

Consolidated Results

First Quarter 2011

May 09th 2011

Strong results and a substantial reduction in operating costs

- Recurrent net income grew by 10% to €34.4M, despite the rise of 2.5 p.p. in the corporate tax rate. Without adjusting the effect of the €6.2M provision to cover the contingent liability arising from the dispute with Amorim Energia, net income would have grown by 37.3%.
- EBITDA increased by 10.5% YoY, mainly due to the improvement in operational efficiency, the expansion in the regulatory asset base, the better (weighted) average rate of return and the new indexation of hydro land remuneration.
- Both EBITDA and recurrent net income rose above the 9% average growth target assumed in the 2010-2016 Business Plan.

Execution of the Investment Program according to Plan

- REN's Investment Program continues to be executed according to the strategic plan, with CAPEX reaching €60M in the quarter, an increase of 14.0% versus 1Q10.
- In electricity the investment on the new Tavira substation and the new Portimão-Tavira line stand out; in natural gas the main highlight is the ongoing investment in the Sines LNG terminal expansion project.

Containment of interest charges and prudent management of debt

- Despite the growth in CAPEX, net debt slightly decreased when compared with 1Q10, amounting to €2,163M at the end of the period. This stabilization allowed for a reduction in the net debt/EBITDA ratio, from 5.4x to 4.7x.
- Despite the difficulties that Portuguese corporate sector is facing in financial markets, the average cost of debt grew by only 35 bps (reaching 4.24%).

Main financial indicators 1Q11

(€M)	1Q10	1Q11	Δ%
EBITDA	104.5	115.5	10.5%
Net financial income	-19.8	-20.8	4.8%
Net income	25.0	34.4	37.3%
Recurrent net income	31.3	34.4	9.9%
RAB variation*	-28.5	-38.2	33.7%
RAB*	2,825.8	3,016.5	6.7%
CAPEX	52.7	60.1	14.0%
Net debt*	2,182.2	2,162.9	-0.9%

