REN Annual Results 2010

March 17th 2011

2010 – Highlights

- 2010 was a difficult year for the Portuguese economy. The full weight of the sovereign debt crisis hit hard the corporate sector affecting both financial and nonfinancial firms. As of September the major source of funding for Portuguese banks was ECB loans against collateral and just a very few major nonfinancial companies retained some capacity to raise funds in the international market.

- In spite of the above difficulties, REN was able to fully execute its investment plan and transfers to RAB.

- Two important projects were finalised and deserve a special notice: 1) a new power interconnection with Spain along the Douro Internacional, allowing an increase of the net transfer capacity of around 400 MW; 2) REN purchased the reserve capacity previously held by Enagas in the Portuguese gas pipelines.

2010 – Highlights

- Net income amounted to €110.3M, a decrease of 17.7% compared to 2009. This decrease is entirely explained by the behaviour of nonrecurring items[1] in both years.

- EBITDA and recurrent net income grew by 12.3% and 10.7% respectively, reflecting the robust growth of REN's underlying business. Recurrent net income growth is all the more significant considering the increase in the corporate tax rate (from 26.5% in 2009 to 29% in 2010) and the deterioration of hydro land remuneration.

- Revenues from the remuneration of power and natural gas infrastructures increased by 9.7%, reflecting the growth of the corresponding regulatory asset bases and the increase in the average rate of return on electricity assets due to the premium on new assets.

1 – 2009- Provision reversio from assets sale (€22.8M) and tariff deviations recognition (€12.4M)
2010 – Provision for Amorim Energia's contingency (€-12.5M) subsidies depreciation (€4.2 M);

2010 – Highlights

- In the opposite direction, hydro land remuneration deteriorated from + €10.1M in 2009 to – €1.3M in 2010, due to the evolution of the inflation rate.

- OPEX costs displayed a strong reduction (minus 8.8%, excluding non-controllable pass-through items).

- Total CAPEX in 2010 amounted to €443M, a value that perfectly matches the budget for the year.

- Year end net debt amounted to €2.1b, a slight decline versus the end of 2009.

- The accounts of 2010 reflect the introduction of IFRIC12; this increases the gross amount of revenues and expenses but does not affect net income.

Main financial indicators 2010

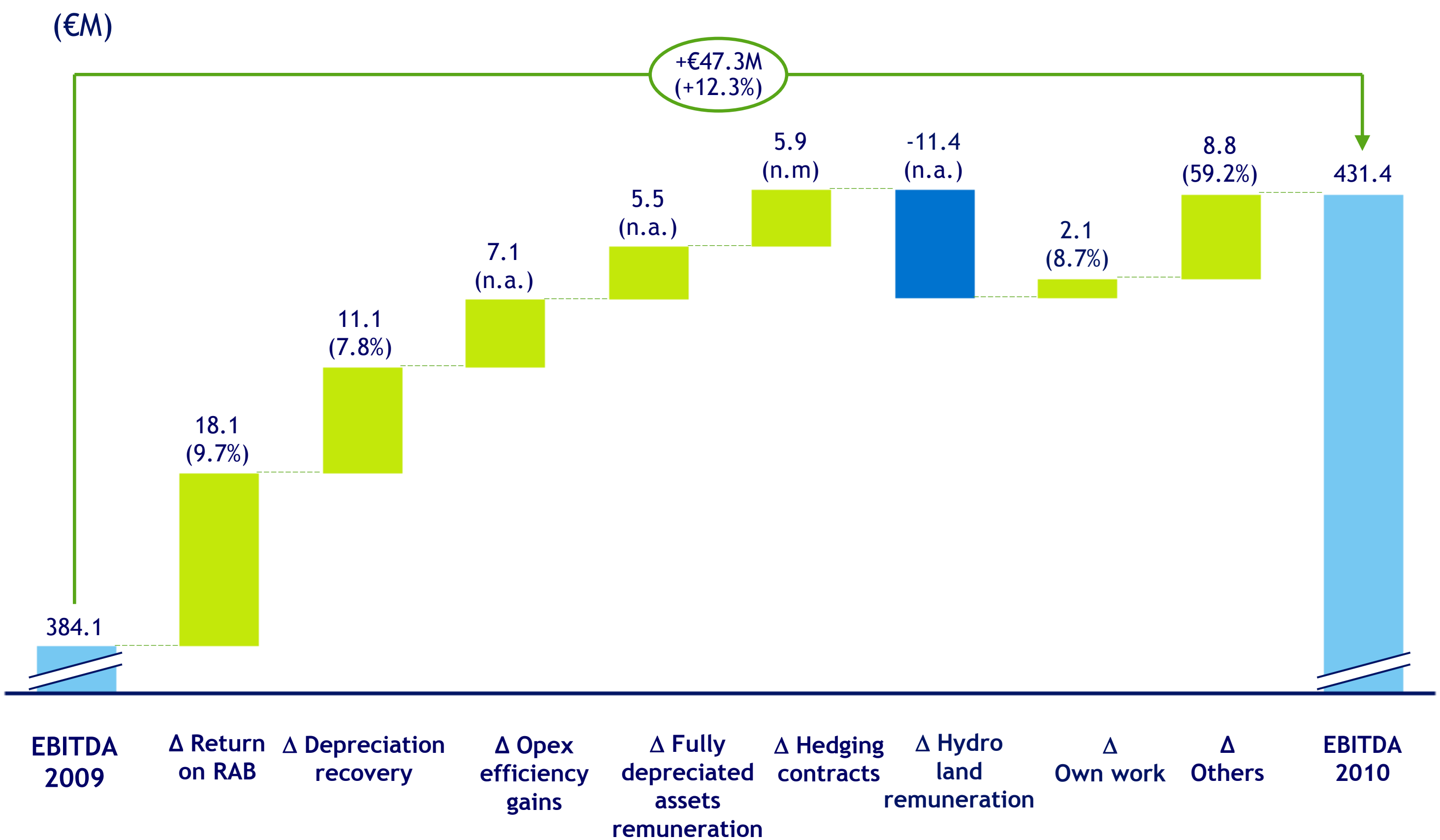
(€M)	2009	2010	Δ%
EBITDA	384.1	431.4	12.3%
Net financial income	-73.8	-83.9	13.7%
Net income	134.0	110.3	-17.7%
Recurrent net income	108.2	119.8	10.7%
Transfers to RAB	396.7	411.3	3.7%
RAB (End of period)	2,854.4	3,054.6	7.0%
CAPEX	466.3	443.0	-5.0%
Net debt (end of period)	2,138.9	2,100.0	-1.8%

