



# RESULTS PRESENTATION 1H16

July 28<sup>th</sup>, 2016



- ▶ At the end of first half 2016, **EBITDA** reached €240.2M, -5.5% below 1H15. The capital gain achieved in 2015 with the sale of REN's stake in Enagás (+€20.1M, at EBITDA level) was the main reason for the decrease, despite better REN's **OPEX** performance (-€1.4M) reflecting a continued effort towards optimization and operational efficiency, as well as the increase in recovery of depreciation and in asset remuneration;
- ▶ **Net Profit** decreased by €22.0M reaching €40.5M, impacted by 2015 non recurrent items: the capital gain from the sale of REN's Enagás stake (+€16.1M) and the existence of a tax credit (+€9.9M). The result was also penalized by the maintenance of the costs incurred with the extraordinary levy to the energy sector established in the 2016's State budget law (€25.9M);
- ▶ Excluding extraordinary effects, **Recurrent Net Profit** increased by 4.5% (+€2.9M) to €66.5M, as a result of the sound **financial performance** attained by REN (+7.1%) supported by a lower average **cost of debt** (cut to 3.5% from 4.0%), despite the slight increase in **Net debt** (+1.3%) to €2,526.5M;
- ▶ Total **CAPEX** was €37.6M (-61.9% yoy) and **transfers to RAB** were €11.7M (-84.6% yoy).

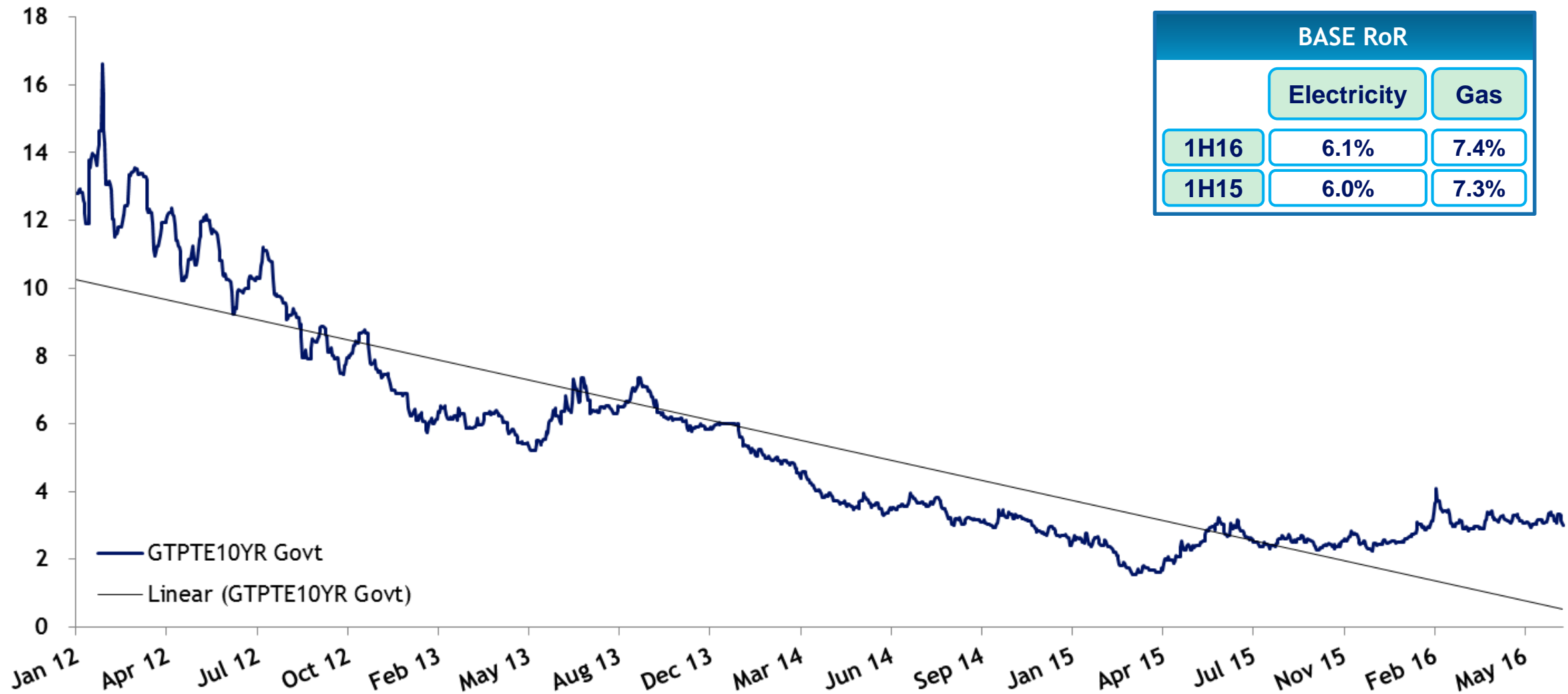
# MAIN FINANCIAL INDICATORS

| €M                          | 2Q16           | 1H16           | 1H15           | Δ%            | Δ Abs.       |
|-----------------------------|----------------|----------------|----------------|---------------|--------------|
| <b>EBITDA</b>               | <b>119.1</b>   | <b>240.2</b>   | <b>254.3</b>   | <b>-5.5%</b>  | <b>-14.0</b> |
| <b>Financial Result</b>     | <b>-18.2</b>   | <b>-41.7</b>   | <b>-44.8</b>   | <b>7.1%</b>   | <b>3.2</b>   |
| <b>Net Profit</b>           | <b>34.4</b>    | <b>40.5</b>    | <b>62.6</b>    | <b>-35.2%</b> | <b>-22.0</b> |
| <b>Recurrent Net Profit</b> | <b>34.4</b>    | <b>66.5</b>    | <b>63.6</b>    | <b>4.5%</b>   | <b>2.9</b>   |
| <b>Average RAB</b>          | <b>3,522.8</b> | <b>3,522.8</b> | <b>3,558.8</b> | <b>-1.0%</b>  | <b>-36.0</b> |
| <b>CAPEX</b>                | <b>26.3</b>    | <b>37.6</b>    | <b>98.8</b>    | <b>-61.9%</b> | <b>-61.1</b> |
| <b>Net Debt</b>             | <b>2,526.5</b> | <b>2,526.5</b> | <b>2,494.0</b> | <b>1.3%</b>   | <b>32.5</b>  |

