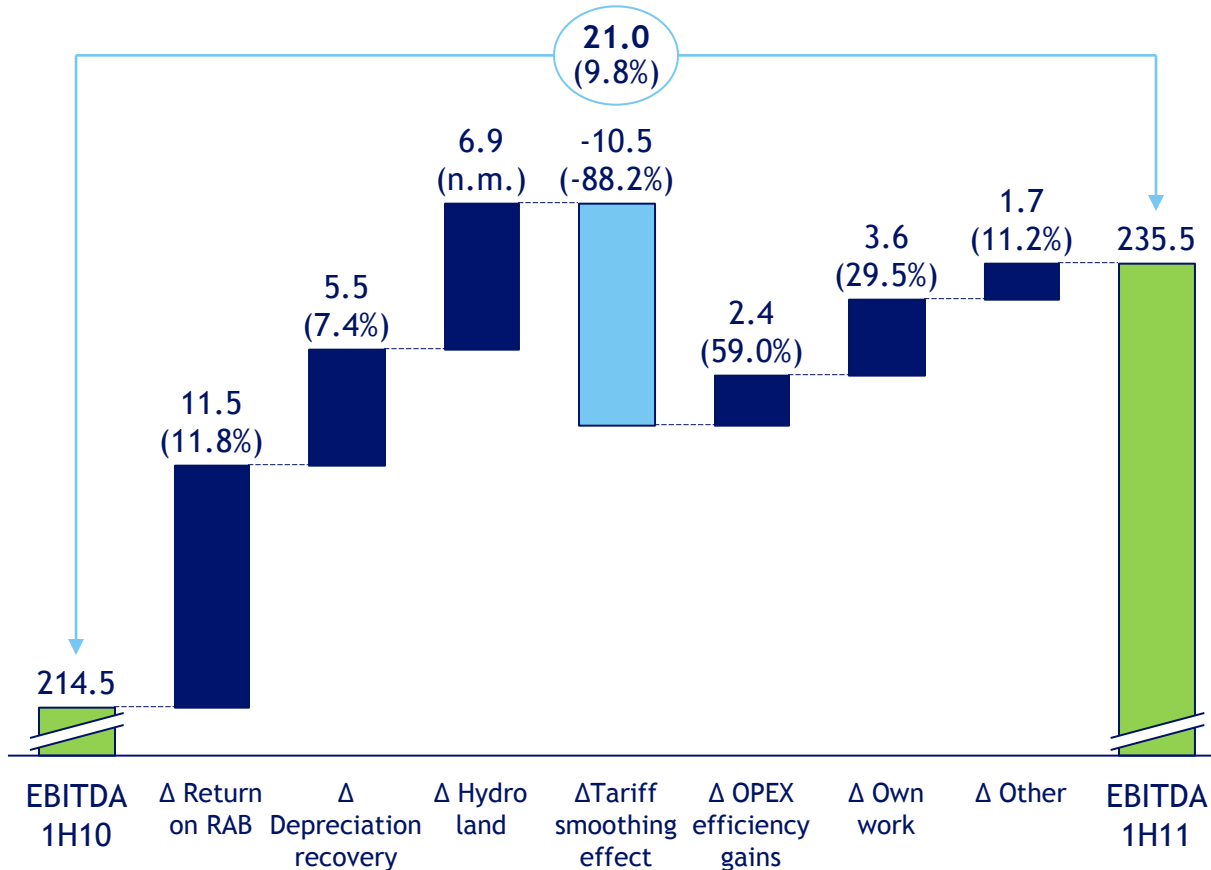


# Profit and loss breakdown 1H11

(€M)	1H10	1H11	Δ%
<b>1) Total revenues</b>	<b>400.5</b>	<b>414.8</b>	<b>3.6%</b>
<b>Activity remuneration</b>	<b>114.7</b>	<b>122.5</b>	<b>6.7%</b>
Return on RAB	97.5	109.0	11.8%
Electricity	58.7	67.9	15.7%
Gas	38.8	41.1	5.9%
Land remuneration	-0.7	6.2	
Remuneration of fully depreciated assets	2.5	3.5	38.9%
Commercial gains (trading)	1.3	1.2	-11.3%
Interest on tariff deviation	2.1	1.2	-46.4%
Tariff smoothing effect (natural gas) and neutrality effect	11.9	1.4	-88.2%
<b>Recovery of costs</b>	<b>126.5</b>	<b>129.5</b>	<b>2.4%</b>
Recovery of OPEX	52.1	49.7	-4.7%
Recovery of depreciation (net from subsidies)	74.4	79.9	7.4%
<b>Other operational revenues</b>	<b>36.5</b>	<b>23.2</b>	<b>-36.5%</b>
<b>Construction revenues</b>	<b>122.7</b>	<b>139.6</b>	<b>13.8%</b>
<b>2) OPEX</b>	<b>71.3</b>	<b>55.5</b>	<b>-22.2%</b>
Personnel cost	25.9	24.3	-6.4%
External supplies and services	37.6	23.1	-38.5%
Other operational costs	7.8	8.1	4.1%
<b>3) Construction costs (regulated assets)</b>	<b>110.4</b>	<b>123.7</b>	<b>12.0%</b>
<b>4) Provisions</b>	<b>6.2</b>	<b>0.0</b>	
<b>5) EBITDA non recurring items</b>	<b>2.0</b>	<b>0.0</b>	
<b>6) EBITDA (1-2-3-4+5)</b>	<b>214.5</b>	<b>235.5</b>	<b>9.8%</b>
<b>7) Depreciation</b>	<b>84.1</b>	<b>89.5</b>	<b>6.5%</b>
<b>8) Financial income</b>	<b>-41.2</b>	<b>-46.2</b>	<b>12.2%</b>
<b>9) Income tax</b>	<b>30.7</b>	<b>31.6</b>	<b>2.9%</b>
<b>10) NET INCOME (6-5-7+8-9)</b>	<b>56.6</b>	<b>68.3</b>	<b>20.7%</b>
11) NI non recurring items	3.3	0.0	
<b>12) RECURRENT NET INCOME (10+11)</b>	<b>59.8</b>	<b>68.3</b>	<b>14.1%</b>

