

# 9M 2014 RESULTS REPORT

November 06<sup>th</sup>, 2014



# 9M14 Highlights

## MAIN INDICATORS

€M	9M14	9M13	Δ%	Δ Abs.
EBITDA	374.2	387.4	-3.4%	-13.2
Net Financial Income	-79.0 <sup>(1)</sup>	-105.3	25.0%	26.3
Recurrent Net Income	106.0	87.9	20.5%	18.0
Net Income	84.9	89.3	-4.9%	-4.4
Average RAB <sup>(2)</sup>	3,459.5	3,418.6	1.2%	40.8
CAPEX	69.3	110.1	-37.0%	-40.8
Net Debt	2,432.0	2,468.2	-1.5%	-36.2

(1) Excludes the Financial cost as of the interconnection capacity auctions between Spain and Portugal (€0.4M), known as FTR (Financial Transaction Rights), that were reclassified to Revenues;

(2) Includes Enondas regulated asset base value, which is now considered materially relevant. For comparison purposes, the values for the previous year were adjusted in accordance.

▶ 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.

# Average RAB increased €40.8M

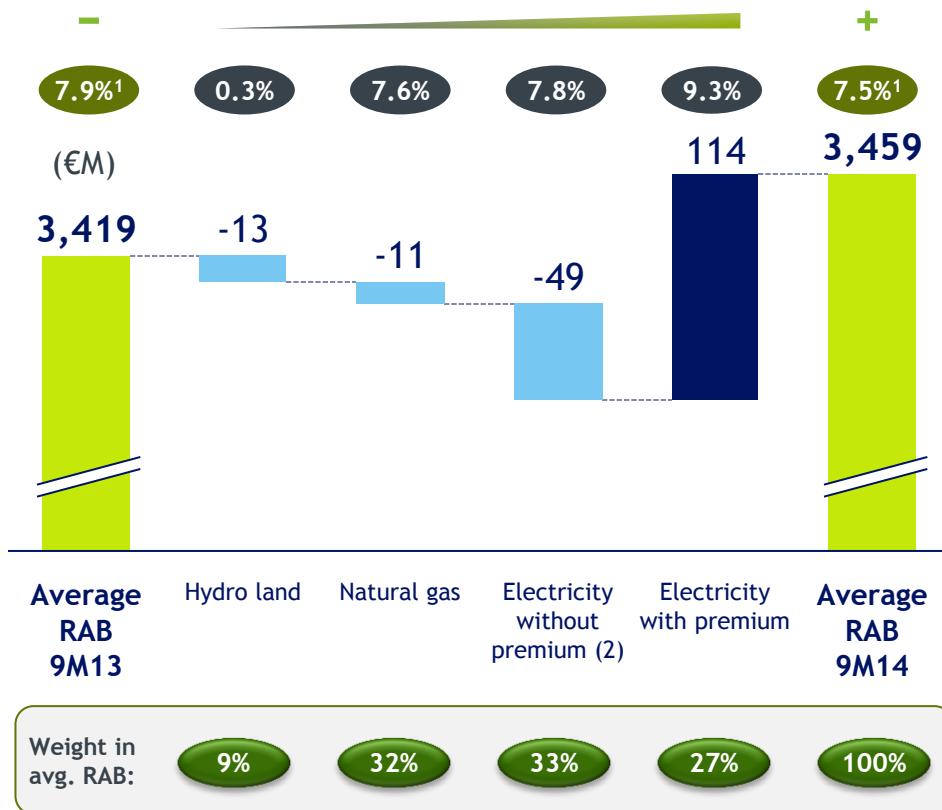
## CAPEX and RAB

€M	9M14	9M13	Δ%	Δ Abs.
<b>Average RAB</b>	<b>3,459.5</b>	<b>3,418.6</b>	<b>1.2%</b>	<b>40.8</b>
Electricity	2,073.7	2,008.5	3.2%	65.2
Land	295.9	309.3	-4.3%	-13.4
Natural gas	1,089.9	1,100.8	-1.0%	-10.9
<b>RAB end of period</b>	<b>3,397.3</b>	<b>3,377.5</b>	<b>0.6%</b>	<b>19.8</b>
Electricity	2,034.8	1,991.5	2.2%	43.3
Land	290.9	304.2	-4.4%	-13.3
Natural gas	1,071.6	1,081.8	-0.9%	-10.1
<b>CAPEX</b>	<b>69.3</b>	<b>110.1</b>	<b>-37.0%</b>	<b>-40.8</b>
Electricity	58.8	90.7	-35.2%	-31.9
Natural gas	10.6	19.3	-45.3%	-8.7
Other	0.0	0.2	-86.7%	-0.1
<b>RAB variation e.o.p.</b>	<b>-124.5</b>	<b>-82.2</b>		
Electricity	-78.0	-33.9		
Land	-9.9	-10.2		
Natural gas	-36.5	-38.2		

- ▶ Total CAPEX was €69.3M, a YoY fall of €40.8M (-37.0%). 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;
- ▶ The most relevant investments in electricity to be concluded in 2014 are the new sub stations of Fafe and Vieira do Minho together with the respective overhead lines' connection to the existing grid, a new 400 kV overhead line between Caniçada and Pedralva, and the reconstruction of an old 220 kV line between Carrapatelo and Estarreja, that has reached the technical end of life and where there was a need to increase the transmission capacity;
- ▶ The most relevant project in the Natural Gas business is the ongoing work to build another storage cavity: REN C6.

# Growth focused in electricity assets with premium

## RoR



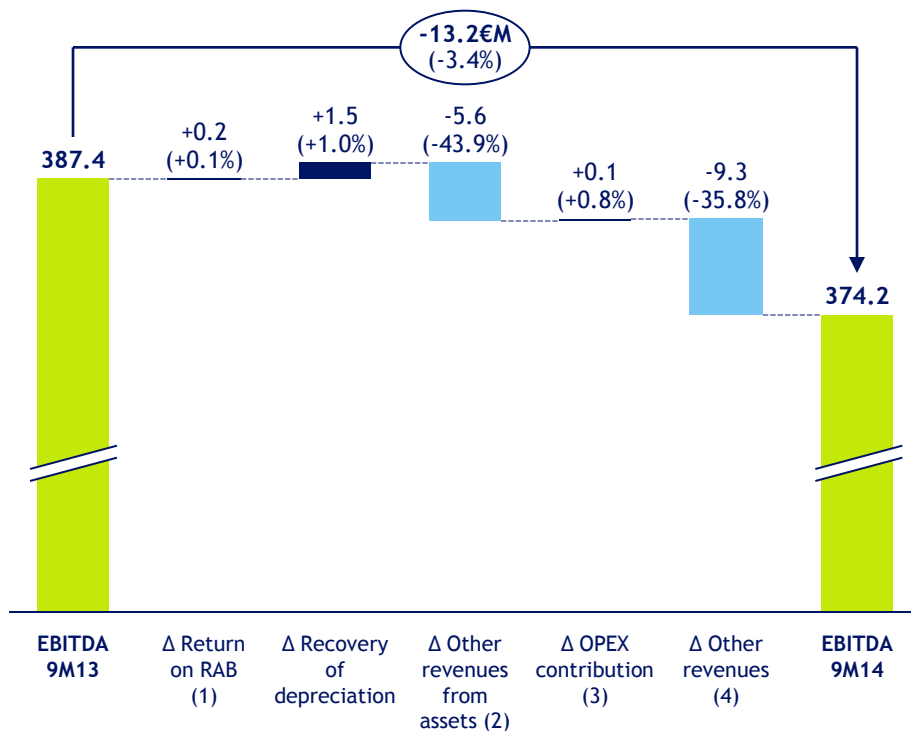
1) RoR is equal to the specific remuneration, divided by average RAB;  
 2) Includes RAB related to Enondas.

