REN

July, 26th 2018

RESULTS PRESENTATION 1H18

1H18 HIGHLIGHTS

RESULTS PRESENTATION

- **EBITDA** stood at €252.4M, an increase of €9.7M (4.0%) when compared with 1H17. This was due to: (1) Portgás' consolidation (€21.2M), which also benefited the **Average RAB** growth (11.1% YoY) that standing at €3,855.2M; and (2) **OPEX contribution** (€9.0M), highlighting REN's operational efficiency. However, EBITDA was penalized by the evolution of the average **rates of return** (RoR), as a result of the lower parameters set for the current regulatory period and the decline in bond yields (-€18.4M);

- **Net Profit** reached €52.8M, in line with last year (-0.3%), and **Recurrent Net Profit** was €78.4M, 3.0% below 1H17's number. Both were negatively affected by higher **Amortizations** (€9.0M), explained by the integration of Natural Gas distribution assets. Additionally, REN's results were penalized by the maintenance of the **extraordinary levy on the energy sector** (€25.4M in 2018) leading the effective tax rate to **39.0%**. The **Financial Result** (-€27.3M) partially offset these effects, showing an improvement of €0.2M and helped by a steady drop in the **cost of debt** to 2.3%, from 2.6% in 1H17;

- In May 2018, **REN presented its 2018-2021 strategic plan** at its "Capital Markets Day" event. REN maintained its commitment to operations in Portugal and willingness to invest at home and abroad;

- In July 2018, **REN sold its LPG[1] business to Energyco II**, for €4M. This operation is in line with the strategy outlined by REN of focus on regulated businesses.

[1] LPG: Liquefied Petroleum Gas.

RESULTS AT A GLANCE

RESULTS PRESENTATION

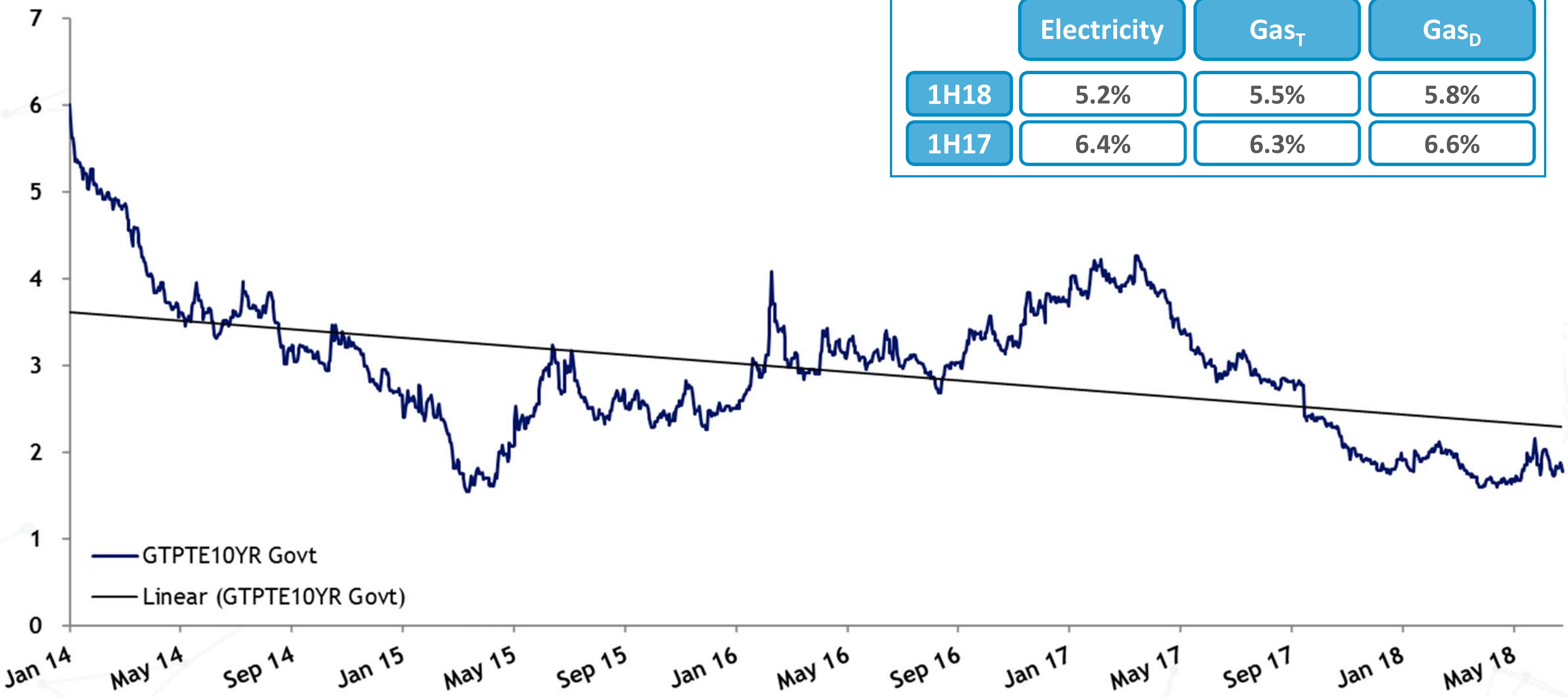
€M	2Q18	1H18	1H17	Δ%	Δ Abs.
EBITDA	124.1	252.4	242.7	4.0%	9.7
Financial Result	-10.7	-27.3	-27.5	0.6%	0.2
Net Profit	39.8	52.8	53.0	-0.3%	-0.1
Recurrent Net Profit	40.0	78.4	80.9	-3.0%	-2.4
Average RAB	3,855.2	3,855.2	3,470.3	11.1%	384.9
CAPEX	25.5	39.4	41.0	-3.8%	-1.6
Net Debt	2,686.7	2,686.7	2,577.4	4.2%	109.2

