

REN

May, 03rd 2018

RESULTS PRESENTATION 1Q18



1Q18 HIGHLIGHTS



RESULTS
PRESENTATION

- ▶ **EBITDA** was up by €4.7M (3.8%) to €128.4M, essentially due to the impact in results of the recent acquisition of Portgás (€10.9M). However, this was partially mitigated by the lower rates of return resulting from the new regulatory framework in electricity and the decrease in bond yields that caused an additional decline in **returns** of €10.2M yoy, in transmission. Both **CAPEX** and **Transfers to RAB** have displayed a positive evolution due to Portgás, standing at €13.9M (from €13.2M in 1Q17) and €2.3M (from €1.1M in 1Q17), respectively. Furthermore, **Average RAB** grew by 10.9% to €3,877.8M, again helped by the contribution of Portgás (€464.1M);
- ▶ **Net Profit** stood at €13.1M, 3.0% below the same period of 2017. The decrease was mainly driven by the growth in **Amortizations**, the **Financial Result** and the maintenance of the recognition of the **extraordinary levy on the energy sector** (€25.3M in 2018);
- ▶ **Financial Result** evolution (-€1.1M, to -€16.6M) was affected by the increase in **Net Debt** (€2,643.7M versus €2,543.5M in 1Q17), following the Portgás' acquisition (€530.3M). Furthermore, REN continued to fine-tune its **cost of debt** which was down to 2.3% from 2.6% in 1Q17;
- ▶ **Recurrent Net Profit** amounted to €38.4M, €2.5M (6.2%) below 1Q17's number;
- ▶ In 11th April 2018, **Fitch reaffirmed REN's Rating at 'BBB'**, with a **stable outlook**.

RESULTS AT A GLANCE



RESULTS
PRESENTATION

€M	1Q18	1Q17	Δ%	Δ Abs.
EBITDA	128.4	123.7	3.8%	4.7
Financial Result	-16.6	-15.5	-7.2%	-1.1
Net Profit	13.1	13.5	-3.0%	-0.4
Recurrent Net Profit	38.4	40.9	-6.2%	-2.5
Average RAB	3,877.8	3,495.3	10.9%	382.5
CAPEX	13.9	13.2	5.2%	0.7
Net Debt	2,643.7	2,543.5	3.9%	100.2

PORTUGUESE PERCEIVED SOVEREIGN DEBT RISK

With a sustained downward trend



RESULTS
PRESENTATION

PT 10Y Treasury Bond Yields



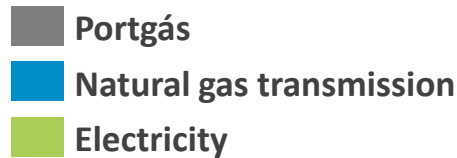
CAPEX STOOD AT €13.9M

With Portgás contributing with €3.8M

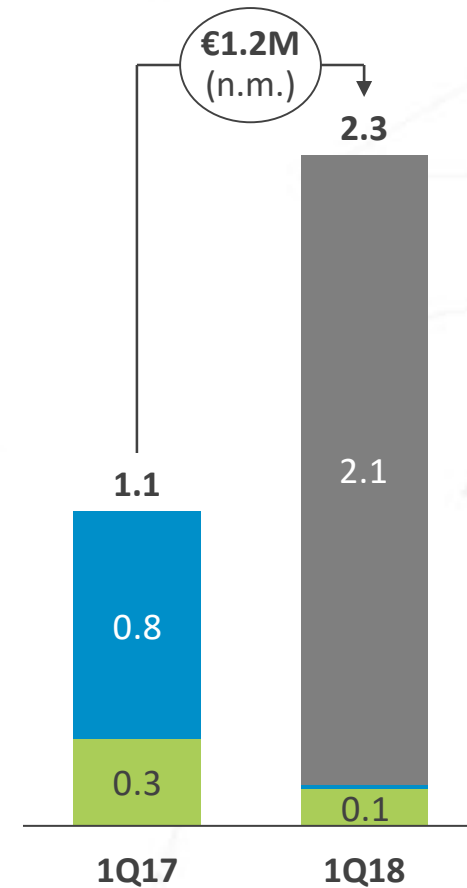


RESULTS
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CAPEX (€M)

