REN Annual Results 2009

February 26th, 2010

2009 - Highlights

- REN invested €466.3M in 2009, the highest amount since REN's creation in 1994. €355.3M were spent of the electricity business and €110.7M on natural gas. These figures represent a 48.8% increase over 2008.
- Recurrent net income was up by 14.1%, mainly reflecting the growth in RAB.
- REN made a significant CAPEX effort which led to a sizeable increase in assets entering into operation. This, together with the rise in rates of return in electricity after January 1st 2009 resulted in a 16.1% growth in EBITDA.
- Financial results stayed at the same level as in 2008.

Main financial indicators 2009

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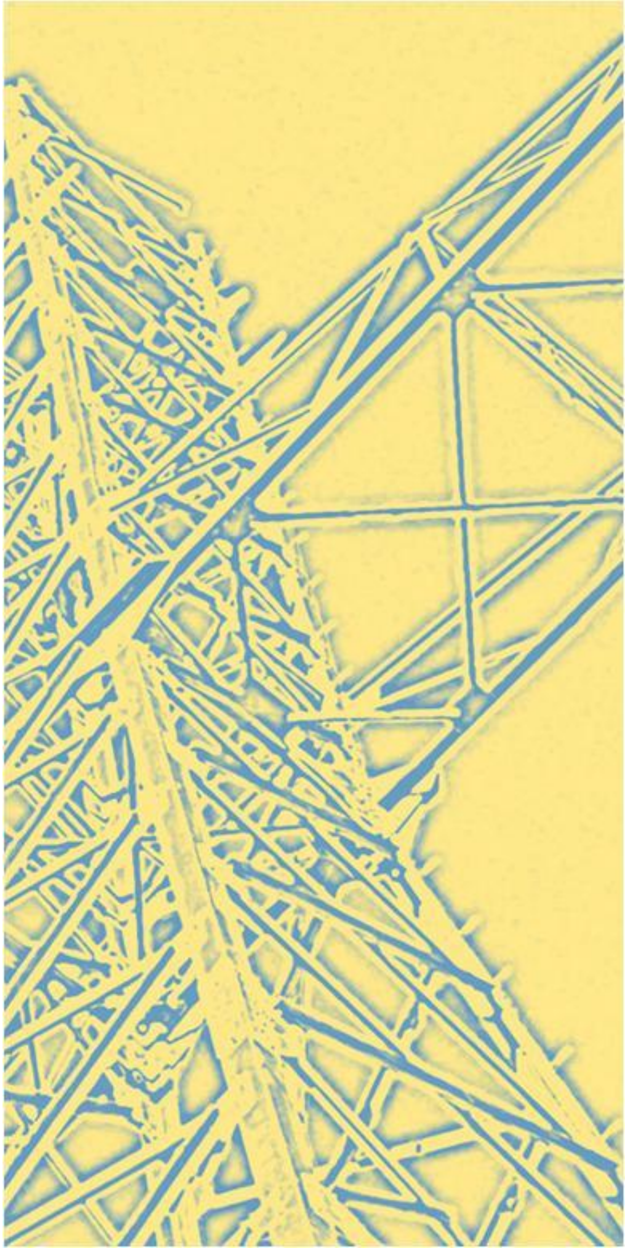
(€M)	2008	2009	Δ%
Recurrent EBITDA	322.3	374.1	16.1%
Net financial income	-65.0	-64.5	-0.8%
Income before taxes	172.0	184.9	7.6%
Net income	127.4	134.0	5.2%
Recurrent net income	94.8	108.2	14.1%
CAPEX	313.5	466.3	48.8%
Net debt (end of period)	1 738	2 139	23.1%



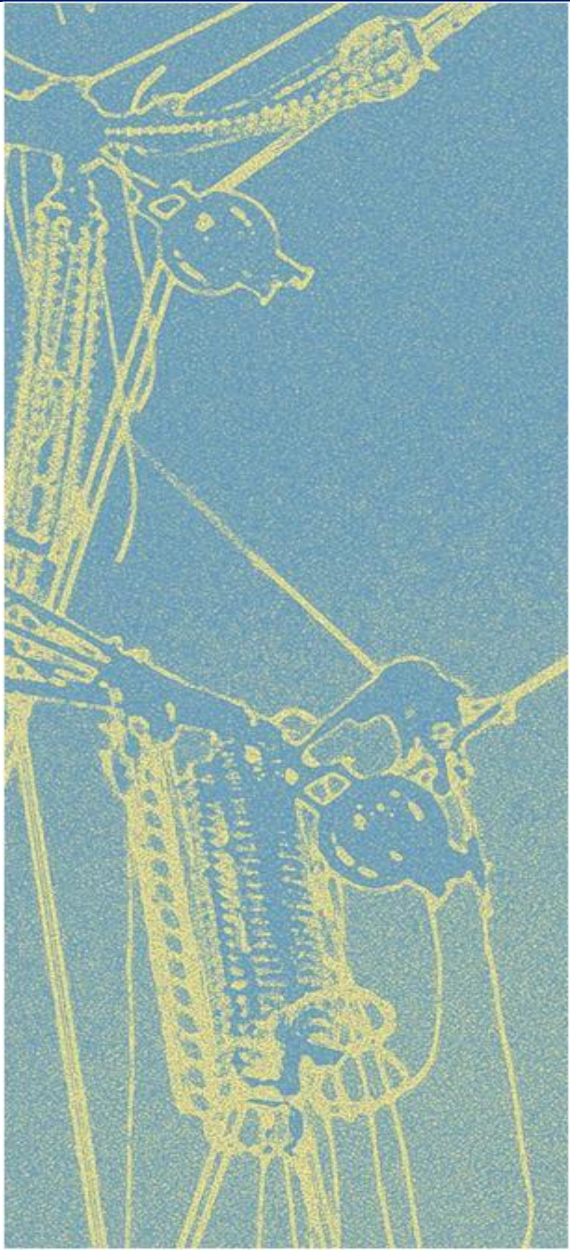
Main financial indicators 2009 - (contin.)