SOVEREIGN DEBT RISK OF PORTUGAL

Held a descent trajectory

RESULTS PRESENTATION

PT 10Y Treasury Bond Yields



BASE RoR	Electricity	Gas_T	Gas_D
1H18	5.2%	5.5%	5.8%
1H17	6.4%	6.3%	6.6%

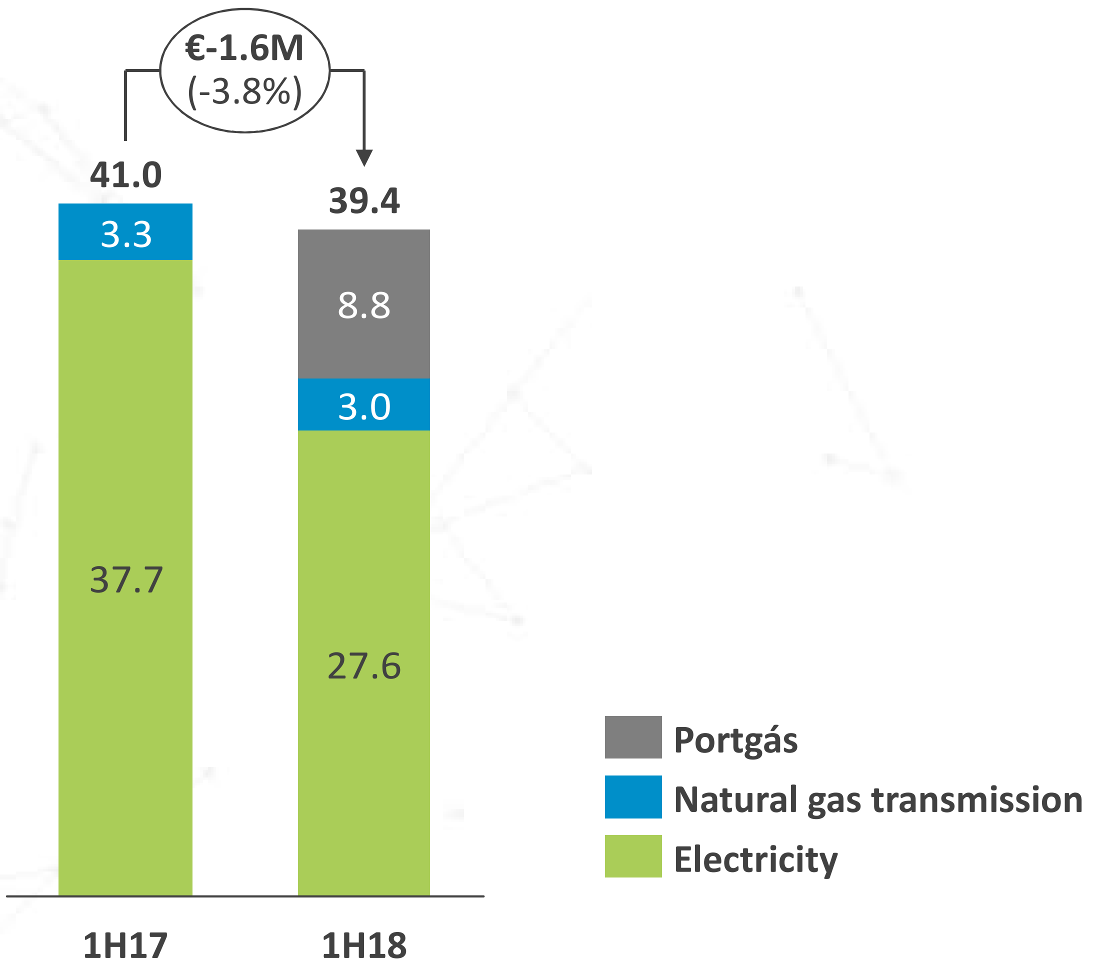
Source: Bloomberg, REN.