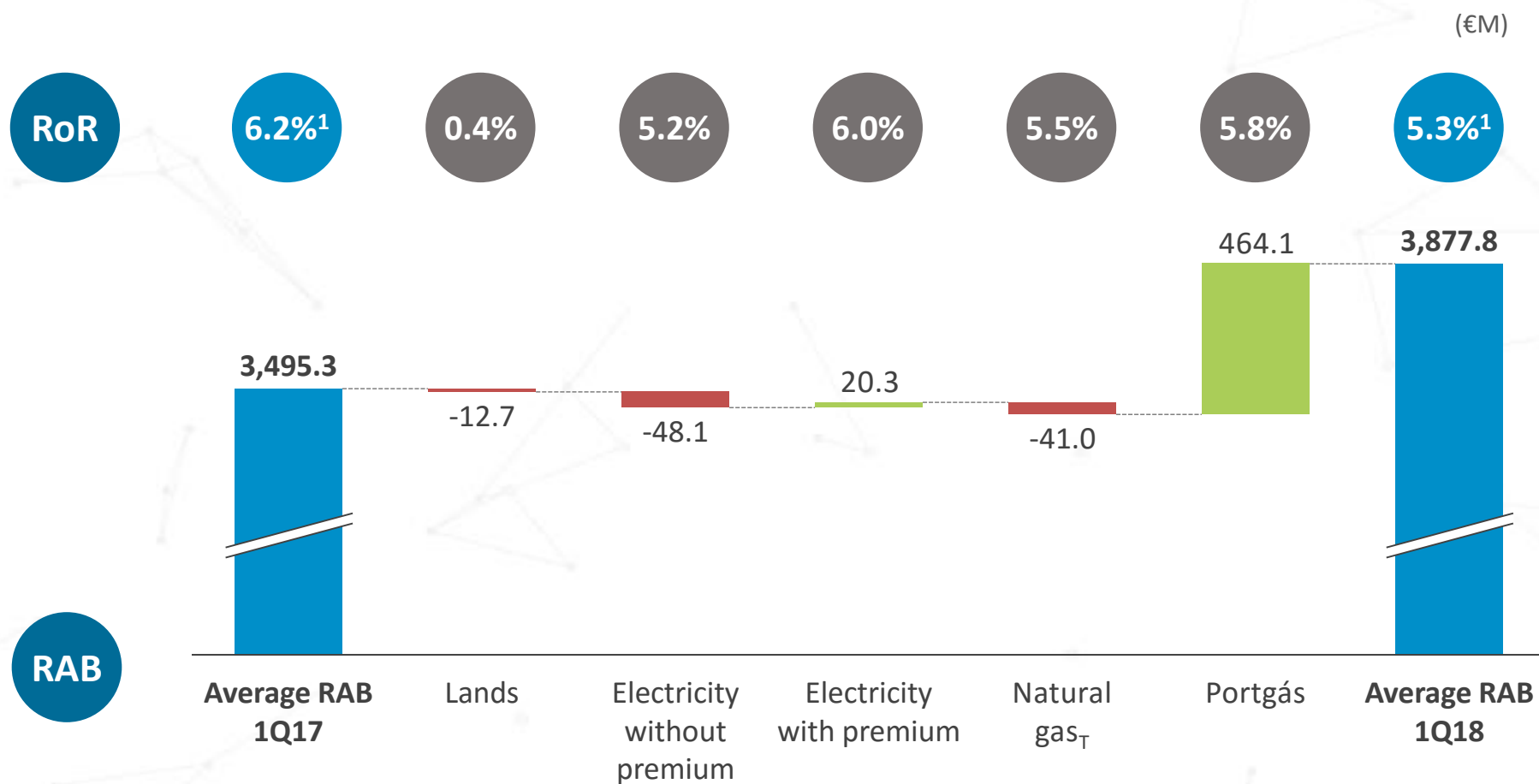


TRANSFERS TO RAB (€M)



AVERAGE RAB ROSE BY 10.9%

Impacted by the Portgás acquisition



1) RoR is equal to the specific asset remuneration, divided by the average RAB.