# Change in EBITDA (1H10 - 1H11)

(€M)



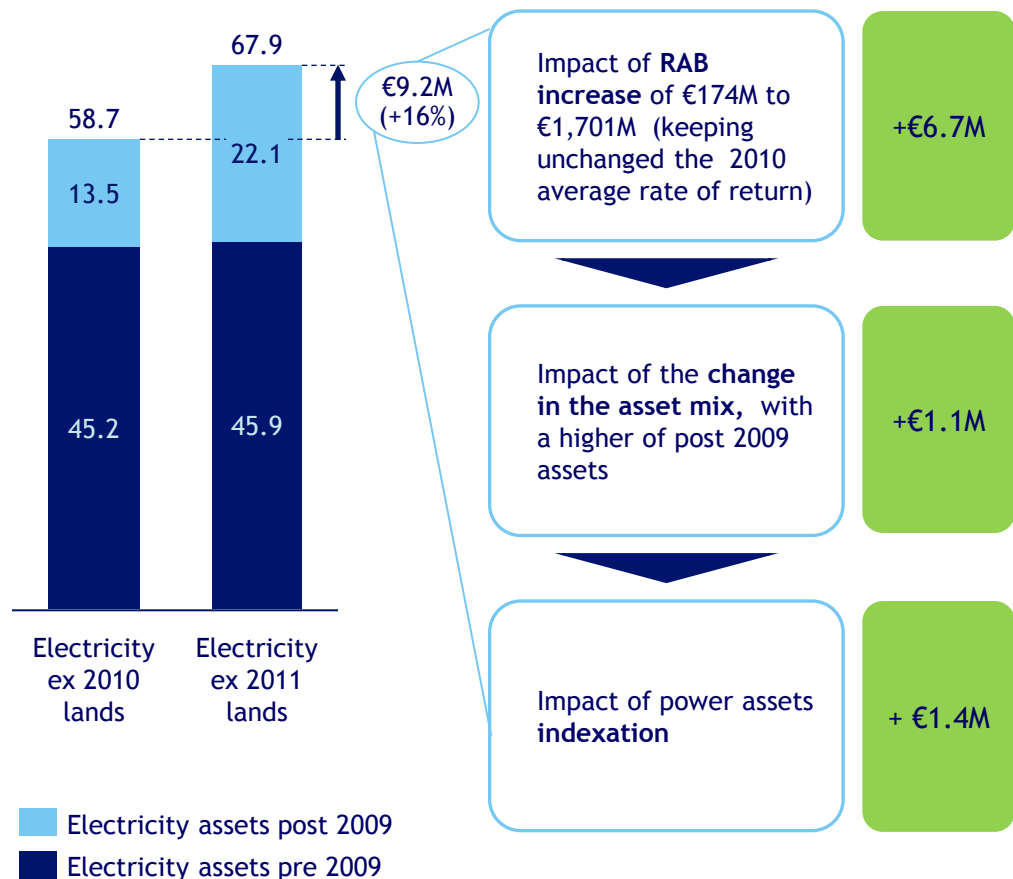
EBITDA grew by 9.8% (€21.0M), mainly due to:

- An increase in the average RAB and a change in the asset mix with a higher weight of post 2009 power assets.
- The decrease of €10.5M in the revenues from the gas tariff smoothing effect.
- Impact of the remuneration formula applicable to hydro land (indexed to the midswap rate).
- OPEX efficiency gains of €6.5M (vs €4.1M in 1H10).

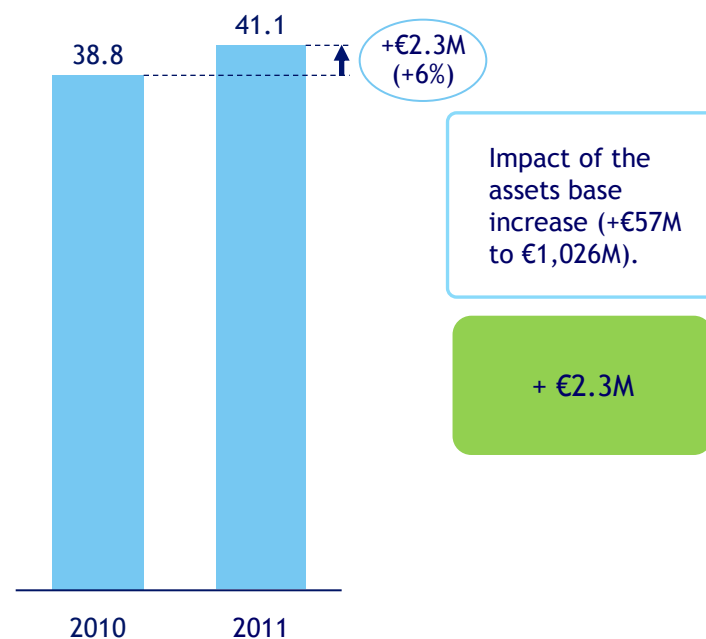
# Return on RAB breakdown

(€M)

