



November, 08th 2018

RESULTS PRESENTATION 9M18



9M18 HIGHLIGHTS

- ▶ In 9M18, EBITDA grew by 3.8% (€14.0M) yoy to €378.4M, while Net Profit rose by 2.3% (€2.0M) yoy to €90.9M;
- ▶ EBITDA increase was mainly driven by the consolidation of Portgás (€31.8M), the contribution from OPEX (€8.0M) and the sale of the LPG⁽¹⁾ business (€4.0M). Portgás added €460.5M to the average RAB, which totaled €3,835.2M (€3,462.5M in 9M17). Nevertheless, revenues suffered from lower remuneration rates, due to the parameters set for the current electricity regulatory period and the decline in bond yields;
- ▶ REN's solid Financial performance (2.3%, to -€43.5M), with the average cost of debt displaying a reduction (2.3%, versus 2.6% in 9M17) contributed to Net Profit stability. Though, it was penalized by two main effects: (1) the increase in Amortizations (€13.4M), due to the integration of Portgás; and (2) the maintenance of the extraordinary energy sector levy (€25.4M in 2018 and €125M in 5 years), that brought the effective tax rate to 38.7%. Excluding extraordinary effects, Recurrent Net Profit amounted to €112.5M (-3.8%, -€4.4M);
- ▶ In 16th October 2018, Standard & Poor's Global Ratings (S&P) upgraded REN's corporate credit rating to BBB/A-2 from BBB-/A-3, with a stable outlook. Thus, REN strengthened further its position as the Portuguese company with the best rating from all three major agencies.

⁽¹⁾LPG: Liquefied Petroleum Gas.

RESULTS AT A GLANCE



RESULTS
PRESENTATION

€M	3Q18	9M18	9M17	Δ%	Δ Abs.
EBITDA	125.9	378.4	364.4	3.8%	14.0
Financial Result	-16.2	-43.5	-44.5	2.3%	1.0
Net Profit	38.0	90.9	88.9	2.3%	2.0
Recurrent Net Profit	34.0	112.5	116.9	-3.8%	-4.4
Average RAB	3,835.2	3,835.2	3,462.5	10.8%	372.6
CAPEX	27.8	67.2	80.3	-16.3%	-13.1
Net Debt	2,643.8	2,643.8	2,540.6	4.1%	103.2