# PORTUGAL'S PERCEIVED SOVEREIGN DEBT RISK

## maintains rates at low levels in 2016

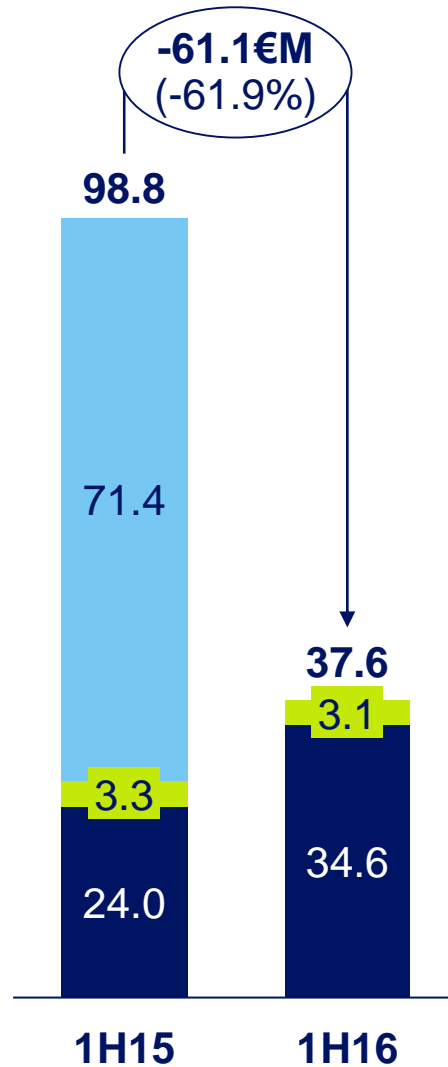
### PT 10Y Treasury Bond Yields



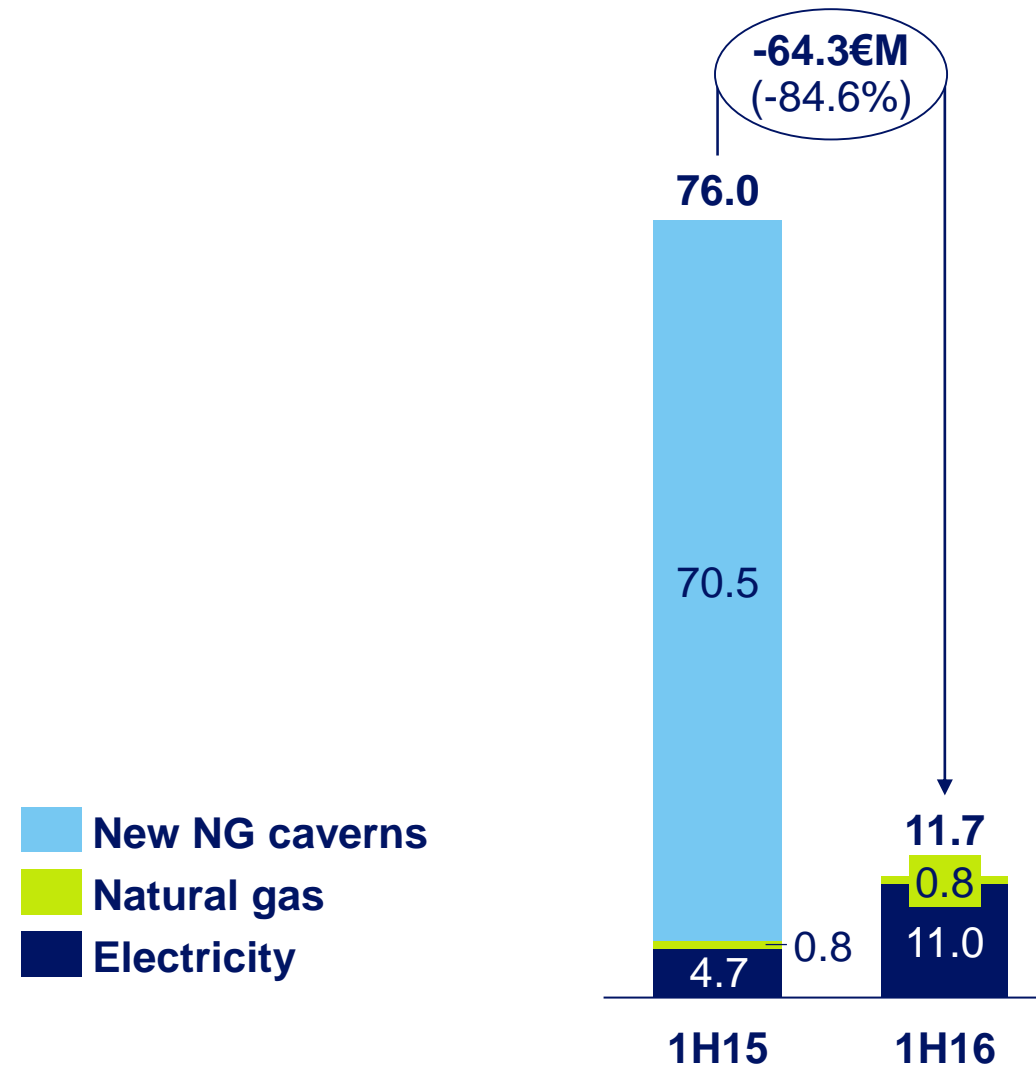