CAPEX WAS €1.6M LOWER YOY

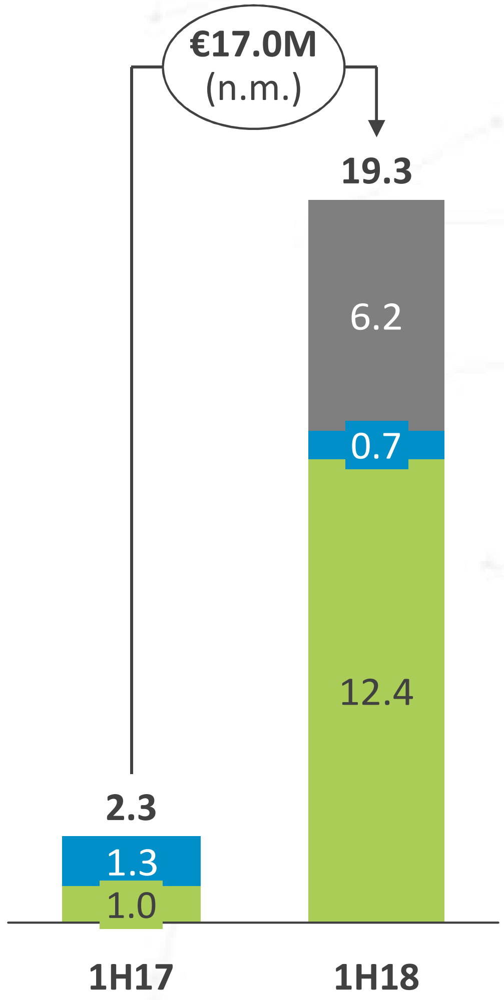
In 1H18, Portgás contributed with €8.8M

RESULTS PRESENTATION

CAPEX
(€M)



TRANSFERS TO RAB
(€M)



AVERAGE RAB ROSE BY 11.1% TO €3,855.2M

With a positive effect from the Portgás assets integration (€459.9M)