- ▶ Average RAB grew by €40.8M. As in the past, this growth was focused on the category with the highest Rate of Return (RoR);
- ▶ The base rate of return of electricity RAB dropped to 7.8% from 8.1% in 2013. Electricity average RAB with premium (with a 9.3% RoR) was up €114.1M vs 9M13, while the category with the lowest rate of return (the hydro lands, with a 0.3% RoR) saw the value of its average RAB go down by €13.4M;
- ▶ In Natural gas, the average RAB was down by €10.9M (RoR 7.6%);
- ▶ At the end of 9M14, electricity accounted for 59.9% of the average RAB, natural gas for 31.5% and hydro lands for the remaining 8.6%.

# EBITDA stood at €374.2M

driven by a lower hydro land remuneration and one-offs in 2013

(€M)



- ▶ EBITDA benefited from the increase in Recovery of depreciation (+€1.5M), consistent with a higher asset base;
- ▶ The impact from the Hydro land remuneration was negative (-€5.9M), as a result of changes concerning the methodology used to calculate the RoR (RoR was down to 0.3% from 2.8%).

(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;

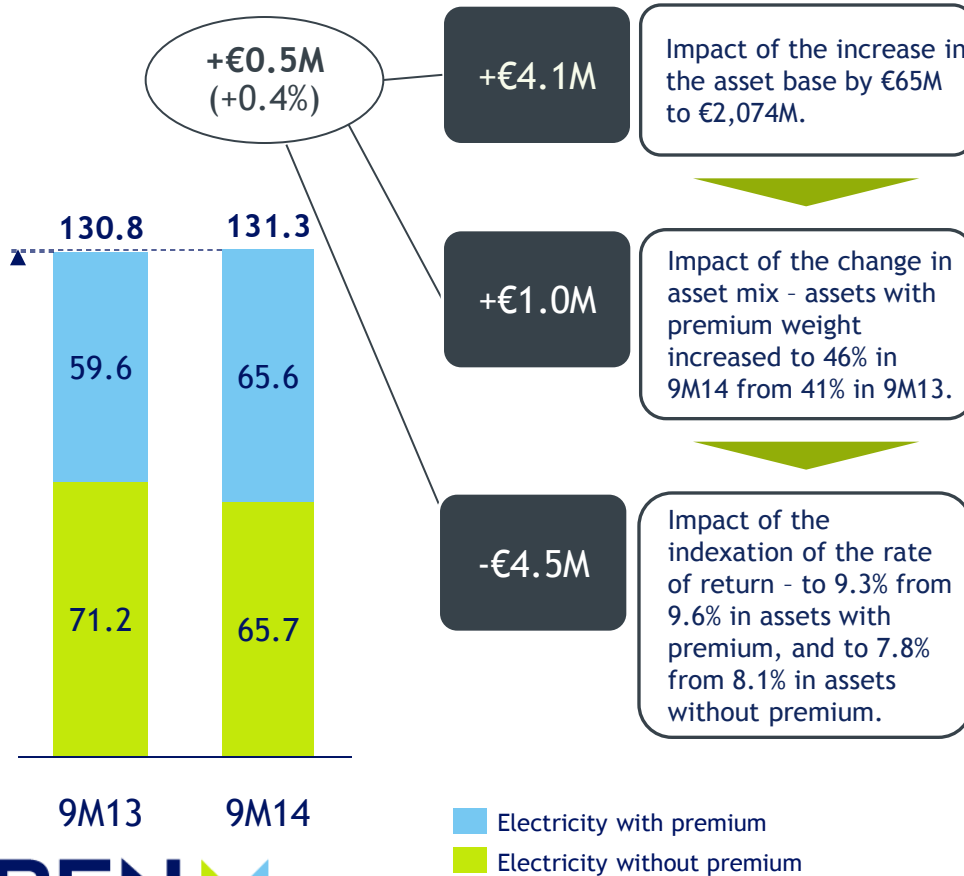
(4) In 2013 includes +€5.3M related to a reversal of an impairment of receivable debts.

# Electricity return on RAB in line with 9M13

## Average RAB showed a positive evolution

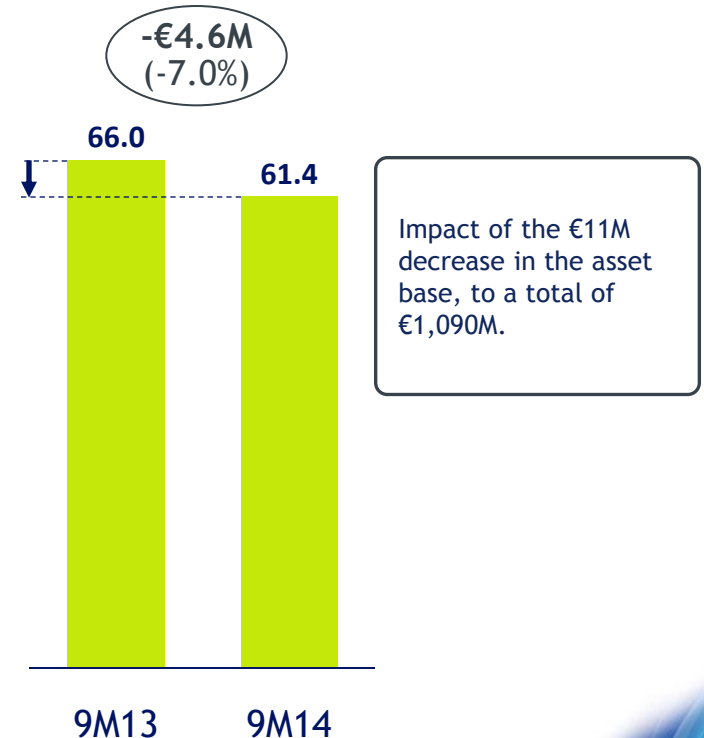
### RAB REMUNERATION ELECTRICITY (ex. Hydro lands)

(€M)



### RAB REMUNERATION NATURAL GAS (ex. tariff smoothing effect)

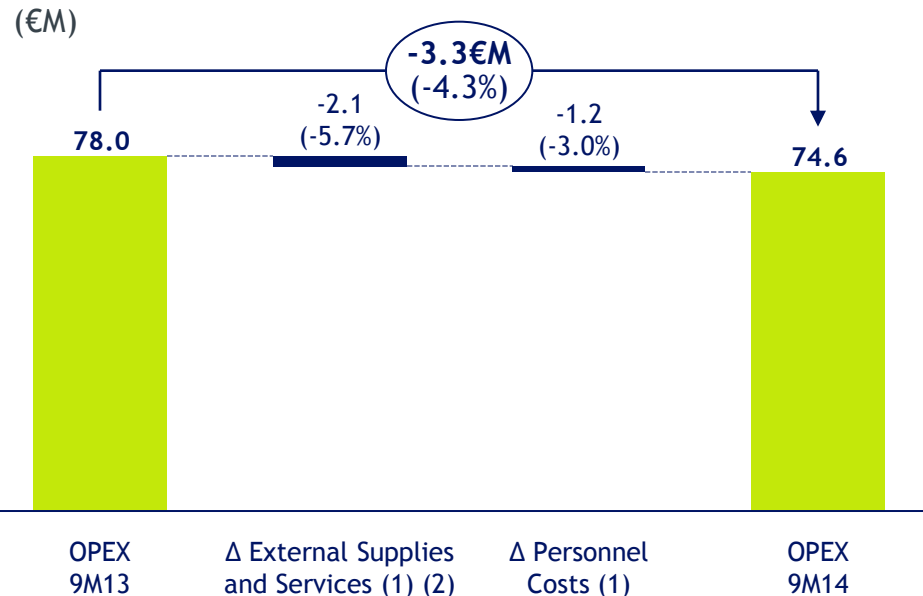
(€M)



# OPEX was down by €3.3M versus 9M13

## Reflecting REN's operational costs reduction efforts

### OPERATIONAL COSTS



- ▶ External Supplies and Services (ESS) decreased by €2.1M (-5.7%) due to the efforts towards the reduction of external services and the decrease in cross-border costs (pass-through costs); Other Operational costs (included in ESS) up by €0.5M (6.1%);
- ▶ Personnel costs decreased by €1.2M, despite changes in actuarial assumptions that have a negative impact in costs reduction.

