

# RESULTS PRESENTATION 9M 2014

November 6<sup>th</sup>, 2014



# 9M14 Highlights

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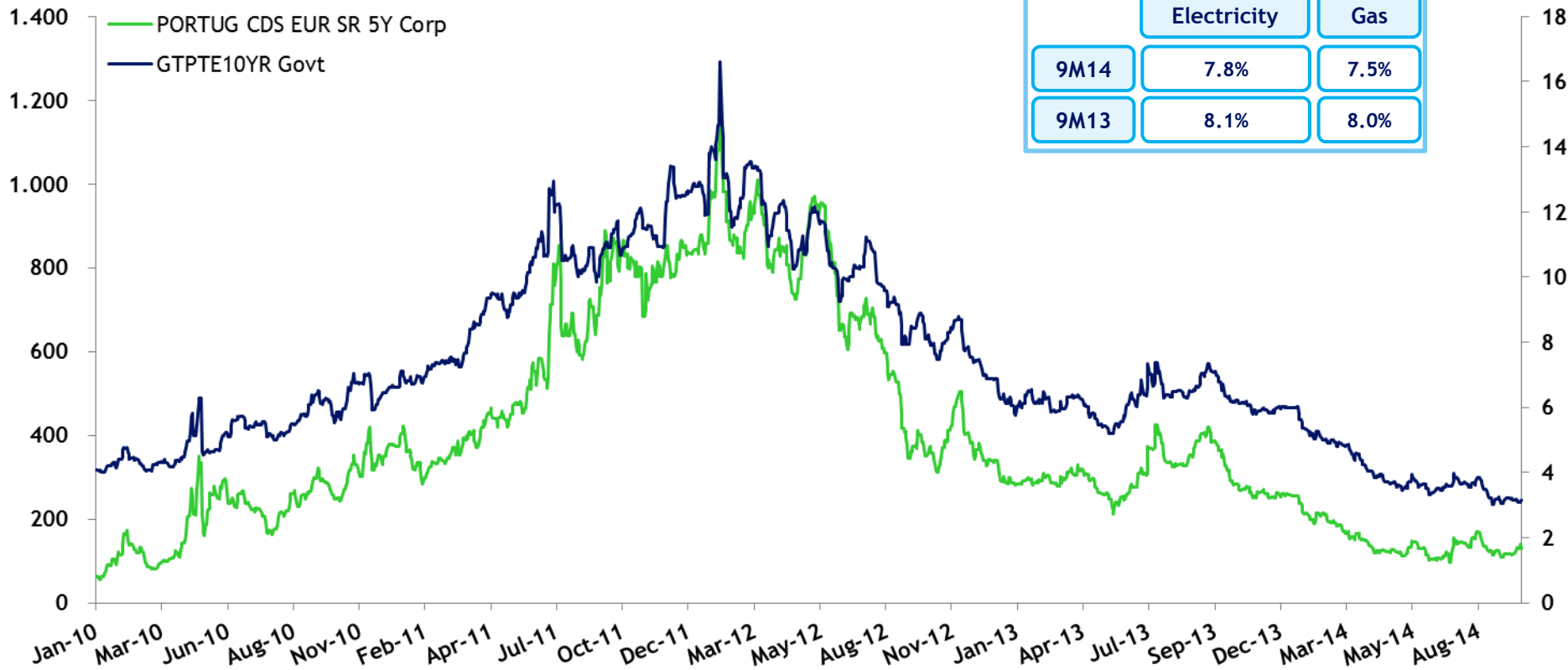
- ▶ EBITDA reached at €374.2M, 3.4% below 9M13 (-€13.2M). There are three main reason for this decline: (1) the reduction in hydro land remuneration (€-5.9M); (2) the reversal of an one-off impairment of receivable debts in 2013 (€-5.3M); (3) the decrease in financial own works (€-3.5M);
- ▶ Recurrent 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;
- ▶ Total CAPEX was €69.3M, a YoY fall of €40.8M. 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.