RESULTS PRESENTATION

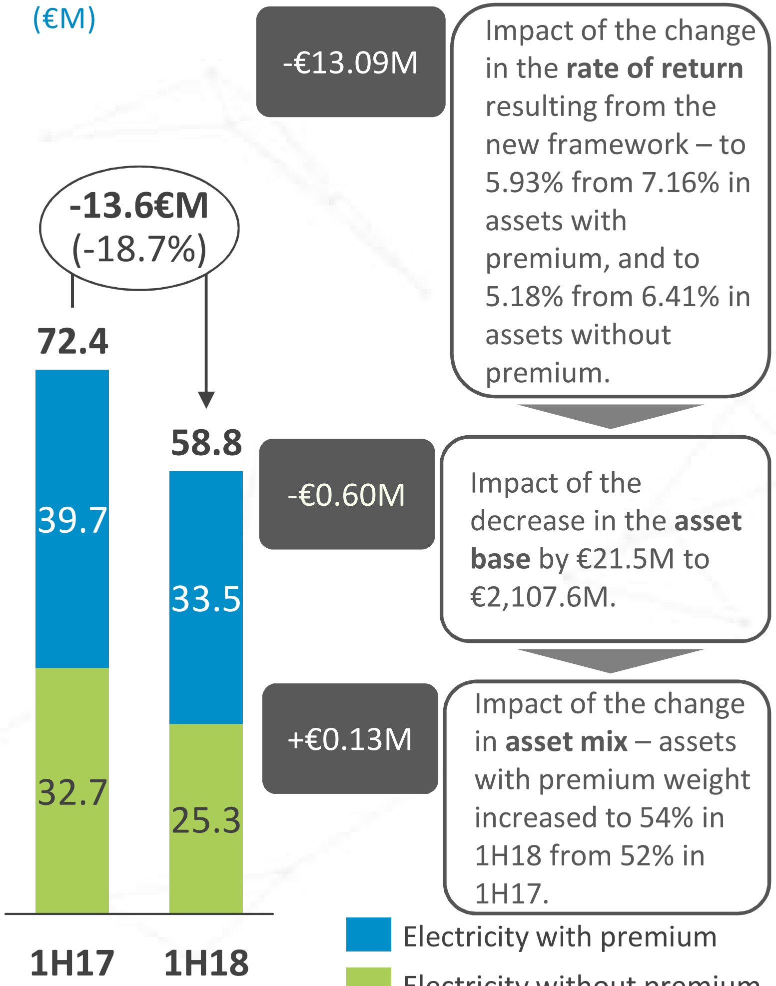
1) RoR is equal to the specific asset remuneration, divided by the average RAB.

RAB REMUNERATION DROPPED €19.3M

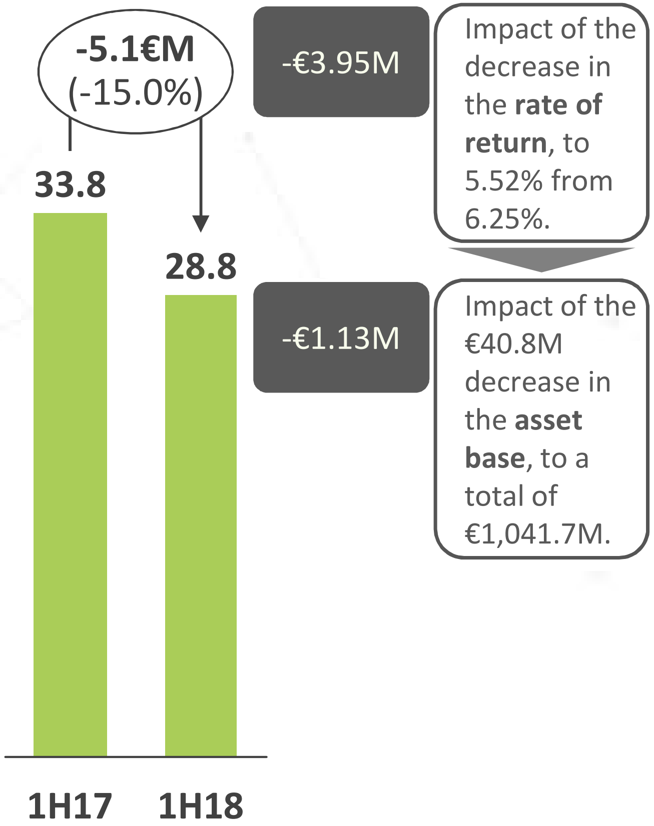
Mainly driven by the lower rate of return on the asset base