## Electricity return on RAB (ex. lands)

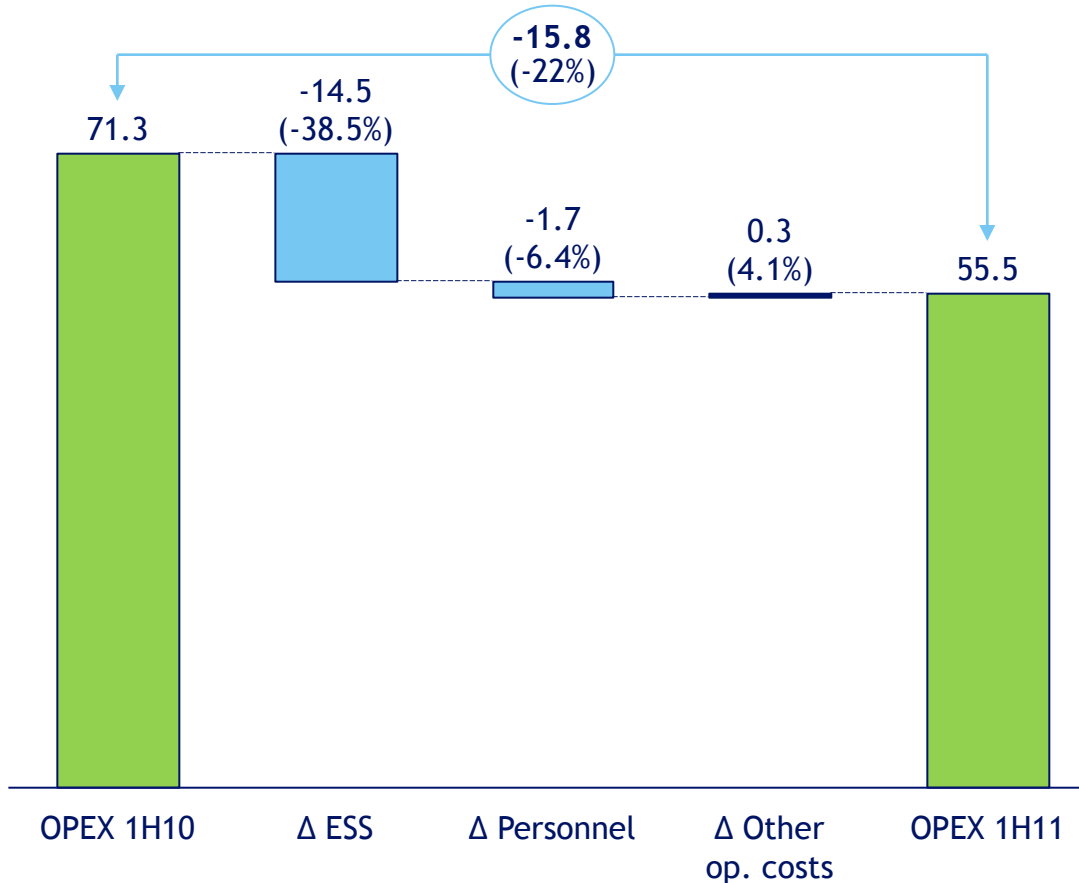


## Gas return on RAB



# Operational costs down by €15.8M

(€M)