EBITDA breakdown and IFRIC12 effects

P&L	Pre - IFRIC 12		IFRC 12 Impact (in 2010)	Post - IFRIC 12		
€M	2009	2010		2009	2010	Δ%
1) Operational revenues	**552.8**	**556.7**	**+420.5 (C.c.+ O.w.)**	**1,010.8**	**977.1**	**-3.3%**
Return on RAB	186.9	205.1		186.9	205.1	9.7%
Electricity	111.2	125.3		111.2	125.3	12.7%
Gas	75.7	79.7		75.7	79.7	5.3%
Hydro-land remuneration	10.1	-1.3		10.1	-1.3	n.a.
Recovery of OPEX	99.8	105.4		99.8	105.4	5.6%
Recovery of depreciation (net from subsidies)	141.8	152.9		141.8	152.9	7.8%
Remuneration of fully depreciated assets	0.0	5.5		0.0	5.5	n.a.
Availability incentive	0.0	0.3		0.0	0.3	n.a.
Commercial gains	5.4	3.2		5.4	3.2	-40.9%
Interest on tariff deviation	6.4	4.0		6.4	4.0	-38.1%
Tariff smoothing effect (natural Gas)	15.6	12.3		15.6	12.3	-21.1%
Other operational revenues	50.4	69.3		50.4	69.3	37.4%
Provision reversion	36.3	0.0		36.3	0.0	-100.0%
Construction revenues - regulated assets	0.0	0.0	+420.5 = +394.5 (C.c) +25.9 (O.w.)	458.0	420.5	-8.2%
2) OPEX	**142.5**	**134.1**	**+12.6 (operational O.w.)**	**156.4**	**146.7**	**-6.2%**
Personnel Cost	48.0	43.7	+7.5 (O.w.)	55.8	51.2	-8.3%
External supplies and services	78.7	75.4	+5.0 (O.w.)	84.7	80.4	-5.1%
Other operational costs	15.7	14.9	+0.1 (O.w.)	15.9	15.0	-5.4%
3) Construction costs - regulated assets	0.0	0.0	+394.5 (C.c.)	434.2	394.5	-9.1%
4) Provisions	1.0	12.8		1.0	12.8	1,201.9%
5) Non recurring items	-35.1	8.3		-35.1	8.3	
6) EBITDA (1-2-3-4+5)	**374.1**	**418.1**	**+13.3 (financ. & deprec. O.w.)**	**384.1**	**431.4**	**12.3%**
7) Depreciation	159.8	172.1	+0.5 (deprec. O.w.)	160.5	172.6	7.6%
8) Financial Income	-64.5	-71.1	-12.8 (financ. O.w.)	-73.8	-83.9	13.7%
9) Income tax expense	50.9	56.4		50.9	56.4	10.7%
10) Net Income (6-5-7+8-9)	**134.0**	**110.3**	**0.0**	**134.0**	**110.3**	**-17.7%**
11) Non-recurring items (tax adjusted)	-25.8	9.5		-25.8	9.5	-136.7%
12) Recurrent Net Income (10+11)	**108.2**	**119.8**	**0.0 (unchanged - no margin on construction services)**	**108.2**	**119.8**	**10.7%**

