RESULTS PRESENTATION
9M 2014

November 6th, 2014
**9M14 Highlights**

- EBITDA reached at €374.2M, 3.4% below 9M13 (-€13.2M). There are three main reason for this decline: (1) the reduction in hydro land remuneration (€-5.9M); (2) the reversal of an one-off impairment of receivable debts in 2013 (€-5.3M); (3) the decrease in financial own works (€-3.5M);

- Recurrent net income rose to €106.0M (+20.5%), benefiting from better net financial results (-€79.0M vs -€105.3M in 9M13), resulting from the YoY decline in net debt (down by €36.2M to €2,432.0M) and average cost of debt (cut to 4.7% from 5.6%);

- Net income stood at €84.9M (-€4.4M, -4.9%), negatively impacted by the accrual of €18.8M relative to the energy sector extraordinary levy established in 2014’s State budget law;

- Total CAPEX was €69.3M, a YoY fall of €40.8M. In July REN agreed to purchase the two gas storage cavities belonging to Galp Energia for an estimated amount of €71.7M but it is still waiting for the necessary agreement from the authorities.
## 9M14 Main financial indicators

<table>
<thead>
<tr>
<th>€M</th>
<th>3Q14</th>
<th>9M14</th>
<th>9M13</th>
<th>Δ%</th>
<th>Δ Abs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>122.0</td>
<td>374.2</td>
<td>387.4</td>
<td>-3.4%</td>
<td>-13.2</td>
</tr>
<tr>
<td>Net Financial Income</td>
<td>-27.3</td>
<td>-79.0</td>
<td>-105.3</td>
<td>25.0%</td>
<td>26.3</td>
</tr>
<tr>
<td>Recurrent Net Income</td>
<td>33.7</td>
<td>106.0</td>
<td>87.9</td>
<td>20.5%</td>
<td>18.0</td>
</tr>
<tr>
<td>Net Income</td>
<td>26.6</td>
<td>84.9</td>
<td>89.3</td>
<td>-4.9%</td>
<td>-4.4</td>
</tr>
<tr>
<td>Average RAB</td>
<td>3,459.5</td>
<td>3,459.5</td>
<td>3,418.6</td>
<td>1.2%</td>
<td>40.8</td>
</tr>
<tr>
<td>CAPEX</td>
<td>33.3</td>
<td>69.3</td>
<td>110.1</td>
<td>-37.0%</td>
<td>-40.8</td>
</tr>
<tr>
<td>Net Debt</td>
<td>2,432.0</td>
<td>2,432.0</td>
<td>2,468.2</td>
<td>-1.5%</td>
<td>-36.2</td>
</tr>
</tbody>
</table>
Portugal’s perceived sovereign debt risk has decreased

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

**Base RoR**

<table>
<thead>
<tr>
<th></th>
<th>Electricity</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>9M14</td>
<td>7.8%</td>
<td>7.5%</td>
</tr>
<tr>
<td>9M13</td>
<td>8.1%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

Source: Bloomberg
Transfers to RAB amounted €13.8M

CAPEX

<table>
<thead>
<tr>
<th></th>
<th>9M13</th>
<th>9M14</th>
</tr>
</thead>
<tbody>
<tr>
<td>110.1</td>
<td>0.2</td>
<td>19.3</td>
</tr>
<tr>
<td>90.7</td>
<td>10.6</td>
<td>69.3</td>
</tr>
</tbody>
</table>

-40.8€M (-37.0%)

TRANSFERS TO RAB

<table>
<thead>
<tr>
<th></th>
<th>9M13</th>
<th>9M14</th>
</tr>
</thead>
<tbody>
<tr>
<td>55.4</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>54.0</td>
<td>1.3</td>
<td></td>
</tr>
</tbody>
</table>

-41.6€M (-75.0%)

Other
Natural gas
Electricity
Average RAB increased €40.8M
Electricity Assets with premium (RoR 9.3%) increased by €114M

1) RoR is equal to the specific remuneration, divided by the average RAB;
2) Includes RAB related to Enondas.
Electricity return on RAB in line with 9M13
Average RAB showed a positive evolution

**RAB REMUNERATION**

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

- Impact of the increase in the asset base by €65M to €2,074M.
- Impact of the change in asset mix - assets with premium weight increased to 46% in 9M14 from 41% in 9M13.
- Impact of the indexation of the rate of return - to 9.3% from 9.6% in assets with premium, and to 7.8% from 8.1% in assets without premium.