* End of period



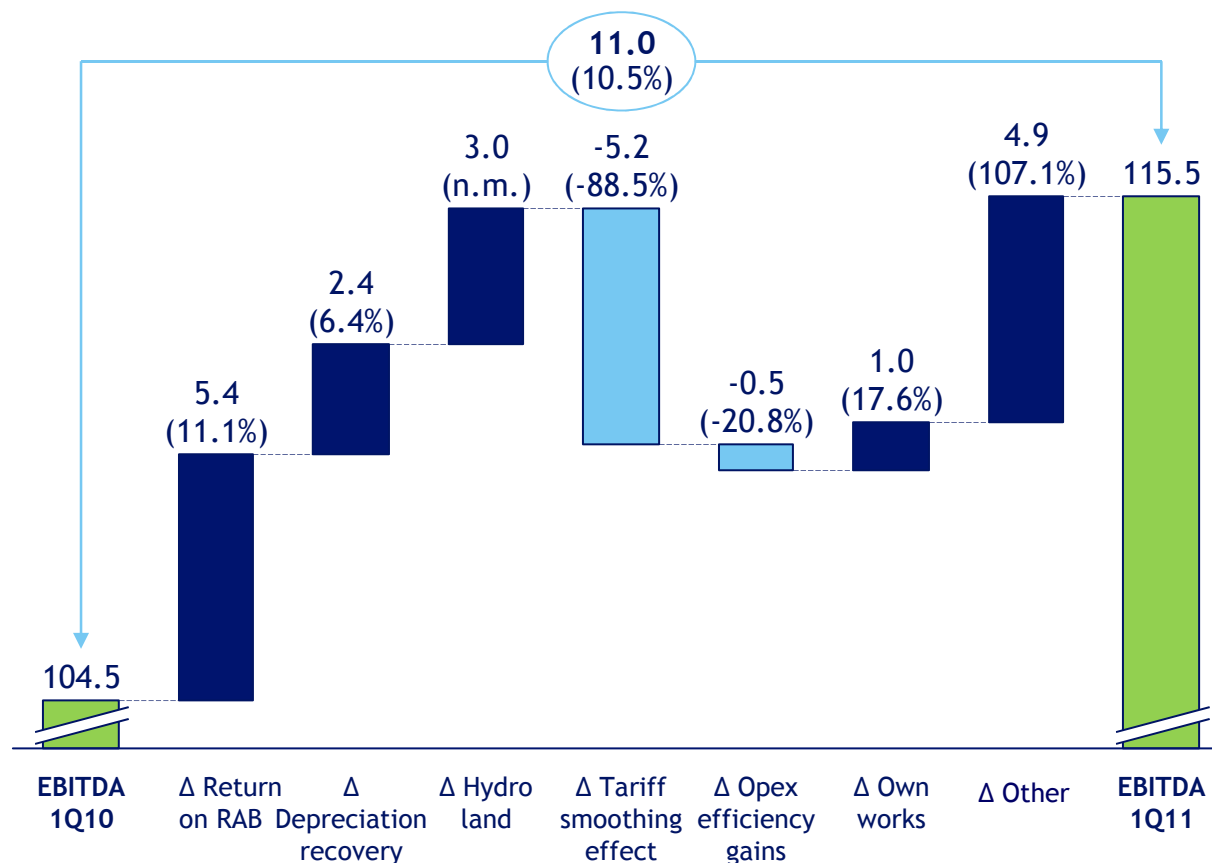
EBITDA breakdown 1Q11



(€M)	1Q10	1Q11	Δ%
1) Total revenues	185.2	196.3	6.0%
Activity remuneration	57.0	60.1	5.5%
Return on RAB	48.5	53.9	11.1%
Electricity	29.4	33.2	13.2%
Gas	19.1	20.6	7.8%
Land remuneration	-0.3	2.6	
Remuneration of fully depreciated assets	1.3	1.8	38.9%
Commercial gains (trading)	0.6	0.6	-5.6%
Interest on tariff deviation	1.1	0.6	-46.4%
Tariff smoothing effect (natural gas)	5.9	0.7	-88.5%
Recovery of costs	62.3	66.0	5.9%
Recovery of OPEX	25.0	26.3	5.1%
Recovery of depreciation (net from subsidies)	37.3	39.7	6.4%
Other operational revenues	13.2	10.1	-23.1%
Δ Own works (capitalized investment)	5.9	7.0	17.6%
Construction costs (regulated assets)	46.8	53.1	13.6%
2) OPEX	33.9	27.7	-18.3%
Personnel cost	13.4	12.1	-10.2%
External supplies and services	16.6	11.4	-31.2%
Other operational costs	3.9	4.2	8.3%
3) Construction costs (regulated assets)	46.8	53.1	13.6%
4) Provisions	6.2	0.0	
5) Non recurring items EBITDA	6.2	0.0	
6) EBITDA (1-2-3-4+5)	104.5	115.5	10.5%
7) Depreciation	41.8	45.5	8.8%
8) Financial income	-19.8	-20.8	4.8%
9) Income tax	11.6	14.9	28.0%
10) NET INCOME (6-5-7+8-9)	25.0	34.4	37.3%
11) Non recurring items NI	6.2	0.0	
12) RECURRENT NET INCOME (10+11)	31.3	34.4	10.0%

Change in EBITDA (1Q10 - 1Q11)

(€M)