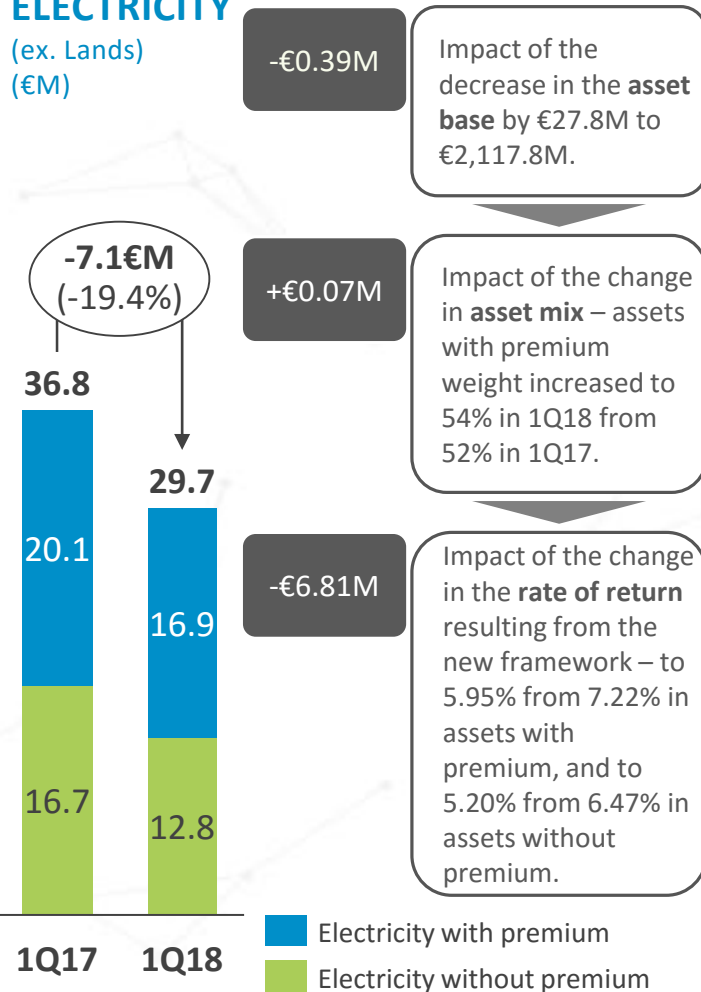
IN TRANSMISSION, RAB REMUNERATION FELL BY €10.0M



RESULTS
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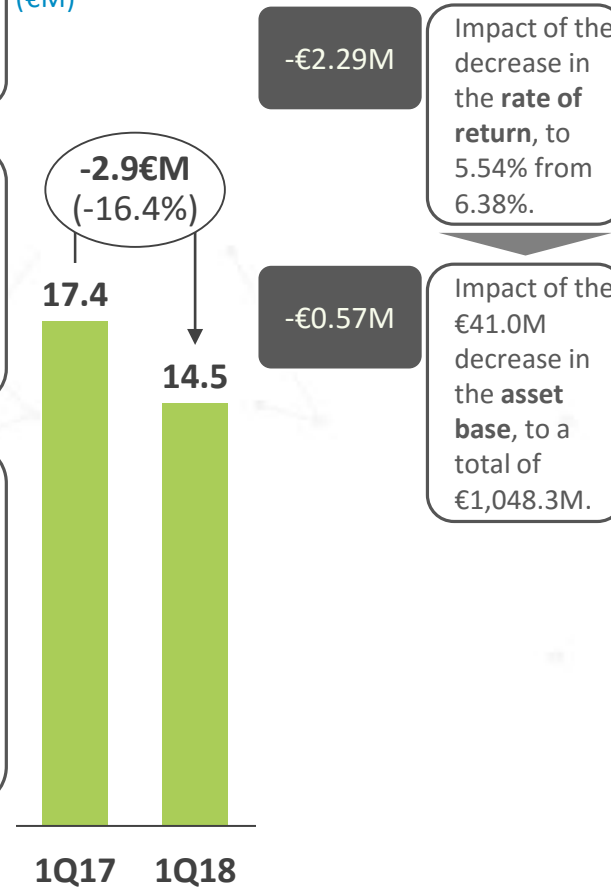
RAB REMUNERATION ELECTRICITY

(ex. Lands)
(€M)



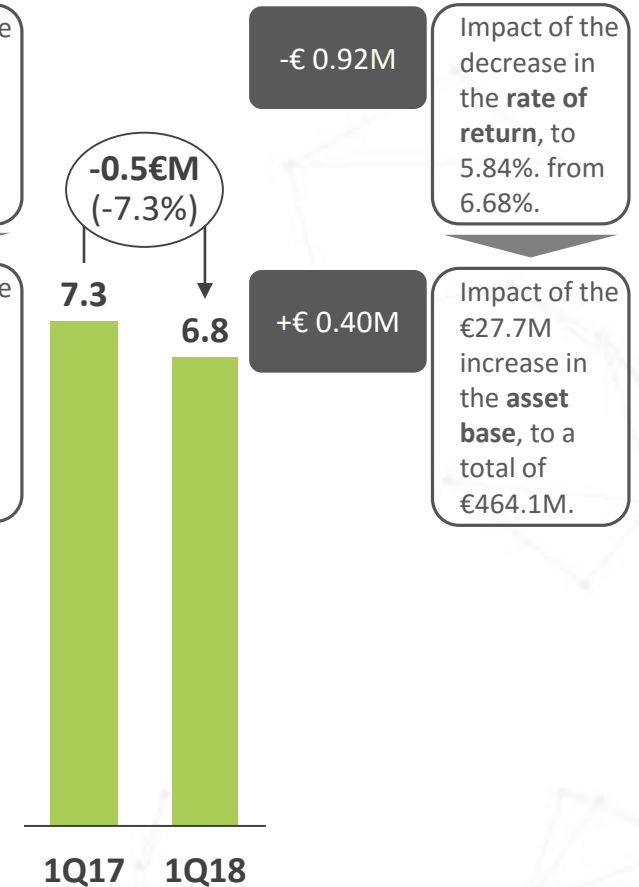
RAB REMUNERATION NATURAL GAS_T

(ex. tariff smoothing effect)
(€M)