- Recurrent net income amounted to €108.2M, 14.1% higher than in 2008. Reported net income reached €134.0M, 5.2% more than in 2008.
- Reported net income increased significantly less than recurrent net income due to the impact of non-recurrent items: +€25.8M in 2009, and +€32.6M in 2008.
- Recurrent EBITDA reached €374.1M, 16.1% more than in the previous year essentially reflecting the increase in the electricity's rates of return and in the RAB.
- CAPEX in 2009 reached €466M, an annual increase of 48.8%.

Profit and loss account

REN

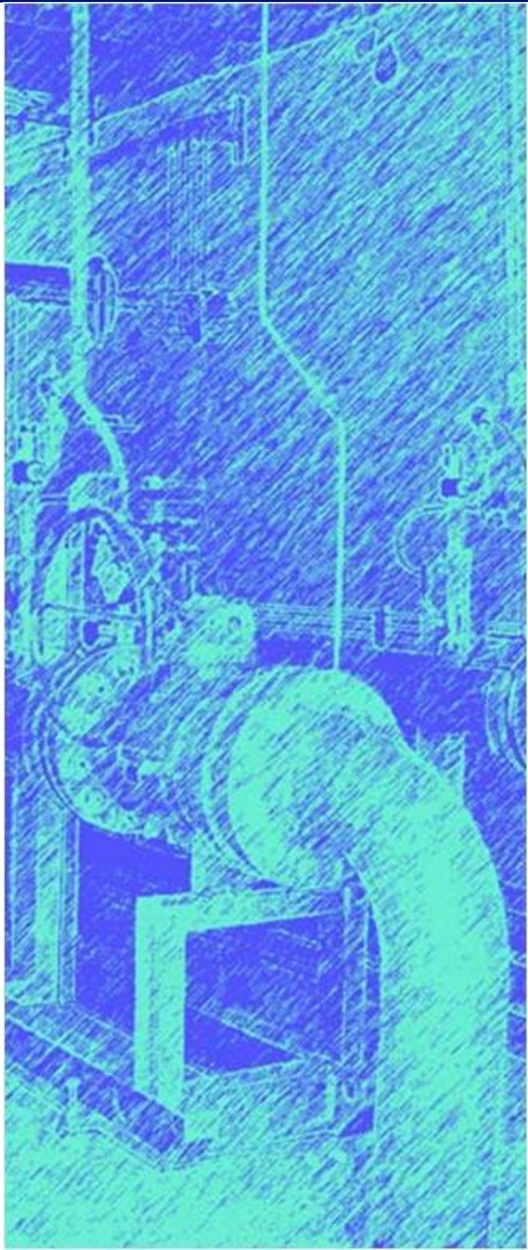
(€M)	2008	2009	Δ%
Operational revenues	**607.4**	**587.3**	**-3.3%**
Sales and services provided	494.4	539.1	9.0%
Other	45.8	35.8	-21.7%
Non recurrent revenues	67.2	12.4	-81.6%
Operational cost	**-370.4**	**-337.9**	**-8.8%**
External supplies and services	-78.9	-78.7	-0.2%
Personnel	-49.7	-48.0	-3.3%
Depreciation	-129.7	-159.8	23.2%
PPA's costs	-69.0	-89.1	29.1%
(Provisions) / reversions	-5.2	30.8	690.4%
Other operational costs	-15.1	-15.8	4.7%
Non recurrent costs	-22.8	22.8	
EBIT	**237.0**	**249.5**	**5.2%**
Net financial income	**-65.0**	**-64.5**	**-0.7%**
Financial costs	-90.3	-76.0	-15.9%
Financial income	23.0	8.1	- 64.8%
Investment income - Dividends	2.4	3.3	41.0%
Income before taxes	**172.0**	**184.9**	**7.5%**
Income tax expense	**-44.6**	**-50.9**	**14.1%**
Net income	**127.4**	**134.0**	**5.2%**