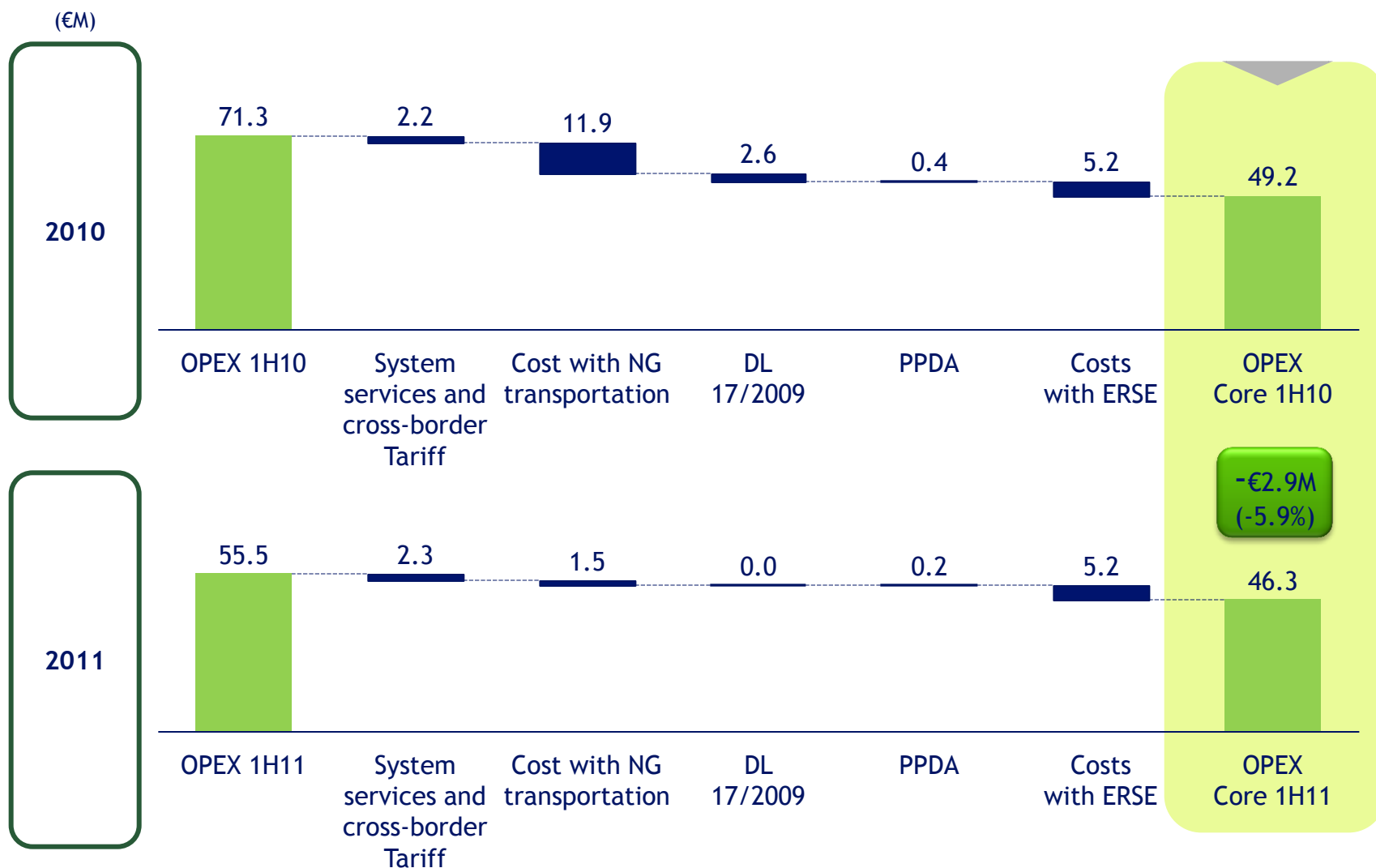


- Operational costs dropped by 22%, reaching €55.5M. External services decreased by 38.5% and personnel costs by 6.4%.

- This decrease reflects two main causes:
  - higher operational efficiency
  - change in the consolidation method of natural gas transport subsidiaries.

**Note:** values do not include costs incurred with the construction of concession assets (€110.4M in 2010 and €123.7M in 2011).

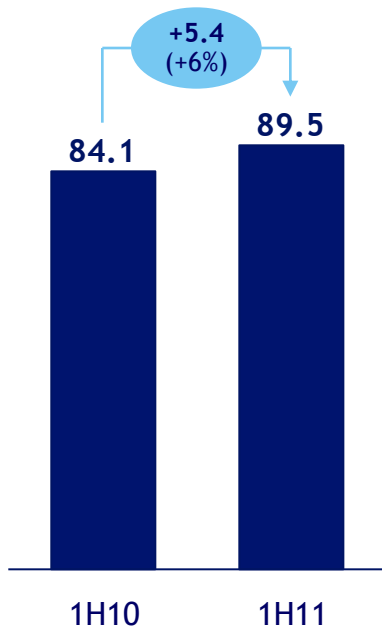
# Opex Core: 5.9% reduction in controllable costs



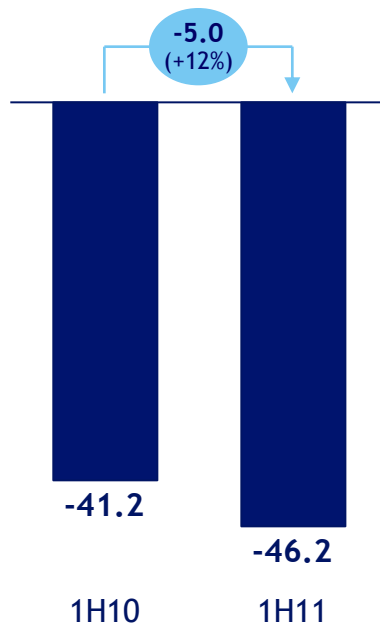
Note: figures do not include costs incurred with the construction of concession assets (€110.4M in 2010 and €123.7M in 2011).



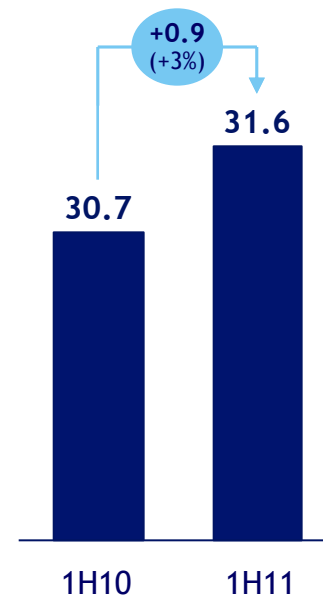
Depreciation  
(€M)



Net financial income  
(€M)



Taxes  
(€M)



- The increase in depreciation follows the growth of RAB.

- Financial results rose to -€46.2M versus -€41.2M in the same period of last year.
- The average cost of the debt was 4.40% (3.88% in 2010).