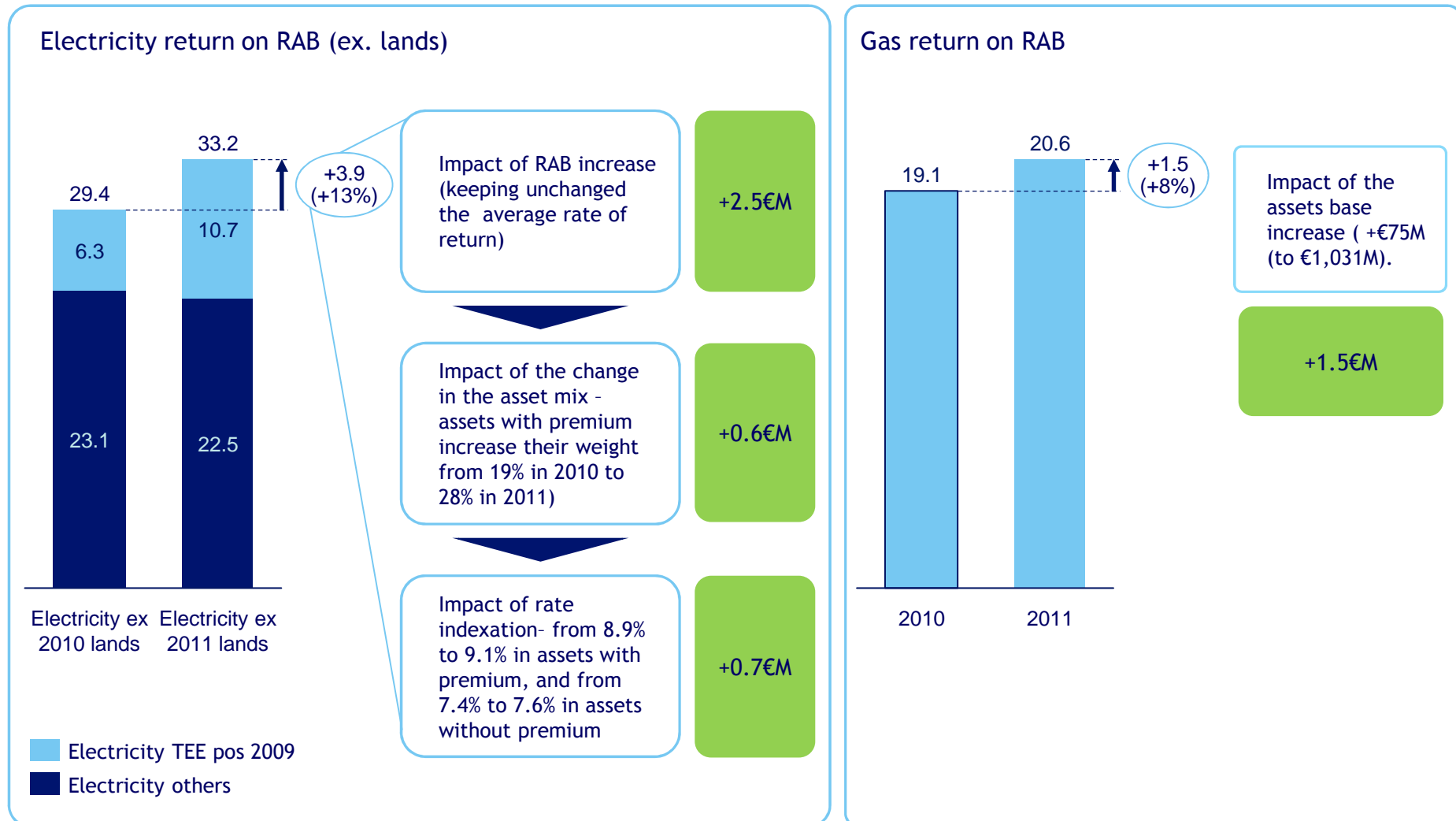


EBITDA grew by 10.5% (+€11.0M), mainly due to:

- Increase in RAB and in the (weighted) average rate of return, leading return on RAB to grow by 11.1% and depreciation recovery by 6.4%.
- The change in the indexation of hydro land remuneration (midswap +50 bp versus inflation rate) resulted in a gain of €2.6M in 1Q11, versus a loss of -€0.3M in 1Q10.
- Opex efficiency gains in 1Q11 amounted to €2.1M, which compare with €2.6M in 1Q10.

Return on RAB breakdown

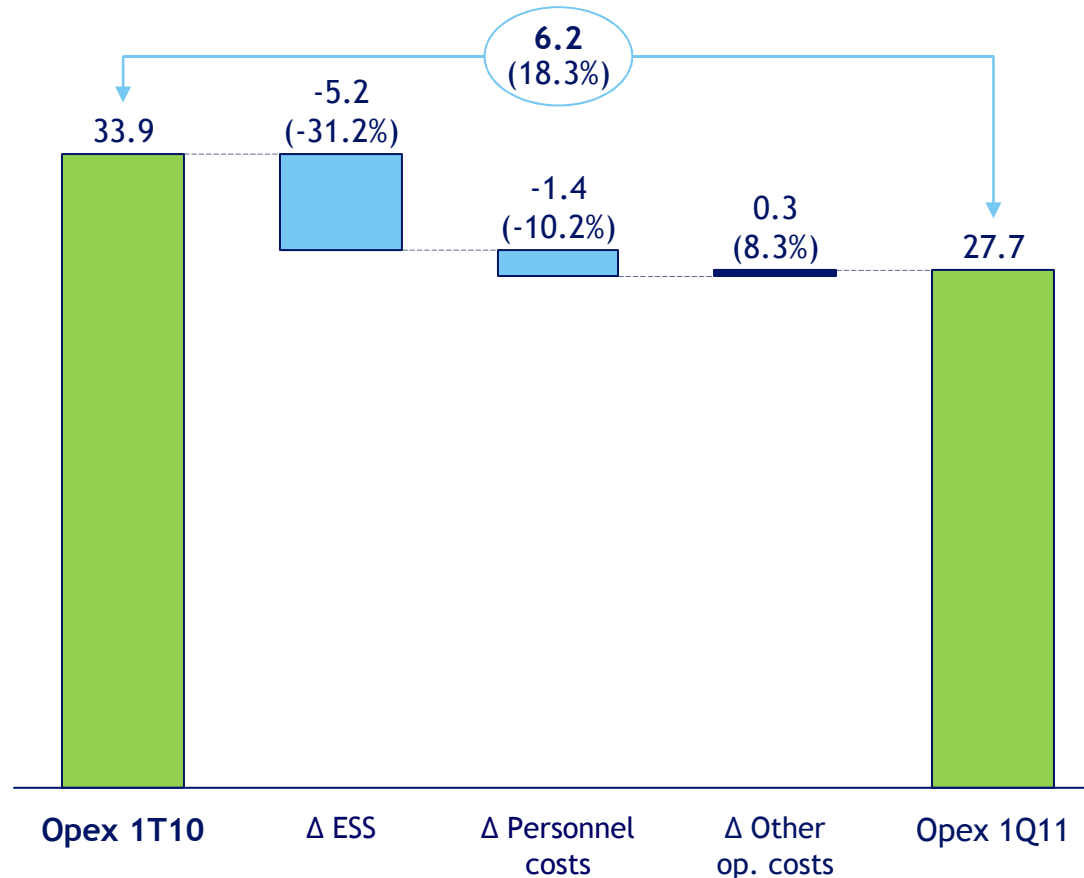
(€M)



Operational costs down by 18.3%

(although exxagerated by change in consolitation method)

(€M)