RAB REMUNERATION PORTGÁS⁽¹⁾

(€M)



1) Portgás accounted for asset returns using ERSE's *ex-ante* allowed return (6.40%). REN used the effective rate calculated using the 10-Year bond yields (6.68%).

OPEX ROSE BY €5.6M DUE TO PORTGÁS

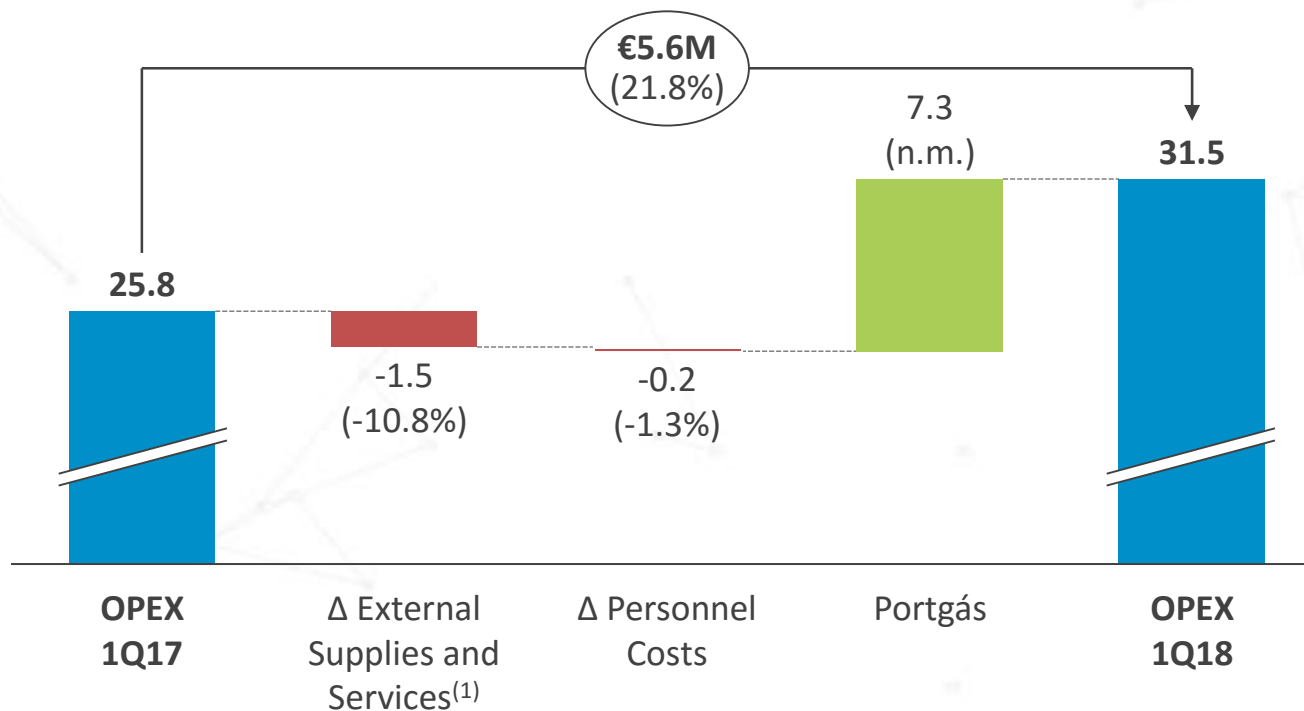
Excluding this effect OPEX decreased by €1.6M



RESULTS
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OPERATIONAL COSTS

(€M)



- ▶ OPEX variation was mostly explained by the acquisition of Portgás. **External Supplies and Services** includes €1.2M from Electrogas acquisition in 2017.

⁽¹⁾ Includes -Δ€0.8M of Other Operating Costs.

