



REN SGPS, S.A.

Consolidated Results

January - September 2008

October 28<sup>TH</sup> 2008

## Main messages

- Net Income was €108.1M from January to September. Recurrent Net Income was up 10%, reflecting the improvement of both operational and financial results.
- Capex rose by 18% and reached €180M, of which €160M in the electricity business and €20M in natural gas.
- REN's financial situation is solid and there are no reasons to change the company's investment plans due to the financial market turmoil.
- REN will improve the level of dividends paid regarding 2008's fiscal year.

## Main financial data (9M08)

2007	(M€)	9M07	9M08	Δ%
310.5	Recurrent EBITDA	239.0	245.0	2.5%
77.5	Net Financial Income	-56.5	-47.2	-16.5%
5.3	Financial Profit	3.8	22.6	494.7%
-82.8	Financial Cost	-60.3	-69.9	15.9%
187.5	Income before Taxes	187.4	145.4	-22.4%
-42.3	Income Tax	-42.6	-37.3	-12.4%
145.2	Net Income	144.8	108.1	-25.3%
100.4	Recurrent Net Income	68.6	75.5	10.1%
1 931	Net Debt (end of period)	1 929	1 646	-14.7%
4.57%	Average cost of debt	4.33%	4.75%	9.7%

## Highlights - 9M08

- From January to September Recurrent Net Income rose by 10.1% when compared with the same period of the previous year. Net Income was €108.1M. This is lower than in 2007 due to the cancelation in July 2007 of the €40M provision related to GALP's 2005 .
- The improvement in Recurrent Net Income is explained both by the operational and financial performance of the company.



## Highlights - 9M08 (cont.)

- Recurrent EBITDA was 2.5% better than last year, reflecting the increase in electricity RAB (natural gas RAB will continue to decrease until the first significant investment projects are completed, which will happen during 2009).
- Financial Income was up 16.5%. This improvement reflects the decrease in the average debt level, which was possible due to the prepayment of the tariff deficit, the credit lines refinancing that took place in the 2nd half of 2007, the dividends from REE and Enagas and more efficient cash management.

# EBIT Breakdown

On the table below it is clear that EBIT shows a negative evolution due to non recurring items.

2007	(M€)	9M07	9M08	Δ%
<b>610.7</b>	<b>Operational Revenues</b>	<b>477.0</b>	<b>463.1</b>	<b>-2.9%</b>
516.3	Sales and services provided	349.3	368.3	5.4%
40.6	Other revenues	31.4	27.6	-12.1%
53.8	Non-recurrent revenues	96.3	67.2	-30.2%
<b>345.7</b>	<b>Operational Costs</b>	<b>-233.1</b>	<b>-270.4 **</b>	<b>16.0%</b>
-145.5	External supplies and services	-95.1 *	-50.4	-47.0%
-42.6	Personnel	-32.7	-37.0	13.1%
-123.9	Depreciation	-91.3	-96.7 ***	5.9%
-48.6	Other costs	-13.9	-63.6	357.6%
14.9	Non recurrent costs	0.0	-22.8	
<b>265.0</b>	<b>EBIT</b>	<b>243.9</b>	<b>192.6</b>	<b>-21.0%</b>

\* - Includes €49.8M of System Services which no longer exist in 2008 and were also received as part of the tariffs

\*\* - Includes €4.7M of interconnection costs, covered by the tariffs, and that until last year were part of the System Services

\*\*\* - Includes €52.3M of PPA's costs, which did not exist in 2007 and are also received as part of the tariffs

# Operational Revenues Evolution

Sales of goods and services rose 5.4% despite the reduction in Commercial gains (€-11.8M and land remuneration (€-7.1M).