EBITDA analysis

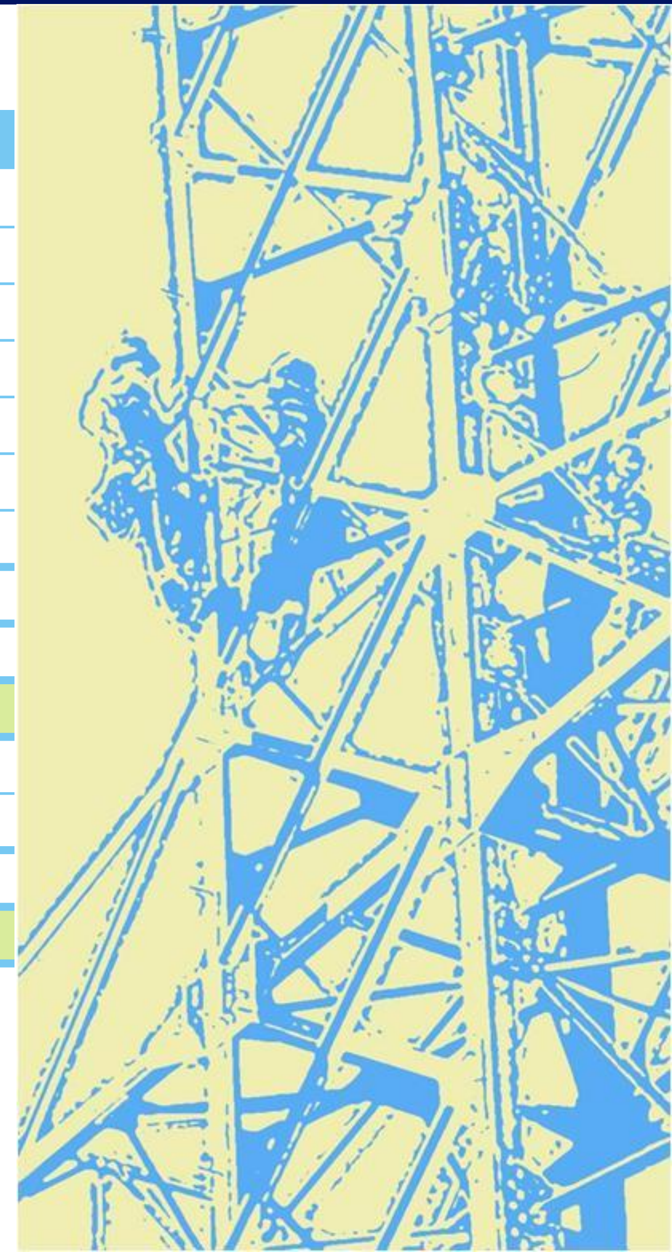
(€M)	2008	2009	Δ%
Return on RAB (Electricity)	99.5	121.3	21.8%
Return on RAB (Gas)	74.5	75.7	1.6%
Recovery of OPEX (Electricity)	67.3	66.4	-1.3%
Recovery of OPEX (Gas)	30.7	33.4	9.0%
Recovery of depreciation (Electricity)	94.9	102.0	7.4%
Recovery of depreciation (Gas)	36.8	39.8	8.1%
Recovery of PPA's costs	69.0	89.1	29.1%
Tariff smoothing effect (Gas)	0.2	15.6	9 737.2%
Interest on tariff deficit/deviation	13.4	6.4	-52.0%
Tariff deficit payment	67.2		
Tariff deviations (Electricity & Gas)	-1.6		
Provision reversion		36.3	
Commercial gains	5.4	5.4	0.8%
Other operational revenues	50.0	50.4	0.7%
Total revenues	**607.4**	**641.8**	**5.7%**

The values reflect the changes in the accounting procedures during 2009



EBITDA analysis – *cont.*

(€M)	2008	2009	Δ%
Personnel plus External supplies & services	128.6	126.8	-1.4%
From which the costs with Enagás JV	21.5	21.5	0.0%
Depreciation	129.7	159.8	23.2%
Remaining PPA's costs	69.0	89.1	29.1%
Provisions	28.0	1.0	-96.5%
Others	15.1	15.8	4.7%
Total costs	**370.4**	**392.4**	**5.9%**
EBIT	**237.0**	**249.5**	**5.3%**
Depreciation	129.7	159.8	23.2%
EBITDA	**366.7**	**409.2**	**11.6%**
Non recurrent income	67.2*	22.8***	-66.1%
Non recurrent costs	22.8**		
Tariff deviations		12.4	
Recurrent EBITDA	**322.3**	**374.1**	**16.1%**



* - 1H08 –IFRS impact from the tariff deficit payment;

** - Provision to cover the revenues from the sale of the land of Pego power station;

*** - Reversion of the previous provision.

EBITDA analysis - *cont.*

(€M)	2008	2009	Δ%
Other operational revenues:	**50.0**	**50.4**	**0.7%**
Income from protection zones (land)	0.8	0.8	0.0%
Investment subsidies depreciation	15.3	17.3	13.1%
Profit/loss from joint ventures (Gas)	9.1	10.0	9.7%
Interconnections income	8.3	5.5	-34.4%
Other (non regulated) revenues *	12.9	14.6	12.5%
Other	3.6	2.3	-36.1%
Other operational costs:	**15.1**	**15.8**	**4.6%**
Costs with ERSE	9.5	9.7	2.1%
Others	5.6	6.1	8.9%

* - Includes OMIP and RENTELECOM and services provided to joint ventures.

Note: Land remuneration is no longer considered as Other operational revenues, but RAB remuneration (Slide 20).

EBITDA analysis – *cont.*

- Electricity's return on RAB was up by 21.8% reflecting the change in the rates of return (7.55% for old assets and 9.05% for assets that became operational after Jan1st 2009, both up from 7% for all assets) and increases in RAB. The latter mirrors the increase in entries into operation of more than €309M, of which €173M in the 4th quarter alone.

- Gas' return on RAB grew a modest 1.6%. Despite the acceleration of the amount invested, these infrastructures face a long cycle of construction which in 2009 led to a level of entries into operation slightly above the depreciation charges. We highlight REN's third cavern of underground storage that started to operate in June 2009.

