



Unofficial Translation

This is an unofficial translation of the proposal indicated below and it has been prepared for information purposes only. In the event of any discrepancy between this translation and the Portuguese version, the Portuguese version will prevail.

ANNOUNCEMENT

ERSE technical note: tariffs and prices for electricity for 2015 and parameters for the 2015-2017 regulatory period

Following the proposal for Tariffs and Prices for Electricity for 2015 disclosed by ERSE and pursuant to Article 248 of the Securities Code, REN - Redes Energéticas Nacionais, SGPS, S.A. ("REN") discloses the attached letter issued by ERSE regarding the tariffs and prices for electricity for 2015 and parameters for the 2015-2017 regulatory period.

Lisbon, 15 October 2014

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



1. FRAMEWORK

- Under the terms of the applicable regulation, ERSE submitted, on the date hereof, the proposal for electricity tariffs for 2015 and parameters for the 2015-2017 regulatory period, which will be subject to the Tariff Council opinion. This Tariff Council is composed by representatives of the consumers, of the suppliers in the liberalized market, of the regulated companies, and by the National Municipalities Association. The Tariff Council will present its non-binding opinion regarding the referred proposal up to 15 November 2014. After evaluation of the opinion expressed by the Tariff Council, ERSE will approve the final tariff values, which are to be published until 15 December 2014.
- Simultaneously, ERSE also disclosed a document containing the key elements of the mentioned proposal.
- Bearing in mind that the main economic and financial assumptions for the calculation of electricity tariffs for 2015 and for the definition of parameters for the 2015-2017 regulatory period are relevant factors for the economic and financial evaluation of REN's activity for the 2015-2017 period and that the values part of the proposal now submitted by ERSE are, currently, the best available information for the purposes of these values, the following information is made available on an exceptional basis.

2. RATE OF RETURN

- The risk free rate is fixed at 2.41% for the next regulatory period. This value was obtained on the basis of the average of the 10-year bonds' yields of the main euro zone European countries with AAA rating (Germany, Finland, Austria and The Netherlands), over the last 5 years, having the relevant period reached its term on August, 2014;
- The base rate of return (RoR) defined for 2015 is 6.4%;
- The RoR is indexed to the arithmetic average of the daily quotation of the Portuguese Republic 10-year sovereign bonds (OT's) for loans in euro (Source: Bank of Portugal);
- For the purpose of calculation of the RoR of year t, the average of the daily quotations of the index from October year t-1 up to September of year t, will be considered. The average shall be filtered by eliminating the 1/12 of highest quotation and the 1/12 lowest quotation;
- The starting point of the index is 3.6%. The value was obtained calculating the arithmetic average of the daily 10-year Portuguese Republic bond, from June up to August 2014;
- There is a linear relation between the OT's yield and the RoR;



- A variation of 1% in the RoR is based on a variation in the OT's yield of 2.5%;
- The minimum RoR is set at 5.65%, based on an OT yield of 1.725%;
- The maximum RoR is set at 9.15%, based on an OT yield of 10.475%;
- For average OT yields below 1.725% the RoR is set at 5.65%;
- For average OT yields above 10.475% the RoR is set at 9.15%.

The assets valued at reference costs benefit from a premium of 0.75pp, i.e., a cost of capital of 7.15%.

The following figure represents the indexation methodology of the base RoR for REN's electricity's regulated activities.