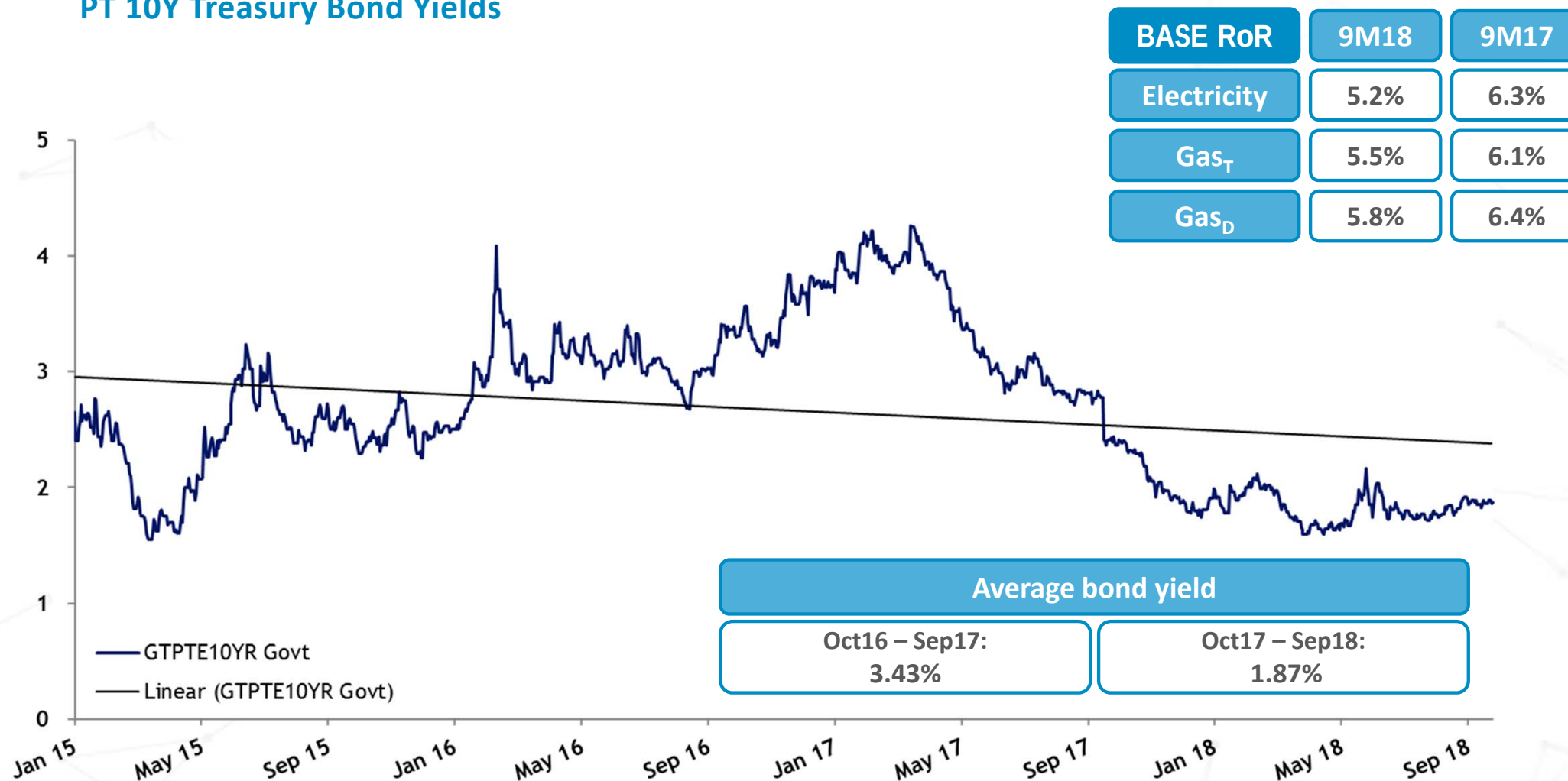
SOVEREIGN DEBT RISK OF PORTUGAL

Kept its stable trend

REN

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PT 10Y Treasury Bond Yields



CAPEX DECLINED BY €13.1M

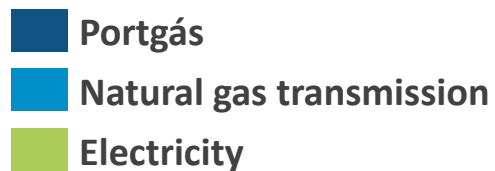
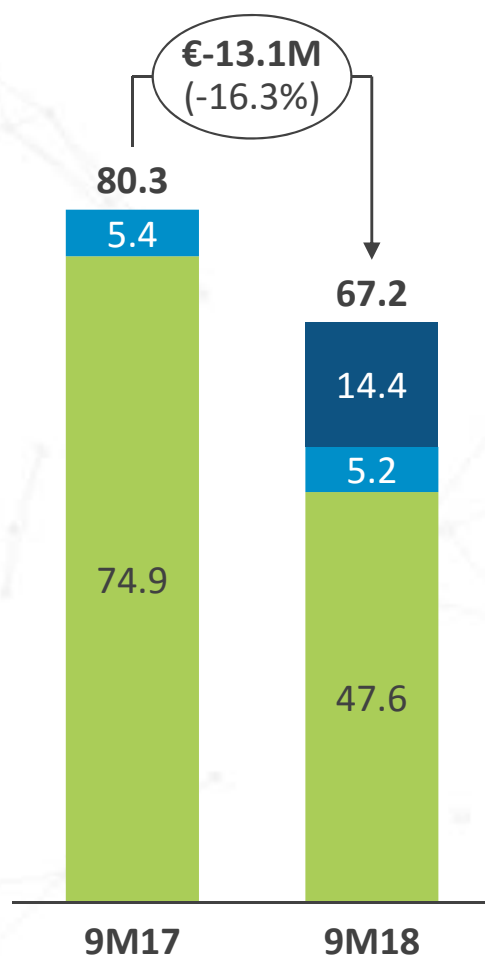
Portgás contributed with €14.4M



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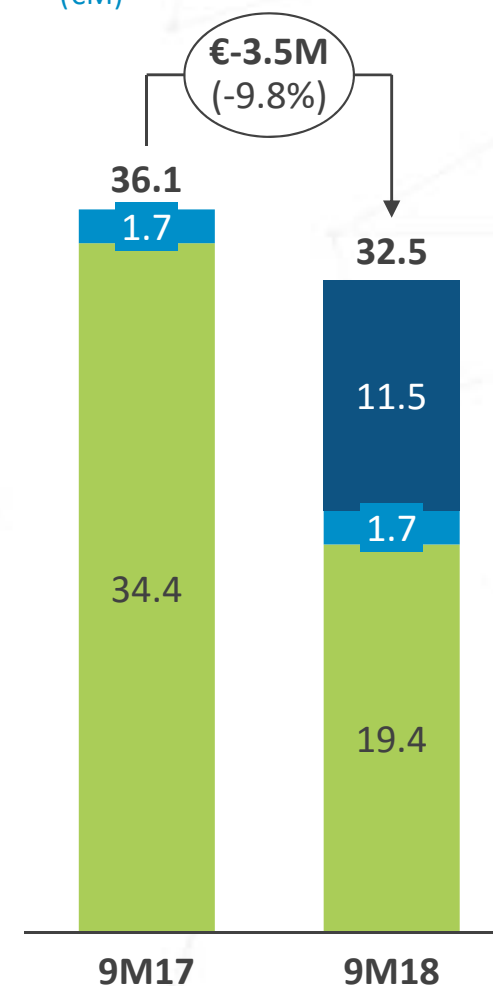
CAPEX

(€M)