(M€)	9M07	9M08	Δ%
<b>Sales and services provided</b>	<b>349.2</b>	<b>368.3</b>	<b>+5.4%</b>
Return on non-land RAB*	117.0	122.2	+4.4%
Recovery of OPEX and depreciation	226.1	248.7	+10.0%
Interest on tariff deficit/deviation	7.7	13.8	+79.2%
Commercial gains	16.1	4.3	-73.3%
Other tariff recognized costs	13.6	64.1	371.3%
Other services provided *	3.7	4.0	8.1%
Deviations and smoothing mechanism	-21.4	-24.7	+15.4%
<b>Other operational revenues **</b>	<b>31.5</b>	<b>27.6</b>	<b>-12.4%</b>
<b>Non recurrent revenues</b>	<b>96.3</b>	<b>67.2</b>	<b>-30.2%</b>
<b>Operational Revenues</b>	<b>477.0</b>	<b>463.1</b>	<b>-2.9%</b>

\* - Other services provided includes non regulated income such as OMIP/OMICLEAR and RENTelecom

\*\* - Other operational revenues includes the depreciation of investment subsidies, Profits from Joint Ventures and land remuneration

# Operational Costs Evolution

- The decrease in the electricity business' External supplies and services is explained by the fact that System Services are no longer REN's cost (recovered in the tariff), being directly borne by market players. Comparable ESS grew 0.9% relative to 9M07.
- Comparable personnel costs were up 4.1%, which reflects wage growth plus automatic career progressions. Overall personnel costs grew by 13.1% because of an accounting reclassification: up until 2007 bonuses came from Retained Earnings.
- Other operational costs include €52.3M of PPA's costs from Pego and Tapada do Outeiro and are fully covered by the General Use of System tariff.



## Average RAB and CAPEX

The growth in the electricity's business RAB more than offset the decrease in RAB of hydro land and gas businesses. Capex from January to September was respectively, €160.6M in the electricity infrastructure and €19.5M in the gas infrastructure.

Total RAB grew by 3.5% when compared with the same period of last year, due to the operational kick-off of some investments in the electricity business; no new assets started operation in the gas business, therefore, the reduction in gas RAB is solely due to the amortization of assets (new projects will only start operating in 2009).

(M€)	9M07	9M08	Δ%
<b>Total Average RAB</b>	<b>2 486,7</b>	<b>2 573.5</b>	<b>3.5%</b>
Electricity	1 128,3	1 264.3	12.0%
Hydro Land	395,3	380.5	-3.7%
Gas	963,1	928.7	-3.6%
<b>Capex</b>	<b>152,5</b>	<b>180.1</b>	<b>18.1%</b>
Electricity	149,6	160.6	7.4%
Gas	2,9	19.5	572.4%



## Breakdown of recurrent EBITDA between main business areas (9M08)

(€m)	9M07	9M08
<b>ELECTRICITY</b>		
Sales and services provided	241.0	259.9
Other recurrent revenues	18.8	14.8
External supplies and services	-66.6	-27.9
Personnel	-22.1	-23.1
Depreciation	-58.2	-63.0
Other recurrent costs	-11.3	-61.6
<b>Recurrent EBITDA</b>	<b>159.8</b>	<b>162.1</b>

	9M07	9M08
<b>GAS</b>		
Sales and services provided	104.7	105.3
Other recurrent revenues*	13.7	16.0
External supplies and services	-24.4	-28.7
Personnel	-8.5	-8.7
Depreciation	-32.7	-33.2
Other recurrent costs	-2.3	-2.5
<b>Recurrent EBITDA</b>	<b>83.2</b>	<b>81.4</b>

- Profits from the Enagás *joint ventures* are included in other recurrent revenues.
- Important note: the data above reflects no consolidation between group companies

## Breakdown of sales and services provided (9M08)

(M€)	Electricity	Gas
Sales and services provided	259.9	105.3
Return on non-land RAB *	66.5	55.7
Recovery of OPEX and depreciation	114.0	70.6
Interest on tariff deficit/deviation	13.8	-
Commercial gains	4.3	-
Other tariff recognized costs **	61,6	2,5
Other services provided	0,9	-
Deviations and smoothing mechanism	-1,2	-23,5

