1H14 Highlights

- EBITDA amounted to €252.2M, 3.0% below 1H13 (-€7.8M). This was mainly due to: (1) the reversal of an one-off impairment of receivable debts in 2013 (-€5.3M); (2) the decrease of €3.9M in hydro land remuneration; (3) the expansion of the RAB and its respective remuneration (+€1.5M); (4) the reduction achieved in operational costs;

- Recurrent net income increased by 16.8% (+€10.4M), mainly due to the improvement in net financial results which stood at -€51.7M, €14.0M better than 1H13, on account of the decline in both net debt (decreased by €46.9M to €2,452.5M) and average cost of debt (to 4.75% from 5.65%);

- Net income stood at €58.3M (-€5.8M, -9.0%), penalized by the accrual of the energy sector extraordinary levy established in 2014’s State budget law;

- Total CAPEX stood at €36.0M, a YoY decrease of €22.9M (-38.8%), mainly due to normal seasonality and the late start of some new electricity investments in the first quarter of 2014;

- In June, REN’s privatization process was successfully concluded. The placement of the State's remaining 11% stake, improved the free float of the stock (30.0% vs 19.6%) together with it's liquidity;

- Yesterday, Moody's upgraded REN to a Baa3 investment grade rating with a stable outlook. REN remains the Top Rated Company in Portugal, and it comes on the back of a successful refinancing process.
# 1H14 Main financial indicators

<table>
<thead>
<tr>
<th>€M</th>
<th>2Q14</th>
<th>1H14</th>
<th>1H13</th>
<th>Δ%</th>
<th>Δ Abs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>125.7</td>
<td>252.2</td>
<td>259.9</td>
<td>-3.0%</td>
<td>-7.8</td>
</tr>
<tr>
<td>Net Financial Income</td>
<td>-22.4</td>
<td>-51.7</td>
<td>-65.7</td>
<td>21.3%</td>
<td>14.0</td>
</tr>
<tr>
<td>Recurrent Net Income</td>
<td>39.0</td>
<td>72.3</td>
<td>61.9</td>
<td>16.8%</td>
<td>10.4</td>
</tr>
<tr>
<td>Net Income</td>
<td>32.0</td>
<td>58.3</td>
<td>64.1</td>
<td>-9.0%</td>
<td>-5.8</td>
</tr>
<tr>
<td>Average RAB</td>
<td>3,480.6</td>
<td>3,480.6</td>
<td>3,418.1</td>
<td>1.8%</td>
<td>62.5</td>
</tr>
<tr>
<td>CAPEX</td>
<td>26.5</td>
<td>36.0</td>
<td>58.9</td>
<td>-38.8%</td>
<td>-22.9</td>
</tr>
<tr>
<td>Net Debt</td>
<td>2,452.5</td>
<td>2,452.5</td>
<td>2,499.4</td>
<td>-1.9%</td>
<td>-46.9</td>
</tr>
</tbody>
</table>
Portugal’s perceived sovereign debt risk has decreased

PT 10Y Treasury Bond Yields\(^{(1)}\) and PT 5Y CDS

Source: Bloomberg

<table>
<thead>
<tr>
<th>Base RoR</th>
<th>Electricity</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H14</td>
<td>7.8%</td>
<td>7.6%</td>
</tr>
<tr>
<td>1H13</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

Source: Bloomberg
Transfers to RAB increased by €1.4M

CAPEX

<table>
<thead>
<tr>
<th></th>
<th>1H13</th>
<th>1H14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>46.9</td>
<td>36.0</td>
</tr>
<tr>
<td>Natural gas</td>
<td>11.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>6.0</td>
</tr>
</tbody>
</table>

TRANSFERS TO RAB

<table>
<thead>
<tr>
<th></th>
<th>1H13</th>
<th>1H14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>8.7</td>
<td>8.0</td>
</tr>
<tr>
<td>Natural gas</td>
<td>0.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>9.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>

-22.9€M (-38.8%)
+1.4€M (+16.7%)
Average RAB grew by €62.5M
Electricity Assets with premium (RoR 9.3%) increased by €131M

1) RoR is equal to the specific remuneration, divided by the average RAB;
2) Includes RAB related to Enondas.
Electricity return on RAB increased by €2.1M
Mainly due to the positive evolution in the average RAB

**RAB REMUNERATION**

**ELECTRICITY** (ex. hydro lands) (€M)

- **Impact of the increase in the asset base by €87M to €2,087M.**
  - +€2.1M (+2.4%)
  - +€3.7M

- **Impact of the change in asset mix** – assets with premium weight increased to 46% in 1H14 from 41% in 1H13.
  - +€0.7M

- **Impact of the indexation of the base rate of return** – to 9.3% from 9.5% in assets with premium, and to 7.8% from 8.0% in assets without premium.
  - -€2.3M