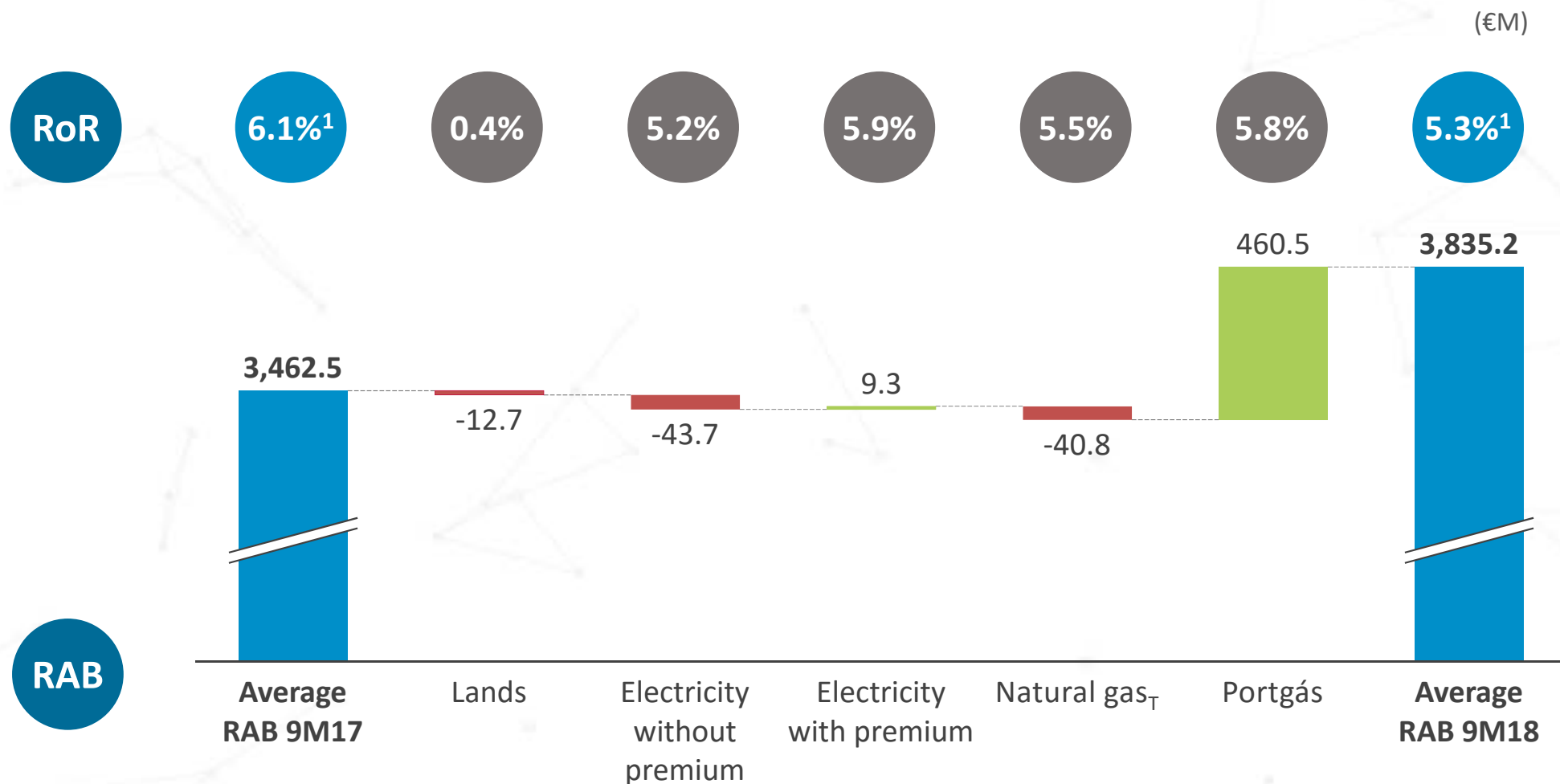
TRANSFERS TO RAB

(€M)



AVERAGE RAB INCREASED BY 10.8% (€372.6M)

Essentially due to Portgás assets integration (€460.5M)