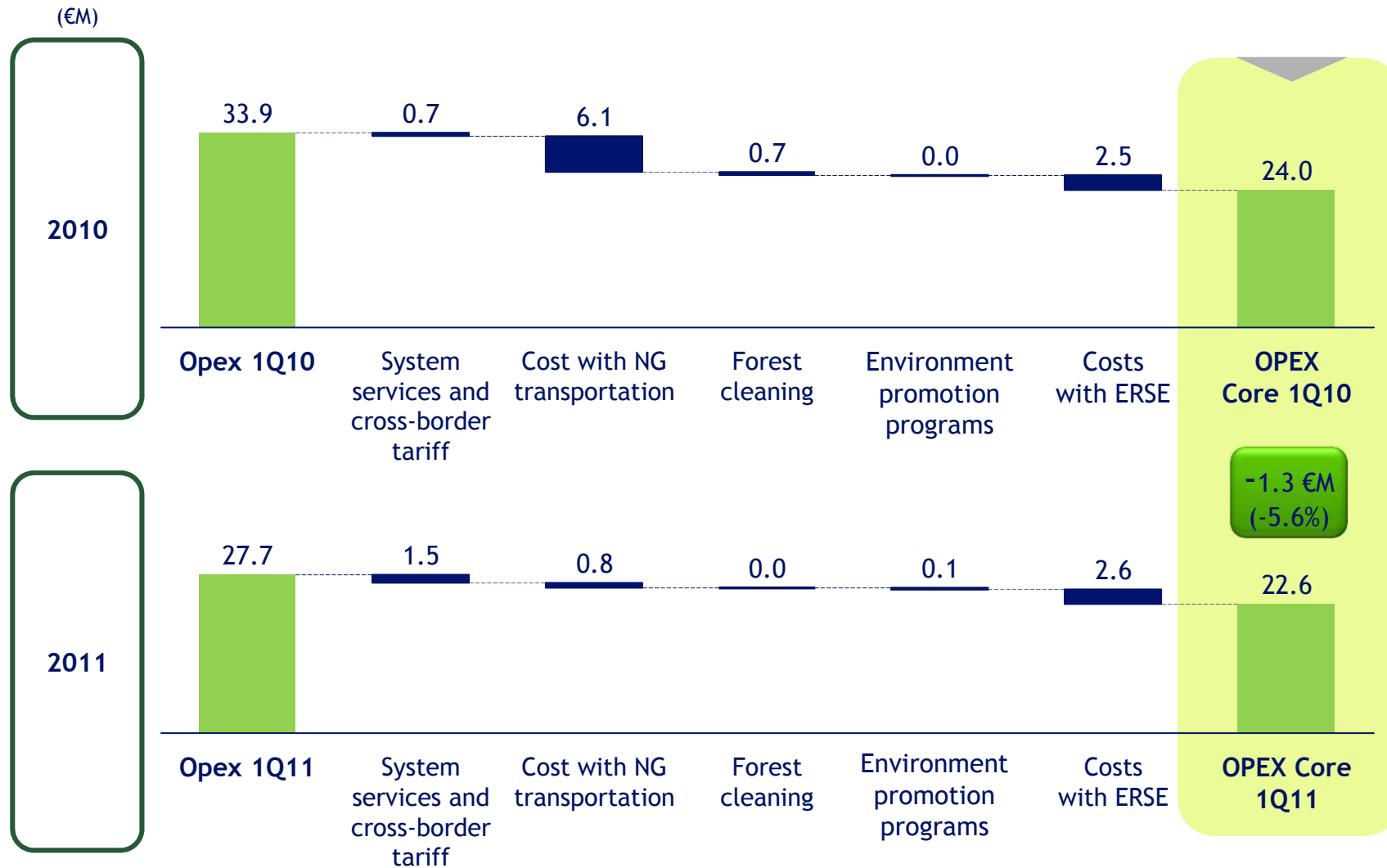


- Operational costs decreased by 18.3%, reaching €27.7M. External services decreased by 31.2% and personnel costs by 10.2%.

- These decreases reflect the continued effort to raise the company's operational efficiency as well as the changes in the consolidation method of natural gas transmission companies.

Note: values do not include PPA costs (€62.0M in 2010 and €75.0M in 2011) as well as costs incurred with the construction of concession assets (€46.8M in 2010 and €53.1M in 2011).

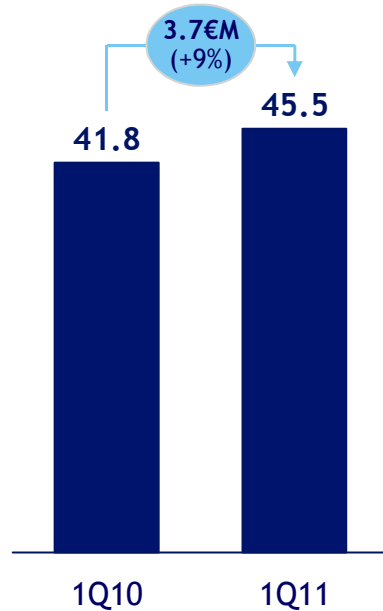
Opex Core: 5.6% reduction in controllable costs



Note: figures do not include costs incurred with the construction of concession assets (€46.8M in 2010 and 53.1€M in 2011).