# 9M14 Main financial indicators

€M	3Q14	9M14	9M13	Δ%	Δ Abs.
EBITDA	122.0	374.2	387.4	-3.4%	-13.2
Net Financial Income	-27.3	-79.0	-105.3	25.0%	26.3
Recurrent Net Income	33.7	106.0	87.9	20.5%	18.0
Net Income	26.6	84.9	89.3	-4.9%	-4.4
Average RAB	3,459.5	3,459.5	3,418.6	1.2%	40.8
CAPEX	33.3	69.3	110.1	-37.0%	-40.8
Net Debt	2,432.0	2,432.0	2,468.2	-1.5%	-36.2

# Portugal's perceived sovereign debt risk has decreased

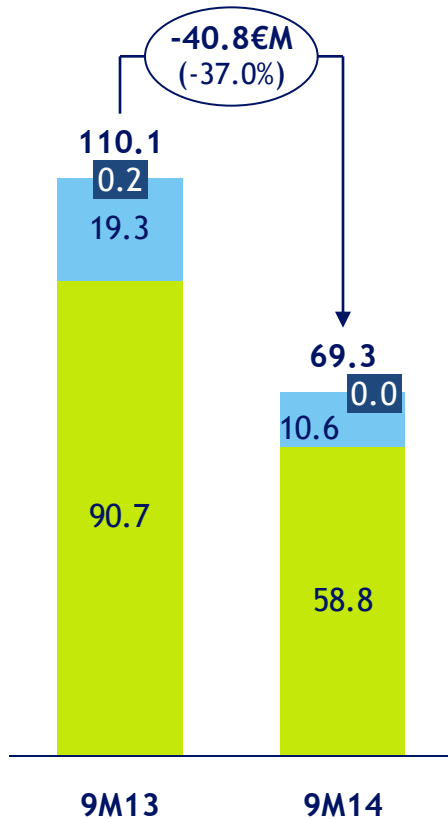
PT 10Y Treasury Bond Yields<sup>(1)</sup> and PT 5Y CDS