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

IN TRANSMISSION, RAB REMUNERATION DROPPED BY €26.5M

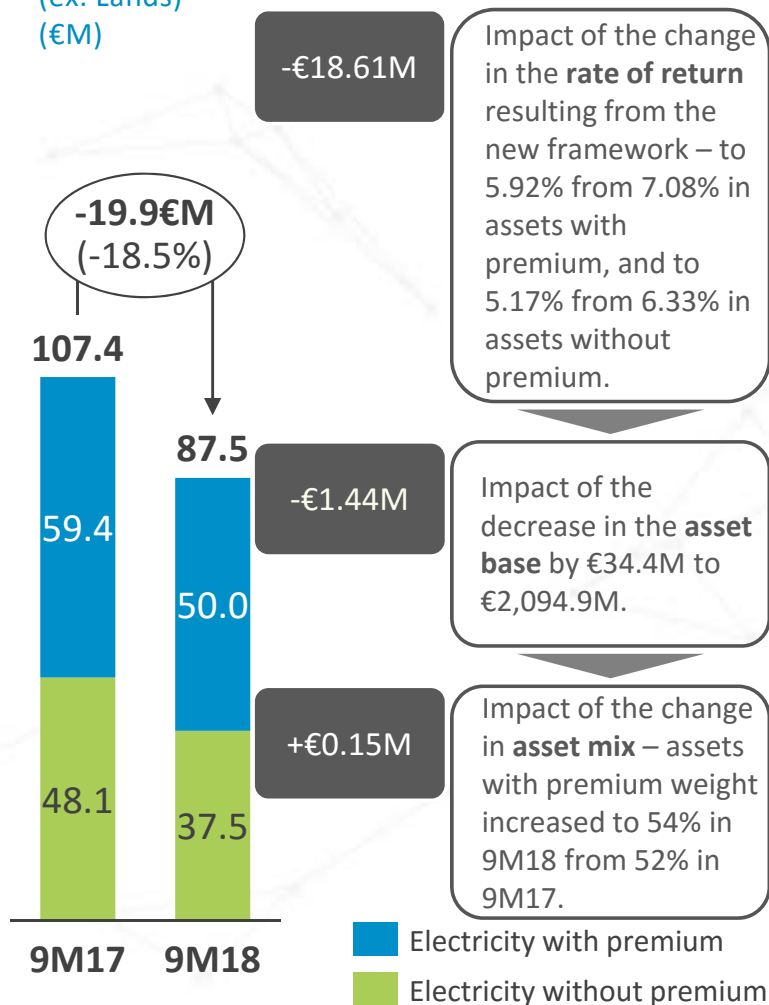
With a lower rate of return



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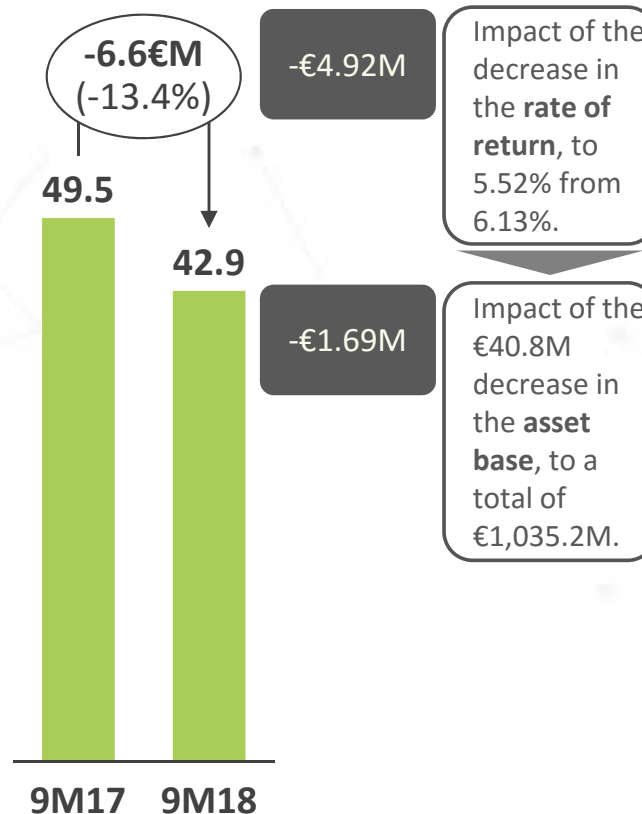
RAB REMUNERATION ELECTRICITY

(ex. Lands)
(€M)



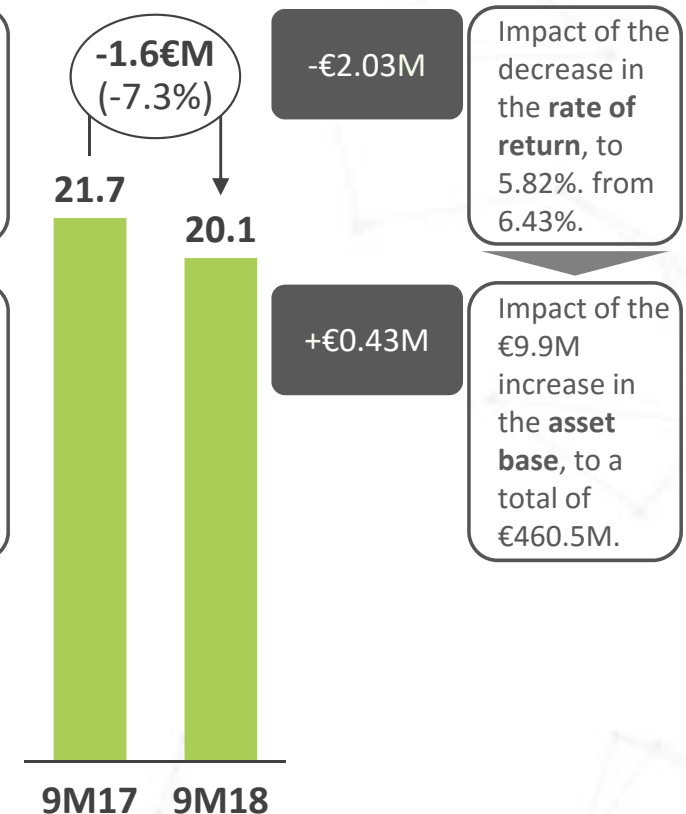
RAB REMUNERATION NATURAL GAS_T

(ex. tariff smoothing effect)
(€M)



RAB REMUNERATION PORTGÁS⁽¹⁾

(€M)