EBITDA analysis – *cont*.

- Because the tariff deficit was only paid in April 2008, the accrued interest due that year was significantly higher than in 2009. In 2009 revenues from the interest on tariff deviations reached €6.4M (€13.4M in the previous year).
- OPEX costs (external services + personnel charges) were 1.4% lower than in 2008. Savings in personnel charges were due to the decrease in bonuses paid and the growth in capitalized assets. External services decreased slightly with the introduction of the standardized criteria for capitalizing overhead costs, which was already accepted in the regulated accounting principles. Without this change external services would have grown by 4.7%, in line with the increase in business.

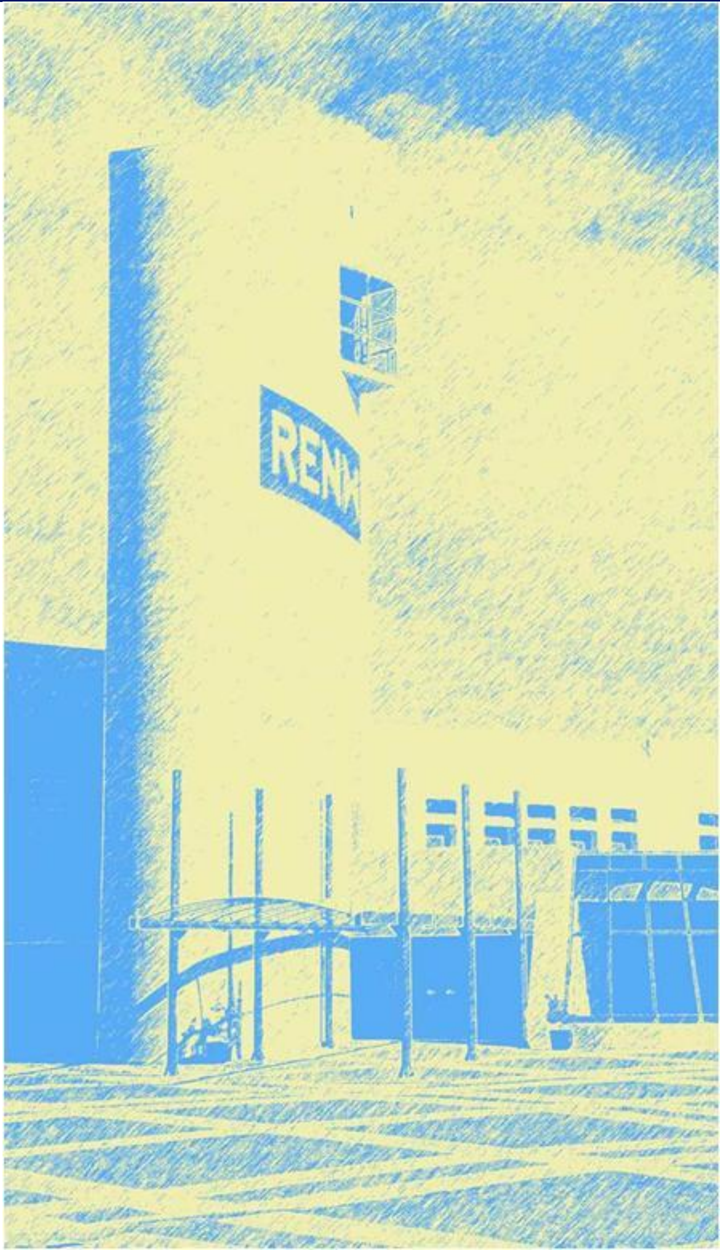
EBITDA analysis - *cont*.

- To calculate the gains/losses from the smoothing mechanism on revenues from REN Atlântico and REN Gasodutos, all projected investments planned until the end of the concession are accounted for. The new investment plan announced for 2009-2014 represents an upgrade on the previous plan (especially in the LNG Terminal). This fact led to an increase in revenues from the smoothing effect of €15.4M more than in 2008

Average RAB and CAPEX

- In 2009 REN's CAPEX reached €466.3M, a 48.8% increase versus the previous year.
- O RAB grew by 7.0% in 2009. Entries into operation during 2009 were €383.9M (€309.7M in electricity and €74.2M in gas).

(€M)	2008	2009	Δ%
Total Average RAB	**2,587.3**	**2,768.9**	**7.0%**
Electricity	1,284.4	1,445.1	12.5%
Hydro land	379.3	363.8	-4.1%
Gas	923.6	960.0	3.9%
Capex	**313.5**	**466.3**	**48.8%**
Electricity	268.1	355.3	32.5%
Gas	45.0	110.7	145.7%
Other	0.3	0.4	33.3%