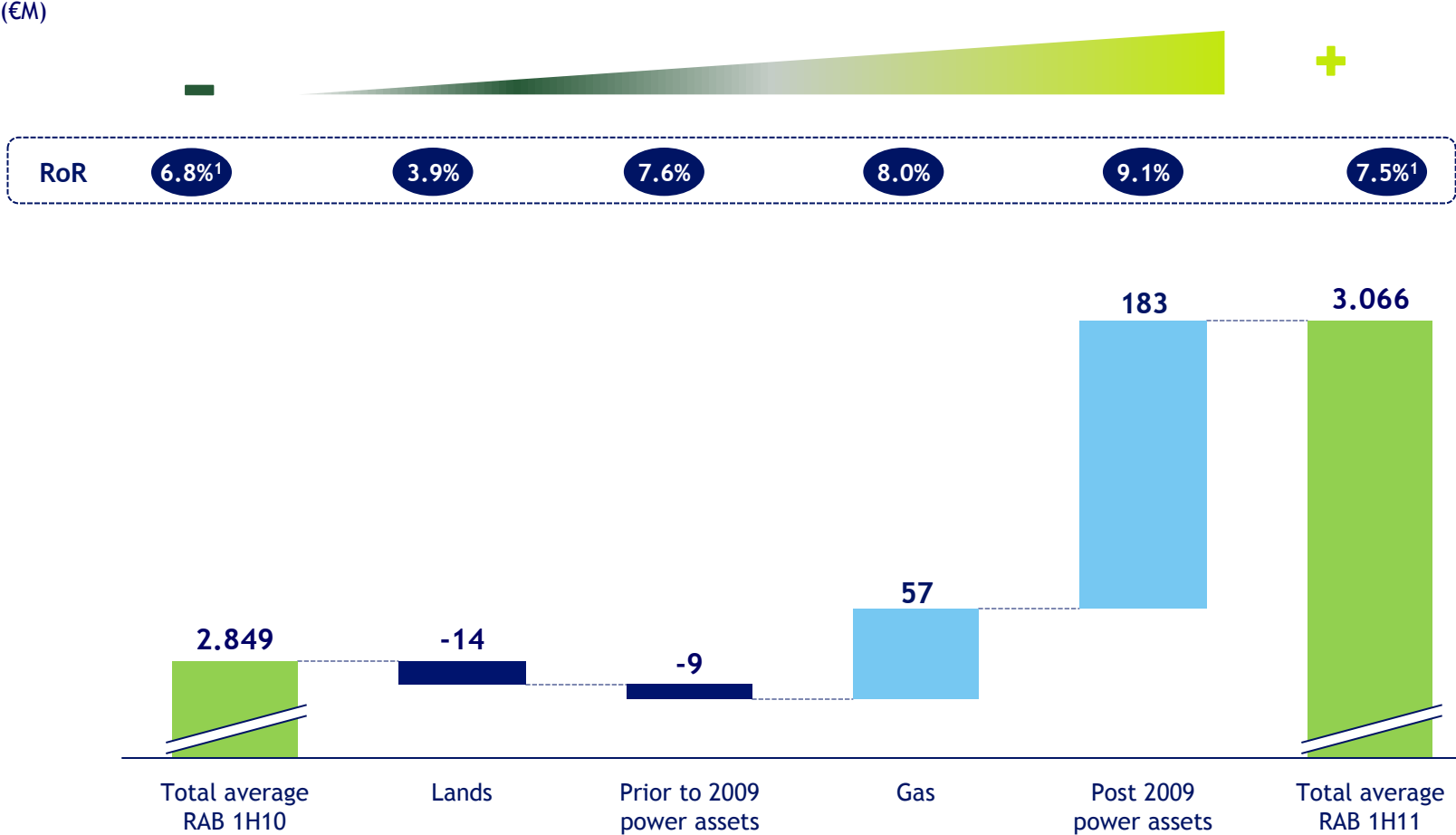
- Taxes increased by €0.9M, reflecting the growth in the results before taxes (+14.5%) and in the effective tax rate.

(€M)	1H10	1H11	Δ%
<b>Total average RAB<sup>1)</sup></b>	<b>2,849.2</b>	<b>3,065.7</b>	<b>7.6%</b>
Electricity	1,527.1	1,701.0	11.4%
Hydro land	352.7	338.3	-4.1%
Gas	969.4	1,026.4	5.9%
<b>RAB end of period<sup>1)</sup></b>	<b>2,839.3</b>	<b>3,059.7</b>	<b>7.8%</b>
Electricity	1,513.8	1,708.0	12.8%
Hydro land	349.0	334.8	-4.1%
Gas	976.4	1,016.9	4.1%
<b>CAPEX</b>	<b>123.9</b>	<b>139.7</b>	<b>12.7%</b>
Electricity	88.8	97.5	9.7%
Gas	33.9	42.1	24.4%
Other	1.2	0.1	-91.4%
<b>Transfers to RAB<sup>1)</sup></b>	<b>-15.1</b>	<b>-12.0</b>	<b>-20.4%</b>
Electricity	-26.5	13.8	
Hydro land	-7.4	-6.8	-7.8%
Gas	18.7	-19.0	

- By June 2011, CAPEX was €139.7M, an increase of 12.7% compared to 2010.
- On the electricity side the conclusion of the Tavira substation should be highlighted, as well as the first segment of the Portimão - Tavira 400kV line (Algarve region).
- In natural gas the Sines LNG Terminal expansion remains as the most important project.
- The average RAB increased 7.6%, reaching €3,066M.

<sup>1)</sup> 1H10 is based on historical costs and 1H11 is based on reference costs.