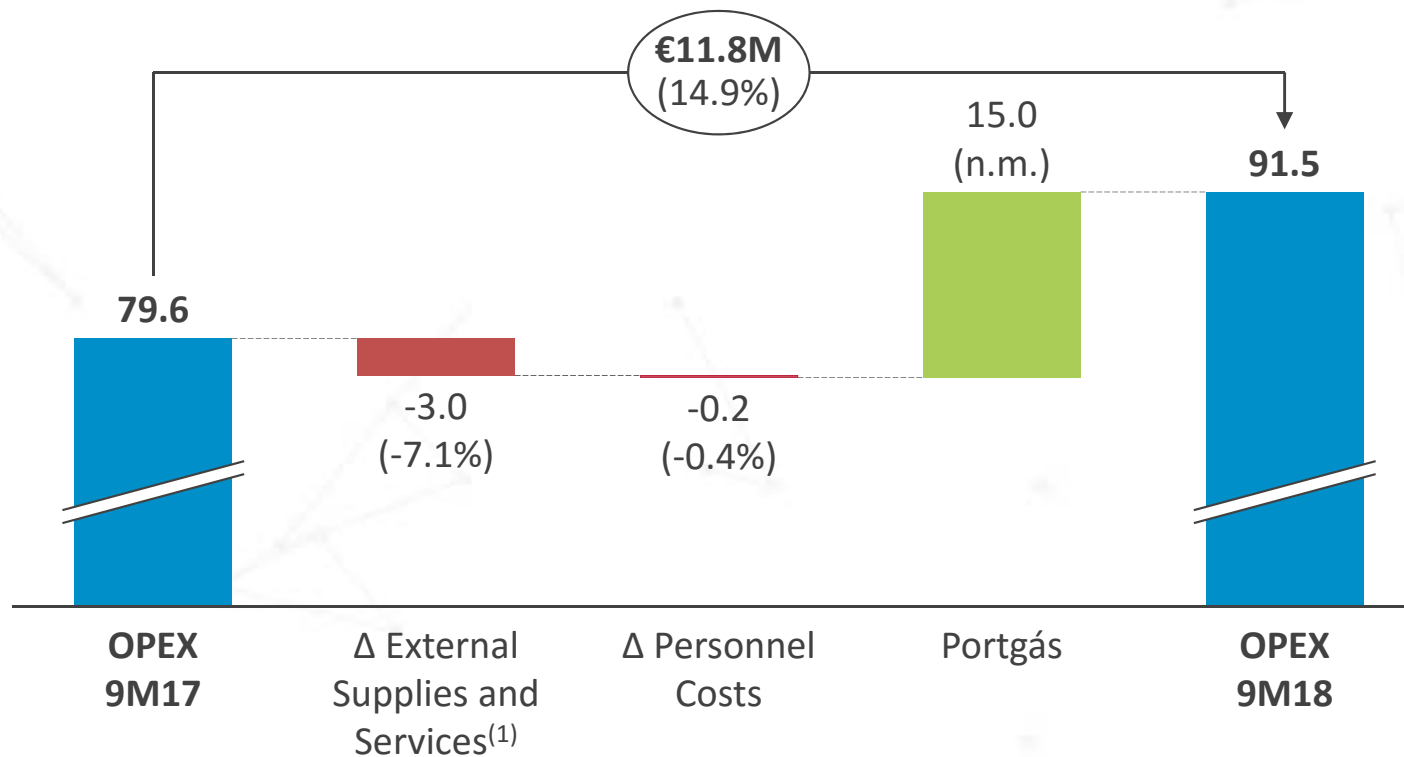
1) In 9M17, Portgás accounted for asset returns using ERSE's *ex-ante* allowed return (6.42%). REN used the effective rate calculated using the 10-Year bond yields (6.43%). In this period, Portgás wasn't included in the REN's consolidation perimeter.

OPEX ROSE BY 14.9% TO €91.5M

Excluding Portgás, OPEX fell by 4.0%

OPERATIONAL COSTS

(€M)



- ▶ **OPEX** variation was mainly affected by the acquisition of Portgás;
- ▶ **External Supplies and Services** include €1.2M from Electrogas acquisition in 2017.

(1) Include -Δ€0.4M of Other Operating Costs.

CORE OPEX WAS 15.5% HIGHER VERSUS 9M17

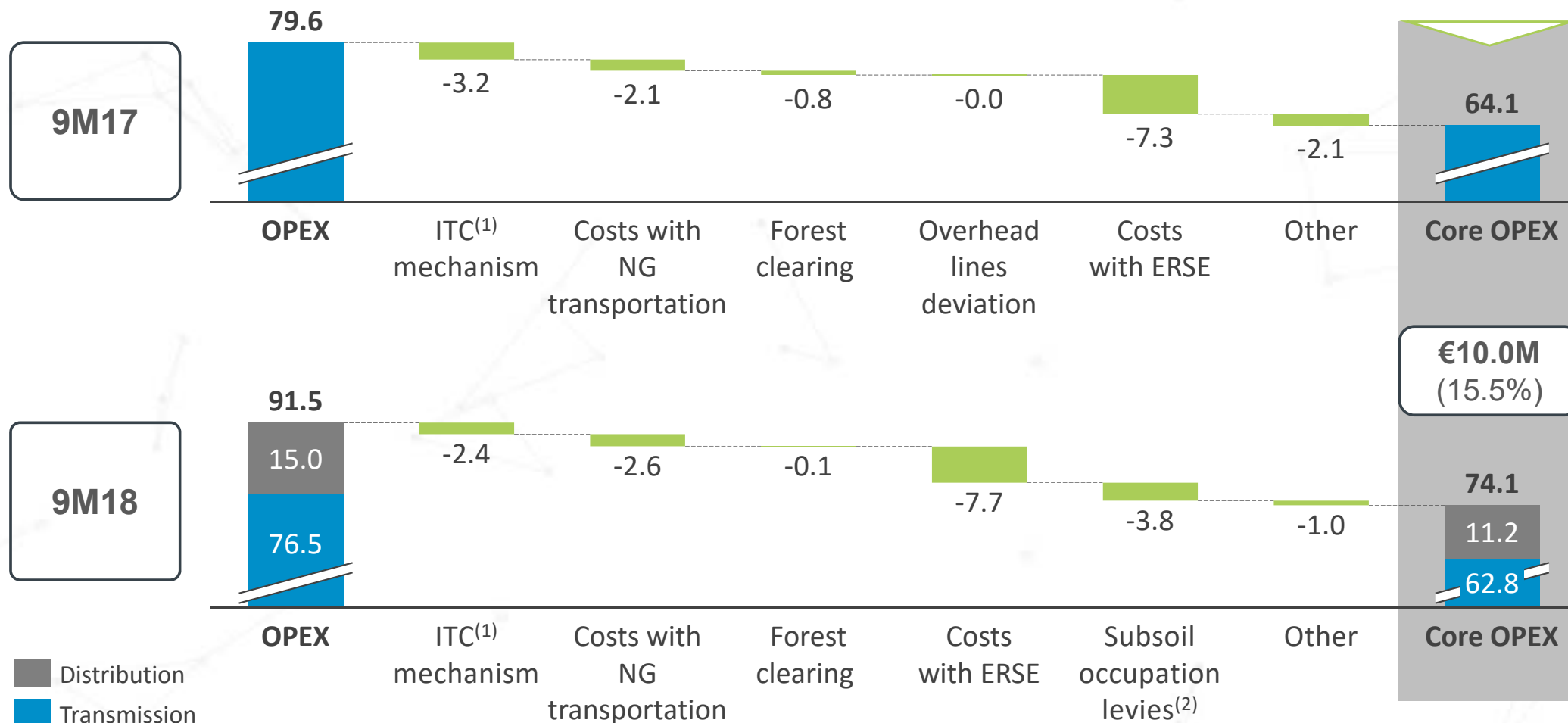
Excluding Portgás it was 2.0% below the previous year