Net debt

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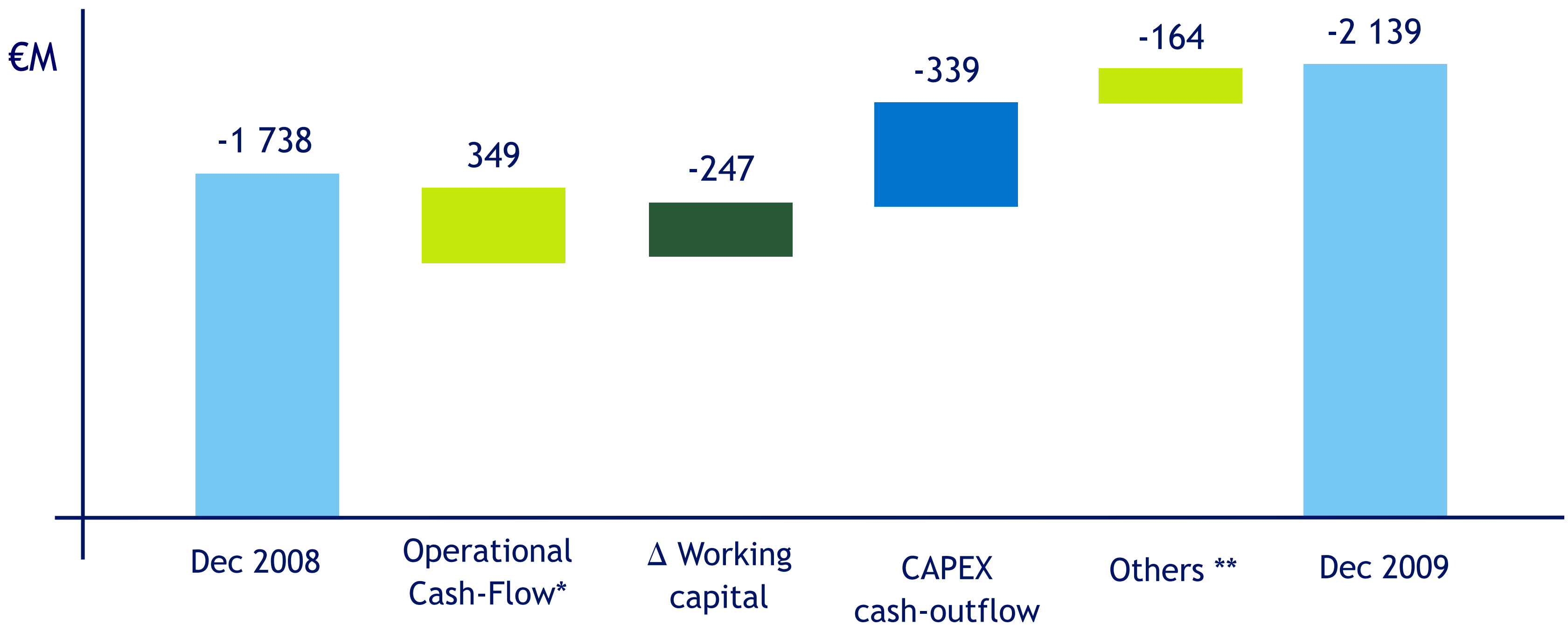
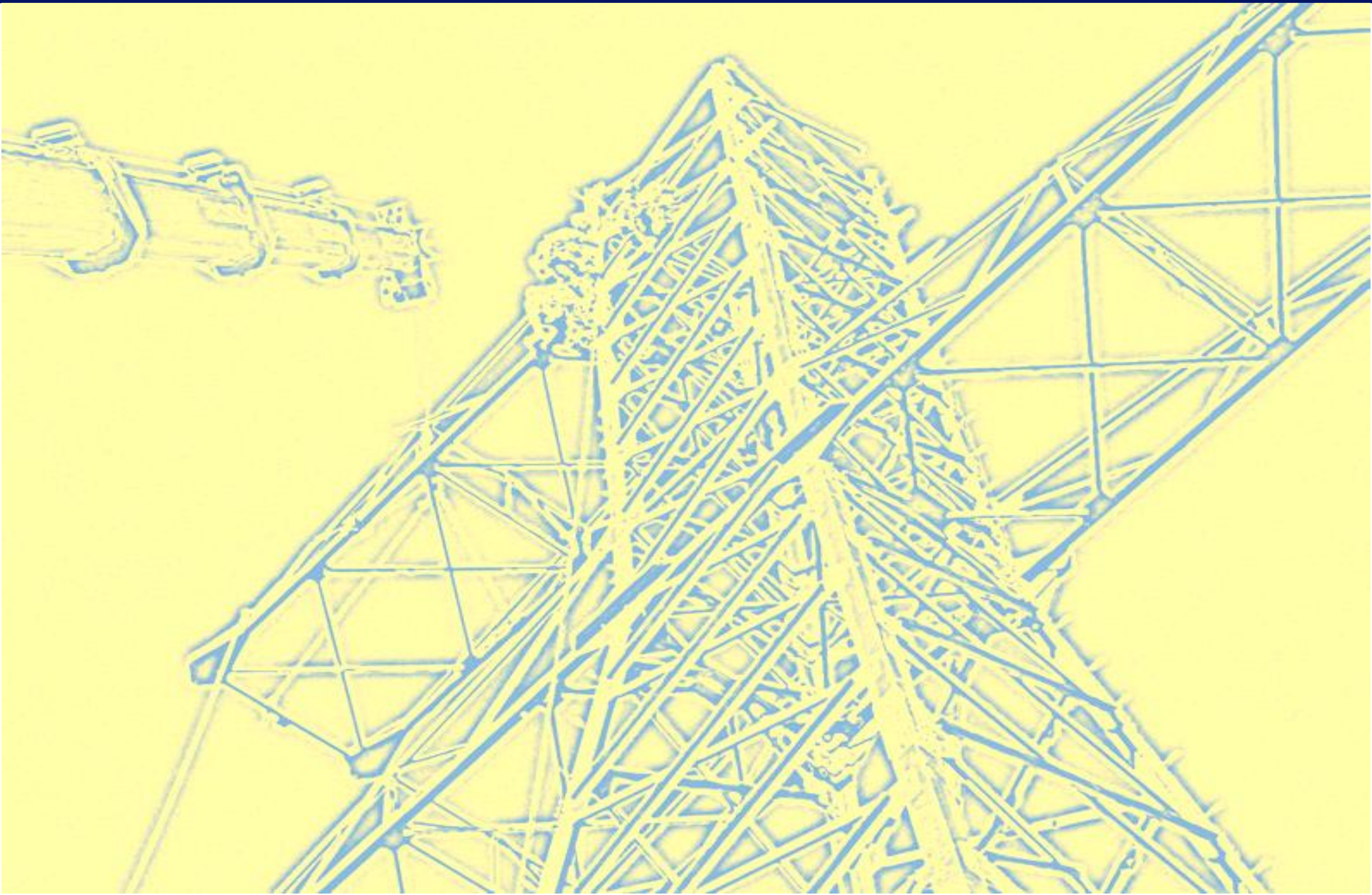
- Net debt reached €2 139M at the end of 2009.
- The €401M annual increase was due to the growth in CAPEX levels and income taxes paid after the tariff deficit payment. In 2009 average cost of debt was 3.86% (4.80% in 2008).