# INVESTMENT FELL OVER €61.1M

impacted by the acquisition of GALP's NG caverns in 1H15

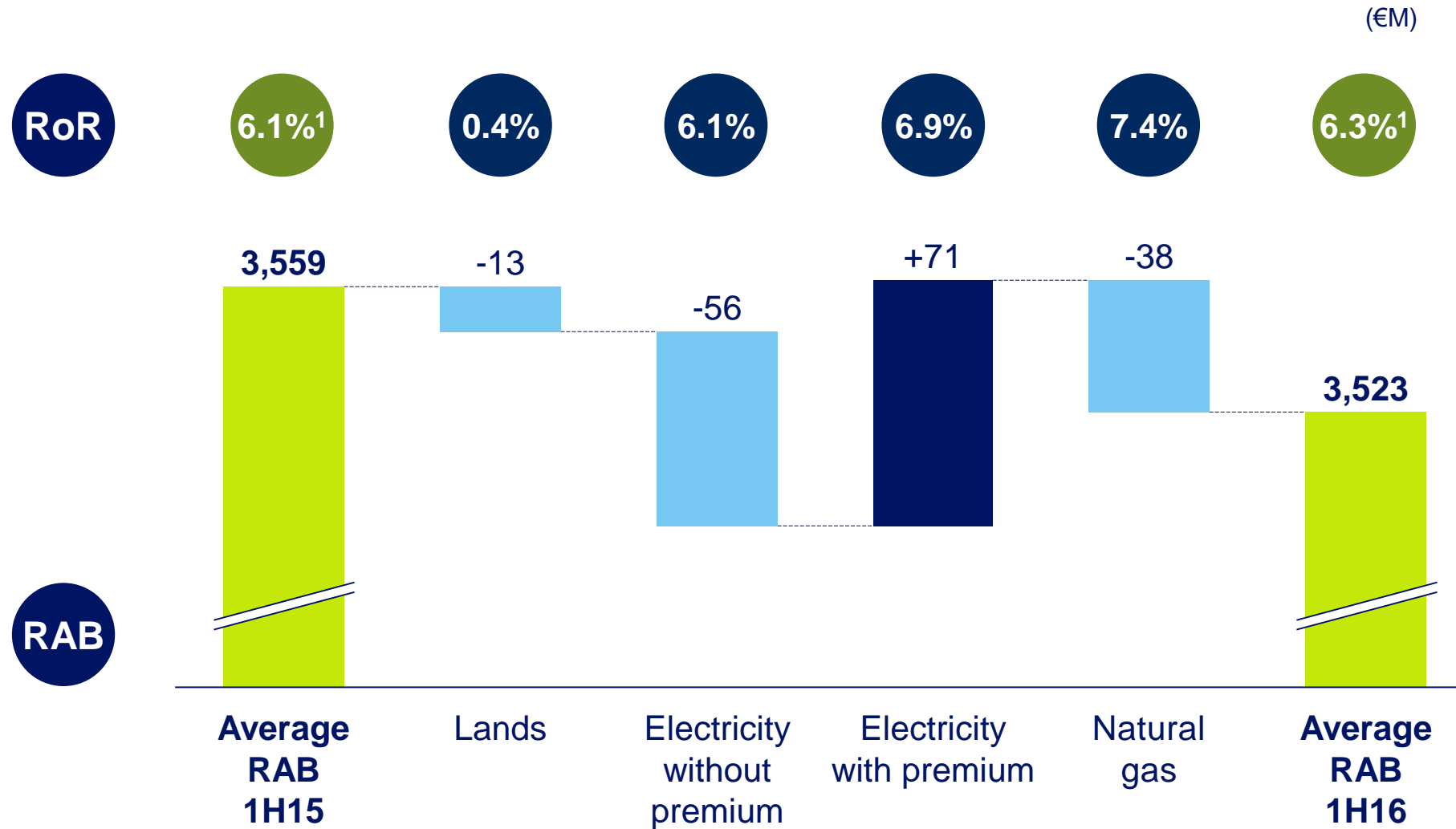
## CAPEX



## TRANSFERS TO RAB



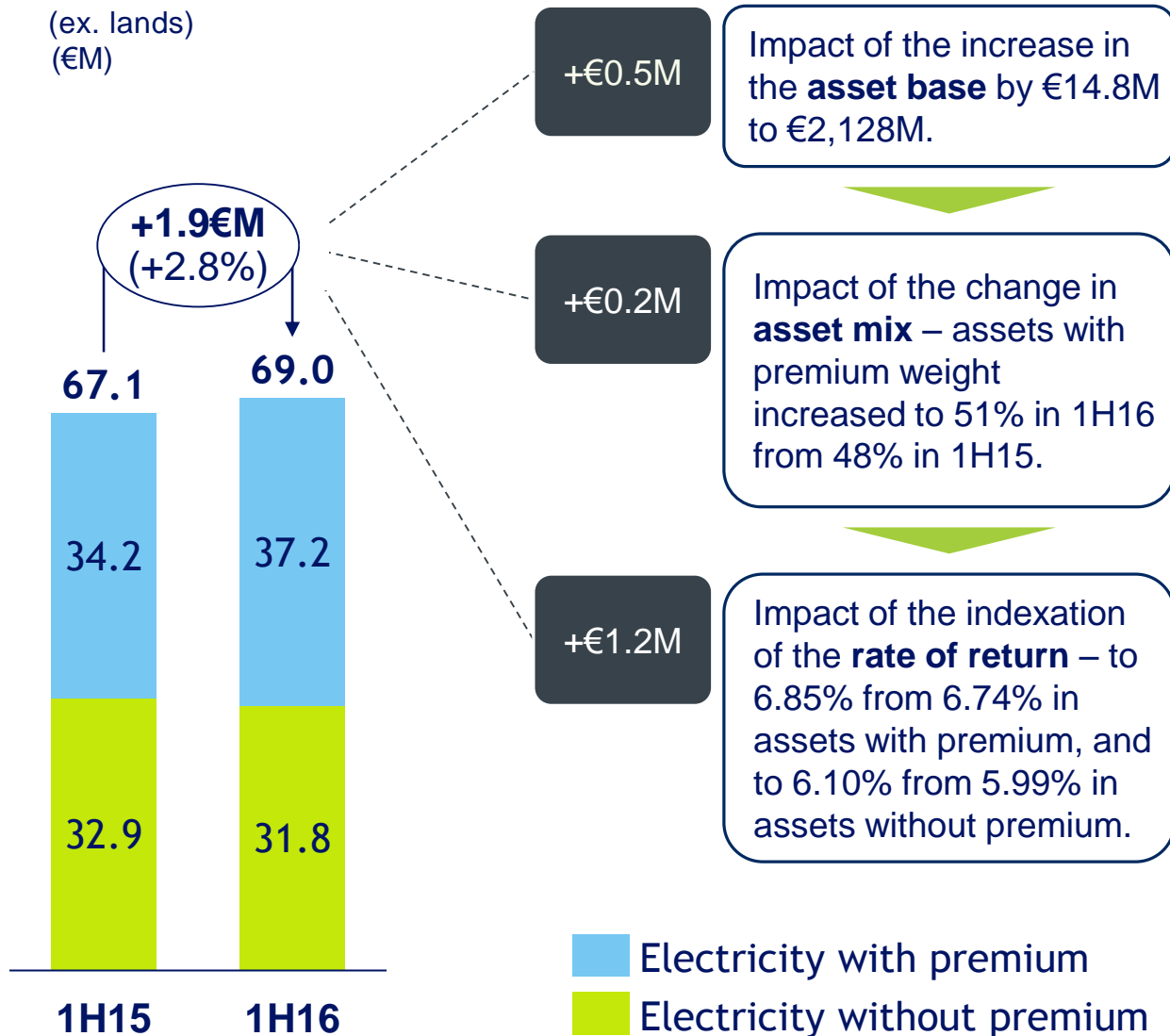