IN 1Q18, CORE OPEX WAS UP BY €1.9M (9.2%)

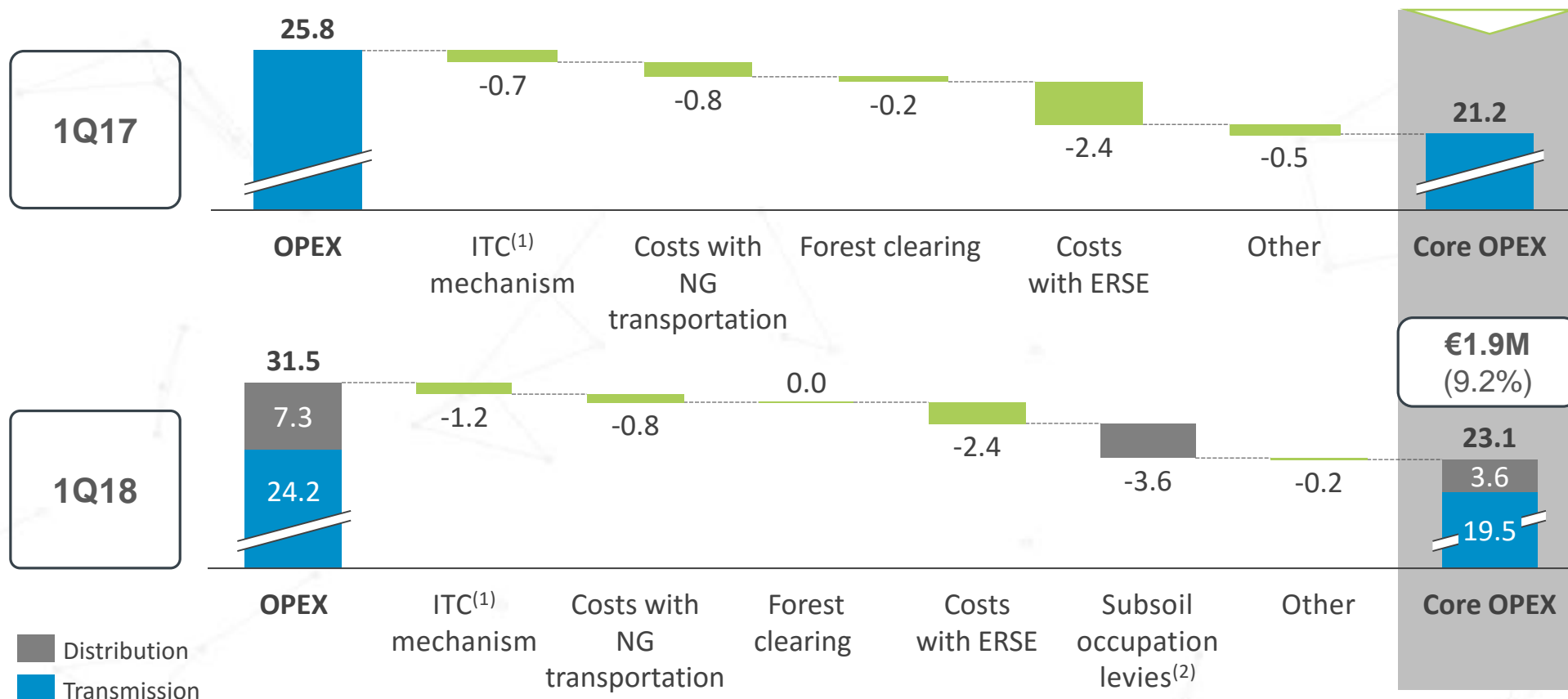
Without Portugás it went down by 7.9%



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CORE OPEX

(€M)



(1) ITC - Inter Transmission System Operator Compensation for Transits;

(2) Related to Portugás.