Note: C.c. - Construction Costs
O.w. - Own work

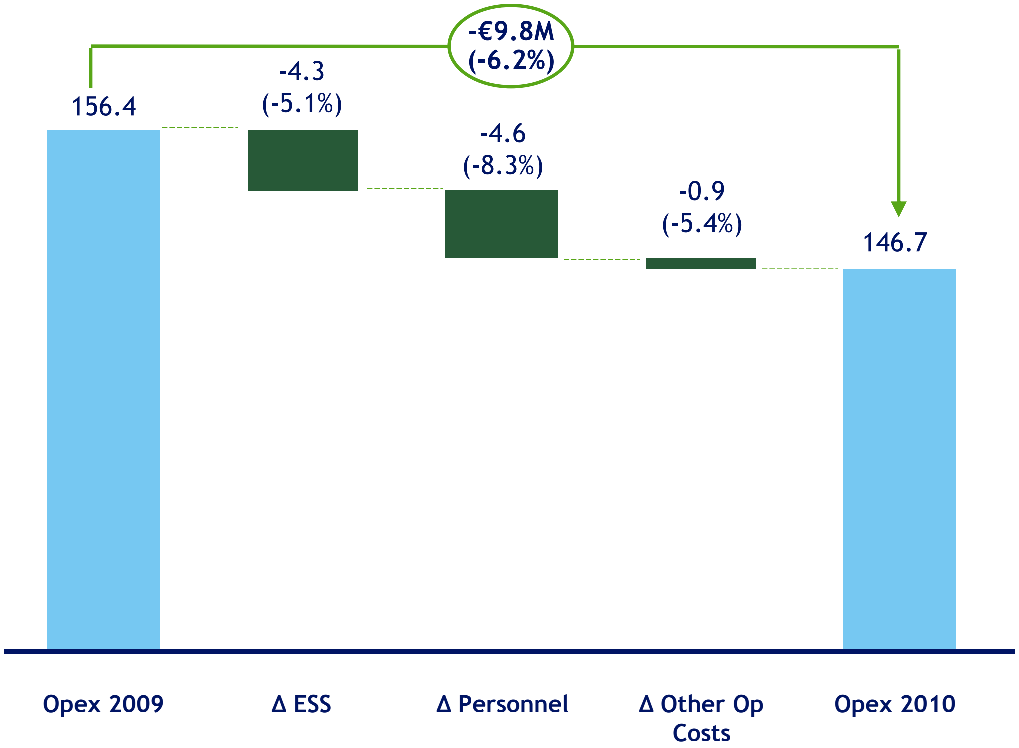
Change in EBITDA (2009 - 2010)



- 2010's EBITDA increased by 12.3% and reached €431.4M
- Land remuneration had a negative impact. When compared to 2009 land remuneration was €11.4M lower
- EBITDA growth was mostly due to the increase in average RAB (up by 6.7%) and OPEX reduction (OPEX was down by 6.2%)

Operational costs down by 6%

(€M)



- OPEX amounted to €146.7M, down by 6.2%, with external supplies and services decreasing by 5.1% and personnel costs by 8.3%. These reductions reflect the ongoing effort to improve operational efficiency.

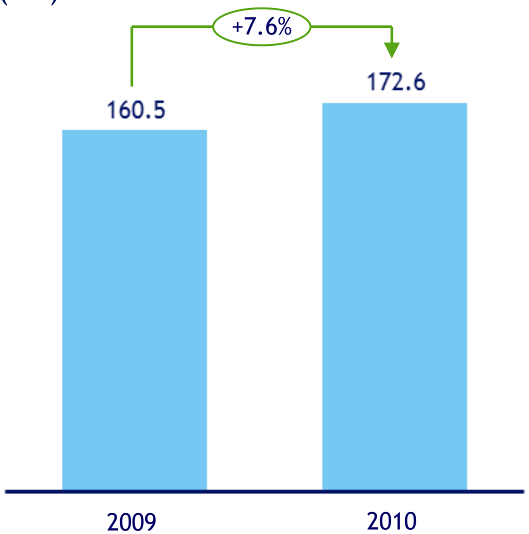
Note: OPEX does not include PPA costs (€89.1M in 2009 and €248.1M in 2010) as well as costs incurred with the construction of concession assets (€497.9M in 2009 and €394.5M in 2010)

Opex Core - 8.8% reduction in controllable costs

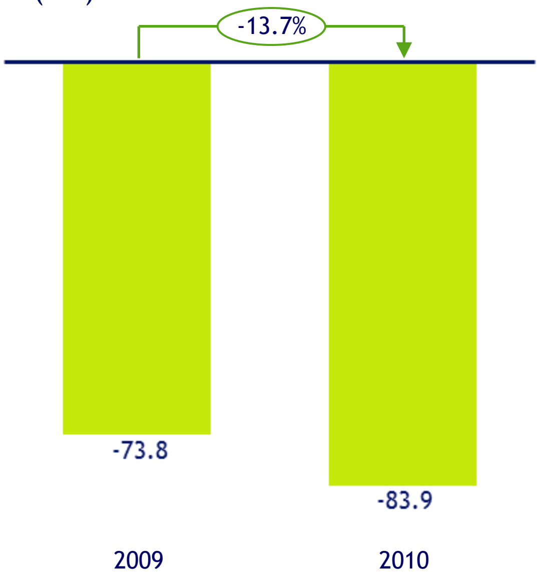
Note: Figures do not include PPA costs (€89.1M in 2009 and €248.1M in 2010) as well as costs incurred with the construction of concession assets (€497.9M in 2009 and €394.5M in 2010)