RESULTS PRESENTATION

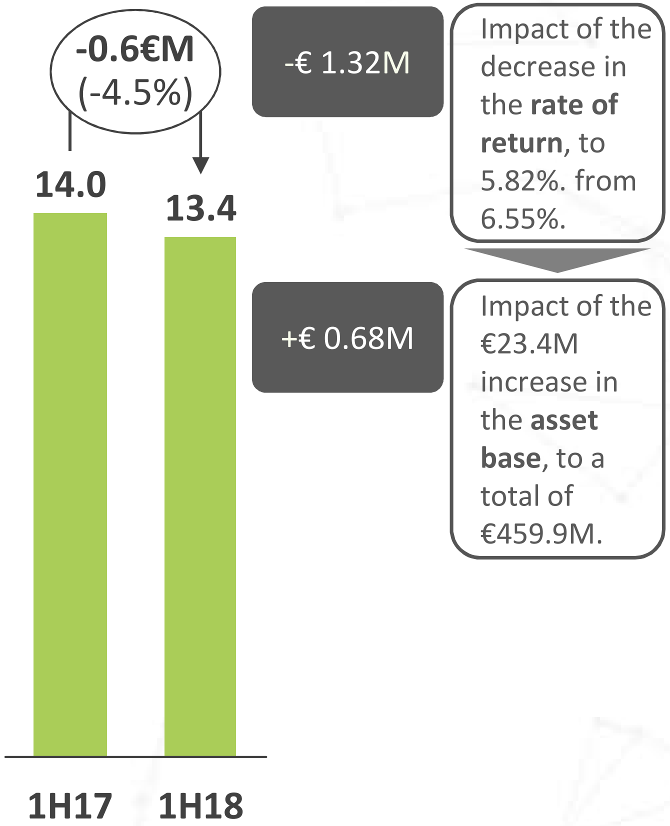
RAB REMUNERATION ELECTRICITY
(ex. Lands)
(€M)



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 (6.42%). REN used the effective rate calculated using the 10-Year bond yields (6.55%).