# AVERAGE ROR INCREASED TO 6.3% FROM 6.1%



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

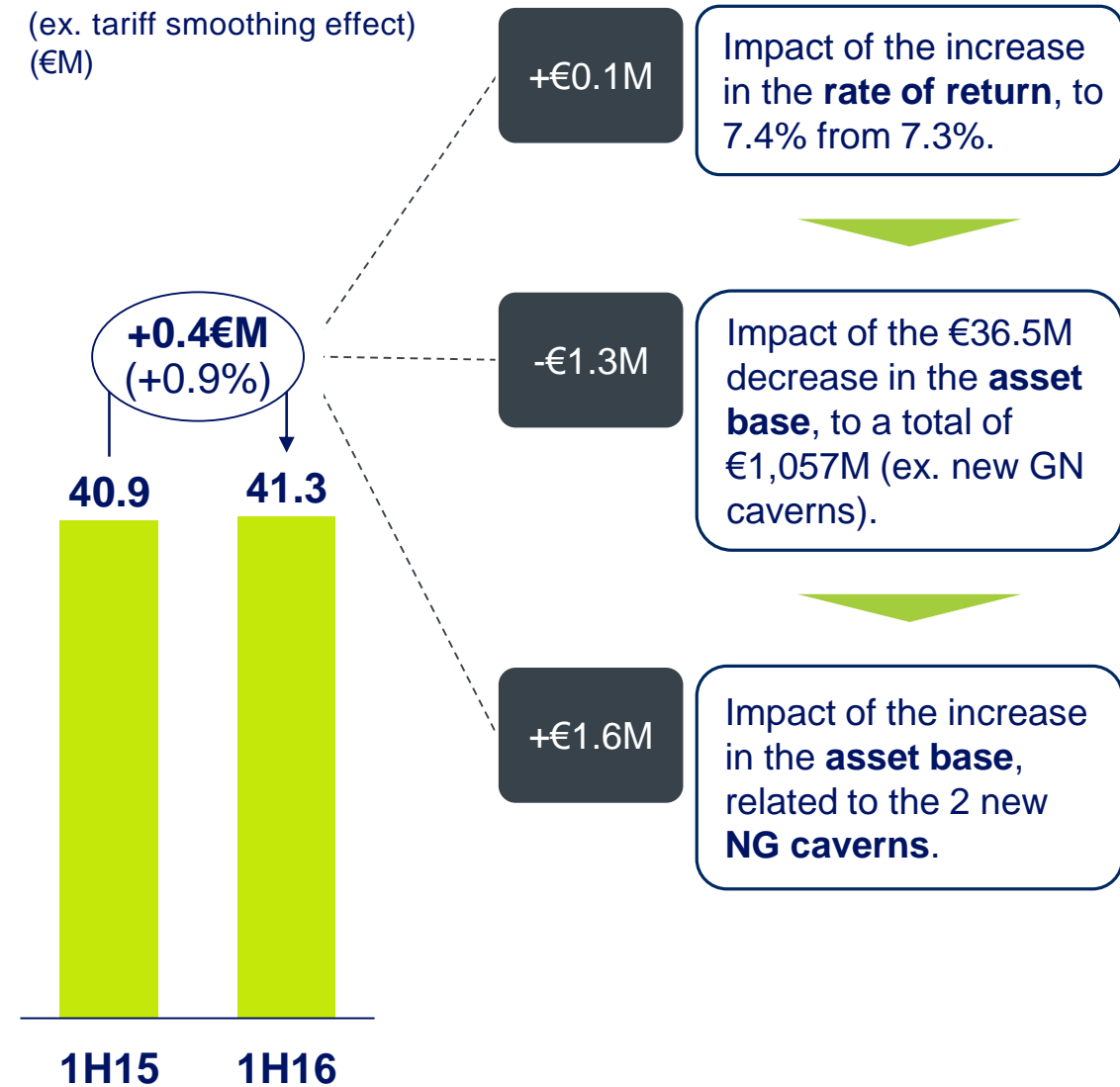
## RAB REMUNERATION ELECTRICITY

(ex. lands)  
(€M)