* - Operational cash - flow = Operational income + Depreciation + Provisions;

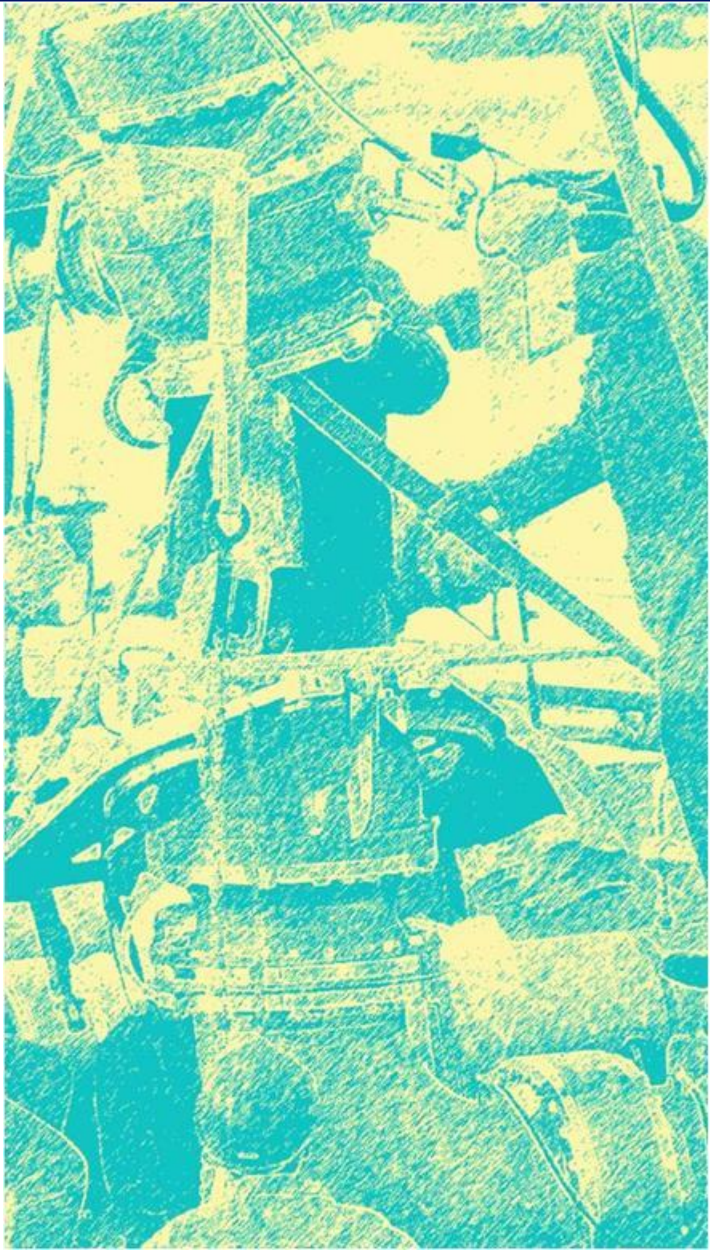
** - "Others" include net financial income and payment of dividends .