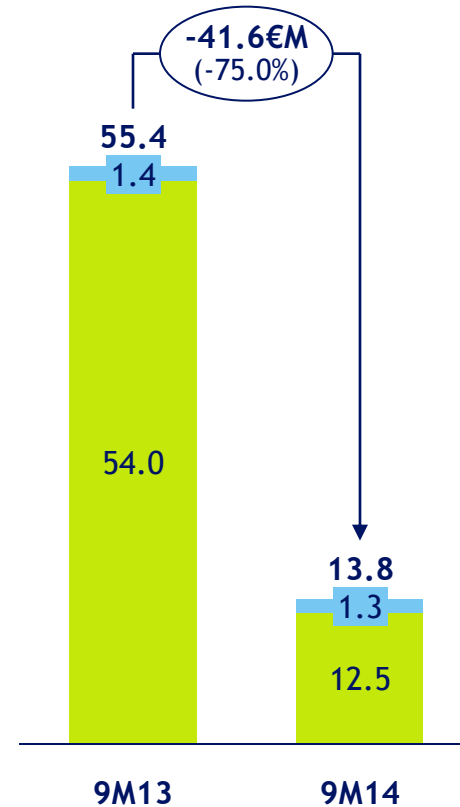
Source: Bloomberg

# Transfers to RAB amounted €13.8M

## CAPEX



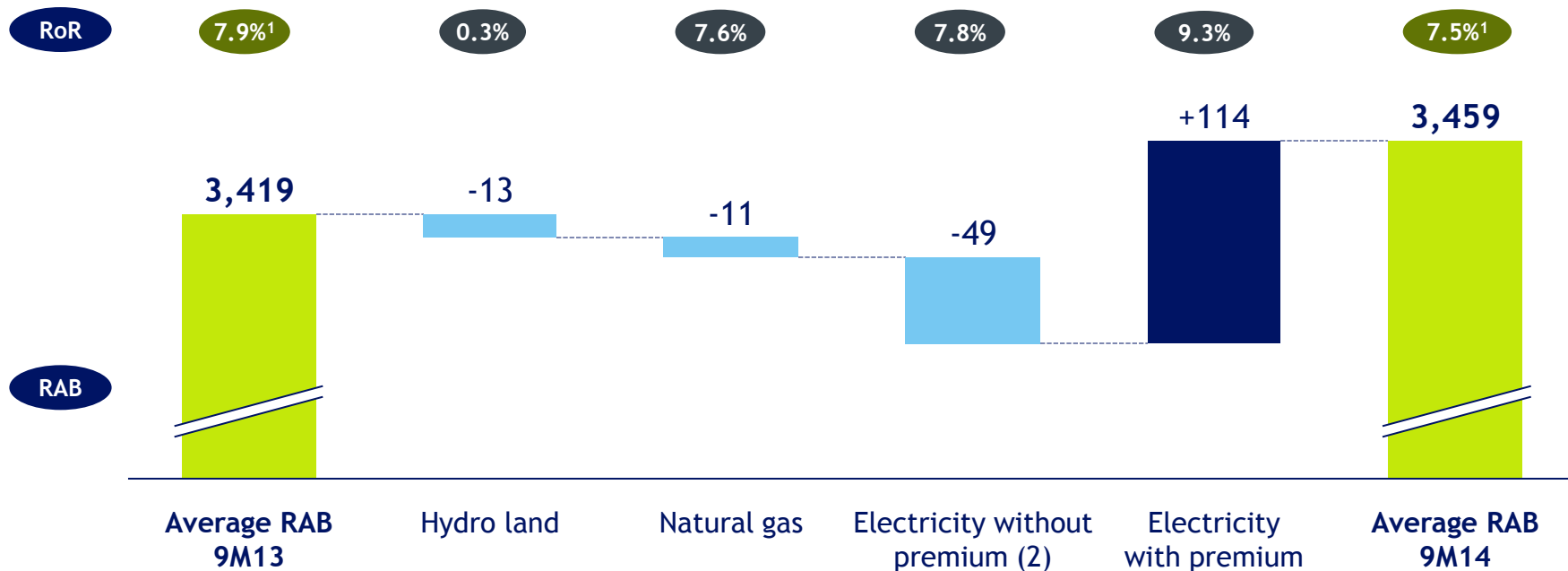
## TRANSFERS TO RAB



- Other
- Natural gas
- Electricity

# Average RAB increased €40.8M

## Electricity Assets with premium (RoR 9.3%) increased by €114M

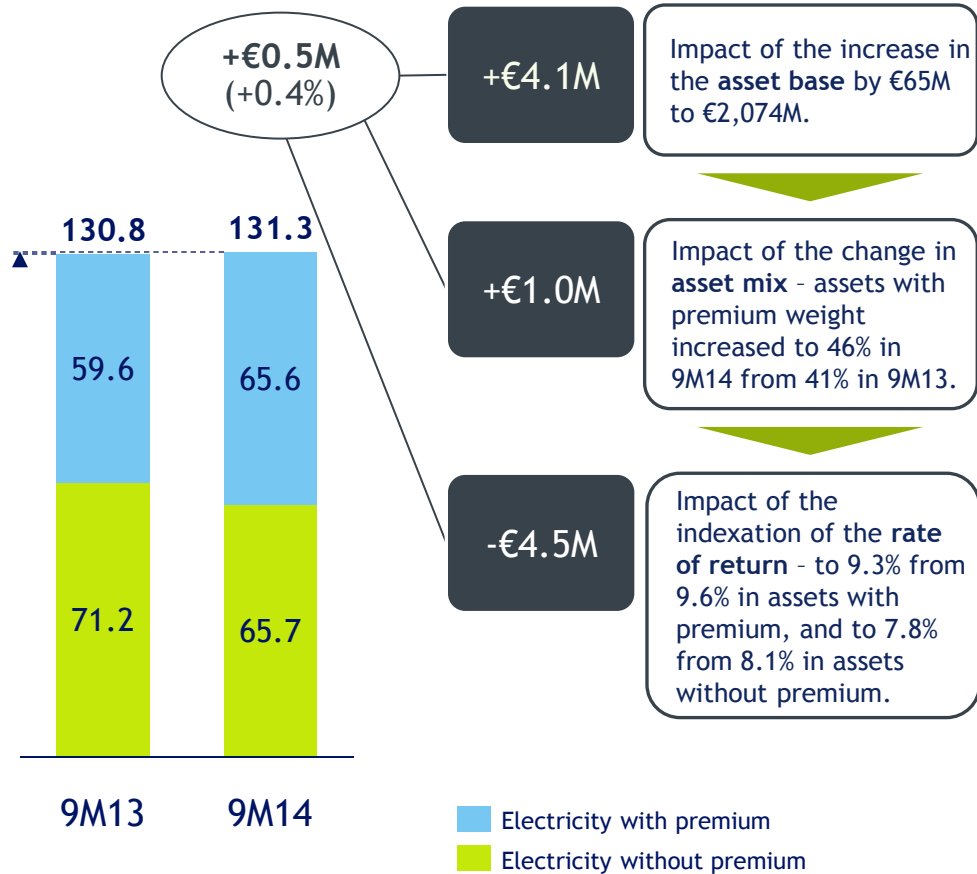