## RAB REMUNERATION NATURAL GAS

(ex. tariff smoothing effect)  
(€M)

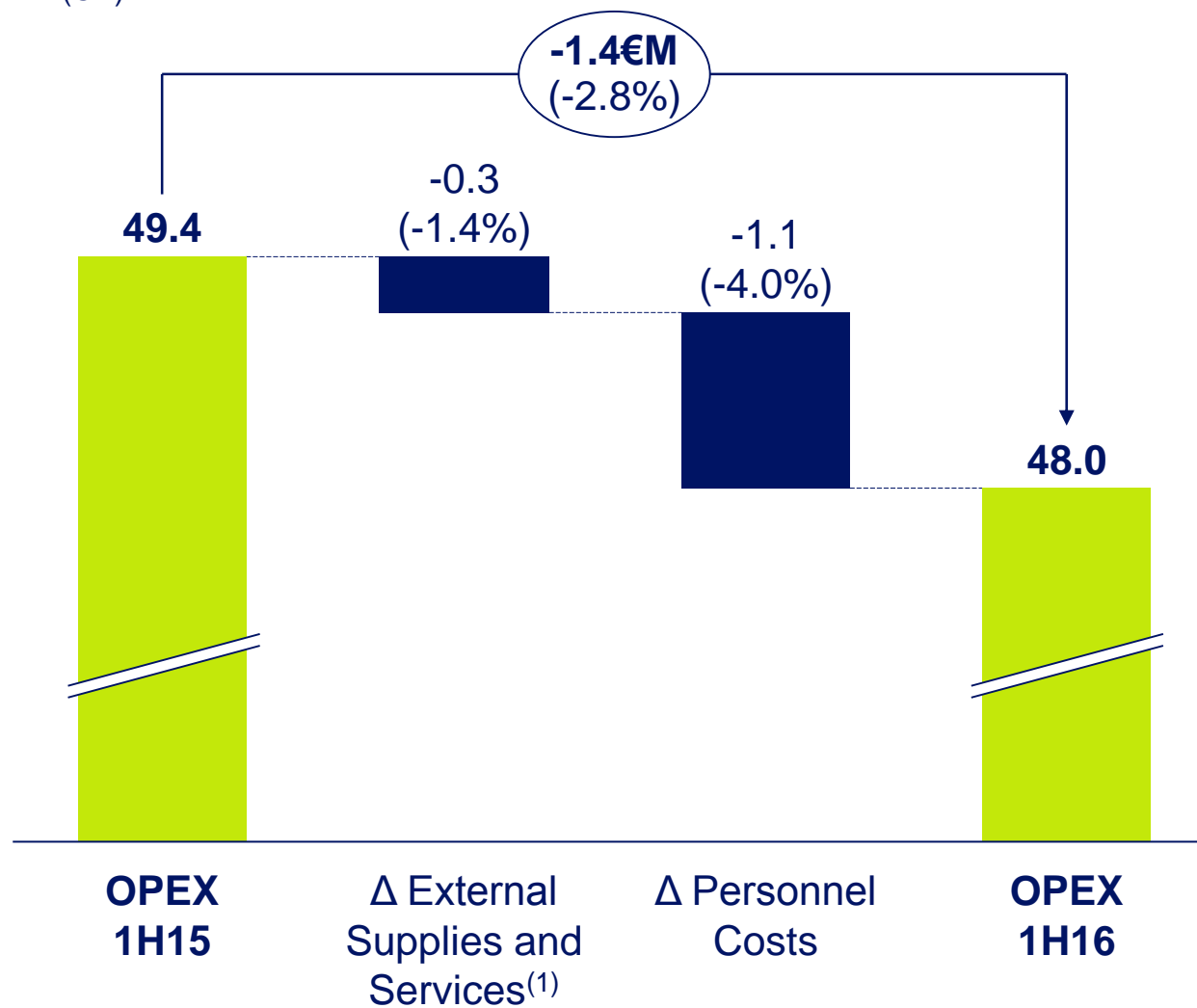


# OPERATIONAL EFFICIENCY IMPROVED BY 2.8%

driven by REN's cost discipline efforts

## OPERACIONAL COSTS

(€M)