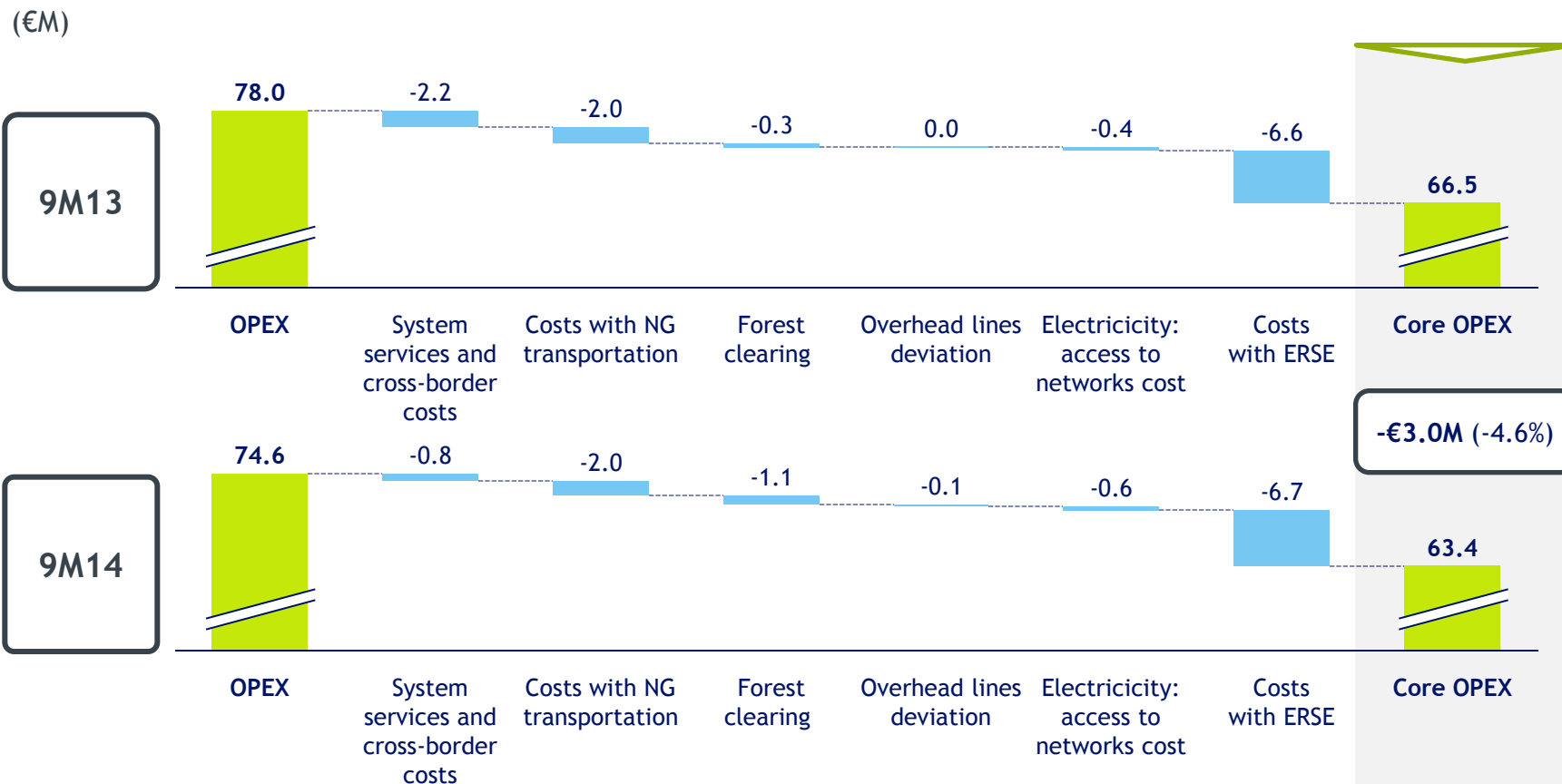
(1) Includes re-classification of training, seminar and staff fuel costs, from external costs to personnel costs (€0.42M);

(2) Includes Δ+€0.5M of Other Operating Costs.

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 fell 4.6% compared to 9M13

▶ Excluding pass-through costs, Core OPEX was down by 4.6% (to €63.4M from €66.5M)



Note: values do not include costs incurred with the construction of concession assets (IFRIC 12): €91.5M in 9M13 and €54.8M in 9M14.



# Net financial income improved €26.3M

## reflecting the strengthening of the company's liquidity profile

### NET INCOME

€M	9M14	9M13	Δ%	Δ Abs.
EBITDA	374.2	387.4	-3.4%	-13.2
Depreciation	151.4	150.2	0.8%	1.2
Net financial income	-79.0 <sup>(1)</sup>	-105.3	25.0%	26.3
Profit before income tax and CESE	143.8	131.9	9.0%	11.9
Taxes	40.1	42.6	-5.9%	-2.5
Contrib. energy sector	18.8	0.0		18.8
Net income	84.9	89.3	-4.9%	-4.4
Recurrent net income	106.0	87.9	20.5%	18.0

(1) Excludes the Financial cost as of the interconnection capacity auctions between Spain and Portugal (€0.4M), known as FTR (Financial Transaction Rights), that were reclassified to Revenues.

- ▶ The **average cost of debt** was 4.7% versus 5.6% in September 2013;
- ▶ **Net financial income** stood at -€79.0M, 25.0% better than in 9M13;

▶ **Net income** in 9M14 decreased by 4.9% yoy, reaching €84.9M. Despite the improvement in net financial income (+€26.3M) - on the back of: (1) lower net debt (-€36.2M) and (2) lower average cost of debt (5.62% to 4.67%). Net Income was negatively affected by the accrual of the energy sector extraordinary levy (9M14 impact of €18.8M; expected full year impact of €25.1M). REN is still analyzing the issue in all its aspects to protect the rights of the company and of all its stakeholders;