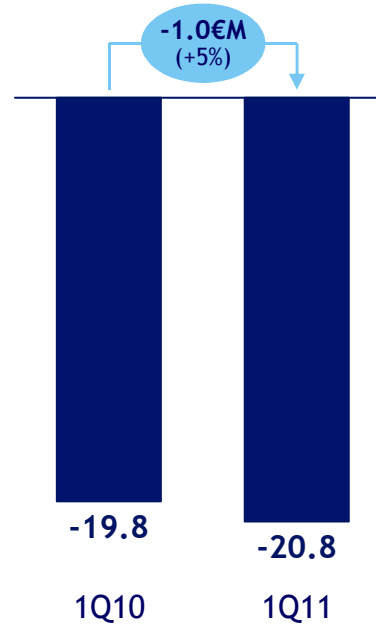
Below EBITDA

Depreciation
(€M)



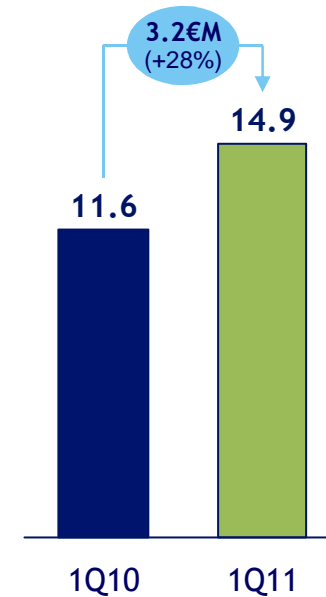
- The increase in depreciation follows the growth of RAB.

Net financial income
(€M)



- Financial results reached -€20.8M versus -€19.8M in the same period of last year. The increase was contained by the reduction in the debt stock.
- The average cost of the debt was 4.24% (3.89% in 2010).

Taxes
(€M)



- Taxes increased by €3.2M, reflecting the growth of the results before taxes (+34.4% compared with 1Q10).