EBITDA ROSE BY 3.8%

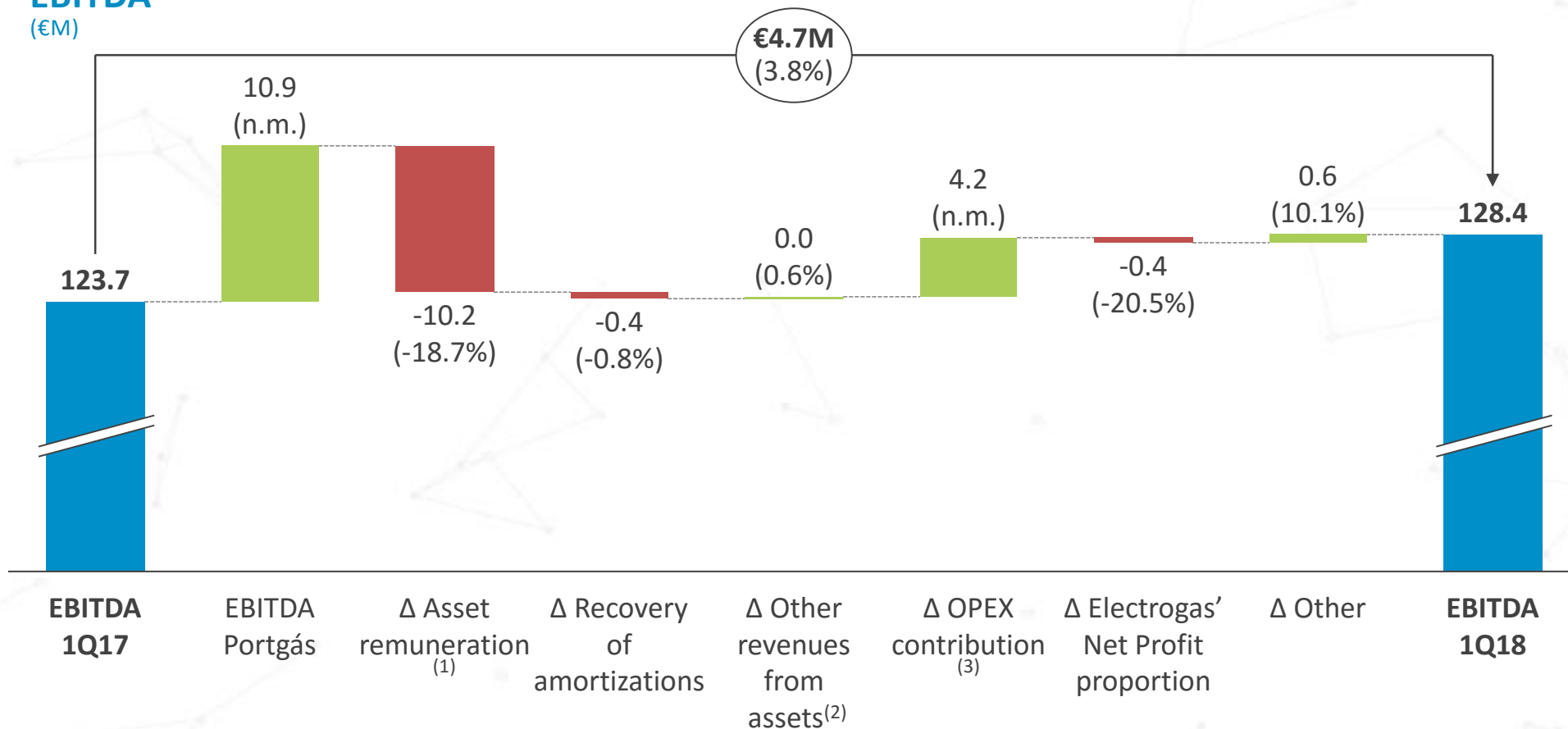
Benefiting from the Portgás acquisition (€10.9M)



RESULTS
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EBITDA

(€M)



⁽¹⁾ Includes -Δ€0.2M of NG tariff smoothing effect (natural gas);

⁽²⁾ Transmission business only;

⁽³⁾ Includes €1.2M related to the one-off costs with Electrogas (in 1Q17) and Δ€0.7M of OPEX own works.

BELOW EBITDA

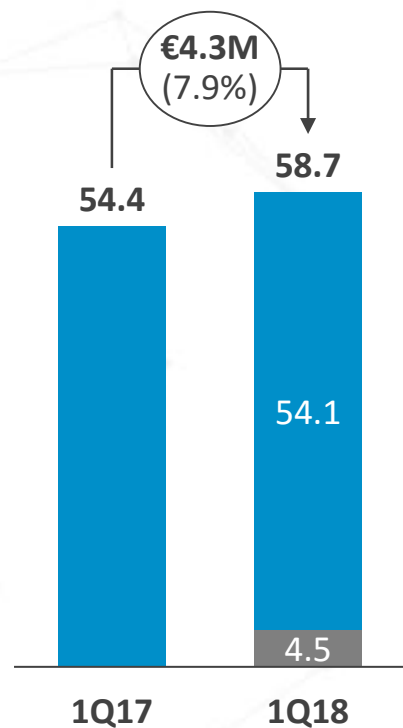


RESULTS
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Average cost of debt maintained its downward trend (from 2.6% to 2.3%)

DEPRECIATIONS AND AMORTIZATIONS

(€M)