Appendix



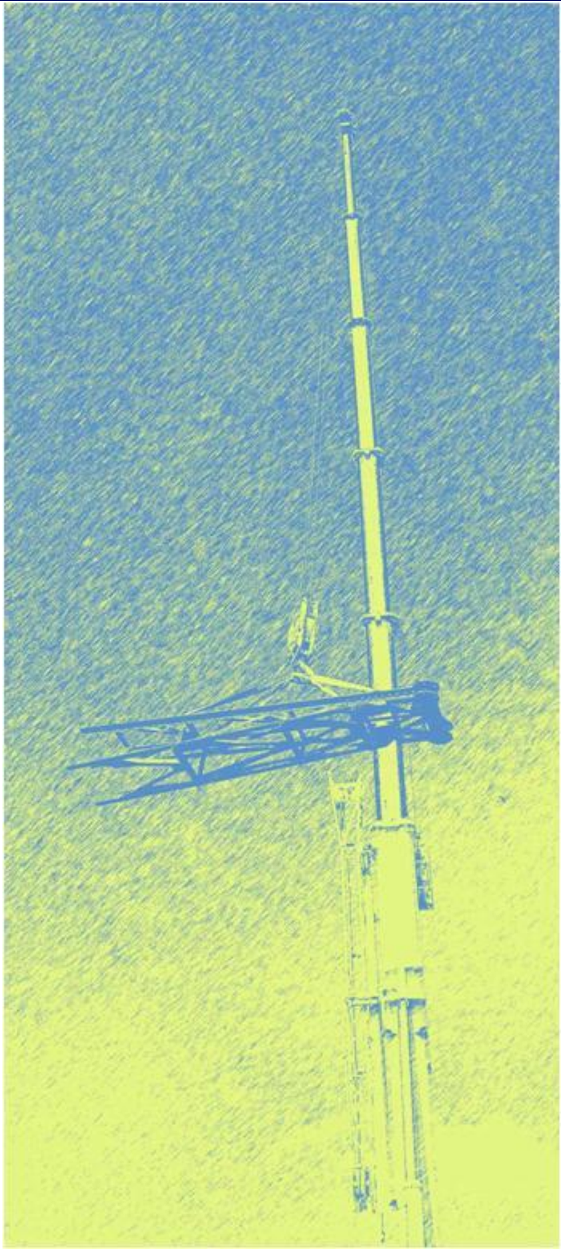
4Q09 main financial data

(€M)	4Q08	4Q09	Δ%
EBITDA	77.3	102.2	32.2%
Net financial income	-17.8	-19.7	10.7%
Financial costs	-20.4	-20.2	-1.0%
Income before taxes	26.6	26.6	0.4%
Income tax	-7.2	-8.9	23.6%
Net income	19.3	17.7	-8.3%



4Q09 EBIT breakdown

(€M)	4Q08	4Q09	Δ%
Operational revenues	**144.3**	**161.8**	**12.1%**
Sales and services provided	126.1	144.9	14.9%
Other revenues	18.2	16.8	-7.7%
Operational costs	**-99.9**	**-115.6**	**15.7%**
External supplies and services	-28.5	-20.2	-29.1%
Personnel	-12.7	-12.6	-0.8%
Depreciation	-33.0	-55.9	69.4%
Other costs	-25.7	-26.9	4.7%
EBIT	**44.4**	**46.4**	**4.5%**



4Q09 EBITDA breakdown by segment
Non consolidated values

(€M)	4Q08	4Q09
ELECTRICITY		
Sales and services provided	87.1	108.2
Other recurrent revenues	15.0	37.2
External supplies and services	18.9	13.2
Personnel	6.5	6.4
Depreciations	21.7	44.0
Other recurrent costs	18.5	27.1
EBITDA	**58.2**	**98.8**

(€M)	4Q08	4Q09
GAS		
Sales and services provided	37.6	46.7
Other recurrent revenues *	4.7	5.5
External supplies and services	13.3	14.0
Personnel	2.4	2.0
Depreciations	11.1	11.8
Other recurrent costs	0.7	0.7
EBITDA	**25.9**	**35.5**

* - Profits from the Enagás *joint ventures* are included in other recurrent revenues.

2009 EBITDA breakdown by segment
Non consolidated values

(€M)	2008	2009
ELECTRICITY		
Sales and services provided	347.0	367.5
Other recurrent revenues	29.8	45.1
External supplies and services	53.0	54.5
Personnel	23.4	20.3
Depreciations	84.7	113.3
Other recurrent costs	80.1	70.7
EBITDA	**220.3**	**267.1**

(€M)	2008	2009
GAS		
Sales and services provided	142.9	177.7
Other recurrent revenues *	20.7	19.3
External supplies and services	43.4	46.0
Personnel	9.7	9.4
Depreciations	44.3	46.0
Other recurrent costs	3.2	3.2
EBITDA	**107.3**	**138.4**

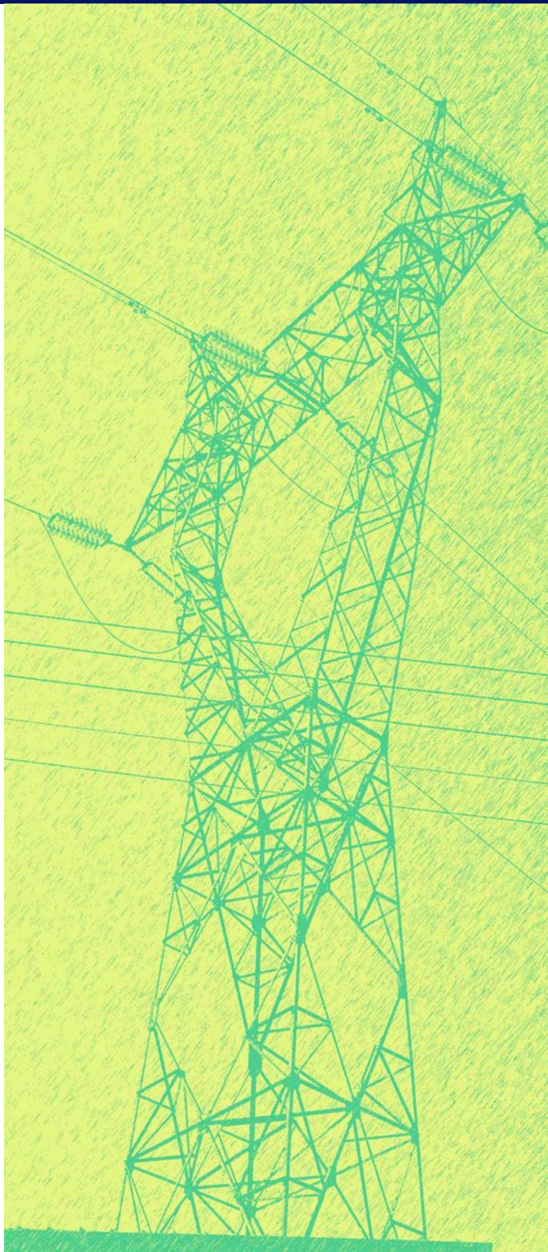
* - Includes profits from the Enagás *joint ventures*