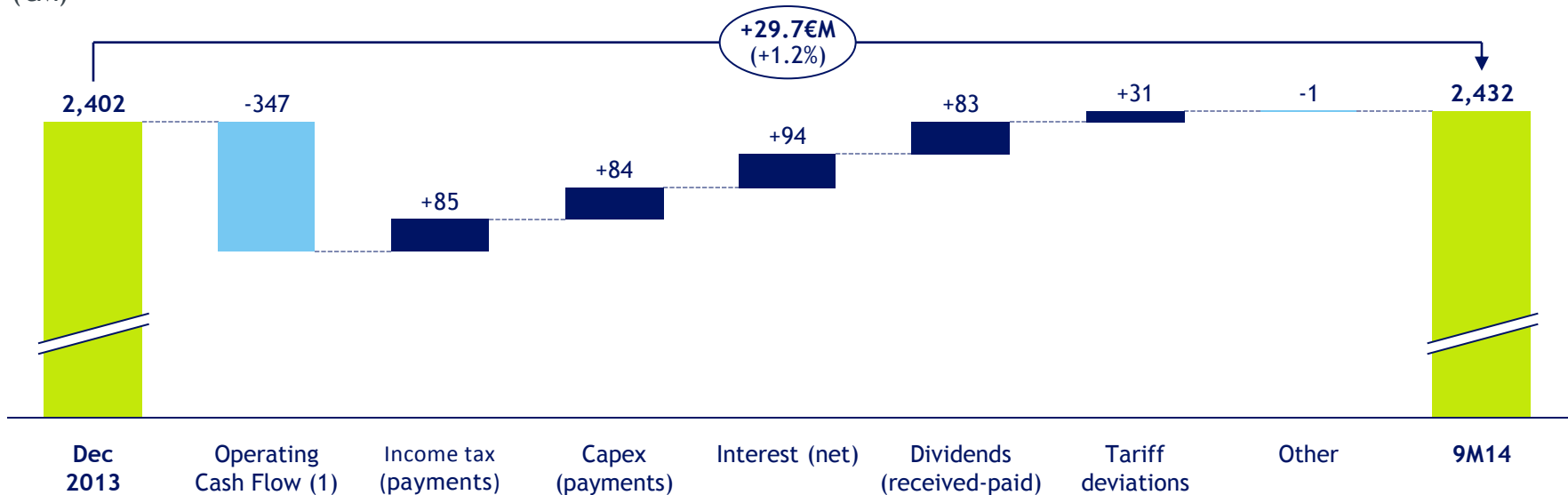
- ▶ **Income tax** decreased by 5.9%, to €40.1M;
- ▶ In 2014, the Group is being taxed at a Corporate Income Tax rate of 23%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit and (i) a state surcharge of an additional 3% of taxable profit between €1.5M and €7.5M, (ii) an additional 5% of taxable profit between €7.5M and €35.0M and (iii) 7% over the taxable profit in excess of €35.0M. It is likely that the effective tax rate will rise in 4Q14 along with Net Income.

# Average cost of debt decreased to 4.7%

▶ Net debt increased to €2,432M in September 2014 from €2,402M in December 2013 (+1.2%); In April, REN paid €91.3M in dividends to its shareholders;

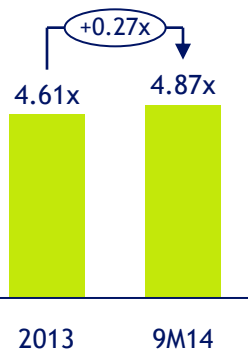
▶ The average cost of debt decreased by 87bp, to 4.7% (from 5.5% in the end of 2013).

## NET DEBT (€M)

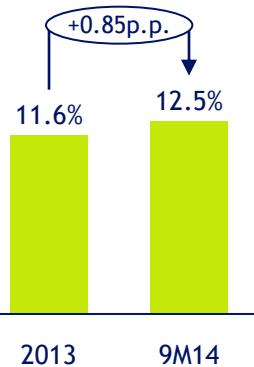


# REN is already funded beyond 2016

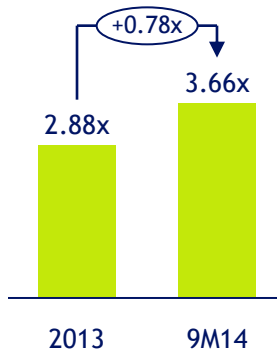
Net debt / EBITDA



FFO / Net debt



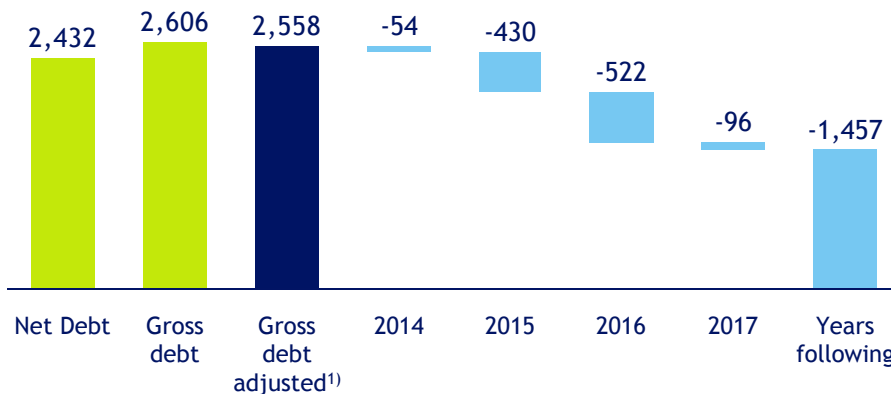
FFO interest coverage



▶ The financial rating assigned to REN has been penalized by Portugal's sovereign rating. Despite this situation, REN is committed to maintain credit metrics compatible with an investment grade rating. REN has been actively reshaping its debt in order to improve its average maturity. REN is also using a combination of floating and fixed rate issues and/or interest rate swaps to achieve a suitable interest rate mix;

## DEBT MATURITY SCHEDULE

(€M)



▶ Since October 2013, all three major rating agencies upgraded REN's Outlook to stable. Two of the major rating agencies (Moody's and Fitch) have assigned an investment grade rating to the Company. REN continues to be the Portuguese company with the highest rating;

▶ The average debt maturity is currently 4.0 years.

1) Adjusted by interest accruals, hedging on yen denominated debt, bank overdrafts and finance lease.

# Balance sheet

€M	9M14	2013
Fixed assets RAB related	3,784.8	3,862.9
Investments and goodwill <sup>1</sup>	404.4	297.8
Tariff deviations	196.4	156.1
Receivables <sup>2</sup>	253.3	559.2
Cash	51.4	168.0
Other <sup>3</sup>	13.1	17.4
<b>Total assets</b>	<b>4,703.2</b>	<b>5,061.3</b>
Shareholders equity	1,104.7	1,079.6
Debt (end of period)	2,606.1	2,680.5
Provisions	6.0	5.9
Tariff deviations	62.0	52.7
Payables <sup>4</sup>	775.4	1,079.4
Other <sup>5</sup>	149.0	163.2
<b>Total equity and liabilities</b>	<b>4,703.2</b>	<b>5,061.3</b>

- ▶ Total amount of *fixed assets RAB related* increased to €3,784.8M (this value includes investment subsidies);
- ▶ *Investments and goodwill* (1) increased to €404.4M from €297.8M at the end of 2013. This item includes Goodwill, available-for-sale financial assets, derivative financial instruments, investments in associates and other investments;
- ▶ *Receivables* (2) related to trade and other receivables, deferred tax assets and current income tax recoverable, reached €253.3M in 9M14, an increase from €559.2M at the end of 2013;
- ▶ *Other Assets* (3) stood at €13.1M, which comprises Inventories, guarantee deposits, fixed assets and assets in progress (not RAB related);
- ▶ *Payables* (4) include trade and other payables, deferred tax liabilities and income tax payable. These totalized €775.4M at the end of September 2014, versus €1,079.4M in 2013;
- ▶ *Other liabilities* (5) stood at €149.0M, which includes retirement and other benefit obligations, derivative financial instruments and guarantee deposits (€163.2M in 2013).