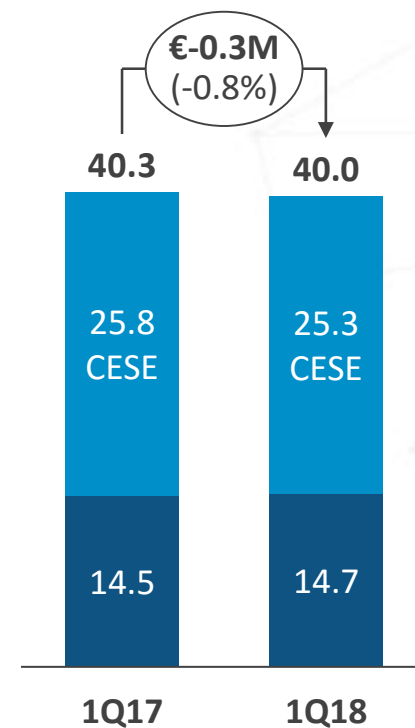
FINANCIAL RESULTS

(€M)



TAXES

(€M)



- Transmission
- Distribution

NET DEBT REACHED €2,643.7M

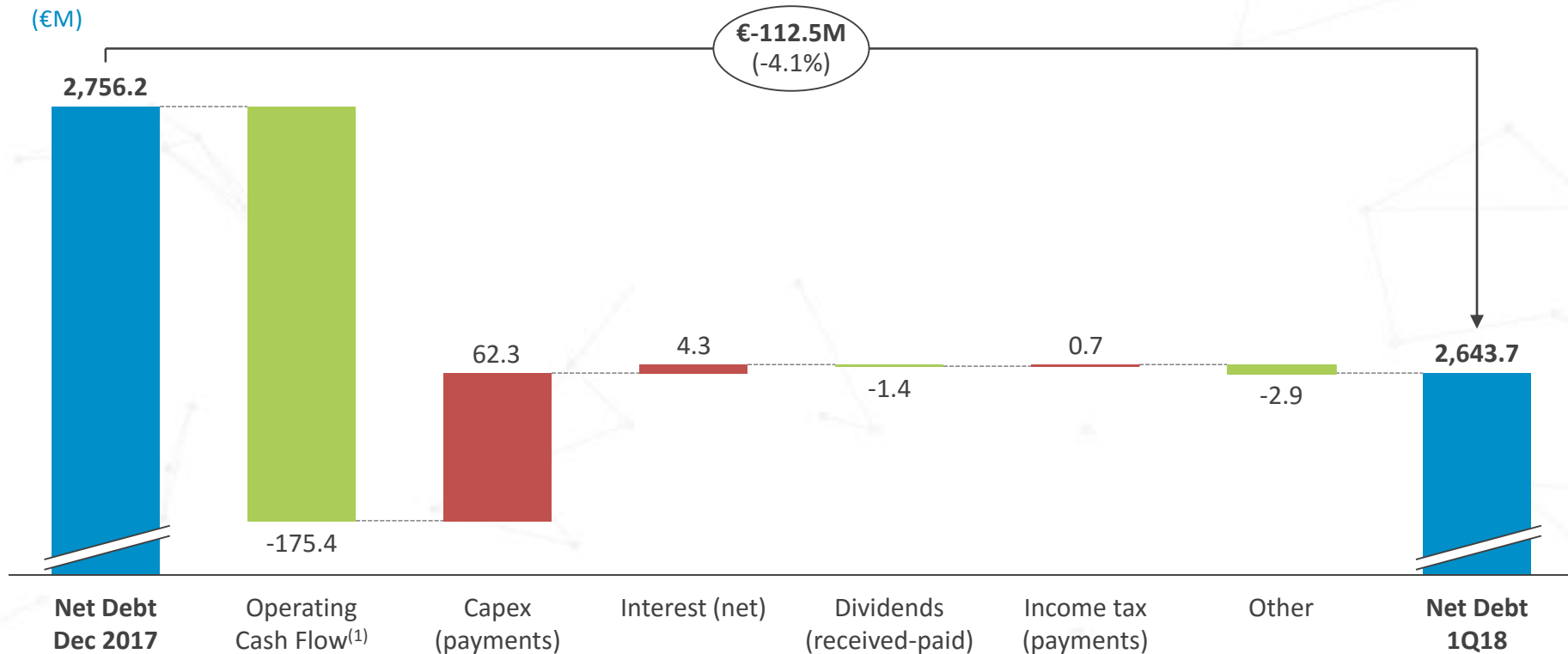
With a very positive free cash-flow after Capex



RESULTS
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NET DEBT

(€M)



- ▶ **Average cost of debt** decreased over the last twelve months (2.3% in 1Q18 vs 2.6% in 1Q17);
- ▶ **FFO/Net Debt** ratio went up to 11.8%.