- 1) RoR is equal to the specific remuneration, divided by the average RAB;
- 2) Includes RAB related to Enondas.

# 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)

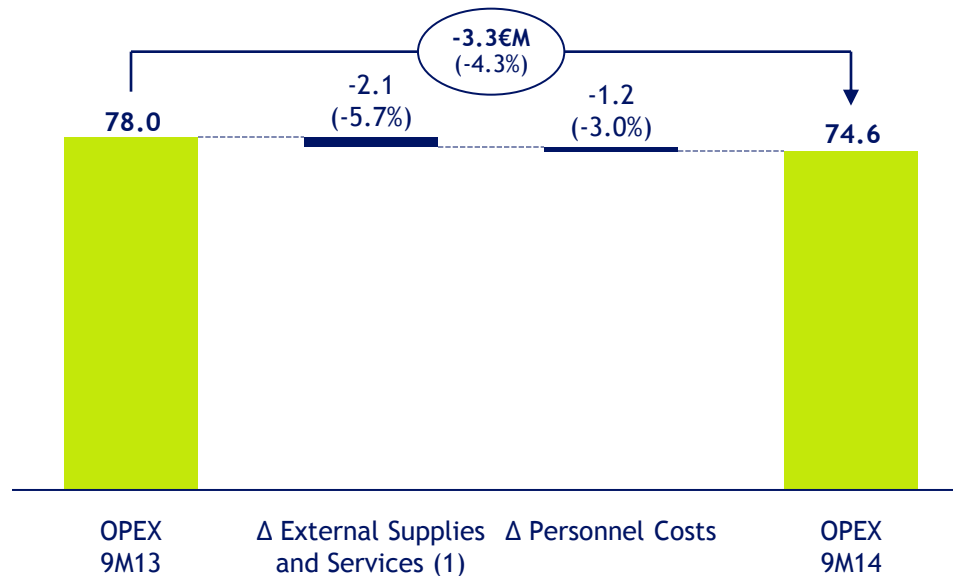


# OPEX fell €3.3M

## Reflecting REN's efficiency efforts

### OPERATIONAL COSTS

(€M)