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CORE OPEX

(€M)



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

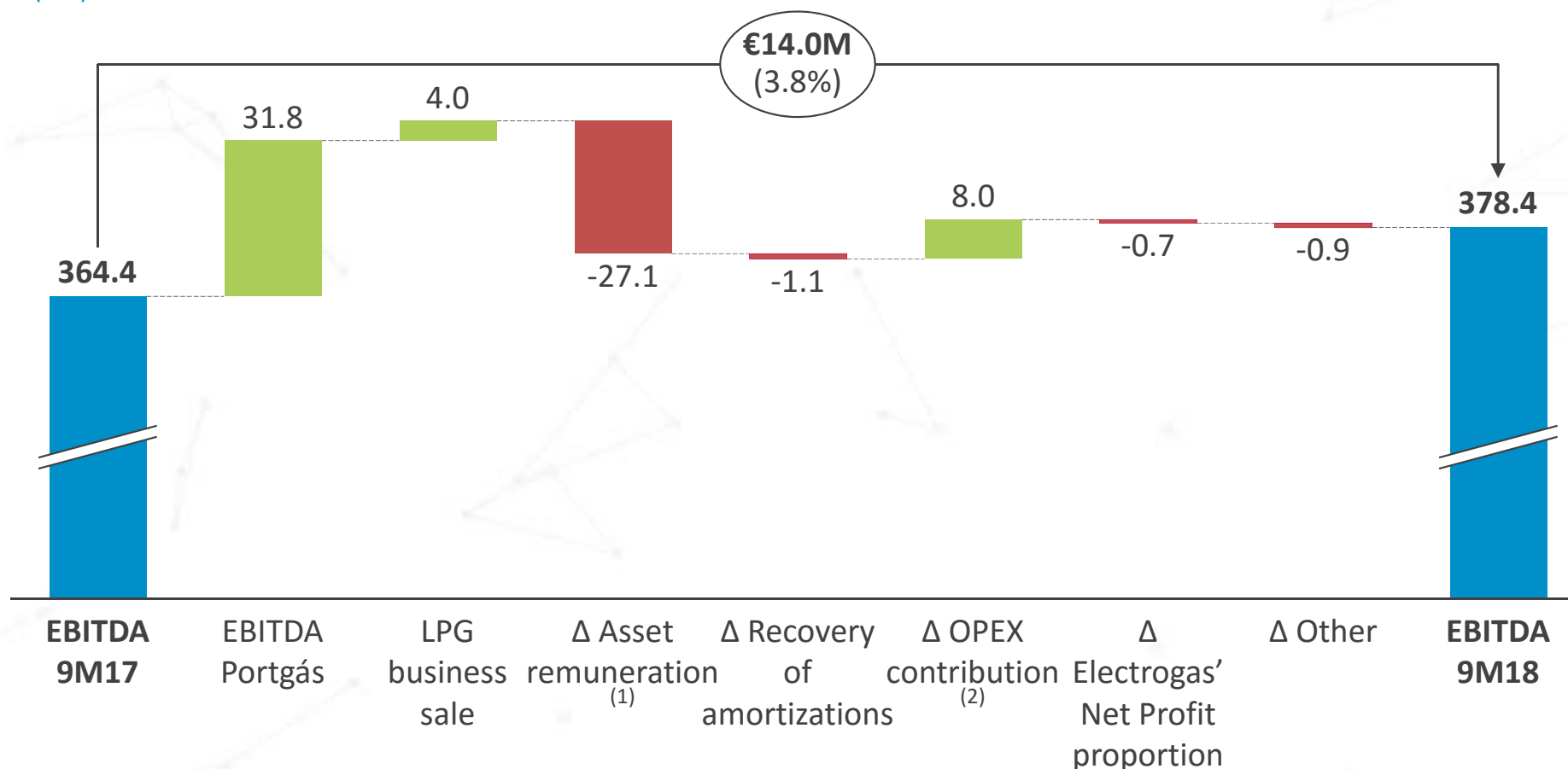
(2) Related to Portgás.

EBITDA IMPROVED BY 3.8% TO €378.4M

Portgás contribution was €35.7M, of which €4.0M were related to the LPG business sale

EBITDA

(€M)



⁽¹⁾ Includes -Δ€0.6M of NG tariff smoothing effect (natural gas);

⁽²⁾ Includes €1.2M related to the one-off costs with Electrogas (in 1Q17) and -Δ€0.02M of OPEX own works.