Below EBITDA

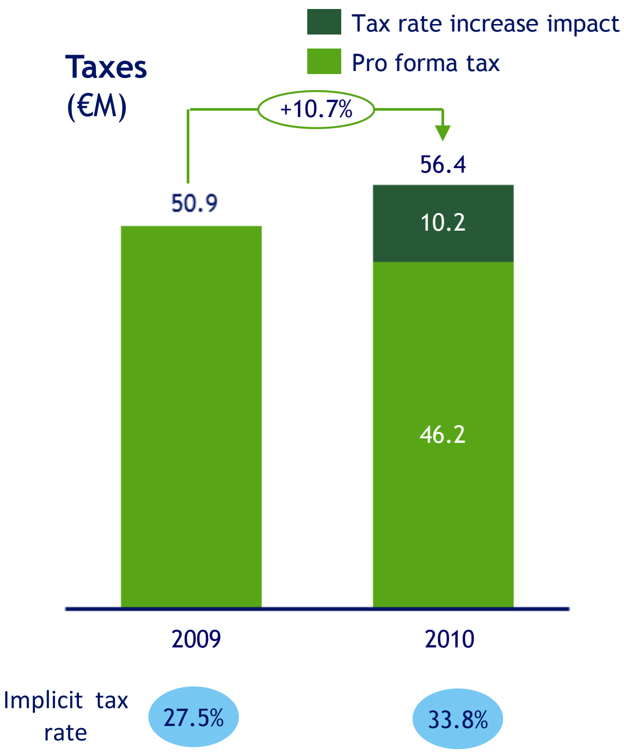
Depreciations
(€M)



Net financial income
(€M)



Taxes
(€M)



The increase in depreciation is consistent with RAB growth

Net financial income was €-83.9M, a decrease of 13.7%. 2009's financial income benefited from a €5.8M interest rate swap gain. Excluding this effect the decline would be only 5.1%

The average cost of debt stood at 3.99%

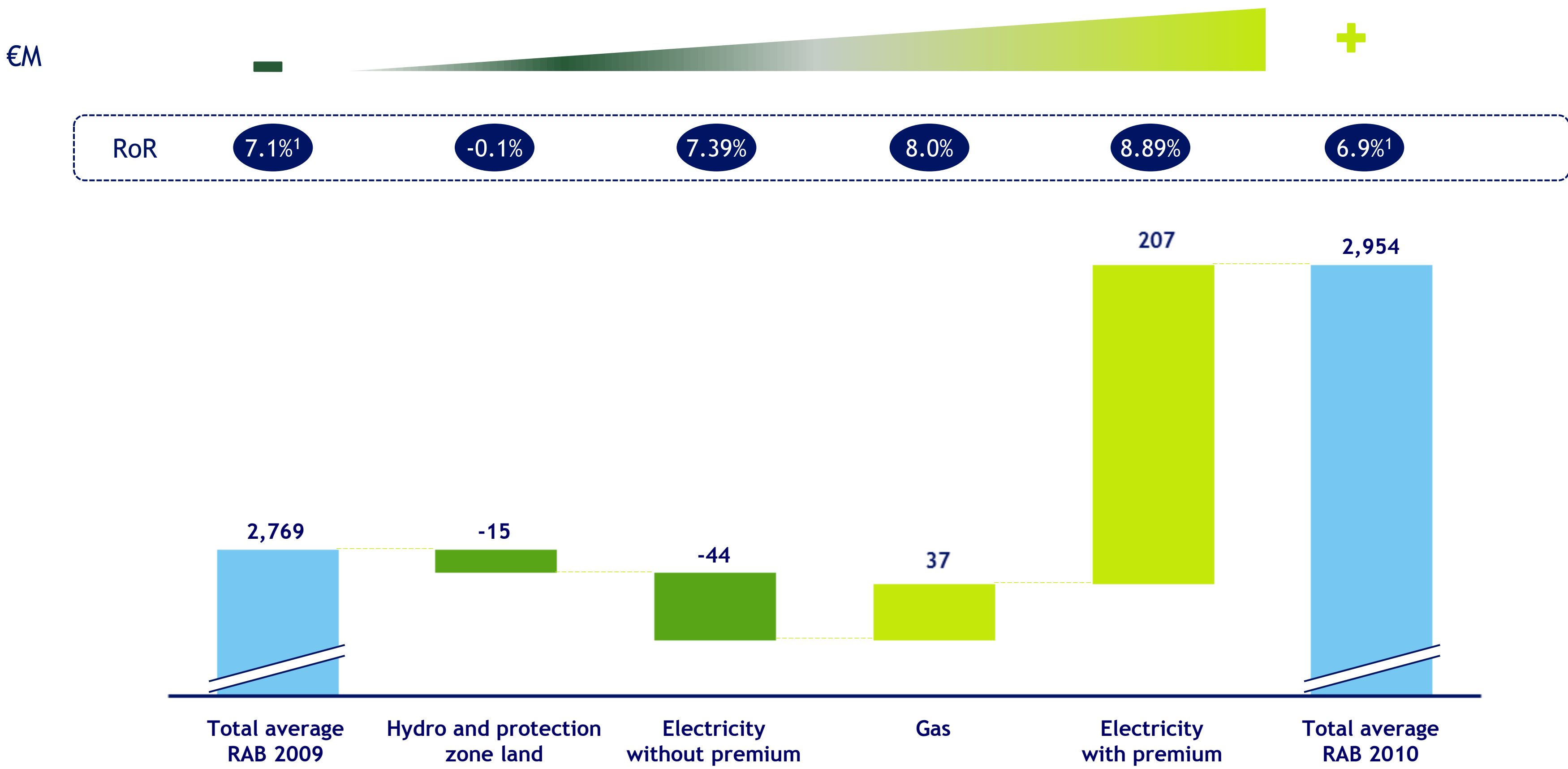
Taxes were up by 11%, reflecting the rise of 2.5% in the tax rate. Excluding this effect, taxes would have reached €46.2M (€-10.2M) which is a decrease of 9.3% when compared with 2009