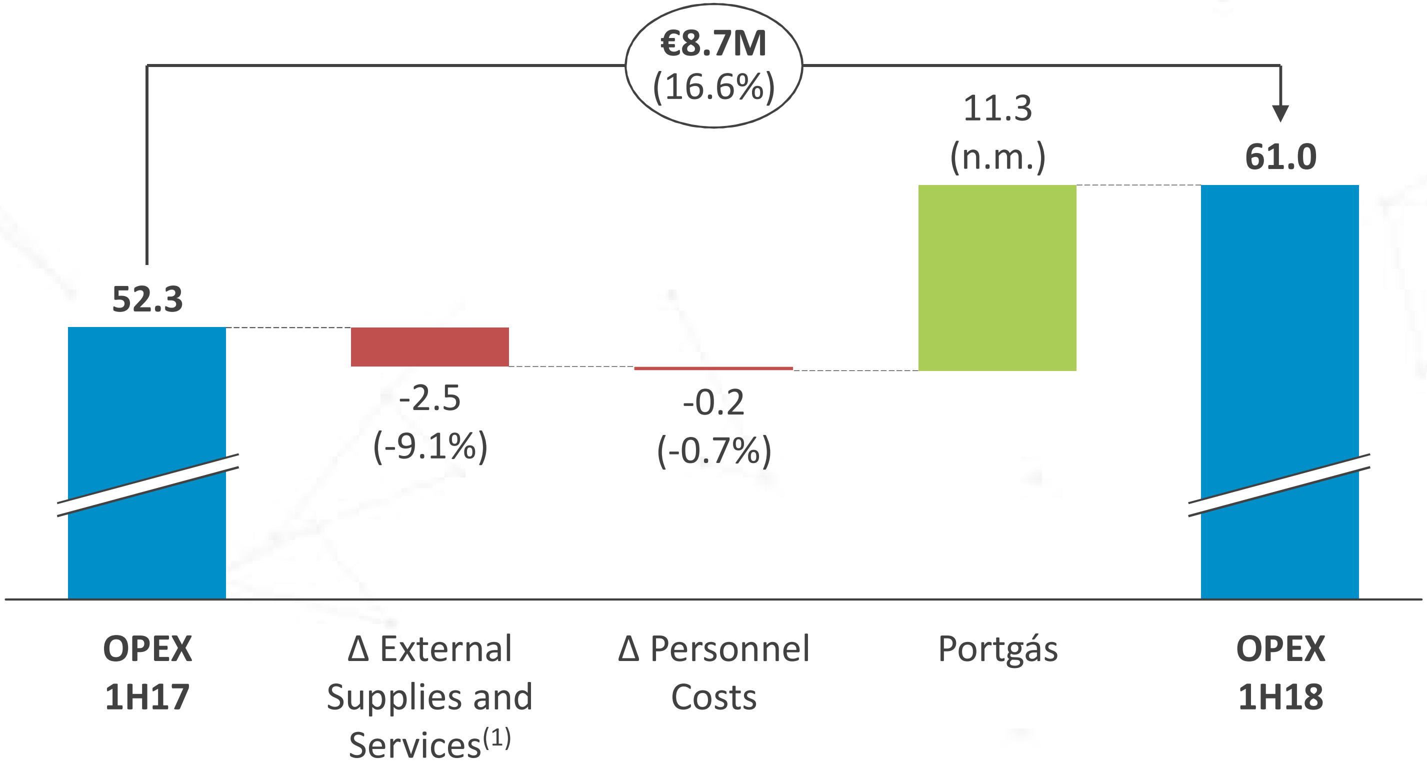
OPEX CAME €8.7M HIGHER YOY AT €61.0M

Without the Portgás effect, it went down by €2.7M

RESULTS PRESENTATION

OPERATIONAL COSTS

(€M)