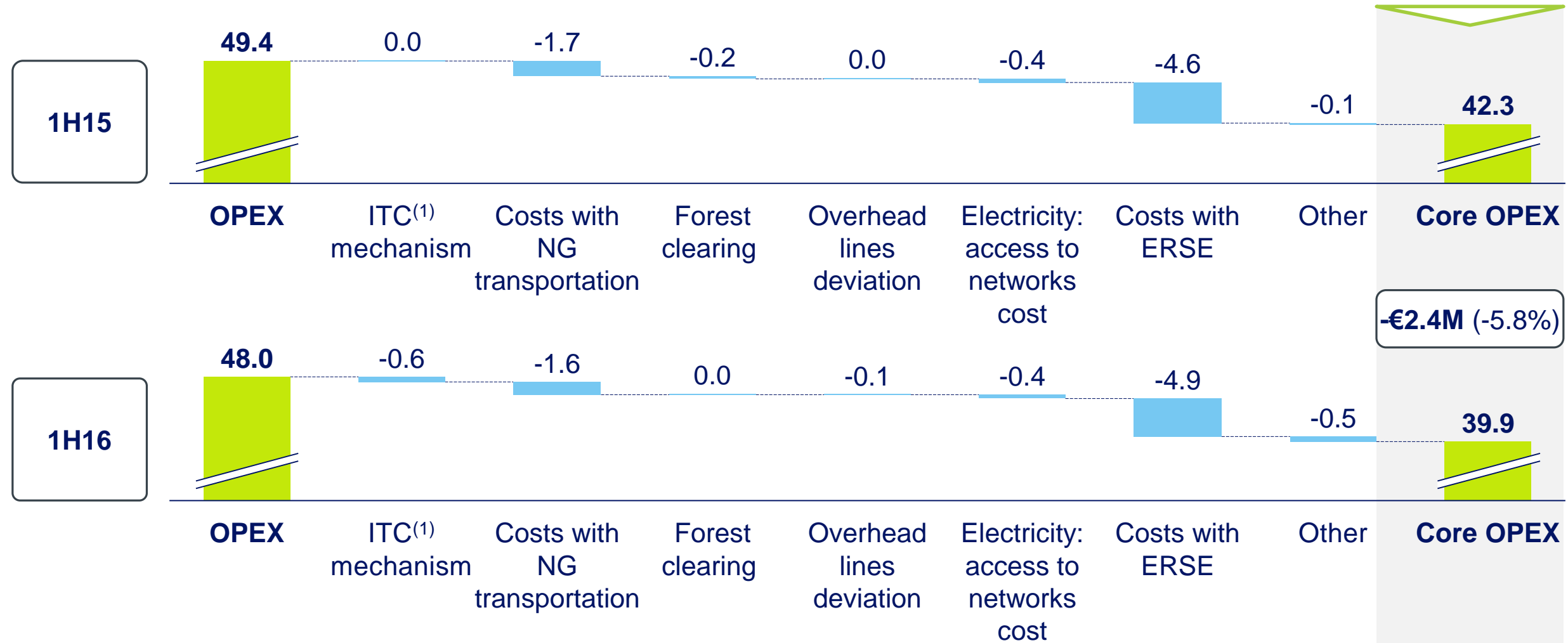
(1) Includes Δ+€0.2M of Other Operating Costs.



# CORE OPEX WAS DOWN BY €2.4M VERSUS 1H15

## CORE OPEX

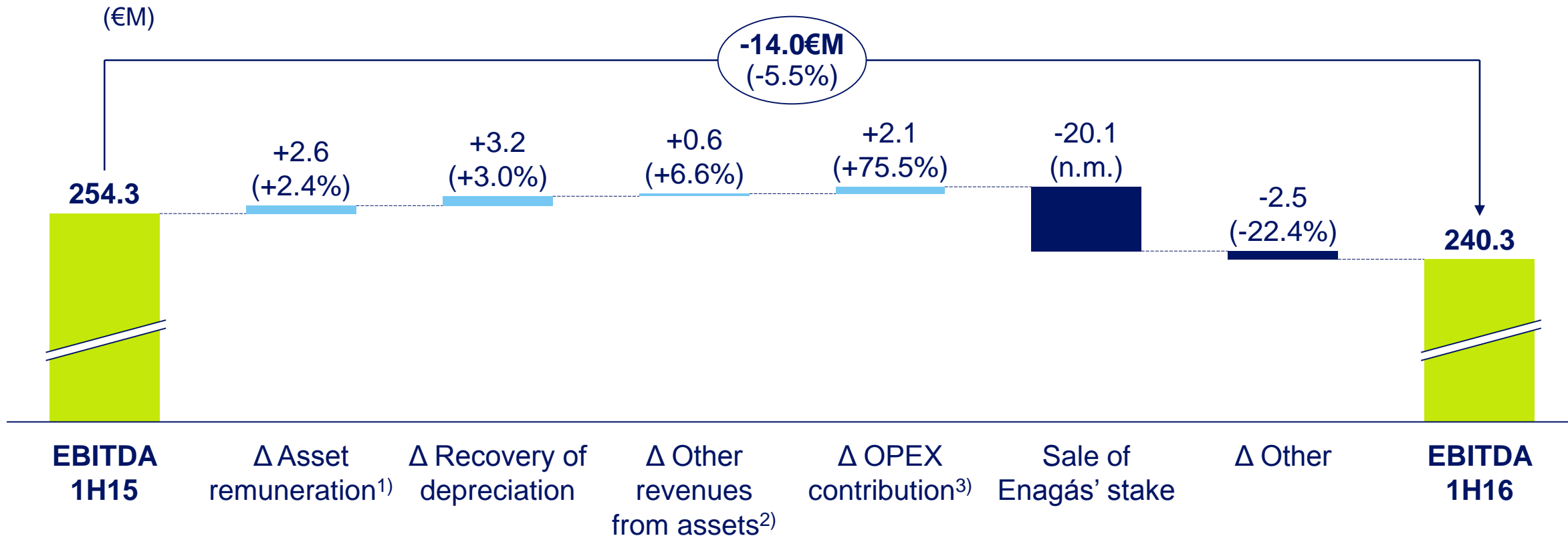
(€M)



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

# EBITDA FELL BY 5.5% AS EXPECTED

impacted by the capital gain in Enagás' stake sale in 2015



(1) Includes Δ+€0.3M of NG tariff smoothing effect;

(2) Includes Δ+€0.7M of Remuneration of fully depreciated assets;

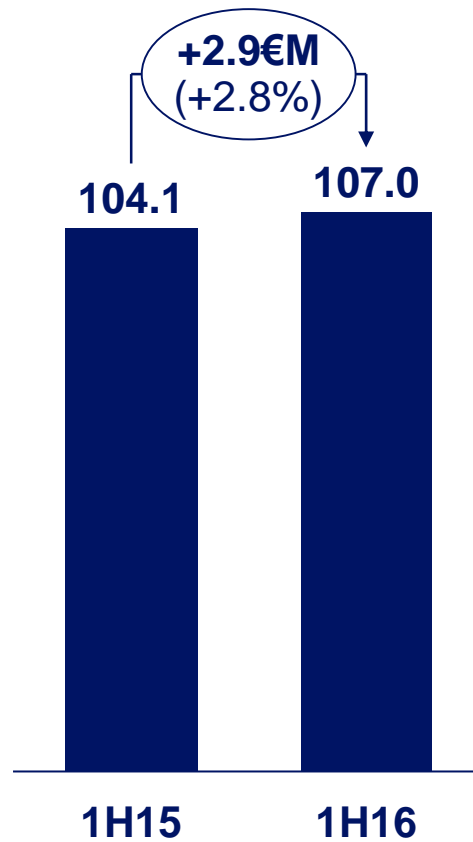
(3) Includes Δ-€0.4M of OPEX own works.