Average RAB and CAPEX

(€M)	2009	2010	Δ%
Total Average RAB	2,769.0	2,954.3	6.7%
Electricity	1,445.1	1,608.6	11.3%
Hydro land	363.8	349.0	-4.1%
Gas	960.0	996.7	3.8%
Capex	466.3	443.0	-5.0%
Electricity	355.3	293.9	-17.3%
Gas	110.7	148.5	34.2%
Other	0.4	0.7	76.8%
Transfers to RAB	396.7	411.3	3.7%
Electricity	320.4	288.9	-9.8%
Gas	76.2	122.4	60.5%
Other	0.1	0.0	-100.0%

- In 2010 CAPEX was €443M, a figure consistent with the figure of €3.2B announced for 2010 - 2016
- In electricity we highlight the new Douro Internacional interconnection with Spain that enables total energy flows between both countries to reach 2,000MW
- In natural gas, the purchase of the minority shareholdings in the two joint ventures with Enagas stands out
- Transfers to RAB were €411.3M and average RAB was up by 6.7% rising to €2.95B.

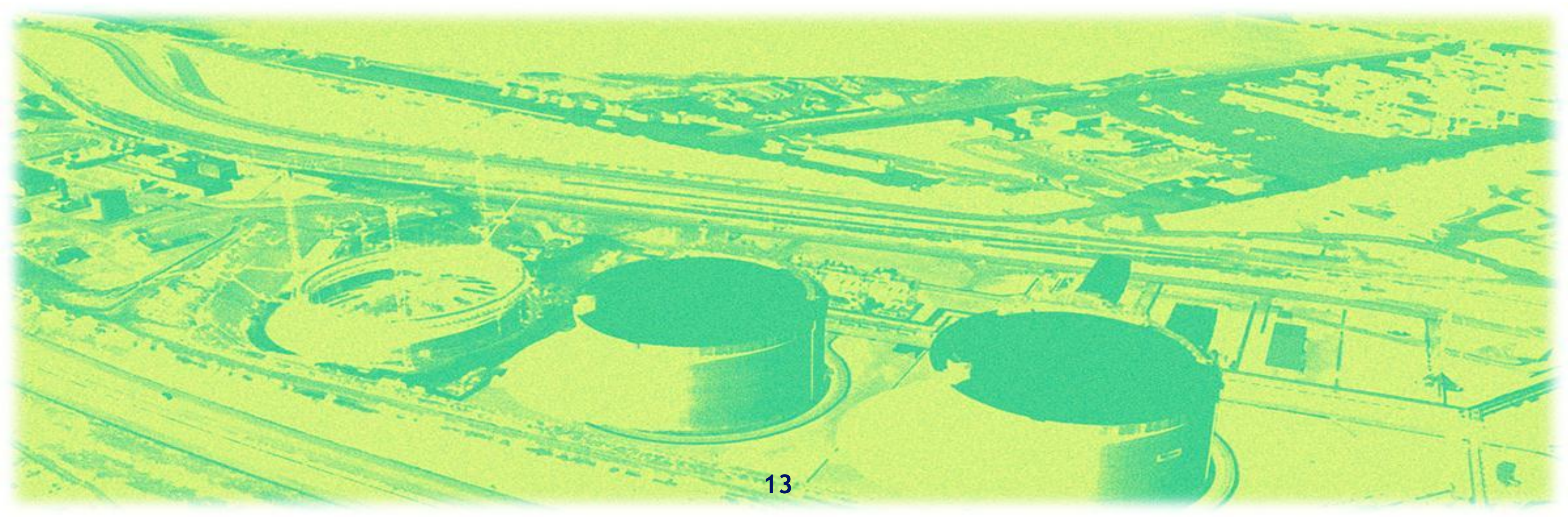
Average RAB breakdown



1 - RoR obtained as the RAB and hydro and protection zone land remuneration, divided by the total average RAB