9M13 9M14
59.6 65.6
71.2 65.7

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

- Impact of the €11M decrease in the asset base, to a total of €1,090M.

9M13 9M14
66.0 61.4
OPEX fell €3.3M
Reflecting REN’s efficiency efforts

OPERATIONAL COSTS
(€M)

Note: values do not include costs incurred with the construction of concession assets (IFRIC 12): €91.5M in 9M13 and €54.8M in 9M14.
Core OPEX was down by 4.6% YoY

CORE OPEX
(€M)

9M13

OPEX

<table>
<thead>
<tr>
<th>Description</th>
<th>9M13</th>
<th>9M14</th>
</tr>
</thead>
<tbody>
<tr>
<td>System services and cross-border costs</td>
<td>78.0</td>
<td>74.6</td>
</tr>
<tr>
<td>Costs with NG transportation</td>
<td>-2.2</td>
<td>-0.8</td>
</tr>
<tr>
<td>Forest clearing</td>
<td>-2.0</td>
<td>-2.0</td>
</tr>
<tr>
<td>Overhead lines deviation</td>
<td>-0.3</td>
<td>-1.1</td>
</tr>
<tr>
<td>Electricity: access to networks cost</td>
<td>0.0</td>
<td>-0.1</td>
</tr>
<tr>
<td>Costs with ERSE</td>
<td>-0.4</td>
<td>-0.6</td>
</tr>
<tr>
<td>Core OPEX</td>
<td>66.5</td>
<td>63.4</td>
</tr>
</tbody>
</table>

Note: values do not include costs incurred with the construction of concession assets (IFRIC 12): €91.5M in 9M13 and €54.8M in 9M14.
EBITDA stood at €374.2M driven by a lower hydro land remuneration and one-offs in 2013

(€M)

-13.2€M
(-3.4%)

-5.6
(-43.9%)

-9.3
(-35.8%)

387.4
(+0.1%)

374.2

EBITDA 9M13
Δ Return on RAB (1)
Δ Recovery of depreciation
Δ Other revenues from assets (2)
Δ OPEX contribution (3)
Δ Other revenues (4)
EBITDA 9M14

(1) Includes Δ+€4.3M of NG tariff smoothing effect;
(2) Δ-€5.9M related to Hydro land remuneration and Δ+€0.3M related to Remuneration of fully depreciated assets;
(3) Includes Δ-€0.5M 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 €26.3M
Net Income slightly below YoY result (€-4.4M) negatively impacted by the extraordinary levy

(€M)

<table>
<thead>
<tr>
<th>Net Income 9M13</th>
<th>Δ EBITDA</th>
<th>Δ Below EBITDA</th>
<th>Energy sector extraordinary levy</th>
<th>Net Income 9M14</th>
</tr>
</thead>
<tbody>
<tr>
<td>89.3</td>
<td>-13.2</td>
<td>+27.6</td>
<td>-18.8 (n.m.)</td>
<td>84.9</td>
</tr>
</tbody>
</table>

-4.4€M (-4.9%)
The average cost of debt decreased to 4.7% (5.5% in 2013);

Net debt/EBITDA was up to 4.87x (4.61x in 2013).
Final remarks

- In 9M14, REN’s results were penalized by changes in hydro land remuneration, the decrease in the rates of return and the energy special levy, which were partially offset by the reduction in financial costs;

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

- Last October, ERSE released the proposal for the new Electricity Regulatory framework 2015-2017. As expected, the rate of return was linked to the Portuguese 10-year treasury bond yield, subject to a cap of 9.15% and a floor of 5.65% (for the base rate) and a premium of 75 basis points for the assets valued at reference costs. REN will discuss the proposal in the Tariff Council until 15th November and the final version will be published by the regulator on 15th December.
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