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

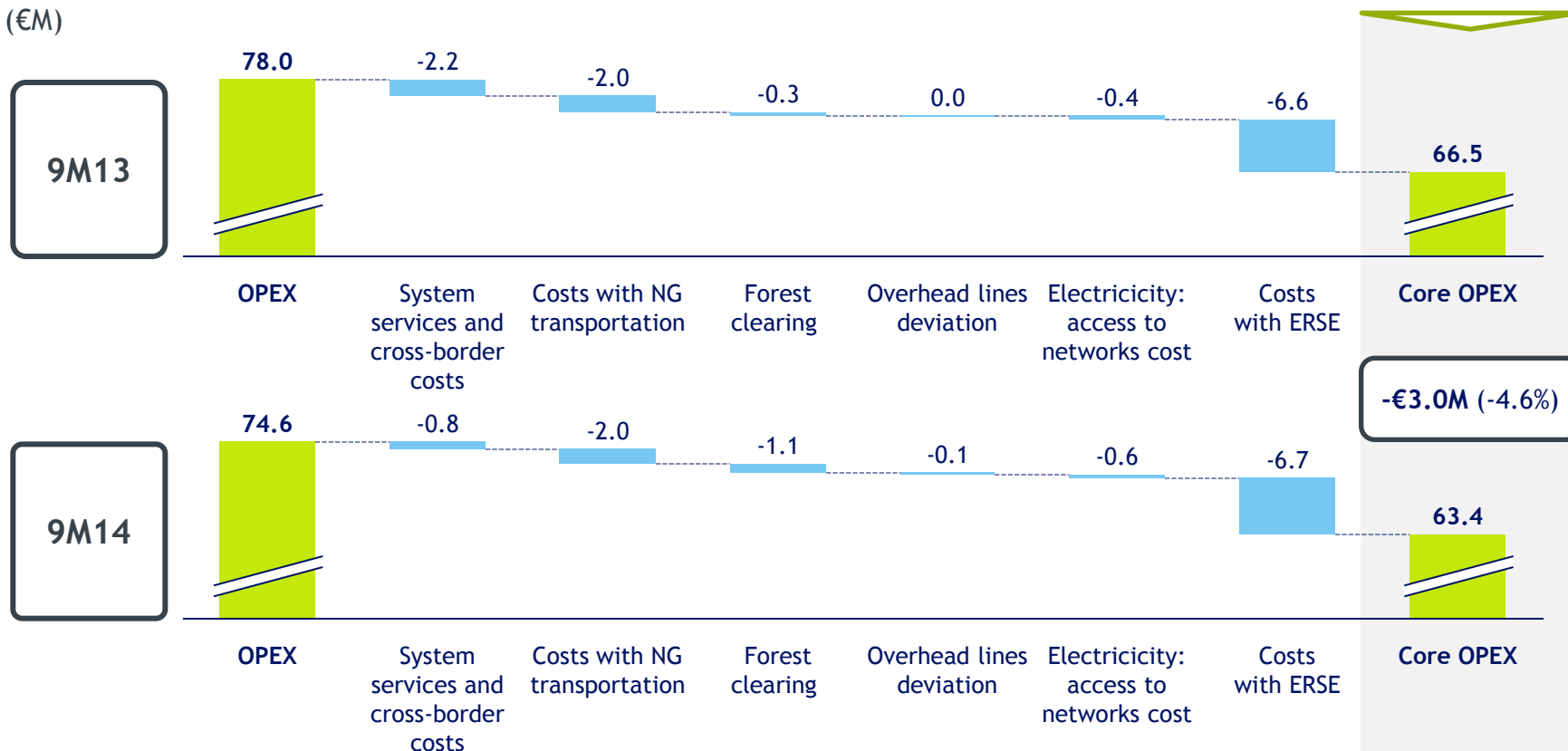
Note: values do not include costs incurred with the construction of concession assets (IFRIC 12): €91.5M in 9M13 and €54.8M in 9M14.



# Core OPEX was down by 4.6% YoY

## CORE OPEX

(€M)