# The balance of tariff deviation totalized €134.3M to be received from tariffs

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## TARIFF DEVIATIONS

€M	9M14	9M13
Electricity	60.9	42.4
Natural gas	73.4	64.0
<b>TOTAL</b>	<b>134.3</b>	<b>106.3</b>

# Increased diversification of funding sources

## BORROWINGS

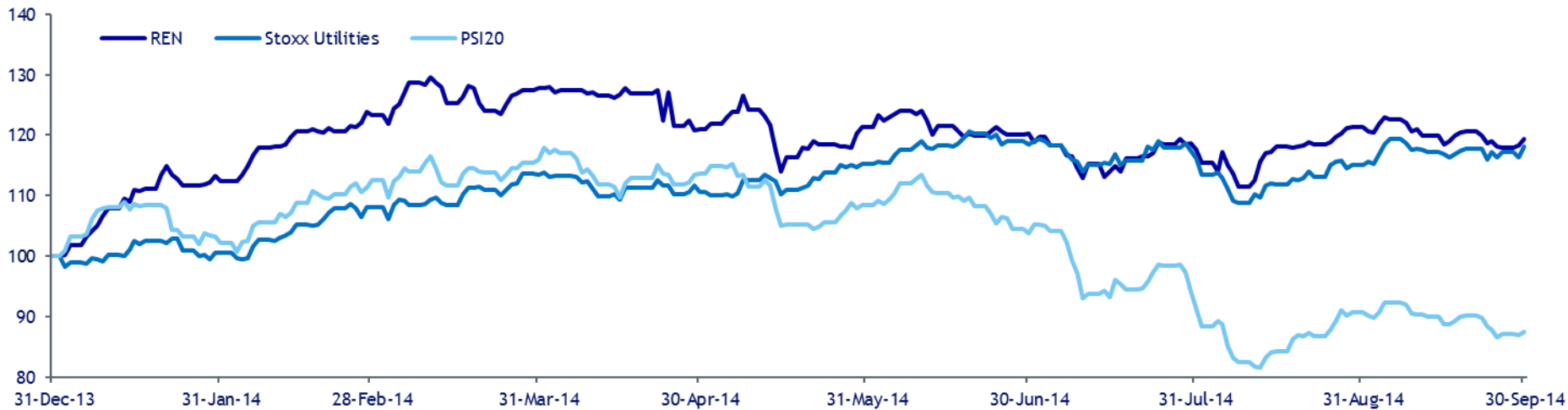
€M	Current	Non Current	TOTAL
Bonds	163.5	1,339.3	1,502.8
Bank borrowings	100.2	747.4	847.6
Commercial paper	105.0	119.0	224.0
Bank overdrafts	17.1	0.0	17.1
Finance lease	0.7	1.4	2.2
<b>TOTAL</b>	<b>386.6</b>	<b>2,207.1</b>	<b>2.593.7</b>
Accrued interest	35.1	0.0	35.1
Prepaid interest	-22.7	0.0	-22.7
<b>TOTAL</b>	<b>399.0</b>	<b>2,207.1</b>	<b>2.606.1</b>

- ▶ At the end of 9M14 REN had five active commercial paper programmes amounting to €775M of which €551M were undrawn. From the total amount of commercial paper programmes, €575M have subscription guarantees;
- ▶ The bank loans are mainly (€542M) represented by EIB loans;

- ▶ In April the Group signed a credit facility with Bank of China in the aggregate amount of €200M. In September, the Group had used €10M;
- ▶ The Group also has credit lines negotiated and not used in the amount of €80M, maturing up to one year, which are automatically renewed periodically (if they are not terminated in the contractually specified period for that purpose);
- ▶ REN obtained a bank loan providing as collateral its share capital stakes in Red Eléctrica Corporación and in Enagás. REN maintains in full the rights inherent to such shareholdings, including voting rights and dividends;
- ▶ REN's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group's total conceded assets). The Group's gearing ratio comfortably fulfills the contractually defined limits, being 94% above the minimum level;
- ▶ The borrowings from EIB include ratings covenants. In the event of ratings below the levels specified, REN can be called to provide a guarantee acceptable to EIB.

# Share performance: REN ended 9M14 with a total return of +26.8% (YTD)

## ANNUALIZED CLOSING PRICES

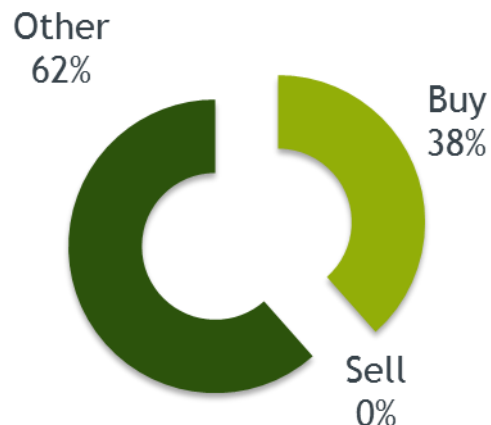


Source: Bloomberg

# Market information

## ANALYST RECOMMENDATIONS

- ▶ Average price target  
**€2.76**
- ▶ Upside/Downside<sup>(+/-)</sup>  
**+3.4%**



## CMVM: MAIN PRESS RELEASES (from January 2014)

- ▶ **Jan-17:** Fitch revises REN's Outlook to stable
- ▶ **Jan-29:** S&P removes REN from CreditWatch negative and affirms its BB+ rating with stable outlook
- ▶ **Mar-06:** Changes to the composition of the governing bodies
- ▶ **Mar-10:** 2013 Annual results Presentation
- ▶ **Mar-11:** Notice to Convene the Annual General Shareholders Meeting
- ▶ **Apr-01:** Credit facility agreement with the Bank of China
- ▶ **Apr-03:** Resolutions approved at the General Shareholders meeting
- ▶ **Apr-09:** Payment of dividends
- ▶ **Apr-21:** Resignation of member of the Board of Directors
- ▶ **Apr-29:** Qualified holding (EGF)
- ▶ **May-08:** First quarter 2014 results presentation
- ▶ **May-08:** Co-optation of member of the Board of Directors
- ▶ **May-13:** Moody's places REN's Ba1 rating on review for upgrade
- ▶ **May-30:** Resignation of member of Board of the General Meeting



# REN's total shareholder return was +50.5% (ITD)

REN	
9M14	
END OF PERIOD	
<b>Price (€)</b>	
Close	2.670
High YTD	2.900
Low YTD	2.238
Variation YTD	19.3%
Nr. of shares (M)	534
Own shares (M)	3.9
Market cap. (€M)	1,425.8
Volume (M shares)	0.687
Volume WAP	2.688
<b>Performance indicators</b>	
Dividend yield	6.4%
PER	11.0x
Total shareholder return YTD	26.8%
Cumulative total return*	
REN	50.5%
PSI20	-42.3%
EuroStoxx Utilities	-20.8%