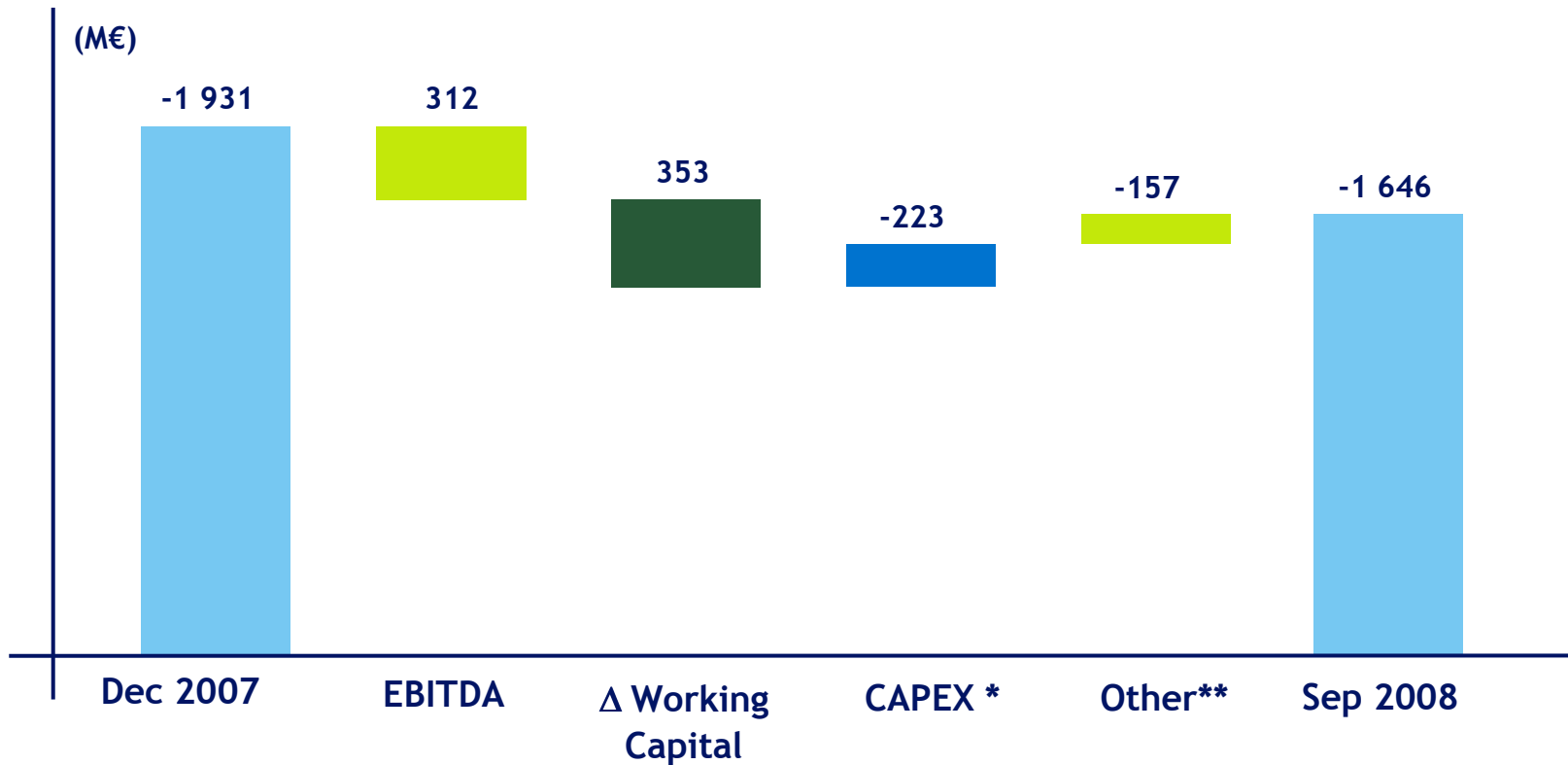
\* - Land remuneration was €7.1M and is accounted for as Other Operational Revenues

\*\* - Includes, among other costs, the PPA's costs



# Evolution of Net Debt

Net debt had a significant reduction due to the prepayment of the tariff deficit in April.