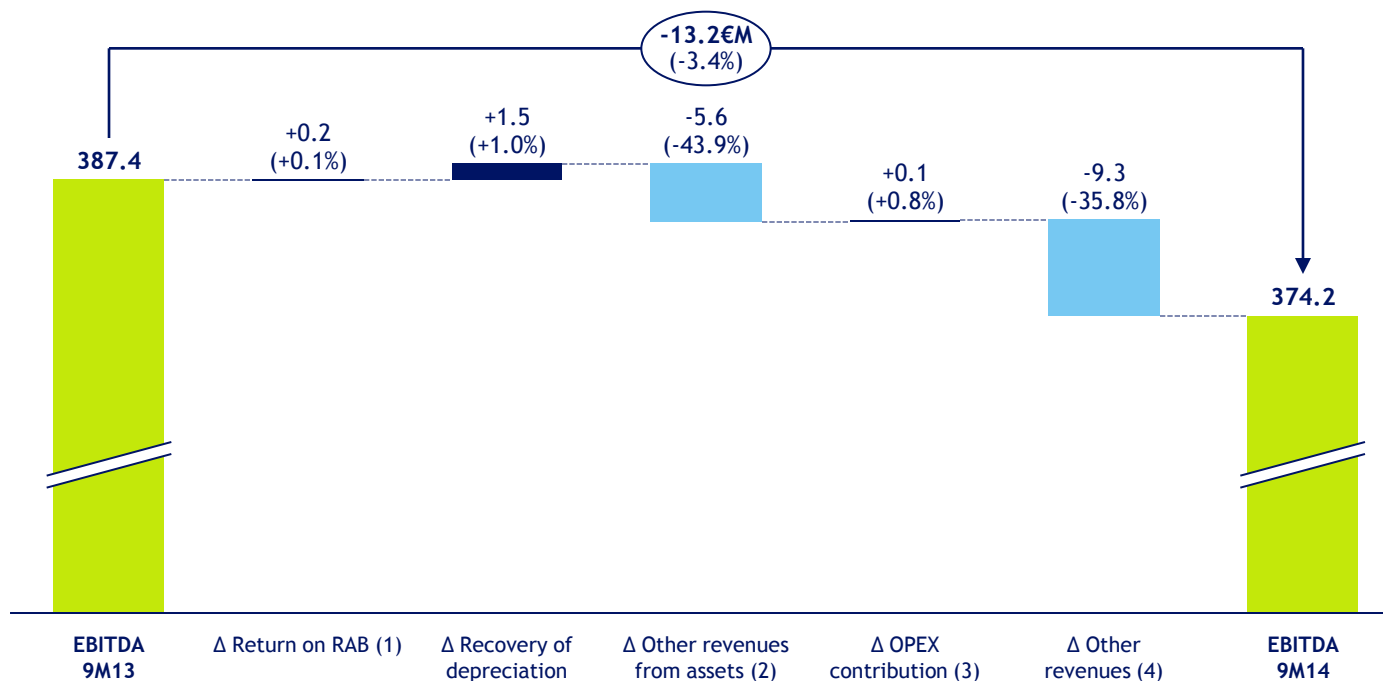


Note: values do not include costs incurred with the construction of concession assets (IFRIC 12): €91.5M in 9M13 and €54.8M in 9M14.

# EBITDA stood at €374.2M

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

(€M)



(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;

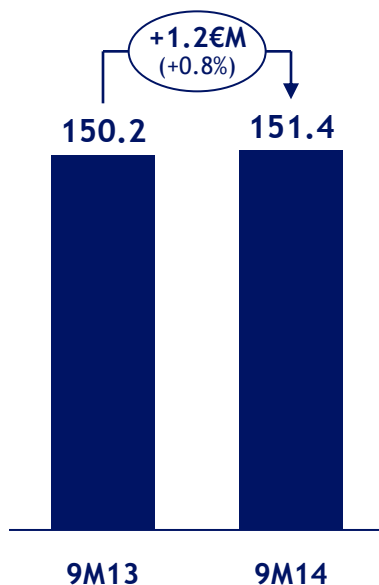
(3) Includes Δ-€0.5M of Opex own works;

(4) Includes +€5.3M related to a reversal of an impairment of receivable debts, in 2013.