# Average RAB breakdown

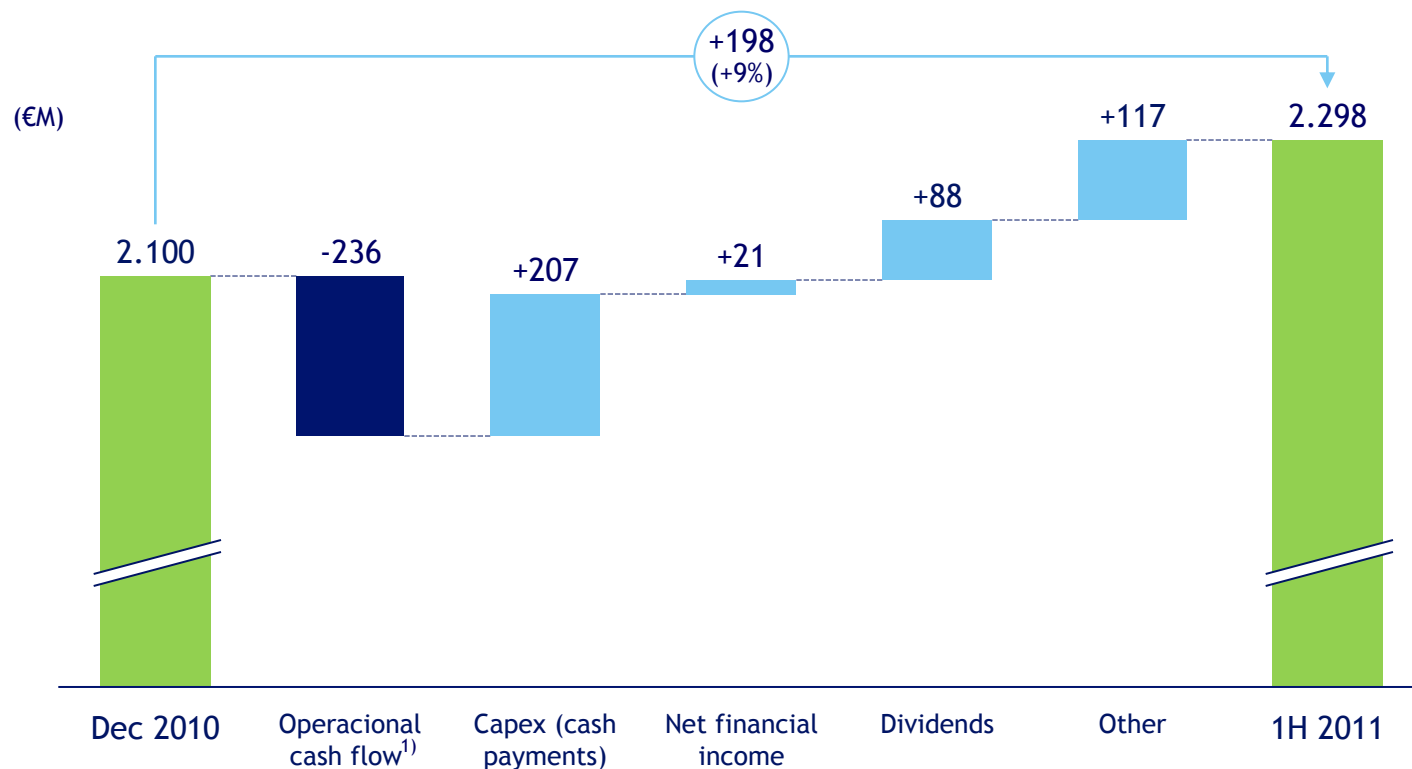


<sup>1</sup>RoR obtained as both the RAB and hydro and protection zone land remuneration, divided by the total average RAB.

# Return on assets breakdown

(€M)	Average RAB	Average rate of return	Return
<b>Return on electricity RAB</b>	<b>1,701.0</b>	<b>8.0%</b>	<b>67.9</b>
Assets post 2009	486.8	9.1%	22.1
Assets prior to 2009	1,214.2	7.6%	45.9
<b>Return on hydro and protection zone lands</b>	<b>338.3</b>	<b>3.9%</b>	<b>6.6</b>
<b>Return on gas RAB</b>	<b>1,026.4</b>	<b>8.0%</b>	<b>41.1</b>
<b>TOTAL</b>	<b>3,065.7</b>	<b>7.5%</b>	<b>115.6</b>

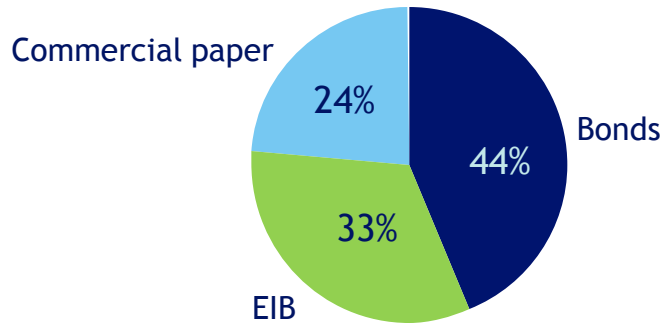




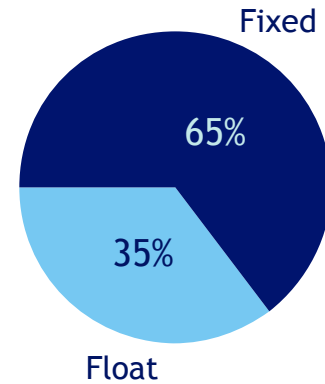
- Net debt at the end of the semester reached €2,298M, resulting in a growth of 9% compared with the end of 2010. This growth is mainly the result of disbursements related to late 2010 CAPEX, dividends (€88M) and the income tax of 2010 (€62M).
- The average cost of REN's debt was 4.4%.