\* - Includes purchase of stake in ENAGAS

\*\* - Includes payment of net financial costs and dividends paid

# Tariff Deficit (Regulatory GAAP)

Last April REN received €466.2M for the existing tariff deficit. Since that date the company's Balance Sheet only accounts for deviations from previous years, which have progressively decreased over time.

(M€)14	Dec 07	Sep 08
Hydro-land deficit (1999-2003)	152.3	0.0
Low voltage tariff cap	313.9	0.0
Sub-total	466.2	0.0
Deviations from previous years	57.9	42.1
<b>Total</b>	<b>524.1</b>	<b>42.1</b>



# Appendix

## Third Quarter Figures and Consolidated P&L and Balance Sheet



## 3Q08 main financial data

2Q08	(M€)	3Q07	3Q08	Δ%
90.9	EBIT	107.2	48.2	-55.1%
78.3	Recurrent EBITDA	81.6	80.4	-1.5%
10.0	Financial Profit	1.6	9.8	512.5%
-22.7	Financial Cost	-21.9	-24.3	11.0%
-12.7	Net financial income	-20.3	-14.5	-28.5%
78.2	Income before taxes	86.9	33.9	-61.0%
-20.2	Income Tax	-16.7	-8.5	49.1%
58.0	Net Income	70.2	25.3	64.0%



## EBIT Breakdown (3Q08)

2Q08	(M€)	3Q07	3Q08	Δ%
<b>201.2</b>	<b>Operational Revenues</b>	<b>176.0</b>	<b>125.1</b>	<b>-28.9%</b>
120.2	Sales and services provided	114.7	121.8	6.2%
13.8	Other revenues	9.9	3.3	-66.7%
67.2	Non-recurrent revenues	51.4	0.0	
<b>110.3</b>	<b>Operational Costs</b>	<b>-68.7</b>	<b>-76.9</b>	<b>11.9%</b>
-16.0	External supplies and services	-20.6	-16.8	-18.4%
-14.7	Personnel	-9.8	-11.5	17.3%
-31.8	Depreciation	-30.4	-32.1	5.6%
-25.0	Other costs	-7.9	-16.5	108.9%
-22.8	Provisions	0.0	0.0	0.0%
<b>90.9</b>	<b>EBIT</b>	<b>107.3</b>	<b>48.2</b>	<b>-55.1%</b>



## Income statement by segment (3Q08)

(€m)	3Q07	3Q08
<b>ELECTRICITY*</b>		
Sales and services provided	80.0	83.1
Other recurrent revenues	4.4	-1.3
<b>Operating Revenues</b>	<b>84.4</b>	<b>81.8</b>
External supplies and services	-8.1	-10.0
Personnel	-6.8	-7.2
Depreciation	-17.5	-20.8
Other recurrent costs	-9.1	-15.8
<b>Recurrent EBITDA</b>	<b>60.4</b>	<b>48.8</b>

	3Q07	3Q08
<b>GAS</b>		
Sales and services provided	32.8	37.8
Other recurrent revenues *	7.0	5.6
<b>Operating Revenues</b>	<b>39.8</b>	<b>43.4</b>
External supplies and services	-9.6	-10.0
Personnel	-1.8	-1.8
Depreciation	-12.8	-11.1
Other recurrent costs	1.3	-0.7
<b>Recurrent EBITDA</b>	<b>29.7</b>	<b>30.9</b>

- Profits from the Enagás *joint ventures* are included in other recurrent revenues.
- Important note: the data above reflects no consolidation between group companies