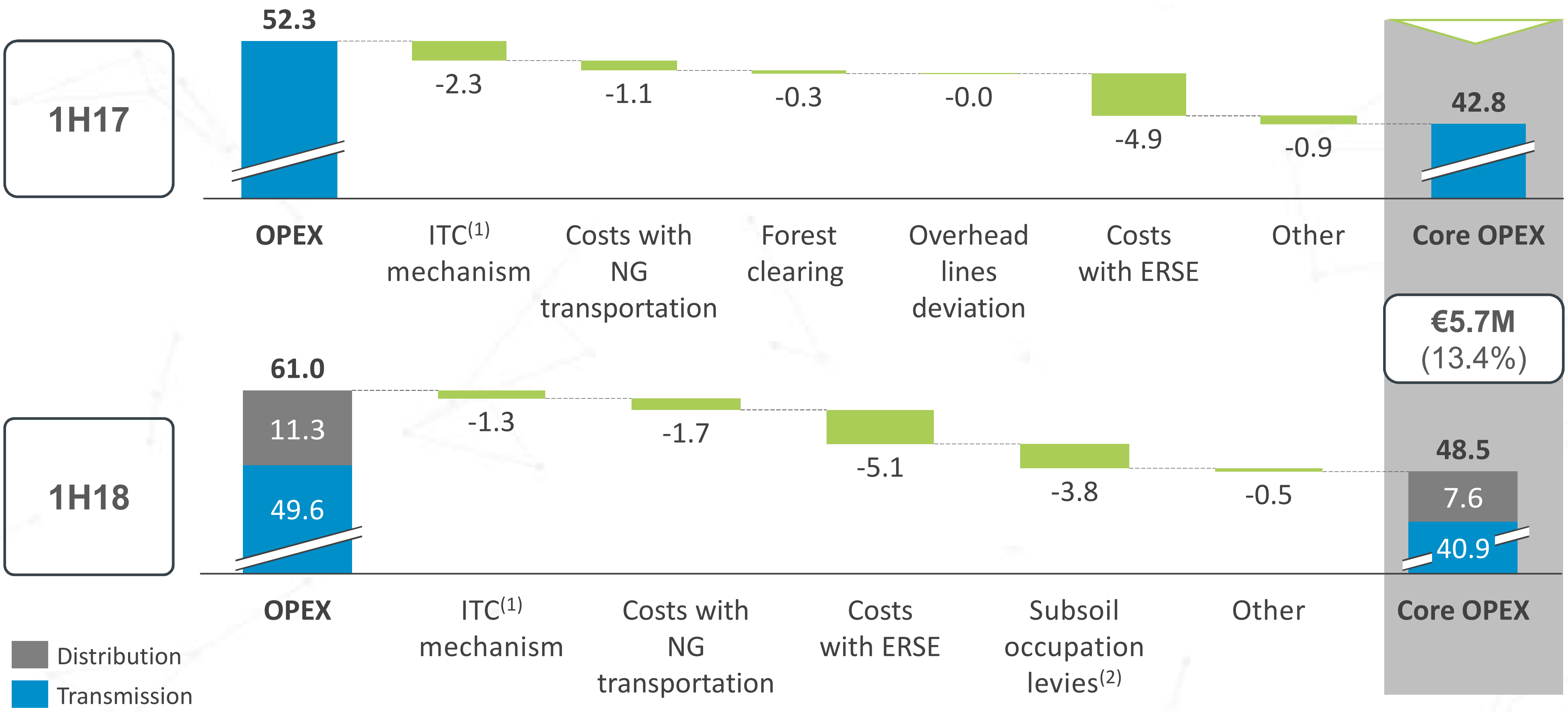
- **OPEX** variation was impacted by the acquisition of Portgás;
- ***External Supplies and Services*** include €1.2M from Electrogas acquisition in 2017.

(1) Include -Δ€0.5M of Other Operating Costs.

CORE OPEX ROSE BY €5.7M (13.4%)
Excluding Portgás it decreased by 4.3% vs last year

RESULTS PRESENTATION

CORE OPEX
(€M)



(1) ITC - Inter Transmission System Operator Compensation for Transits;
(2) Related to Portgás.