**NATURAL GAS** (ex. tariff smoothing effect) (€M)

- **Impact of the €11M decrease in the asset base, to a total of €1,096M.**
  - -€3.0M (-6.8%)

**Electricity with premium**
- 86.4
- 39.0
- 47.4

**Electricity without premium**
- 88.5
- 44.2
- 44.3

**RAB REMUNERATION**

1H13 | 1H14
---|---
Electricity with premium | Electricity without premium
44.3 | 41.3

Mainly due to the positive evolution in the average RAB.
OPEX was down by €3.0M
Reflecting REN’s efficiency efforts

OPERATIONAL COSTS
(€M)

\[
\begin{array}{c}
\text{OPEX} \\
1H13 \quad \Delta \text{External Supplies and Services (1)} \quad \Delta \text{Personnel Costs} \\
51.8 \\
\quad \quad 48.9 \\
\text{OPEX} \\
1H14
\end{array}
\]

Note: values do not include costs incurred with the construction of concession assets (IFRIC 12): €46.7M in 1H13 and €26.0M in 1H14.

Note: includes Δ+€0.7M of Other Operating Costs.
Core OPEX showed a 6.9% decline versus 1H13

CORE OPEX
(€M)

1H13

OPEX
System services and cross-border costs
Costs with NG transportation
Forest clearing
Overhead lines deviation
Electricity: access to networks cost
Costs with ERSE
Core OPEX

1H14

OPEX
System services and cross-border costs
Costs with NG transportation
Forest clearing
Overhead lines deviation
Electricity: access to networks cost
Costs with ERSE
Core OPEX

Note: values do not include costs incurred with the construction of concession assets (IFRIC 12): €46.7M in 1H13 and €26.0M in 1H14.
EBITDA down by 3.0%
Essentially due to the decrease in hydro land remuneration

\[(\text{€M})\]

<table>
<thead>
<tr>
<th>EBITDA1H13</th>
<th>Δ Return on RAB (1)</th>
<th>Δ Recovery of depreciation</th>
<th>Δ Other revenues from assets (2)</th>
<th>Δ OPEX contribution (3)</th>
<th>Δ Other revenues (4)</th>
<th>EBITDA1H14</th>
</tr>
</thead>
<tbody>
<tr>
<td>259.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>252.2</td>
</tr>
<tr>
<td>+1.5 (+1.2%)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>+1.1 (+1.1%)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>-3.8 (-44.2%)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>+0.8 (+10.9%)</td>
<td></td>
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</tr>
<tr>
<td>-7.3 (-37.9%)</td>
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</tbody>
</table>

(1) Includes Δ+€2.5M of NG tariff smoothing effect;
(2) Δ-€3.9M related to Hydro land remuneration and Δ+€0.1M related to Remuneration of fully depreciated assets;
(3) Includes Δ+€0.1M of Opex own works;
(4) Includes +€5.3M related to a reversal of an impairment of receivable debts, in 2013.
Below EBITDA
Net Financial Income improved €14.0M

**DEPRECIATION**
(€M)

100.0
1H13

100.9
1H14

+0.9€M (+0.9%)

**NET FINANCIAL INCOME**
(€M)

-65.7
1H13

-51.7
1H14

+14.0€M (+21.3%)

**TAXES**
(€M)

30.2
1H13

12.5
CESE

41.3
1H14

+11.1€M (+36.9%)
Net Income was down by €5.8M due to extraordinary levy

(€M)

Net Income 1H13 64.1  Δ EBITDA -7.8 (-3.0%)  Δ Below EBITDA +14.5 (+7.4%)  Energy sector extraordinary levy -12.5 (n.m.)  Net Income 1H14 58.3
Average cost of debt improved materially to 4.75%

The average cost of debt decreased to 4.75% (5.54% in 2013);

Net debt/EBITDA was up to 4.86x (4.61x in 2013).

(1) EBIT + Depreciation + Provisions - Non cash items;
(2) Mostly due to the tax payment (€46M).
Final remarks

- In 1H14, REN’s operational results were penalized by regulatory changes in hydro land remuneration, which were partially offset by the reduction in operational costs and the increase displayed in the average RAB;

- The average cost of debt continued its downward trend, and represented a material positive impact on net income;

- During the first half of 2014, REN’s privatization process was concluded with the sale of the last 11% stake that was still owned by the Portuguese State. The operation was conducted through a Public Offering in the domestic market and a direct sale to qualified national and international institutional investors;

- In July, REN and Galp Energia agreed to the partial transfer of the latter’s storage concession business, including the transmission of its two existing cavities and the rights for the construction of two additional ones for an estimated €71.7M and subjected to the agreement from the Portuguese State, the Competition Authority and ERSE. Through this operation, REN will own the totality of the underground storage infrastructures in operation in Portugal, giving continuity to its objectives and strategic nature as a transmission infrastructures’ operator for gas and electricity.
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