RAB remuneration

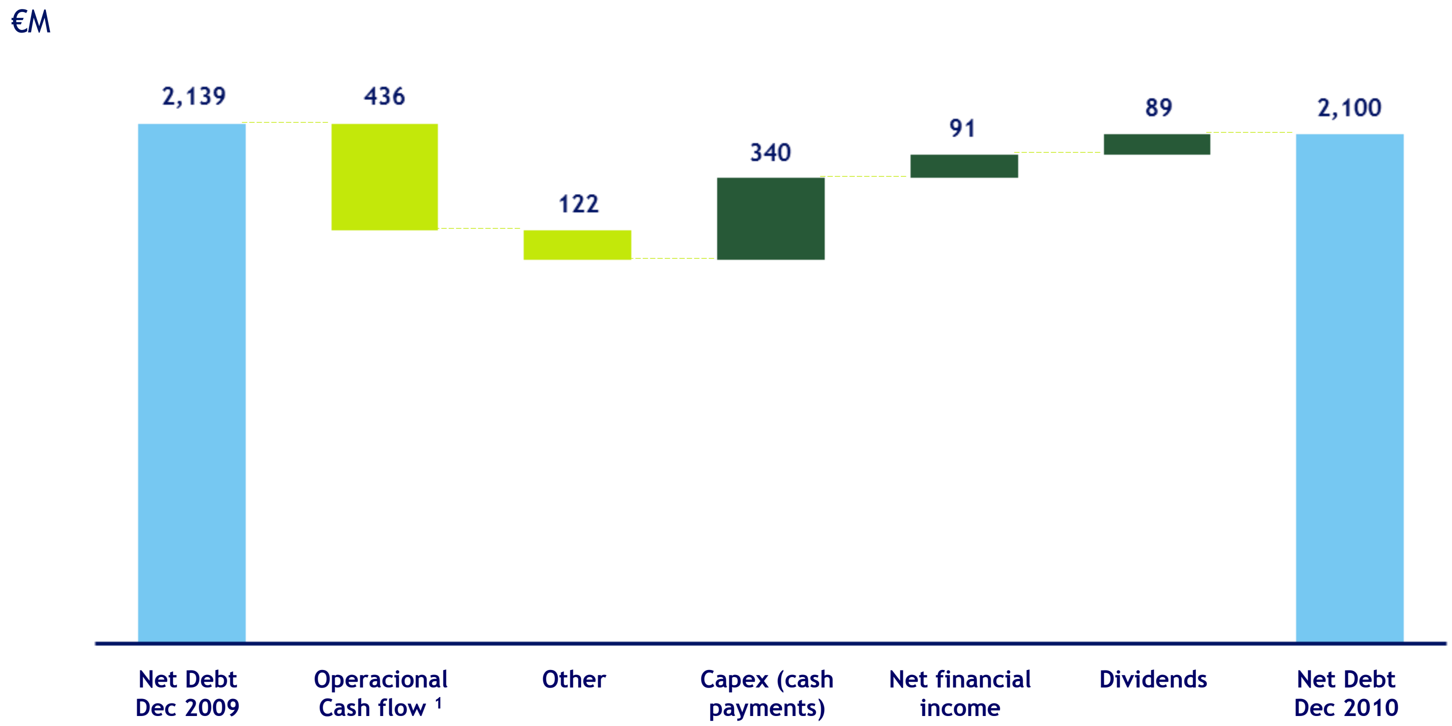
(€M)	Average RAB	Average Rate of return	Amount
Return on RAB (Electricity)	**1,608.6**	**7.79%**	**125.3**
With premium	324.6	9.31%	30.2
Other assets	1,284.0	7.41%	95.1
Return on hydro and protection zone land	**349.0**	**-0.15%**	**-0.5**
Return on RAB (Gas)	**996.7**	**8.00%**	**79.7**
Total	**2,954.2**	**6.92%**	**204.6**



Net Debt

- Net debt was down by 1.8% to €2.1B, essentially due to the inflow of tariff deviations from previous years

- The average cost of REN's debt was up by 13 b.p. to 3.99%

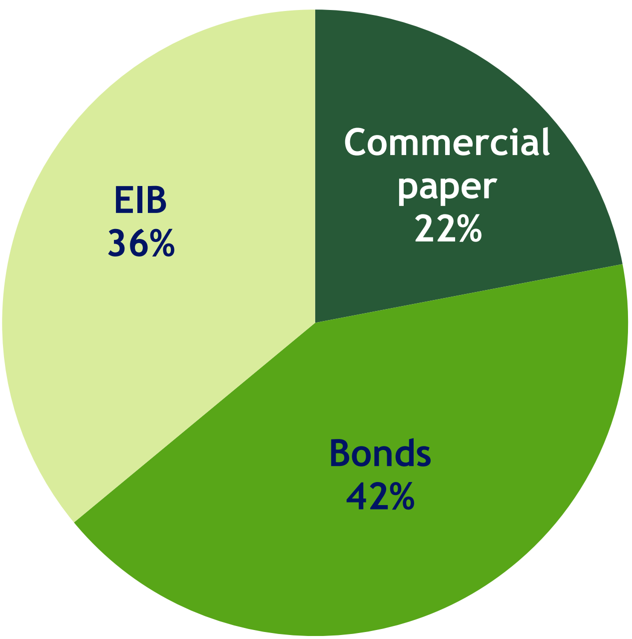


1 - Operational cash – flow = EBIT+ Depreciation + Provisions;