<sup>1)</sup> Operational Cash flow = EBIT + Depreciation+ Provisions

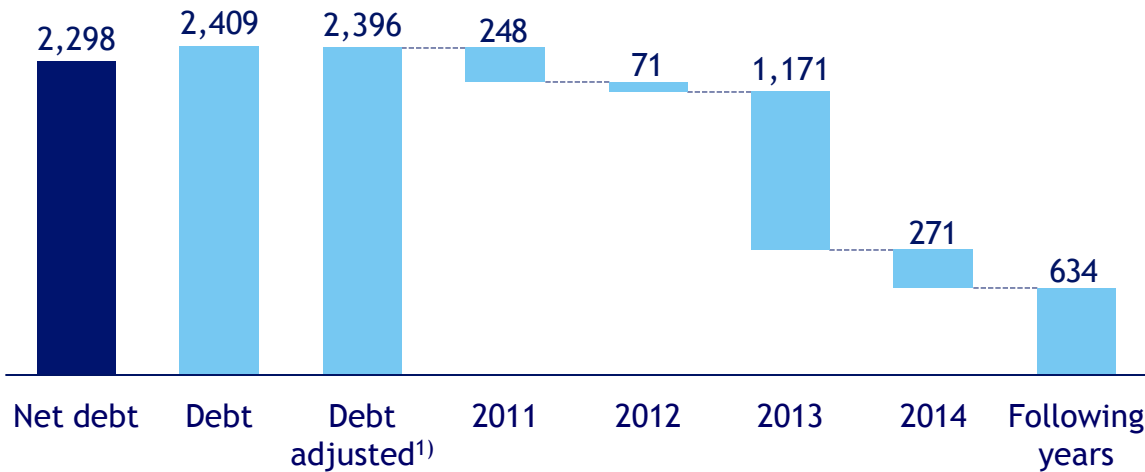
## SOURCES



## TYPE



## DEBT MATURITY

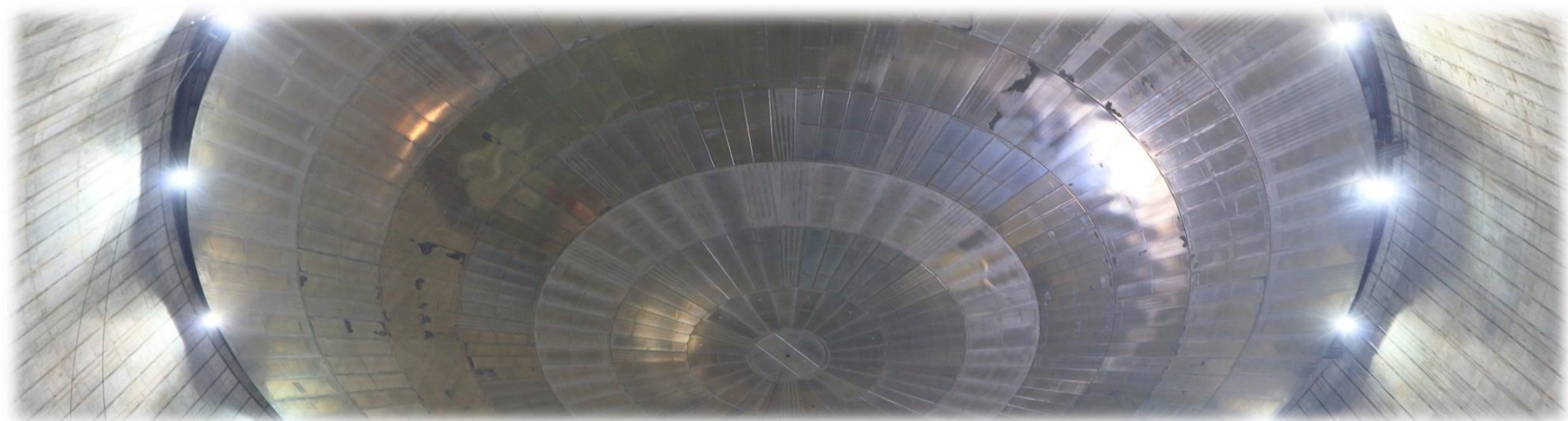


Average maturity:  
**4.2 years**

<sup>1)</sup> Adjusted by yen currency exchange.

	1H10	1H11
Net Debt / EBITDA	5.4x	4.9x
FFO / Net Debt	10.9%	11.7%
FFO interest coverage	3.8x	3.8x

REN's credit metrics display an improvement versus 2010H1









# Other operational revenues and costs

(€M)	1H10	1H11	Δ%
<b>Other operational revenues</b>	<b>36.5</b>	<b>23.2</b>	<b>-36.5%</b>
Subsidies depreciation	13.7	9.9	-27.9%
<b>Electricity</b>	4.9	5.3	6.9%
Gas	8.8	4.6	-47.4%
Revenues from gas JV	5.0	0.0	
Services rendered to gas JV	3.1	0.0	
Hedging contracts	6.0	0.8	-86.0%
Recovery of cross-border costs	1.5	1.0	-34.6%
Lease revenues from hydro protection zone	0.4	0.4	3.6%
Telecom	2.1	1.8	-14.9%
Services provided to Market Operator	1.4	1.3	-5.2%
Other services provided	3.3	8.0	141.5%
<b>Other operational costs</b>	<b>7.8</b>	<b>8.1</b>	<b>4.1%</b>
Costs with ERSE	5.2	5.2	-0.2%
Other	2.6	3.0	12.6%

# EBIT breakdown (electricity<sup>1</sup>)

(€M)	1H10	1H11	Δ%
Operational revenues	251.0	274.3	9.3%
Return on RAB	58.7	67.9	15.7%
Land remuneration	-0.7	6.2	
Remuneration from the use of fully depreciated assets	2.5	3.5	38.9%
Commercial gains	1.3	1.2	-11.3%
Interest on tariff deviation	2.1	0.9	-60.0%
OPEX recovery	35.8	30.5	-14.9%
Recovery of depreciation (net from subsidies)	53.6	56.7	5.8%
Other operational revenues	8.8	100	13.9%
Construction revenues (regulated assets)	88.8	97.5	9.7%
Operational costs	111.2	112.2	0.9%
External supplies and services	15.2	12.2	-19.8%
Personnel costs	13.5	10.9	-19.3%
Other operational costs	4.1	4.6	11.7%
Construction costs (regulated assets)	78.4	84.5	7.8%
<b>EBITDA</b>	<b>139.8</b>	<b>162.2</b>	<b>16.0%</b>
Depreciation	60.0	63.0	5.1%
<b>EBIT</b>	<b>79.8</b>	<b>99.1</b>	<b>24.2%</b>

<sup>1</sup>) Includes Electricity, REN Trading and Enondas (wave energy concession).