\* Inception to date (July 9<sup>th</sup> 2007)  
Source: Bloomberg

- ▶ **May-31:** Public offer of sale for 11.748.000 shares (Prospectus)
- ▶ **Jun-13:** REN's public offer pricing press release
- ▶ **Jun-23:** Qualified shareholding (Fidelidade)
- ▶ **Jun-26:** Qualified shareholding (EGF)
- ▶ **Jul-28:** REN agrees to the purchase of Galp Energia's natural gas underground storage concession business
- ▶ **Jul-30:** Moody's upgrades REN's rating to investment grade with a stable outlook
- ▶ **Jul-31:** First half 2014 results presentation
- ▶ **Sep-09:** ERSE's Decision on the Certification of REN, S.A. and REN Gasodutos, S.A. as Transmission Grid Operators
- ▶ **Oct-15:** ERSE's proposal for tariffs and prices for electricity for 2015 and regulatory parameters for 2015-17

# **APPENDIX**

# EBITDA breakdown

€M	9M14	9M13	2013	9M14/9M13	
				Δ %	Δ Abs.
<b>1) TOTAL REVENUES</b>	<b>503.9</b>	<b>551.4</b>	<b>788.8</b>	<b>-8.6%</b>	<b>-47.6</b>
Revenues from assets	346.9	350.9	476.0	-1.1%	-4.0
Return on RAB	192.7	196.8	269.2	-2.1%	-4.1
Electricity	131.3	130.8	180.1	0.4%	0.5
Natural gas	61.4	66.0	88.9	-7.0%	-4.6
Hydro land remuneration	0.1	6.0	8.3	-98.0%	-5.9
Lease revenues from hydro protection zone	0.6	0.6	0.7	-1.1%	-0.0
Remuneration of fully depreciated assets	6.5	6.2	8.3	4.2%	0.3
Tariff smoothing effect (natural gas)	-4.4	-8.7	-11.5	49.0%	4.3
Recovery of depreciation (net from subsidies)	138.1	135.6	181.7	1.8%	2.5
Subsidies amortization	13.3	14.4	19.1	-7.1%	-1.0
<b>Revenues of OPEX</b>	<b>74.2</b>	<b>77.0</b>	<b>104.6</b>	<b>-3.6%</b>	<b>-2.8</b>
Other revenues	13.5	13.7	21.1	-1.3%	-0.2
Construction revenues (IFRIC 12)	69.3	110.0	187.5	-37.0%	-40.7
<b>2) OPEX</b>	<b>74.6</b>	<b>78.0</b>	<b>110.7</b>	<b>-4.3%</b>	<b>-3.3</b>
Personnel costs	39.5	40.7	54.2	-3.0%	-1.2
External supplies and services	25.6	28.2	43.4	-9.4%	-2.7
Other operational costs	9.5	9.0	13.1	6.1%	0.5
<b>3) Construction costs (IFRIC 12)</b>	<b>54.8</b>	<b>91.5</b>	<b>162.2</b>	<b>-40.1%</b>	<b>-36.7</b>
<b>4) Depreciation</b>	<b>151.4</b>	<b>150.2</b>	<b>201.2</b>	<b>0.8%</b>	<b>1.2</b>
<b>5) Other</b>	<b>0.3</b>	<b>-5.4</b>	<b>-5.5</b>		<b>5.6</b>
<b>6) EBIT</b>	<b>222.8</b>	<b>237.2</b>	<b>320.3</b>	<b>-6.1%</b>	<b>-14.4</b>
7) Depreciation	151.4	150.2	201.2	0.8%	1.2
<b>8) EBITDA</b>	<b>374.2</b>	<b>387.4</b>	<b>521.5</b>	<b>-3.4%</b>	<b>-13.2</b>
9) Depreciation	151.4	150.2	201.2	0.8%	1.2
10) Net financial income	-79.0	-105.3	-142.2	25.0%	26.3
11) Income tax expense	40.1	42.6	56.7	-5.9%	-2.5
12) Extraordinary contribution on energy sector	18.8	0.0	0.0		18.8
<b>13) NET INCOME</b>	<b>84.9</b>	<b>89.3</b>	<b>121.3</b>	<b>-4.9%</b>	<b>-4.4</b>
14) Non recurrent items*	21.0	-1.4	-0.6		22.4
<b>15) RECURRENT NET INCOME</b>	<b>106.0</b>	<b>87.9</b>	<b>120.7</b>	<b>20.5%</b>	<b>18.0</b>

## Non recurrent items:

\* **9M14:** i) Cost of carry of EIB escrow account of €3.3M (€2.2M after taxes); ii) Energy sector Extraordinary levy, as established in 2014 State budget law (€18.8M);

**9M13:** i) Cost of carry of EIB escrow account of €3.5M (€2.4M after taxes); ii) annulment of the provision for impairment of receivables worth €5.3M (€3.8M after taxes).

# Other operational revenues and costs breakdown

€M	9M14	9M13	2013	9M14/9M13	
				Δ %	Δ Abs.
<b>Other revenues</b>	<b>13.5</b>	<b>13.7</b>	<b>21.1</b>	<b>-1.3%</b>	<b>-0.2</b>
Allowed incentives	2.2	1.9	3.0	13.8%	0.3
Interest on tariff deviation	0.9	2.1	2.7	-55.5%	-1.1
Telecommunication sales and services rendered	3.9	4.1	5.4	-7.1%	-0.3
Consultancy services and other services provided	2.6	0.9	3.0		1.8
Other revenues	3.9	4.7	5.6	-16.2%	-0.8
<b>Other costs</b>	<b>9.5</b>	<b>9.0</b>	<b>13.1</b>	<b>6.1%</b>	<b>0.5</b>
Costs with ERSE	6.7	6.6	8.8	2.7%	0.2
Other	2.8	2.4	4.3	15.4%	0.4

# EBIT breakdown (Electricity<sup>1</sup>)

€M	9M14	9M13	2013	9M14/9M13	
				Δ %	Δ Abs.
<b>1) REVENUES</b>	<b>359.5</b>	<b>394.3</b>	<b>572.4</b>	<b>-8.8%</b>	<b>-34.8</b>
Revenues from assets	247.8	248.6	338.7	-0.3%	-0.8
Return on RAB	131.3	130.8	180.2	0.4%	0.5
Hydro land remuneration	0.1	6.0	8.3	-98.0%	-5.9
Lease revenues from hydro protection zone	0.6	0.6	0.7	-1.1%	-0.0
Remuneration of fully depreciated assets	6.5	6.2	8.3	4.2%	0.3
Recovery of depreciation (net from subsidies)	100.3	96.1	129.0	4.3%	4.2
Subsidies amortization	9.0	9.0	12.1	0.0%	0.0
<b>Revenues of OPEX</b>	<b>49.1</b>	<b>49.2</b>	<b>66.8</b>	<b>-0.2%</b>	<b>-0.1</b>
<b>Other revenues</b>	<b>3.9</b>	<b>5.8</b>	<b>9.3</b>	<b>-34.1%</b>	<b>-2.0</b>
Allowed incentives	2.2	1.9	3.0	13.8%	0.3
Interest on tariff deviation	0.1	1.1	1.5	-95.5%	-1.1
Other	1.6	2.8	4.7	-41.8%	-1.2
Construction revenues (IFRIC 12)	58.8	90.7	157.6	-35.2%	-31.9
<b>2) OPEX</b>	<b>35.8</b>	<b>37.3</b>	<b>52.0</b>	<b>-4.0%</b>	<b>-1.5</b>
Personnel costs	18.0	18.0	23.9	-0.2%	-0.0
External supplies and services	11.9	13.7	20.7	-13.1%	-1.8
Other operational costs	5.9	5.5	7.4	7.5%	0.4
<b>3) Construction costs (IFRIC 12)</b>	<b>46.8</b>	<b>75.9</b>	<b>137.2</b>	<b>-38.3%</b>	<b>-29.0</b>
<b>4) Depreciation</b>	<b>109.6</b>	<b>105.8</b>	<b>142.0</b>	<b>3.6%</b>	<b>3.8</b>
<b>5) Other</b>	<b>0.2</b>	<b>-5.4</b>	<b>-5.7</b>		<b>5.6</b>
<b>6) EBIT (1-2-3-4-5)</b>	<b>167.0</b>	<b>180.7</b>	<b>246.9</b>	<b>-7.6%</b>	<b>-13.7</b>
<b>7) Depreciation</b>	<b>109.6</b>	<b>105.8</b>	<b>142.0</b>	<b>3.6%</b>	<b>3.8</b>
<b>8) EBITDA (6+7)</b>	<b>276.6</b>	<b>286.5</b>	<b>388.8</b>	<b>-3.4%</b>	<b>-9.9</b>

<sup>1</sup> Includes Electricity, REN Trading and Enondas (wave energy concession).