# BELOW EBITDA

Net financial results have benefited from a lower cost of debt

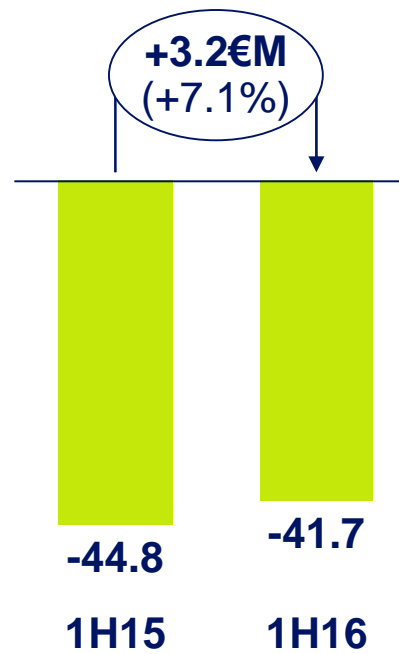
## DEPRECIATION

(€M)



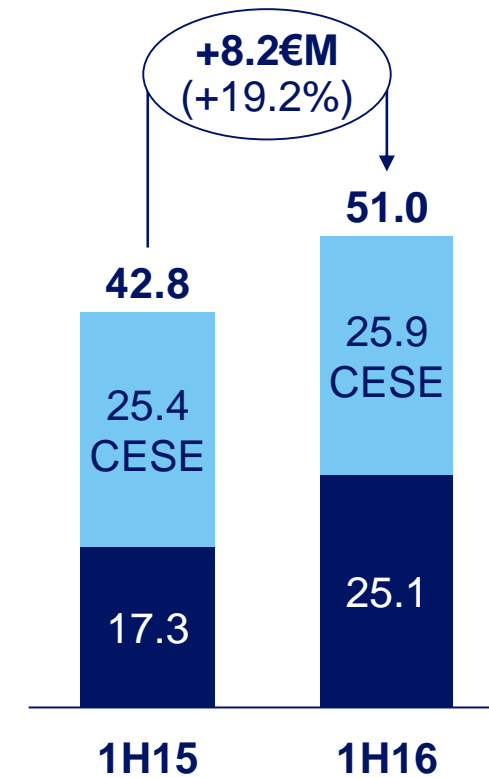
## FINANCIAL RESULTS

(€M)



## TAXES

(€M)