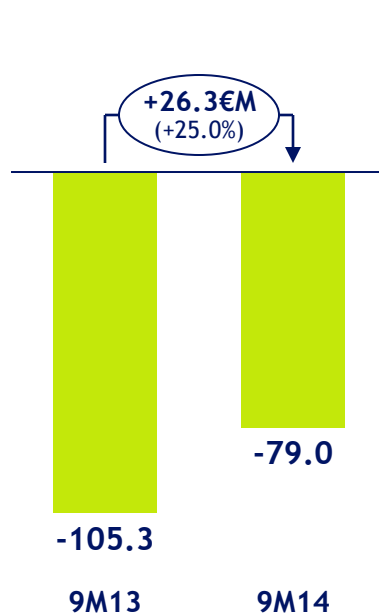
# Below EBITDA

Net Financial Income improved €26.3M

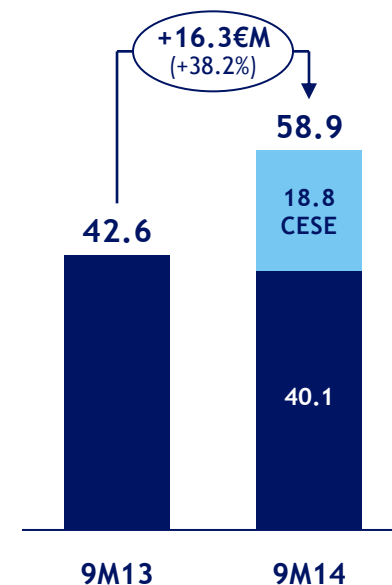
DEPRECIATION  
(€M)



NET FINANCIAL INCOME  
(€M)

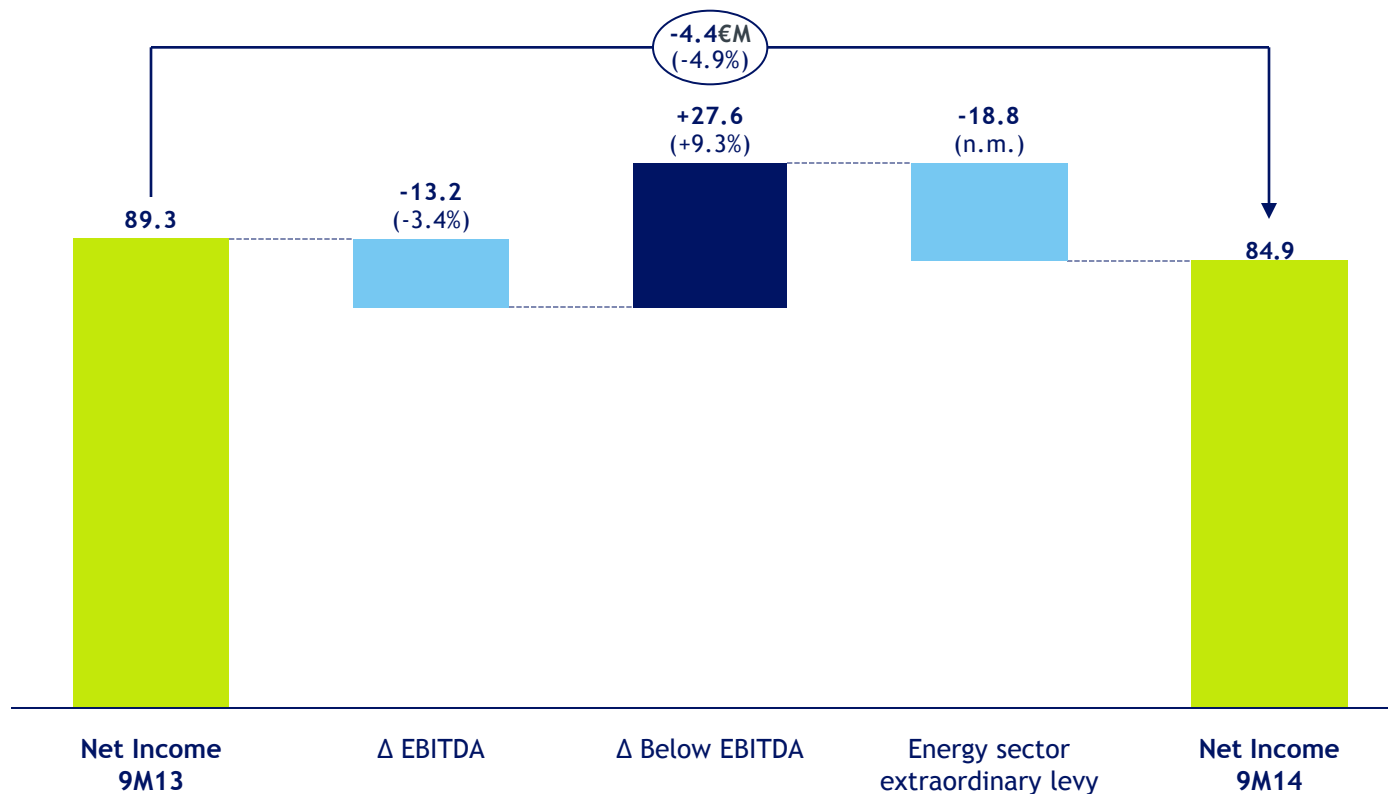


TAXES  
(€M)