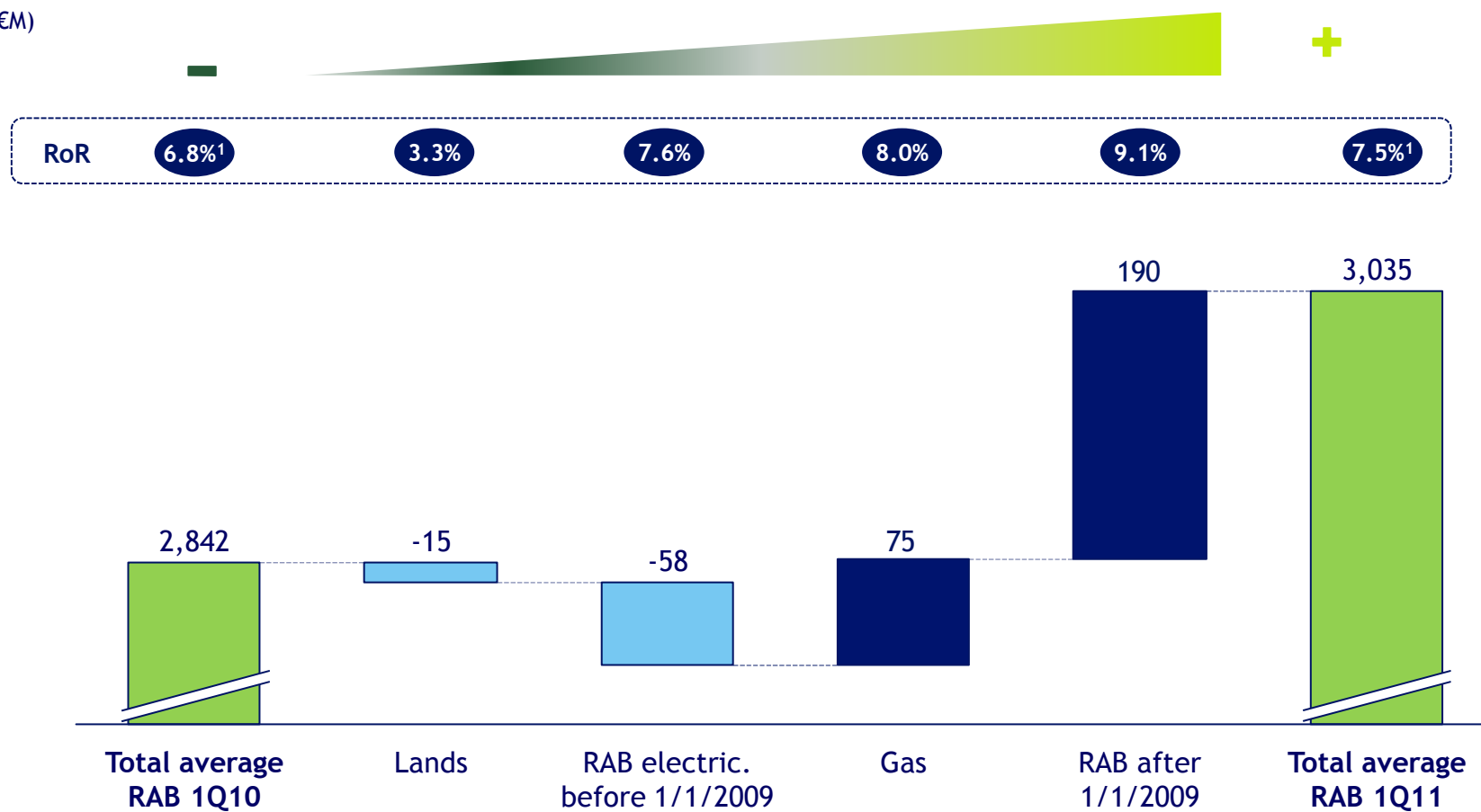
Average RAB and CAPEX

(€M)	1Q10	1Q11	Δ%
Total average RAB	2,842.5	3,035.5	6.8%
Electricity	1,532.0	1,664.6	8.7%
Hydro land	354.6	340.0	-4.1%
Gas	955.9	1,030.9	7.8%
Capex	52.7	60.1	14.0%
Electricity	35.7	34.9	-2.2%
Gas	17.0	25.2	47.9%
Transfers to RAB	-28.5	-38.2	33.7%
Electricity	-16.6	-24.5	47.7%
Gas	-8.2	-10.2	24.3%
Lands	-3.7	-3.4	-7.8%

- Up to March 2011, CAPEX was €60.1M, an increase of 14.0% compared to 2010.
- In electricity we highlight the investment in the Tavira substation and the Portimão-Tavira line (Algarve region).
- In natural gas we highlight the continued investment in the Sines LNG terminal expansion project.
- The average RAB increased 6.8%, reaching €3,036M.

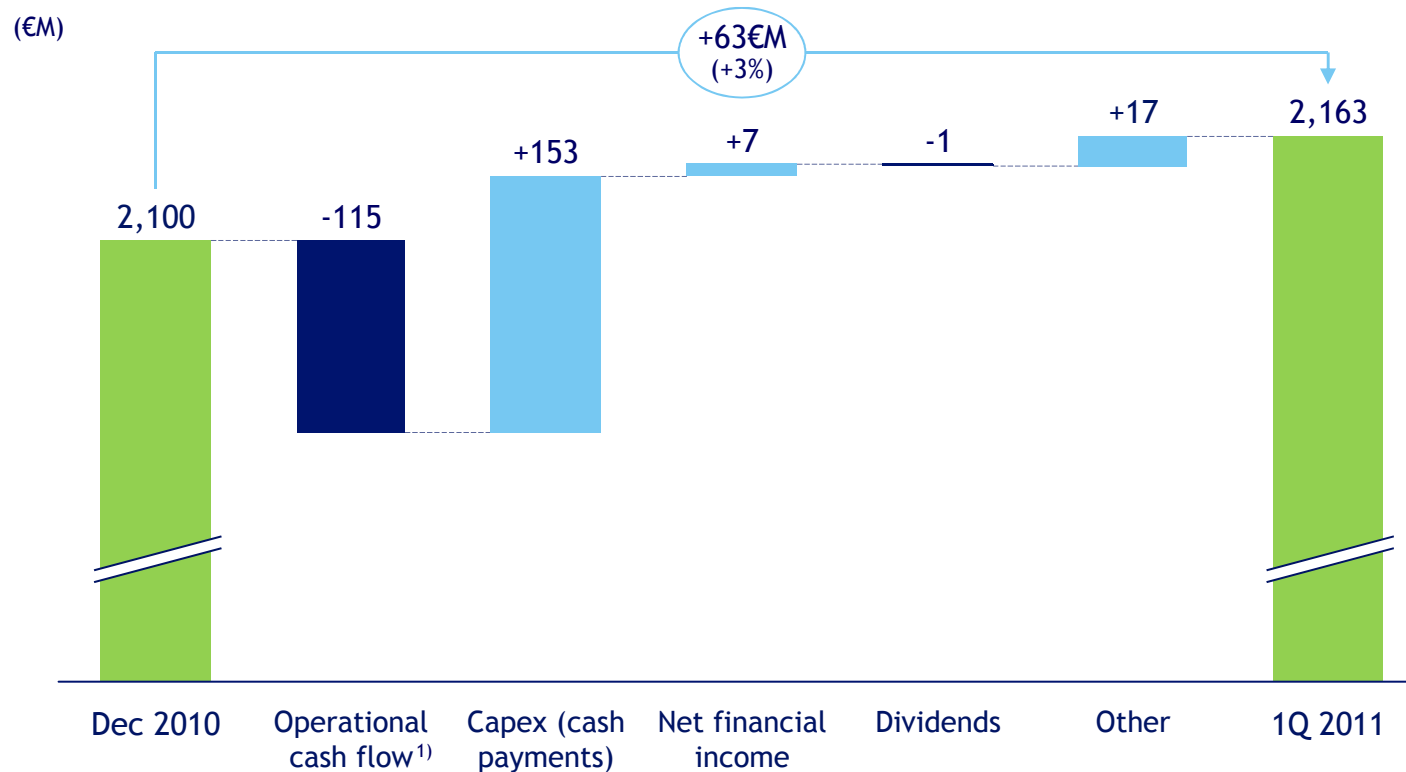
Average RAB breakdown

(€M)