Debt breakdown

Average maturity: 4.6 years

Sources



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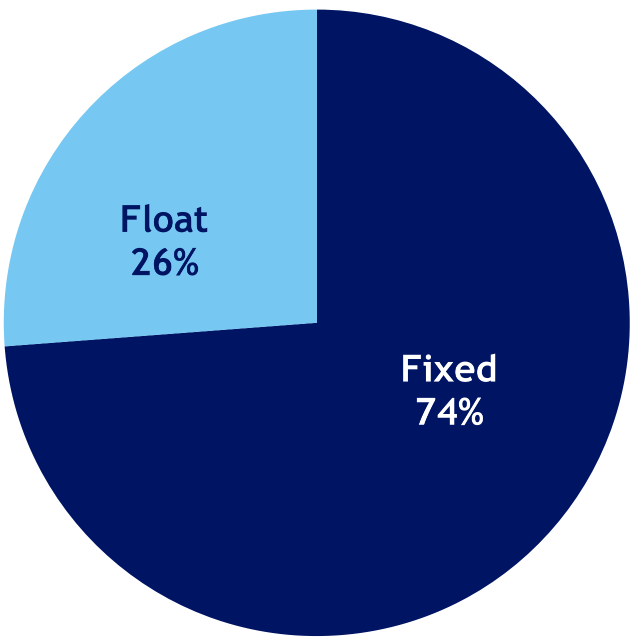


Credit metrics

	2009	2010
Net Debt / EBITDA	5.6x	4.9x
FFO / Net Debt	11.3%	10.8%
FFO interest coverage	4.3x	3.6x

Appendix

Other operational revenues and costs

(€M)	2009	2010	Δ%
Other operational revenues	**50.4**	**69.3**	**37.6%**
Subsidies depreciation	17.3	23.7	37.2%
Electricity	8.8	10.2	15.3%
Gas	8.4	13.5	60.3%
Revenues from gas JV	10.0	8.1	-19.3%
Services rendered to gas JV	6.2	4.7	-23.6%
Hedging contracts	0.0	5.9	
Recovery of cross-border costs	5.5	5.0	-9.0%
Lease revenues from hydro protection zone	0.8	0.8	1.2%
TELECOM	3.8	5.0	33.5%
Services provided to market operator	1.8	2.5	37.5%
Other services provided	1.5	6.2	319.1%
Other	3.6	7.4	104.9%
Other operational costs	**15.9**	**15.0**	**-5.4%**
Costs with ERSE	9.7	10.3	6.3%
Other	6.2	4.7	-23.8%

EBIT breakdown (Electricity)

(€M)	2009	2010	Δ%
Operational revenues	**711.2**	**631.0**	**-11.3%**
Return on RAB	111.2	125.3	12.7%
Land remuneration	10.1	-1.3	-113.0%
Use of fully depreciated assets	0.0	5.5	
Availability incentive	0.0	0.3	
Commercial gains	5.4	3.2	-40.9%
Interest on tariff deviation	6.4	3.7	-42.6%
Opex Recovery	66.4	68.8	3.6%
Recovery of depreciation (net from subsidies)	102.0	109.2	7.1%
Other operational revenues	18.4	22.4	22.0%
Provisions reversion	36.3	0.0	-100.0%
Construction revenues - regulated assets	355.0	293.9	-17.2%
Operational cost	**76.7**	**69.0**	**-10.0%**
External supplies and services	40.5	34.7	-14.3%
Personnel	27.2	25.6	-6.1%
Other operational costs	8.9	8.7	-2.4%
Provisions	0.0	0.3	
Construction costs - regulated assets	**333.5**	**271.9**	**-18.5%**
Non recurring items	**-22.8**	**0.0**	**-100.0%**
EBITDA	**278.2**	**289.8**	**4.2%**
Depreciation	114.1	122.3	7.2%
EBIT	**186.9**	**167.5**	**-10.3%**

Note: PPA's pass-through costs not included (€89.1M in 2009 and €248.1M in 2010)

EBIT breakdown (Gas)