# EBIT breakdown (Natural gas)

€M	9M14	9M13	2013	9M14/9M13	
				Δ %	Δ Abs.
<b>1) REVENUES</b>	<b>139.4</b>	<b>150.4</b>	<b>209.0</b>	<b>-7.3%</b>	<b>-11.0</b>
<b>Revenues from assets</b>	<b>99.1</b>	<b>102.2</b>	<b>137.3</b>	<b>-3.0%</b>	<b>-3.1</b>
Return on RAB	61.4	66.0	88.9	-7.0%	-4.6
Tariff smoothing effect (natural gas)	-4.4	-8.7	-11.5	49.0%	4.3
Recovery of depreciation (net from subsidies)	37.8	39.6	52.8	-4.4%	-1.7
Subsidies amortization	4.3	5.3	7.1	-19.0%	-1.0
<b>Revenues of OPEX</b>	<b>25.1</b>	<b>27.8</b>	<b>37.8</b>	<b>-9.6%</b>	<b>-2.7</b>
<b>Other revenues</b>	<b>4.6</b>	<b>1.2</b>	<b>4.0</b>		<b>3.5</b>
Interest on tariff deviation	0.9	0.9	1.2	-5.4%	-0.0
Other	3.8	0.2	2.8		3.5
Construction revenues (IFRIC 12)	10.6	19.3	29.9	-45.3%	-8.7
<b>2) OPEX</b>	<b>17.6</b>	<b>19.1</b>	<b>26.8</b>	<b>-7.5%</b>	<b>-1.4</b>
Personnel costs	5.6	6.2	8.3	-8.5%	-0.5
External supplies and services	8.8	9.8	14.2	-11.2%	-1.1
Other operational costs	3.2	3.0	4.2	6.8%	0.2
<b>3) Construction costs (IFRIC 12)</b>	<b>7.9</b>	<b>15.6</b>	<b>25.0</b>	<b>-49.1%</b>	<b>-7.7</b>
<b>4) Depreciation</b>	<b>41.6</b>	<b>44.2</b>	<b>59.0</b>	<b>-5.9%</b>	<b>-2.6</b>
<b>5) Other</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>		<b>0.0</b>
<b>6) EBIT</b>	<b>72.2</b>	<b>71.5</b>	<b>98.2</b>	<b>1.0%</b>	<b>0.7</b>
<b>7) Depreciation</b>	<b>41.6</b>	<b>44.2</b>	<b>59.0</b>	<b>-5.9%</b>	<b>-2.6</b>
<b>8) EBITDA</b>	<b>113.8</b>	<b>115.8</b>	<b>157.2</b>	<b>-1.7%</b>	<b>-1.9</b>

# EBIT breakdown (Other<sup>1</sup>)

€M	9M14	9M13	2013	9M14/9M13	
				Δ %	Δ Abs.
<b>1) TOTAL REVENUES</b>	5.0	6.7	7.5	-25.4%	-1.7
<b>Other revenues</b>	5.0	6.7	7.5	-25.4%	-1.7
Consulting and other services	0.3	0.9	0.4	-65.3%	-0.6
Telecommunication sales and services rendered	3.9	4.1	5.4	-7.1%	-0.3
Other	0.8	1.7	1.6	-50.2%	-0.8
<b>2) OPEX</b>	21.2	21.7	31.8	-2.3%	-0.5
Personnel costs	15.9	16.6	22.0	-4.0%	-0.7
External supplies and services	4.8	4.6	8.5	5.2%	0.2
Other operational costs	0.4	0.5	1.4	-15.6%	-0.1
<b>3) Depreciation</b>	0.2	0.2	0.3	10.4%	0.0
<b>4) Other</b>	0.0	0.0	0.2		0.0
<b>5) EBIT</b>	-16.4	-15.1	-24.8	-8.5%	-1.3
6) Depreciation	0.2	0.2	0.3	10.4%	0.0
<b>7) EBITDA</b>	-16.2	-14.9	-24.5	-8.5%	-1.3

<sup>1</sup> Includes REN SGPS, REN Serviços, REN Telecom and REN Finance.

# CAPEX and RAB

€M	9M14	9M13	2013	9M14/9M13	
				Δ %	Δ Abs.
<b>CAPEX*</b>	<b>69.3</b>	<b>110.1</b>	<b>187.8</b>	<b>-37.0%</b>	<b>-40.8</b>
Electricity	58.8	90.7	157.6	-35.2%	-31.9
Natural gas	10.6	19.3	29.9	-45.3%	-8.7
Other	0.0	0.2	0.4	-86.7%	-0.1
<b>Transfers to RAB**</b>	<b>13.8</b>	<b>55.4</b>	<b>245.0</b>	<b>-75.0%</b>	<b>-41.6</b>
Electricity	12.5	54.0	197.3	-76.8%	-41.5
Natural gas	1.3	1.4	47.7	-6.5%	-0.1
<b>Average RAB</b>	<b>3,459.5</b>	<b>3,418.6</b>	<b>3,490.8</b>	<b>1.2%</b>	<b>40.8</b>
Electricity	2,073.7	2,008.5	2,069.1	3.2%	65.2
With premium	945.3	831.2	892.4	13.7%	114.1
Without premium	1,128.4	1,177.3	1,176.7	-4.2%	-48.9
Land	295.9	309.3	307.6	-4.3%	-13.4
Natural gas	1,089.9	1,100.8	1,114.1	-1.0%	-10.9
<b>RAB e.o.p.</b>	<b>3,397.3</b>	<b>3,377.5</b>	<b>3,521.8</b>	<b>0.6%</b>	<b>19.8</b>
Electricity	2,034.8	1,991.5	2,112.7	2.2%	43.3
Land	290.9	304.2	300.9	-4.4%	-13.3
Natural gas	1,071.6	1,081.8	1,108.2	-0.9%	-10.1
<b>RAB's variation e.o.p.</b>	<b>-124.5</b>	<b>-82.2</b>	<b>62.1</b>		
Electricity	-78.0	-33.9	87.4		
Land	-9.9	-10.2	-13.5		
Natural gas	-36.5	-38.2	-11.8		
<b>RAB's remuneration</b>	<b>193.4</b>	<b>203.3</b>	<b>278.2</b>	<b>-4.9%</b>	<b>-10.0</b>
Electricity	131.3	130.8	180.2	0.4%	0.5
With premium	65.6	59.6	85.3	10.2%	6.1
Without premium	65.7	71.2	94.9	-7.7%	-5.5
Land	0.7	6.5	9.1	-89.7%	-5.9
Natural gas	61.4	66.0	88.9	-7.0%	-4.6
<b>RoR's RAB</b>	<b>7.5%</b>	<b>7.9%</b>	<b>8.0%</b>		<b>-0.5p.p.</b>
Electricity	8.4%	8.7%	8.7%		-0.2p.p.
With premium	9.3%	9.6%	9.6%		-0.3p.p.
Without premium	7.8%	8.1%	8.1%		-0.3p.p.
Lands	0.3%	2.8%	3.0%		-2.5p.p.
Natural gas	7.5%	8.0%	8.0%		-0.5p.p.