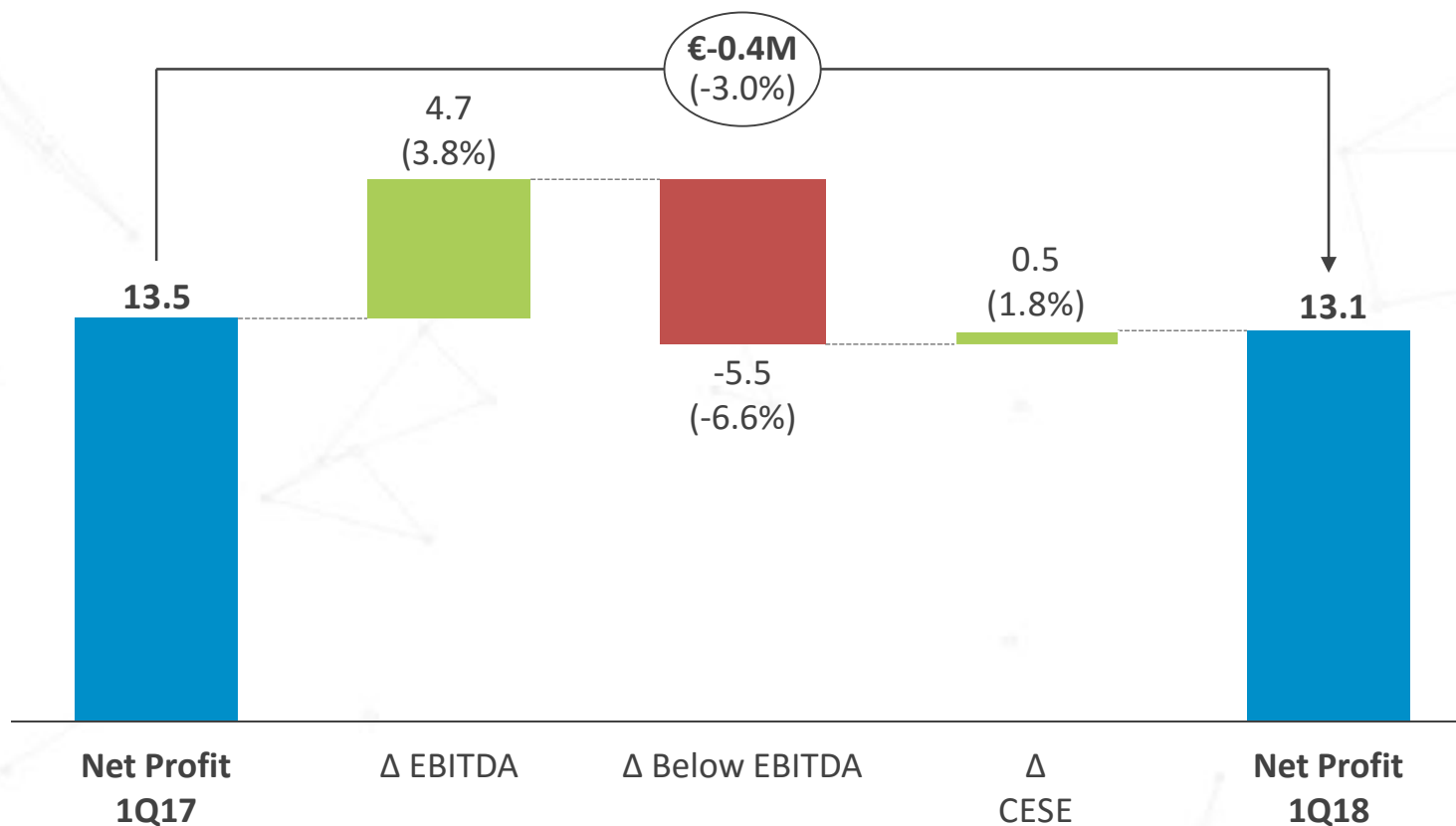
(1) Includes Δ€39.4M of positive **tariff deviations**.

NET PROFIT AMOUNTED TO €13.1M (-3.0%)



RESULTS
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NET PROFIT (€M)



- ▶ In the first quarter of 2018, REN displayed an improvement at EBITDA level, as a consequence of the purchase of Portgás;
- ▶ However, the lower asset remuneration resulting from the new regulation in electricity, the decrease in bond yields and the special levy on energy sector continued to penalize REN's results and brought the effective corporate tax rate to 39.6%. Furthermore, both Net Debt and Financial Result were affected by REN's acquisitions of Electrogas and Portgás, in 2017, but the average cost of debt maintained its downward trend;
- ▶ Tomorrow REN will announce to the market its strategic plan for the 2018-2021 period, at its "Capital Markets Day" event;
- ▶ This morning REN's AGM approved the payment of a dividend of 17.1 cents per share, in relation to its 2017 results (the current dividend yield is 7%).

DISCLAIMER



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