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

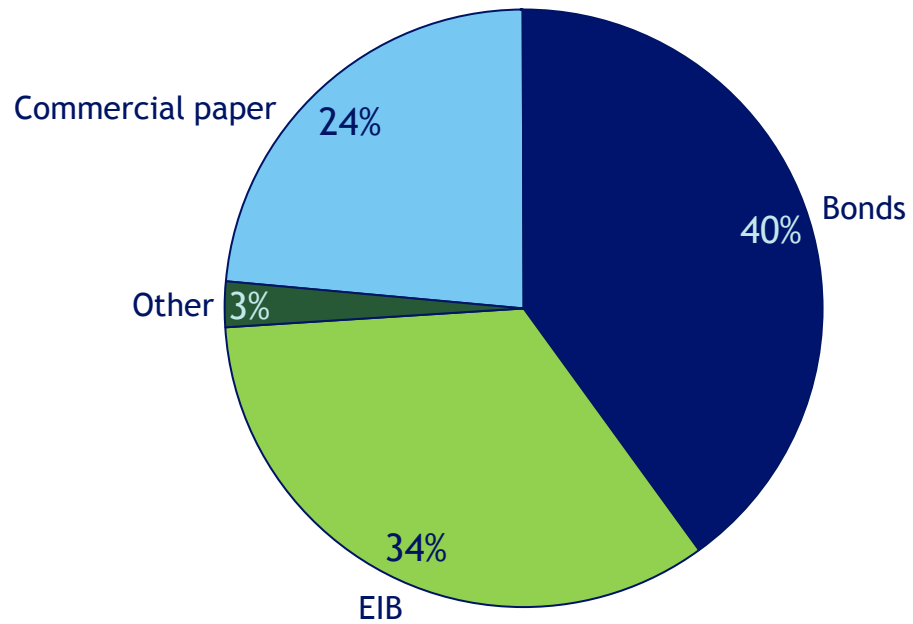
Net debt



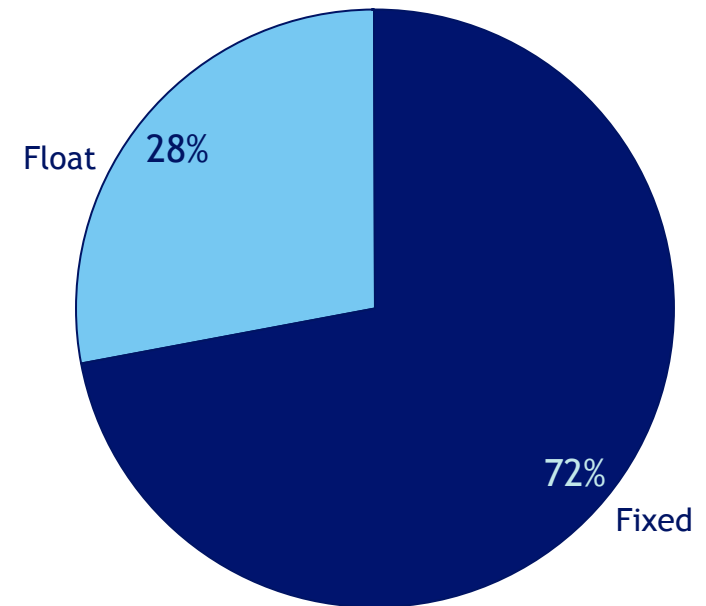
- Net debt at the end of March reached 2,163M€, rising 3% when compared with the end of 2010. This increase results primarily from disbursements related to late 2010 CAPEX.
- The average cost of REN's debt was 4.24%.

¹⁾ Operational Cash flow = EBIT + Depreciation+ Provisions

Sources



Type



Average maturity: 4.4 years

	1Q10	1Q11
Net Debt / EBITDA	5.4x	4.7x
FFO / Net Debt	11.5%	11.4%
FFO interest coverage	3.9x	3.8x





Other operational revenues and costs

(€M)	1Q10	1Q11	Δ%
Other operational revenues	13.2	10.1	-23.1%
Subsidies depreciation	4.2	4.9	18.0%
Electricity	2.1	2.6	25.8%
Gas	2.1	2.3	10.2%
Revenues from gas JV	2.6	0.0	
Services rendered to gas JV	1.5	0.0	
Hedging contracts	0.0	0.8	
Recovery of cross-border costs	0.7	0.6	-18.6%
Lease revenues from hydro protection zone	0.2	0.2	8.2%
Telecom	1.0	1.0	5.0%
Services provided to market operator	0.6	0.8	31.6%
Other services provide	0.6	0.0	
Other	1.7	1.8	1.1%
Other operational costs	3.9	4.2	8.3%
Costs with ERSE	2.5	2.6	4.1%
Other	1.4	1.7	15.7%