BELOW EBITDA

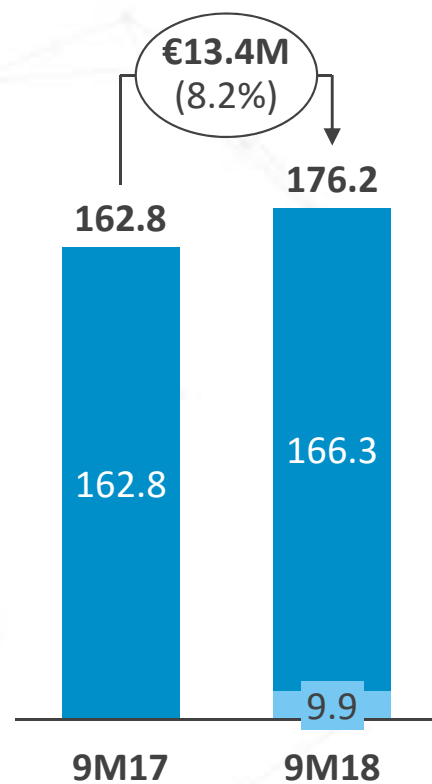
Financials benefited from the lower average cost of debt

REN

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DEPRECIATIONS AND AMORTIZATIONS

(€M)



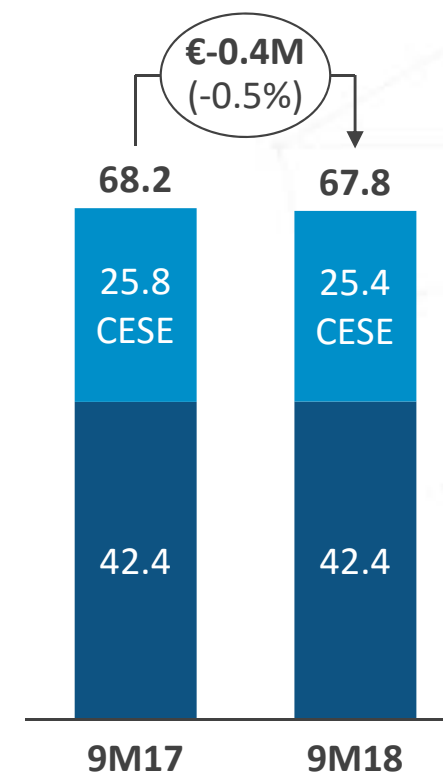
FINANCIAL RESULTS

(€M)



TAXES

(€M)

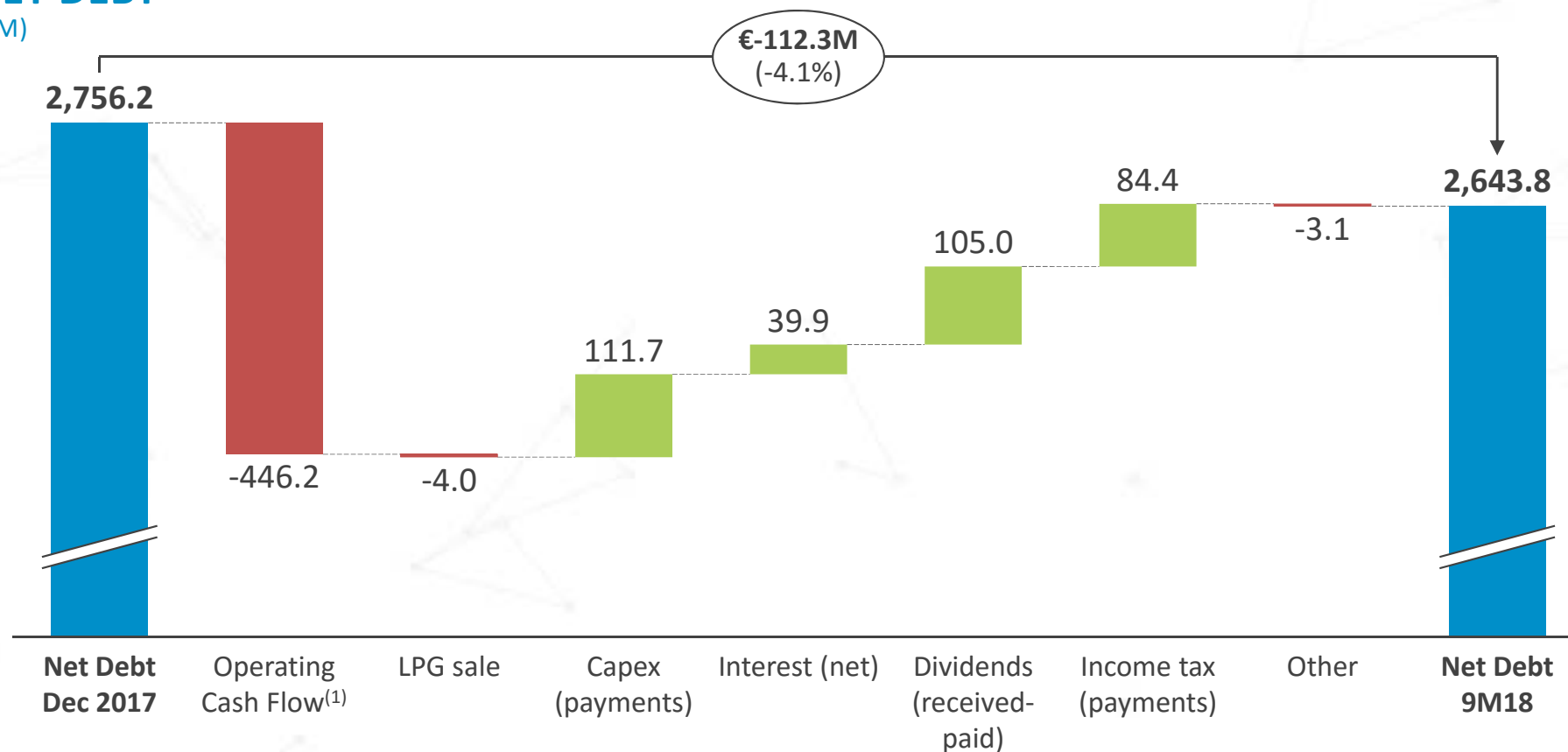


Transmission
Distribution

NET DEBT DECLINED BY 4.1% TO €2,643.8M

NET DEBT

(€M)