# Sales and services breakdown (3Q08)

(M€)	Electricity	Gas
Sales and services provided	83.1	37.8
Return on non-land RAB *	23.1	17.8
Recovery of OPEX and depreciation	38.0	22.9
Interest on tariff deficit and tariff deviation	3.1	-
Commercial gains	1.9	-
Recovery of other costs **	15.8	0.7
Other services provided	0.9	-
Deviations and smoothing mechanism	0.3	-3.6

\* - Land remuneration was €2M and is accounted for as Other Operational Revenues

\*\* - Includes, among other costs, the PPA's costs



## Consolidated income statement

Thousands of Euros

	At 30 September	
	2008	2007
Sales of goods	259	165
Services provided	368.088	404.718
<b>Operating revenue</b>	<b>368.347</b>	<b>404.883</b>
Cost of goods sold	(355)	(215)
External supplies and services	(50.383)	(95.091)
Employee compensation and benefit expense	(36.987)	(32.701)
Depreciation and impairment charges	(96.723)	(91.370)
Provisions for liabilities and charges	(22.754)	-
Other expenses	(63.240)	(13.724)
Share of (loss)/profit of joint ventures	6.843	6.715
Other income	87.896	65.434
<b>Operating profit</b>	<b>192.645</b>	<b>243.931</b>
Finance costs	(69.874)	(60.304)
Finance income	22.625	3.767
<b>Profit before income taxes</b>	<b>145.396</b>	<b>187.394</b>
Income tax expense	(37.287)	(42.577)
<b>Profit for the year</b>	<b>108.109</b>	<b>144.817</b>
<b>Attributable to:</b>		
Equity holders of the Company	108.066	144.788
Minority interest	43	29
	<b>108.109</b>	<b>144.817</b>
<b>Earnings per share attributable to the equity holders of the company during the year (expressed in euro per share)</b>		
- basic	0,20	0,27
- diluted	0,20	0,27

## Consolidated balance sheet

Thousands of Euros

	At 30 September 2008	At 31 December 2007
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2.758.752	2.654.320
Intangible assets	3.774	3.774
Investment properties	331.872	427.599
Interest in joint ventures	7.417	9.025
Deferred income tax assets	38.038	19.416
Available-for-sale financial assets	99.993	59.567
Trade and other receivables	86.929	100.264
	<u>3.326.774</u>	<u>3.273.965</u>
<b>Current assets</b>		
Inventories	20.284	3.073
Trade and other receivables	198.010	511.457
Income tax receivable	-	15.354
Guarantee deposits	37.011	39.765
Derivative financial instruments	4.585	-
Cash and cash equivalents	162.258	125.920
	<u>422.147</u>	<u>695.569</u>
<b>Total assets</b>	<u>3.748.922</u>	<u>3.969.534</u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	534.000	534.000
Own Share capital	(2.774)	-
Other reserves	175.497	152.591
Retained earnings	203.858	174.033
Profit for the year attributable to equity holders of the Company	108.066	145.150
	<u>1.018.647</u>	<u>1.005.774</u>
Dividends related to 2006 profit	-	-
	<u>1.018.647</u>	<u>1.005.774</u>
Minority interest	594	555
<b>Total equity</b>	<u>1.019.241</u>	<u>1.006.329</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	1.100.026	687.169
Deferred income tax liabilities	80.699	178.345
Retirement and other benefits obligations	29.540	28.016
Trade and other payables	300.372	280.585
Provisions for other liabilities and charges	53.607	30.853
	<u>1.564.245</u>	<u>1.204.968</u>
<b>Current liabilities</b>		
Borrowings	708.071	1.369.905
Trade and other payables	307.769	288.778
Income tax payable	112.233	59.789
Derivative financial instruments	353	-
Guarantee deposits	37.011	39.765
	<u>1.165.436</u>	<u>1.758.237</u>
<b>Total liabilities</b>	<u>2.729.681</u>	<u>2.963.205</u>
<b>Total equity and liabilities</b>	<u>3.748.922</u>	<u>3.969.534</u>



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REN - REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A.

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