\* Total costs

\*\* Transfers to RAB include direct acquisitions RAB related



# DEBT

	9M14	9M13	2013
Net debt (€M)	2,432.0	2,468.2	2,402.3
Average cost	4.67%	5.62%	5.54%
Average maturity (years)	4.0	3.0	4.4

## DEBT BREAKDOWN

Funding sources			
Bond issues	58%	71%	60%
EIB	22%	22%	23%
Commercial paper	9%	4%	9%
Loans	5%	4%	5%
CDB	6%	0%	4%

## TYPE

Fixed	51%	76%	52%
Float	49%	24%	48%

## CREDIT METRICS

Net Debt / EBITDA	4.9x	4.8x	4.6x
FFO / Net debt	12.5%	11.1%	11.6%
FFO interest coverage	3.7x	2.9x	2.9x

RATING	Long term	Short term	Outlook	Date
Moody's	Baa3	-	Stable	10/21/2014
Standard & Poor's	BB+	B	Stable	01/29/2014
Fitch	BBB	F3	Stable	01/17/2014



# **CONSOLIDATED FINANCIAL STATEMENTS**

# Consolidated Statements:

## Financial Position (tEuros)

	Sep 2014	Dec 2013
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	701	934
Goodwill	3,774	3,774
Intangible assets	3,795,506	3,877,420
Investments in associates and joint ventures	12,478	12,155
Available-for-sale financial assets	198,899	156,886
Derivative financial instruments	22,839	-
Other financial assets	100,362	102,274
Trade and other receivables	162,193	81,588
Deferred tax assets	71,069	67,800
	<b>4,367,821</b>	<b>4,302,831</b>
<b>Current assets</b>		
Inventories	1,625	1,880
Trade and other receivables	208,259	565,923
Current income tax recoverable	8,136	-
Other financial assets	66,035	22,728
Cash and cash equivalents	51,365	167,987
	<b>335,421</b>	<b>758,518</b>
<b>TOTAL ASSETS</b>	<b>4,703,242</b>	<b>5,061,349</b>

	Sep 2014	Dec 2013
<b>EQUITY</b>		
<b>Shareholders' equity:</b>		
Share capital	534,000	534,000
Treasury shares	-10,728	-10,728
Reserves	307,971	271,634
Retained earnings	188,586	163,356
Net profit for the period	84,920	121,303
<b>TOTAL EQUITY</b>	<b>1,104,749</b>	<b>1,079,566</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	2,207,119	2,430,159
Liability for retirement benefits and others	124,069	126,231
Derivative financial instruments	24,143	34,320
Provisions	4,881	4,690
Trade and other payables	379,711	370,298
Deferred tax liabilities	95,182	73,956
	<b>2,835,105</b>	<b>3,039,654</b>
<b>Current liabilities</b>		
Borrowings	398,981	250,325
Provisions	1,073	1,213
Trade and other payables	362,535	642,973
Income tax payable	-	44,935
Derivative financial instruments	799	2,683
	<b>763,388</b>	<b>942,129</b>
<b>TOTAL LIABILITIES</b>	<b>3,598,493</b>	<b>3,981,783</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,703,242</b>	<b>5,061,349</b>

# Consolidated Statements:

## Profit and Loss (tEuros)

	Period ended September	
	2014	2013
Sales	175	109
Services rendered	418,511	421,822
Revenue from construction of concession assets	69,310	109,966
Gains/(losses) from associates and joint ventures	324	-249
Operating subsidies	10	-
Other operating income	15,921	19,798
<b>Operating income</b>	<b>504,250</b>	<b>551,446</b>
Cost of goods sold	-447	-250
Cost with construction of concession assets	-54,788	-91,480
External supplies and services	-25,779	-28,655
Employee compensation and benefit expense	-39,305	-40,310
Depreciation and amortizations	-151,413	-150,175
Provisions	-227	82
Impairments	-28	5,296
Other expenses	-9,100	-8,748
<b>Operating costs</b>	<b>-281,086</b>	<b>-314,239</b>
<b>Operating results</b>	<b>223,164</b>	<b>237,206</b>
Financial costs	-93,103	-120,256
Financial income	7,534	9,558
Investment income - dividends	6,200	5,377
<b>Financial results</b>	<b>-79,369</b>	<b>-105,322</b>
<b>Profit before income tax and CESE</b>	<b>143,795</b>	<b>131,884</b>
Income tax expense	-40,077	-42,588
Extraordinary contribution on energy sector (CESE)	-18,799	-
<b>Net profit for the period</b>	<b>84,920</b>	<b>89,296</b>
<b>Attributable to:</b>		
Equity holders of the Company	84,920	89,296
Non-controlled interest	-	-
<b>Consolidated profit for the period</b>	<b>84,920</b>	<b>89,296</b>

# Consolidated Statements:

## Cash Flow (tEuros)

	Period ended September	
	2014	2013
<b>Cash flow from operating activities:</b>		
Cash receipts from customers <sup>(a)</sup>	2,008,342	1,625,020
Cash paid to suppliers <sup>(a)</sup>	(1,523,544)	(1,137,135)
Cash paid to employees	(47,212)	(36,813)
Income tax received/(paid)	(84,936)	(16,199)
Other receipts/(payments) relating to operating activities	(63,018)	(78,203)
<b>Net cash flows from operating activities</b>	<b>289,632</b>	<b>356,670</b>
<b>Cash flow from investing activities</b>		
Receipts related to:		
Derivative financial instruments	-	1,790
Other financial assets	15,795	101,931
Grants related to assets	177	3,368
Interests and other similar income	5,646	3,645
Dividends	7,180	6,292
Payments related to:		
Other financial assets	(57,172)	(205,470)
Investments in associates and joint ventures	-	(2,910)
Available-for-sale	(100)	(100)
Property, plant and equipment	(1)	(498)
Intangible assets - Concession assets	(84,347)	(117,079)
<b>Net cash used in investing activities</b>	<b>(112,822)</b>	<b>(209,031)</b>
<b>Cash flow from financing activities</b>		
Receipts related to:		
Borrowings	3,363,000	992,151
Interests and other similar income	74	17
Payments related to:		
Borrowings	(3,497,271)	(763,362)
Interests and other similar expense	(84,851)	(80,527)
Dividends	(90,650)	(90,120)
<b>Net cash (used in)/from financing activities</b>	<b>(309,698)</b>	<b>58,159</b>
Net (decrease)/increase in cash and cash equivalents	(132,888)	205,799
Cash and cash equivalents at de beginning of the year	167,126	61,246
<b>Cash and cash equivalents at the end of the period</b>	<b>34,238</b>	<b>267,045</b>
<b>Detail of cash and cash equivalents</b>		
Cash	21	21
Bank overdrafts	(17,127)	(6,943)
Bank deposits	51,343	273,967
	<b>34,238</b>	<b>267,045</b>

(a) These amounts include payments and receipts relating to activities in which the Group acts as agent, income and costs being reversed in the consolidated statement of profit and loss.

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