# EBIT breakdown (gas)

(€M)	1H10	1H11	Δ%
<b>Operational revenues</b>	<b>139,0</b>	<b>135,0</b>	<b>-2,8%</b>
Return on RAB	38,8	41,1	5,9%
Interest on tariff deviation	0,0	0,3	
Tariff smoothing effect and neutrality effect	11,9	1,4	-88,2%
OPEX recovery	16,3	19,2	17,6%
Recovery of depreciation (net from subsidies)	20,8	23,2	11,4%
Other operational revenues	17,2	7,7	-55,1%
Construction revenues (regulated assets)	33,9	42,1	24,4%
<b>Operational costs</b>	<b>57,8</b>	<b>53,2</b>	<b>-7,9%</b>
External supplies and services	18,3	7,2	-60,6%
Personnel costs	5,0	4,4	-12,3%
Other operational costs	2,4	2,4	0,1%
Construction costs (regulated assets)	32,1	39,3	22,4%
Non recurring items	-4,2	0,0	
<b>EBITDA</b>	<b>77,0</b>	<b>81,8</b>	<b>6,2%</b>
Depreciation	23,9	26,3	9,8%
<b>EBIT</b>	<b>48,9</b>	<b>55,5</b>	<b>13,6%</b>

# EBIT breakdown (other<sup>1</sup>)

(€M)	1H10	1H11	Δ%
<b>Operational revenues</b>	<b>10.6</b>	<b>5.5</b>	<b>-48.1%</b>
Other operational revenues	10.6	5.5	-48.1%
<b>Operational costs</b>	<b>12.9</b>	<b>13.9</b>	<b>8.0%</b>
External supplies and services	4.0	3.7	-9.1%
Personnel costs	7.5	9.0	20.7%
Other operational costs	1.3	1.2	-11.9%
Provisions / reversions	6.2	0.0	
Non recurring items	6.2	0.0	
<b>EBITDA</b>	<b>-2.3</b>	<b>-8.4</b>	
Depreciation	0.2	0.2	39.9%
<b>EBIT</b>	<b>-8.7</b>	<b>-8.6</b>	<b>-0.8%</b>

<sup>1</sup>) Includes REN SGPS, REN Serviços and REN Telecom.

- Net Tariff deviations were worth -€24.4M in the balance sheet at the end of 1H11 as follows :
  - Electricity: -€69.9M
  - Gas: €45.4M



# Profit and loss statement

(€M)	1H10	1H11	Δ%
<b>Operational revenues</b>	<b>400.5</b>	<b>414.8</b>	<b>3.6%</b>
Sales and services rendered	249.4	259.4	4.0%
Construction revenues (regulated assets)	122.7	139.6	13.8%
Other operational revenues	23.4	15.8	-32.4%
JV revenues	5.0	0.0	
<b>Operational costs</b>	<b>-272.1</b>	<b>-268.8</b>	<b>-1.2%</b>
External supplies and services	-37.6	-23.1	-38.5%
Personnel	-25.9	-24.3	-6.4%
Construction costs (regulated assets)	-110.4	-123.7	12.0%
Depreciation	-84.1	-89.5	6.5%
Provisions	-6.2	0.0	
Others	-7.8	-8.1	4.1%
<b>EBIT</b>	<b>128.4</b>	<b>146.0</b>	<b>13.7%</b>
<b>Net financial income</b>	<b>-41.2</b>	<b>-46.2</b>	<b>12.2%</b>
Financial costs	-44.1	-50.1	13.6%
Financial revenues	1.6	2.3	49.1%
Investment income (dividends)	1.4	1.6	16.8%
<b>EBT</b>	<b>87.2</b>	<b>99.8</b>	<b>14.5%</b>
Income tax	-30.7	-31.6	2.9%
<b>NET INCOME</b>	<b>56.6</b>	<b>68.3</b>	<b>20.7%</b>

(€M)	2010	1H11
Fixed assets RAB related	3,701.8	3,751.9
Investments and goodwill <sup>1</sup>	118.1	124.0
Tariff deviations	124.5	102.0
Receivables <sup>2</sup>	279.0	229.5
Cash	138.6	97.3
Other <sup>3</sup>	98.5	104.0
<b>Total assets</b>	<b>4,460.5</b>	<b>4,408.7</b>
Shareholders equity	1,021.9	1,007.3
Debt (end of period)	2,257.8	2,408.8
Provisions	17.1	17.1
Tariff deviations	129.1	126.4
Payables <sup>4</sup>	887.2	682.3
Other <sup>5</sup>	147.5	166.9
<b>Total equity and liabilities</b>	<b>4,460.5</b>	<b>4,408.7</b>

1. *Goodwill* and financial investments

2. Trade and other receivables, deferred tax assets, current income tax recoverable and fixed assets (not RAB related)

3. Inventories and guarantee deposits

4. Trade and other payables, deferred tax liabilities and income tax payable

5. Retirement and other benefits obligations, derivative financial instruments and guarantee deposits

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