EBIT breakdown (electricity)

(€M)	1Q10	1Q11	Δ%
Operational revenues	115.8	122.8	6.0%
Return on RAB	29.4	33.2	13.2%
Land remuneration	-0.3	2.6	
Use of fully depreciated assets	1.3	1.8	38.9%
Commercial gains	0.6	0.6	-5.6%
Interest on tariff deviation	1.1	0.4	-60.0%
Opex recovery	16.8	17.0	1.5%
Recovery of depreciation (net from subsidies)	27.1	28.1	3.8%
Other operational revenues	4.3	4.1	-4.5%
Construction revenues (regulated assets)	35.7	34.9	-2.2%
Operational costs	14.7	14.9	1.3%
External supplies and services	6.2	6.5	4.0%
Personnel costs	6.5	6.1	-6.0%
Other operational costs	2.0	2.3	16.3%
Construction costs (regulated assets)	30.7	29.2	-4.7%
EBITDA	70.4	78.6	11.6%
Depreciation	29.9	31.4	5.0%
EBIT	40.5	47.2	16.5%

EBIT breakdown (Gas)

(€M)	1Q10	1Q11	Δ%
Operational revenues	66.8	70.8	6.1%
Return on RAB	19.1	20.6	7.8%
Interest on tariff deviation	0.0	0.1	
Tariff smoothing effect	5.9	0.7	-88.5%
Opex recovery	8.2	9.2	12.3%
Recovery of depreciation (net from subsidies)	10.2	11.6	13.4%
Other operational revenues	6.3	3.3	-47.8%
Construction revenues (regulated assets)	17.0	25.2	48.2%
Operational costs	12.6	7.2	-43.1%
External supplies and services	9.0	3.5	-60.9%
Personnel costs	2.6	2.3	-12.8%
Other operational costs	1.0	1.4	32.6%
Construction costs (regulated assets)	16.1	23.9	48.6%
EBITDA	38.1	39.7	4.4%
Depreciation	11.8	13.9	18.2%
EBIT	26.3	25.8	-1.8%

EBIT breakdown (Other)

(€M)	1Q10	1Q11	Δ%
Operational revenues	2.6	2.7	6.1%
Other operational revenues	2.6	2.7	6.1%
Operational costs	6.6	5.6	-14.5%
External supplies and services	1.4	1.4	2.6%
Personnel costs	4.4	3.7	-14.7%
Other operational costs	0.8	0.5	-41.4%
Provisions / reversions	6.2	0.0	
Non recurring items	6.2	0.0	
EBITDA	-4.0	-2.9	-27.7%
Depreciation	0.1	0.1	34.2%
EBIT	-10.3	-3.0	-70.9%

- Net Tariff deviations were worth -34.3M in the balance sheet at the end of 1Q11 as follows :
 - Electricity: -€76.2M
 - Gas: €41.9M



Profit and loss statement

(€M)	1Q10	1Q11	Δ%
Operational revenues	185.2	196.3	6.0%
Sales and services rendered	123.5	128.4	3.9%
Construction revenues (regulated assets)	52.7	60.1	14.1%
Other operational revenues	8.9	7.8	-12.3%
Operational costs	-128.7	-126.3	-1.9%
External supplies and services	-16.6	-11.4	-31.2%
Personnel	-13.4	-12.1	-10.2%
Construction costs (regulated assets)	-46.8	-53.1	13.6%
Depreciation	-41.8	-45.5	8.8%
Provisions	-6.2	0.0	
Others	-3.9	-4.2	8.3%
EBIT	56.5	70.0	24.0%
Net financial income	-19.8	-20.8	4.8%
Financial costs	-21.6	-23.5	8.9%
Financial revenues	0.4	1.2	196.0%
Investment income (dividends)	1.4	1.5	12.7%
EBT	36.7	49.3	34.4%
Income tax	-11.6	-14.9	28.0%
Net income	25.0	34.4	37.3%

Balance sheet

(€M)	2010	1Q11
Fixed assets RAB related	3,701.8	3,742.4
Investments and goodwill ¹	118.1	121.7
Tariff deviations	124.5	112.2
Receivables ²	279.0	309.5
Cash	138.6	130.0
Other ³	98.5	78.6
Total assets	4,460.5	4,494.3
Shareholders equity	1,021.9	1,062.6
Debt (end of period)	2,257.8	2,303.9
Provisions	17.1	17.1
Tariff deviations	129.1	146.5
Payables ⁴	887.2	813.4
Other ⁵	147.5	150.8
Total equity and liabilities	4,460.5	4,494.3

1. *Goodwill*, interest in *joint ventures* and financial investments

2. Trade and other receivables, deferred tax assets and current income tax recoverable + fixed assets (not RAB related)

3. Assets in progress non remunerable, inventories and guarantee deposits

4. Trade and other payables, deferred tax liabilities and income tax payable

5. Retirement and other benefits obligations, derivative financial instruments and guarantee deposits

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