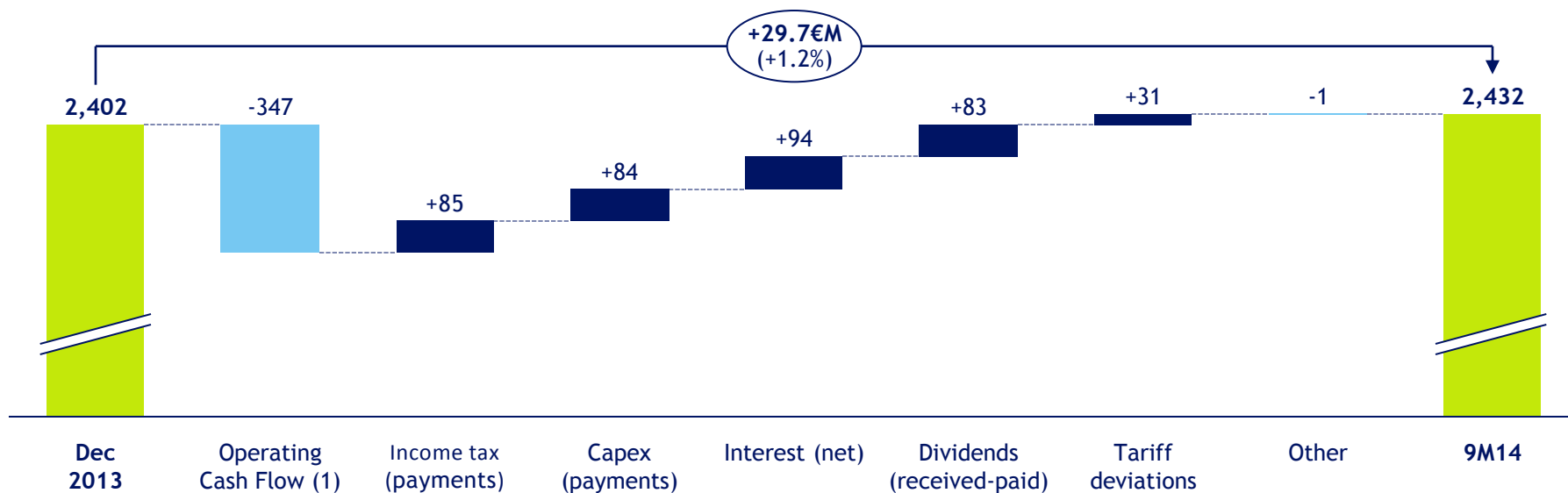
# Net Income slightly below YoY result (€-4.4M) negatively impacted by the extraordinary levy

(€M)



# Average cost of debt improved materially to 4.7%

NET  
DEBT  
(€M)



- ▶ The average cost of debt decreased to 4.7% (5.5% in 2013);
- ▶ Net debt/EBITDA was up to 4.87x (4.61x in 2013).

# Final remarks

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- ▶ In 9M14, REN's results were penalized by changes in hydro land remuneration, the decrease in the rates of return and the energy special levy, which were partially offset by the reduction in financial costs;
- ▶ The average cost of debt continued its downward trend and represented a positive impact on net income;
- ▶ Last October, ERSE released the proposal for the new Electricity Regulatory framework 2015-2017. As expected, the rate of return was linked to the Portuguese 10-year treasury bond yield, subject to a cap of 9.15% and a floor of 5.65% (for the base rate) and a premium of 75 basis points for the assets valued at reference costs. REN will discuss the proposal in the Tariff Council until 15<sup>th</sup> November and the final version will be published by the regulator on 15<sup>th</sup> December.

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# REN