2009 EBITDA breakdown by segment
Consolidated values

(€M)	2008			2009		
	ELECTRICITY	GAS	OTHERS	ELECTRICITY	GAS	OTHERS
Sales and services provided	346.2	142.0	6.3	365.3	164.5	9.3
Other recurrent revenues	23.0	20.3	2.4	16.3	19.3	0.2
External supplies and services	35.7	36.4	6.7	34.6	37.9	6.2
Personnel	23.5	9.7	16.6	22.8	9.4	15.8
Depreciations	84.7	44.3	0.6	113.3	46.0	0.5
Other recurrent costs	84.8	3.2	1.3	69.3	3.3	1.4
EBITDA	225.2	113.0	-15.9	254.9	133.2	-13.9

RAB remuneration

(€M)	Rate of return	Amount
Return on RAB (Electricity)		**121.3**
Lines and substations	(9.05%)	**12.7**
Other assets	(7.55%)	**98.5**
Hydro land	(2.90%)	**10.1**
Return on RAB (GAS)	(8.00%)	**75.7**
Total		**197.0**



Share of (loss)/profit of joint ventures

(M€)	
Subcontracts	21.5
Fees paid to Enagás	0.4
Fees	-1.9
O&M	-4.2
Interest	-0.9
Profit before income taxes	**14.9**
Taxes	-3.9
Net income	**10.9**
Share of profit from joint ventures	**10.0**
JV reserves	**0.9**

Tariff deviations

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- Net Tariff deviations were worth €127.3M in the balance sheet at the end of 2009. This figure has no impact on P&L, except for the interest to be paid to REN while the deviation is not settled.

Accounting criteria changes

The following changes were made in accounting procedures during the year, in order to harmonize REN’s accounting procedures with regulatory accounting:

1. Recognition of tariff deviations

- Considering the degree of certainty regarding the recovery/return of tariff deviations, REN re-analysed its accounting procedures for recognizing tariff deviations, followed since transition to IFRS. Therefore, considering the reliability of the amounts estimated, as well as the virtually certain probability of the realization of the deviations determined, in 2009 REN started recognizing tariff deviations as income and expenses at the time they arise under the change in accounting estimates concept established in IAS 8.

2. Reclassification of land to tangible fixed assets

- In the same way, consideration of the land as “investment properties” was re-analysed.

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- In the same way, consideration of the land as “investment properties” was re-analysed.

- The assets which at transition to IFRS were considered in this caption are all assets that are being remunerated by the tariff, depreciation of which is accepted as regulated cost.

- In fact these assets are not effectively different from the other assets of the Concession, being an integral part of the same cash generating unit, in which there are no indications of impairment, considering the way in which they are remunerated.

Accounting criteria changes - *cont*.

REN

- In this respect, the Group opted to adjust the form in which these assets were recognized and measured on the transition date to IFRS, reclassifying them to tangible fixed assets and treating them for accounting purposes in the same way as that followed in the separate accounts of REN, S.A. prepared in accordance with the Portuguese Official Chart of Accounts, that is considering them at amortized historical cost.

- Therefore, as of 1 January 2009 the balance of the caption investment properties was transferred to tangible fixed assets, the effect of the increase in the amount of assets being recorded by corresponding entry to increase in retained earnings.

Accounting criteria changes - *cont*.

3. Change in useful lives under IFRS

- On transition of the accounts in accordance with the Portuguese Official Chart of Accounts to IFRS, the useful life of the substation equipment and transmission lines was extended to 35 and 40 years, respectively, amortization in 30 years being maintained in the separate accounts of REN, S.A. prepared in accordance with the Portuguese Official Chart of Accounts. This is also the base used in the regulated accounts.

- Knowing that the new national accounting standards (SNC), in drawing closer to the IFRS structure, require the adoption of a single depreciation criterion as from 2010, the Group opted to restore the rate of depreciation currently used in the IFRS accounts to those of the Portuguese Official Chart of Accounts, approved by the Regulator as accepted cost.

Accounting criteria changes - *cont*.

- Therefore, the increase in accumulated depreciation was recorded as of 1 January 2009, by corresponding entry to a decrease in retained earnings.

- The decisions referred to in these slides, were agreed upon by REN's auditors.

Balance sheet

(€M)	2008	2009
Fixed Assets	3,176	3,452
Investments	13	15
LT Receivables	223	179
ST Receivables	309	578
Cash	101	70
Total Assets	3,823	4,294
Shareholders Equity	1,012	997
Provisions	59	5
LT Payables	489	561
ST Payables	424	522
Debt (end of period)	1,840	2,209
Total equity and liabilities	3,823	4,294

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