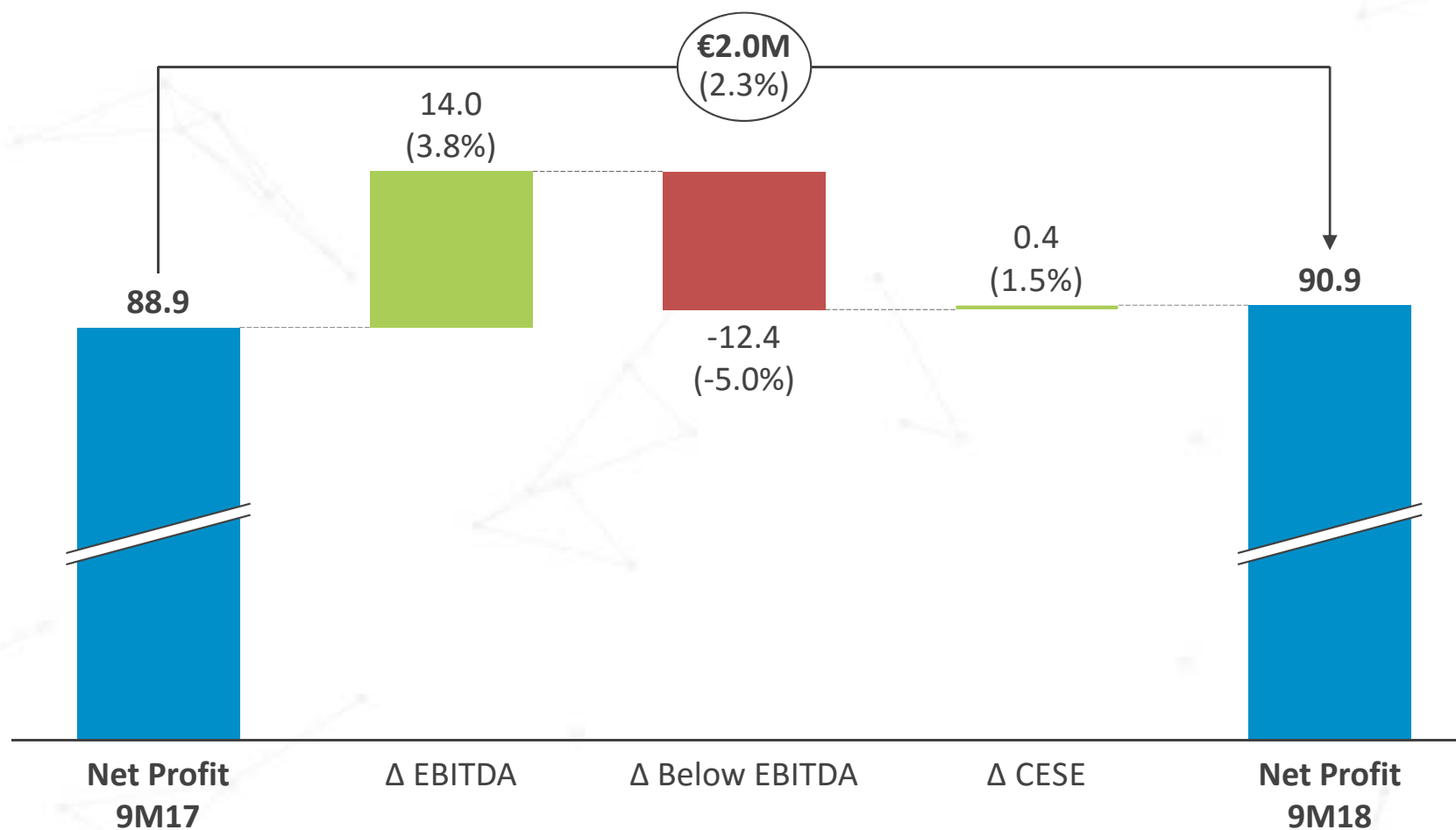


- ▶ The **Average cost of debt** decreased to 2.3%, versus 2.6% in 9M17.

(1) Includes Δ€51.2M of positive **tariff deviations**.

NET PROFIT ROSE BY 2.3% TO €90.9M

NET PROFIT (€M)



- ▶ Over the last nine months, REN's EBITDA more than compensated the lower asset remuneration resulting from the less supportive 2018-2020 electricity transmission regulatory framework and the decrease in bond yields, with income coming from Portgás and the sale of its LPG business;
- ▶ The integration of Portgás is going according to plan and should be finished in 2019. So far in 2018 Portgás already contributed to the Group's EBITDA with €35.7M;
- ▶ Despite the challenging energy sector environment, in which REN remained penalized by an extraordinary levy, the Company managed to strengthen its financial profile, achieving the lowest average cost of debt ever;
- ▶ These effects led to a slightly higher Net Profit for the period (2.3% yoy);
- ▶ In October, S&P has risen the company's rating status to "BBB/A-2". The rating action mainly mirrors S&P view of REN's conservative financial policy and improved competitive position through enhanced diversification following the recent acquisition of Portgás in Portugal and of a 42.5% stake in Chilean gas pipeline Electrogas. This new rating contributes to a more favourable climate among REN's creditors and helps to open the door for future issues of debt securities at potentially lower costs.

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