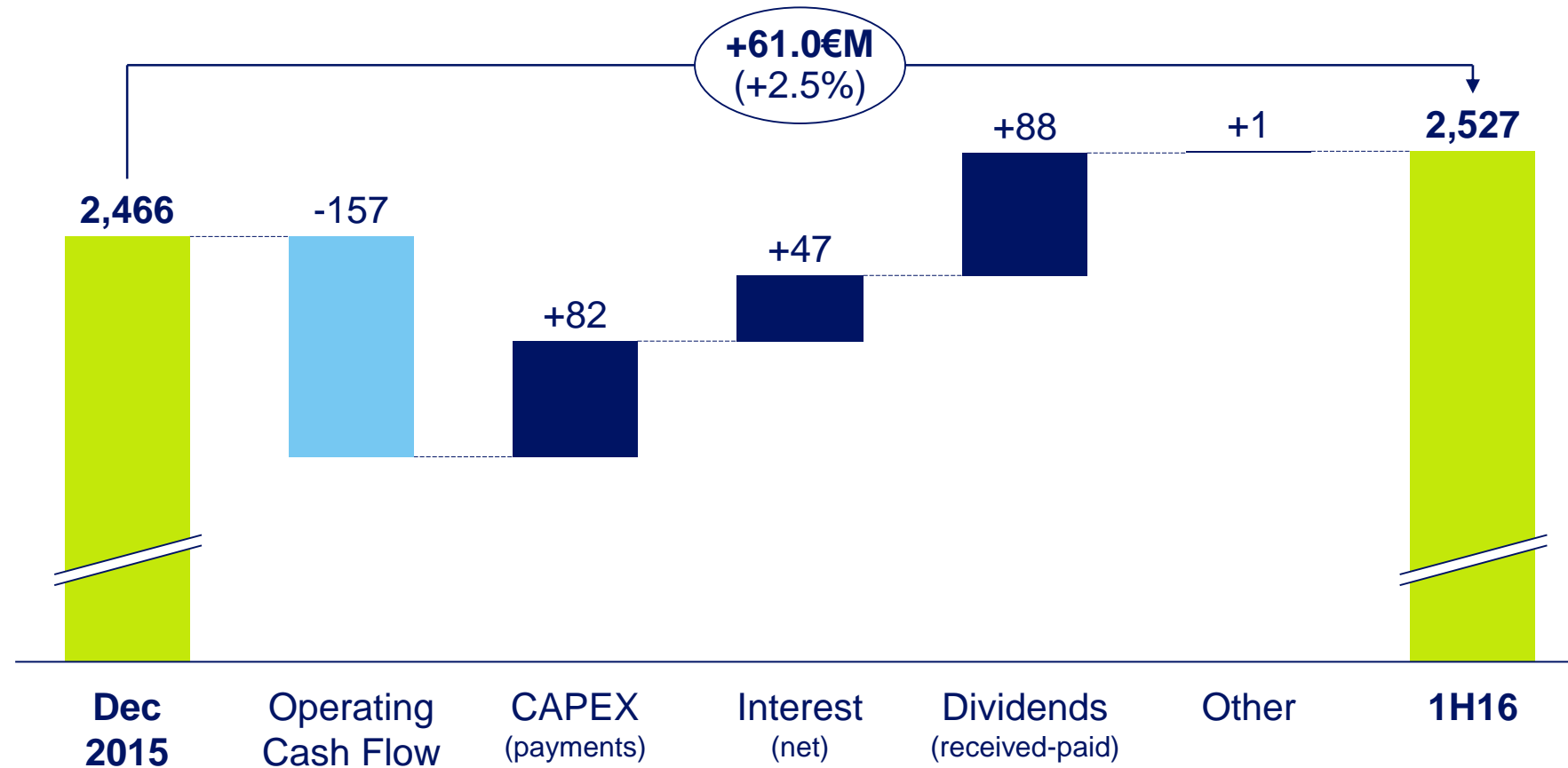


# NET DEBT SLIGHTLY INCREASED BY 2.5%

average cost of debt declined ahead of expectations

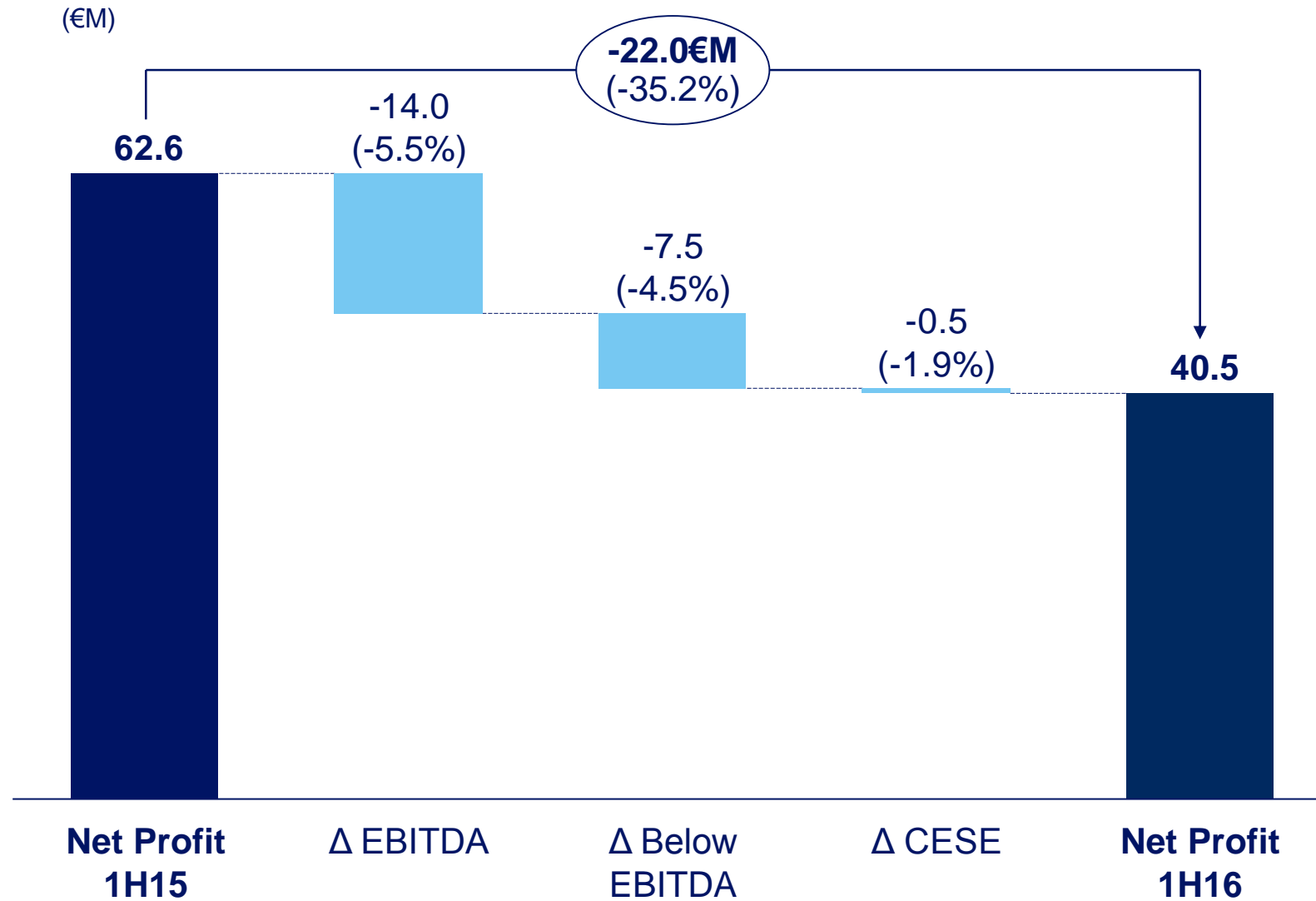
## NET DEBT

(€M)



- ▶ The **average cost of debt** decreased to 3.5% (4.1% in 2015);
- ▶ **FFO/Net Debt** decreased to 11.6% (12.2% in 2015).

# NET PROFIT DECREASED BY €22.0M despite the improvement in recurrent net profit of 4.5%



- ▶ REN presented a stable operating performance, with a small reduction in operational costs and an increase in recurrent net income;
- ▶ Last May, REN announced a tender offer to repurchase up to €700M of bonds and issued a new €550M bond with 7Y maturity;
- ▶ In June, the terms of the financing granted by the Bank of China to REN have been extended until 2021 and the maximum commitment has been increased to €250M;
- ▶ These operations are part of REN's ongoing financial strategy, allowing the company to reduce the refinancing risk, to obtain a lower average cost of debt and also extending the average debt maturity, all together leading to a stronger financial performance. Nevertheless, the special levy on energy companies continued to penalize REN's results.

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