



Unofficial Translation

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

ANNOUNCEMENT

Following the proposal for Tariffs and Prices for Electricity for 2012 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 main economic and financial assumptions contained in the tariff proposal for year 2012, jointly with the regulatory parameters for the 2012-2014 period.

Lisbon, 18 October 2011

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

REN - REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A.
Listed Company
Share Capital: 534,000,000 €
Commercial Registry Office of Lisbon: registry and tax sole number 503 264 032
Head Office: Avenida Estados Unidos da América, no. 55
1749-061 Lisbon

ERSE TECHNICAL NOTE: TARIFFS AND PRICES FOR ELECTRICITY FOR 2012 AND PARAMETERS FOR THE 2012-2014 REGULATORY PERIOD

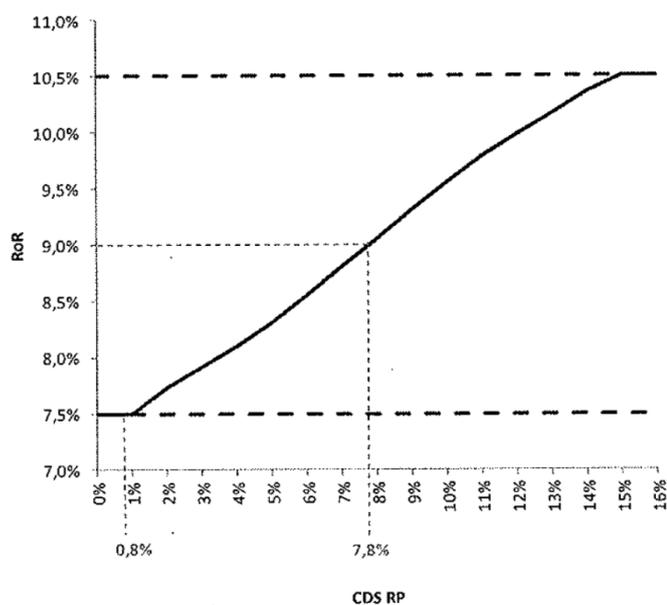
1. FRAMEWORK

- Under the terms of the applicable regulation, ERSE submitted, on the date hereof, the proposal for electricity tariffs for 2012 and parameters for the 2012-2014 regulatory period, which will be subject to the Tariff Council opinion. This Tariff Council is composed by representatives of the consumers and 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 2011. After evaluation of the opinion expressed by the Tariff Council, ERSE will approve the final tariffs values, which are to be published until 15 December 2011.
- Simultaneously, ERSE also disclosed a document containing the key elements of the mentioned proposal.
- However, whereas the privatization process of REN - Redes Energéticas Nacionais (“REN”) is currently in course, and this company controls two regulated companies operating within the Portuguese Electricity System; and
- Whereas, provided market conditions allow it, the Memorandum of Understanding between the Portuguese State and the Troika establishes the conclusion of REN’s privatization procedure until the end of 2011 as a goal. This may imply the conclusion of this privatization procedure before publication of the final values included in this proposal at the envisaged date of 15 December 2011. As such, the necessary transparency regarding the prospective regulatory information should be ensured, even though subject to the fulfillment of the final decision process as provided under the current legislation; and
- Bearing in mind that the main economic and financial assumptions for the calculation of electricity tariffs for 2012 and for the definition of parameters for the 2012-2014 regulatory period are relevant factors for the economic and financial evaluation of REN’s activity for the 2012-2014 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. PARAMETERS

COST OF CAPITAL

- The risk free rate was fixed at 3.41% 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, France, Austria and Netherlands), over the last 3 years, having the relevant period reached its term on August, 2011;
- The initial spread is based on the difference between the RoR initially defined for the company (9.0%) and the risk free rate (3.41%);
- The spread will be indexed to the average of the daily quotation of the 5 year Portuguese Republic CDS (source Reuters - SNRFOR-EUR-CR);
- For the purpose of calculation of the RoR of year t, the average of the average daily quotations of the October index for 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 7.80%.
- The assets' remuneration evaluated at reference costs is calculated by $\text{RoR} + 1.5\%$;
- The ratio between the assets evaluated at reference costs and the assets evaluated based in actual costs estimated for 2012 corresponds to 72%.



- In case the value of the Portuguese Republic CDS increases (decreases) between 0% and 3%, RoR will be subject to a step up (step down) of between 0% and 0.75%;
- If the referred value goes up (down) between 3% and 7%, the RoR will be increased (reduced) up to plus (minus) 0.75%, up to the total variation limit of $\pm 1.5\%$.
- Therefore, assets' remuneration rate effectively occurring in 2012 will only be known in October of that year.