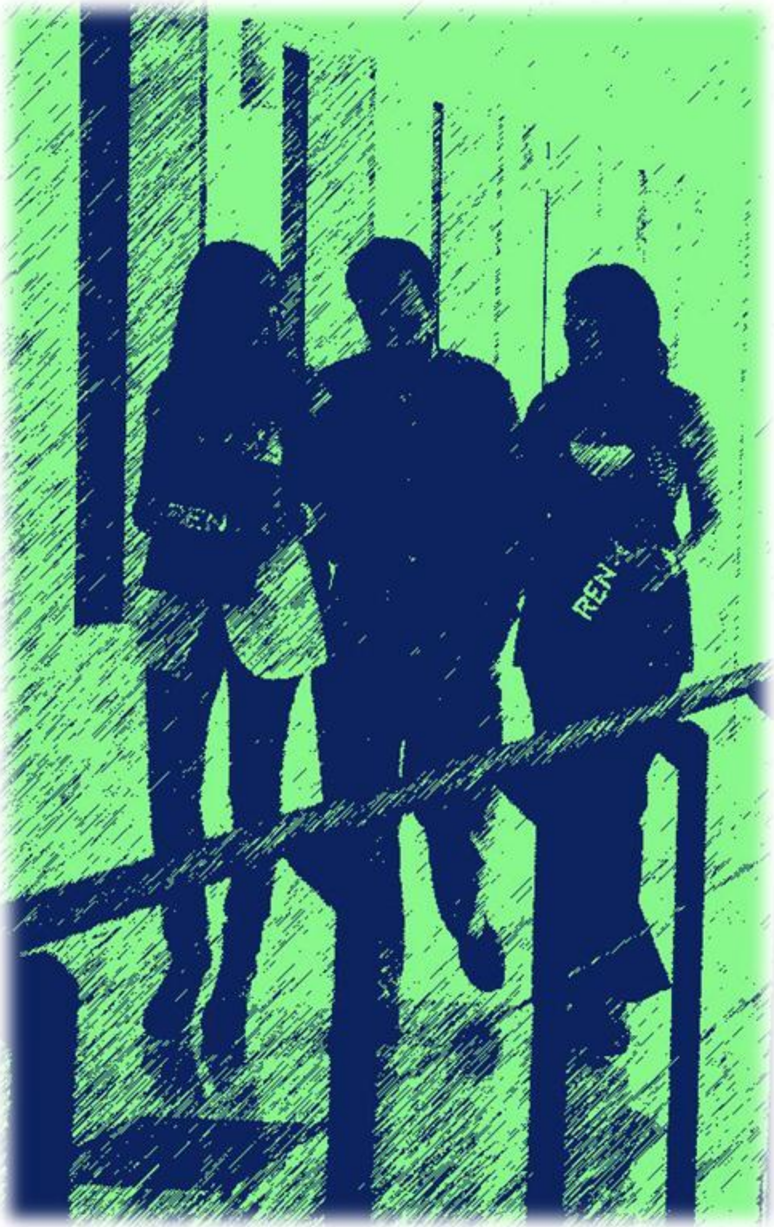
(€M)	2009	2010	Δ%
Operational revenues	292.7	326.2	11.5%
Return on RAB	75.7	79.7	5.3%
Interest on tariff deviation	0.0	0.3	
Tariff smoothing effect	15.6	12.3	-21.3%
Opex Recovery	33.4	36.5	9.4%
Recovery of depreciation (net from subsidies)	39.8	43.7	9.8%
Other operational revenues	25.1	27.0	7.4%
Construction revenues - regulated assets	103.0	126.6	22.9%
Operational cost	51.1	51.4	0.6%
External supplies and services	37.9	37.0	-2.6%
Personnel	9.8	10.2	4.4%
Other operational costs	3.4	4.3	25.2%
Construction costs - regulated assets	100.6	122.6	21.9%
Non recurring items	-12.4	-4.2	n.a.
EBITDA	**128.6**	**147.9**	**15.1%**
Depreciation	46.0	50.0	8.7%
EBIT	**94.9**	**102.1**	**7.6%**

EBIT breakdown (Other)

(€M)	2009	2010	Δ%
Operational revenues	6.9	20.0	188.8%
Other operational revenues	6.9	20.0	188.8%
Operational cost	28.6	26.3	-8.1%
External supplies and services	6.2	8.7	40.3%
Personnel	18.9	15.5	-17.9%
Other operational costs	3.5	2.1	-41.4%
Provisions / reversions	1.0	12.5	1,170.9%
Non recurring items	0.0	12.5	
EBITDA	**-22.6**	**-6.3**	**-72.1%**
Depreciation	0.4	0.3	-7.7%
EBIT	**-23.0**	**-19.1**	**17.0%**

Tariff deviations

- Net Tariff deviations were worth -€4.5M in the balance sheet at the end of 2010 as follows:
- Electricity: -€42.6M
- Gas: €38.0M



Profit and loss statement (2010)

(€M)	2009	2010	Δ%
Operational revenues	1.045.3	1.225.2	17.2%
Sales and services rendered	551.5	758.8	37.6%
Construction revenues - regulated assets	458.0	420.5	-8.2%
Other operational revenues	35.8	45.9	28.1%
Operational cost	-786.6	-974.6	23.9%
External supplies and services	-84.7	-80.4	-5.1%
Personnel	-55.8	-51.2	-8.3%
Construction costs - regulated assets	-434.2	-394.5	-9.1%
Depreciation	-160.5	-172.6	7.6%
PPA's costs	-89.1	-248.1	178.4%
Provisions	53.5	-12.8	
Others	-15.9	-15.0	-5.7%
EBIT	258.7	250.5	-3.2%
Net financial income	-73.8	-83.9	13.7%
Financial costs	-85.2	-89.9	5.5%
Financial revenues	8.1	2.2	-72.9%
Investment income - Dividends	3.3	3.8	13.5%
EBT	184.9	166.7	-9.9%
Income tax expense	-50.9	-56.3	10.7%
Net income	134.0	110.3	-17.7%

Balance sheet

(€M)	2009	2010
Fixed Assets	3,452	3,722
Goodwill	4	4
Financial assets	109	114
LT Receivables	82	127
ST Receivables	554	350
Inventories	24	4
Cash	70	139
Total Assets	**4,294**	**4,460**
Shareholders Equity	**997**	**1 022**
Debt (end of period)	**2,209**	**2,258***
Provisions	**75**	**83**
LT Payables	**491**	**526**
ST Payables	**522**	**571**
Total equity and liabilities	**4,294**	**4,460**

* - Adjusted Debt for JPY Swaps due to EMTN private placement is €2,239M.

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