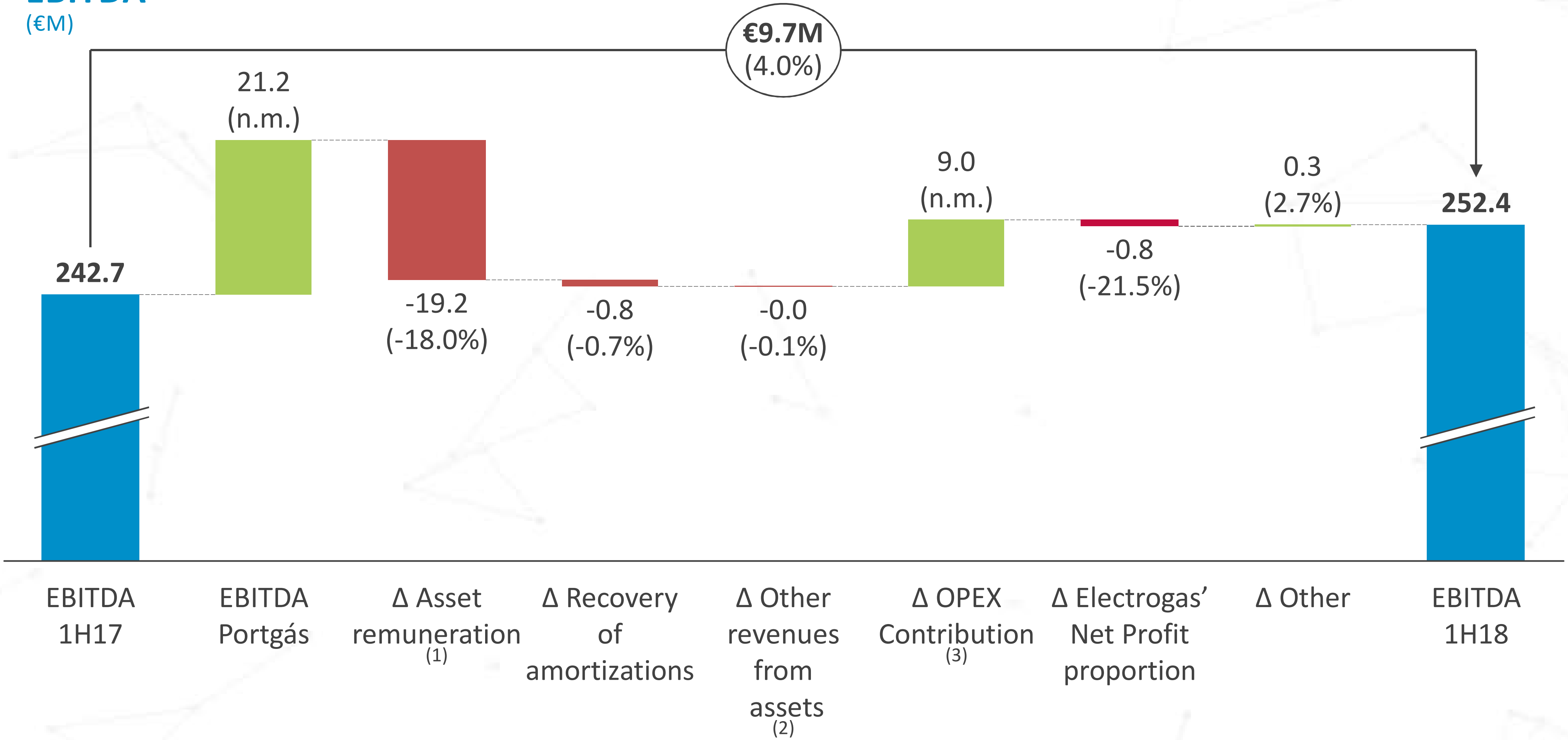
EBITDA GREW UP BY 4.0%

Mainly due to Portgás acquisition (€21.2M)

RESULTS PRESENTATION

EBITDA

(€M)



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

(2) Transmission business only;

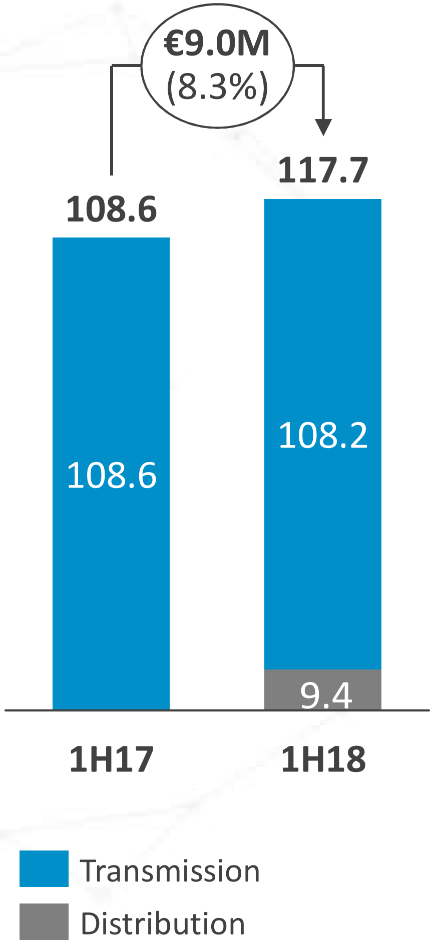
(3) Includes €1.2M related to the one-off costs with Electrogas (in 1Q17) and Δ€1.8M of OPEX own works.

BELOW EBITDA

The average cost of debt came down to 2.3% from 2.6%

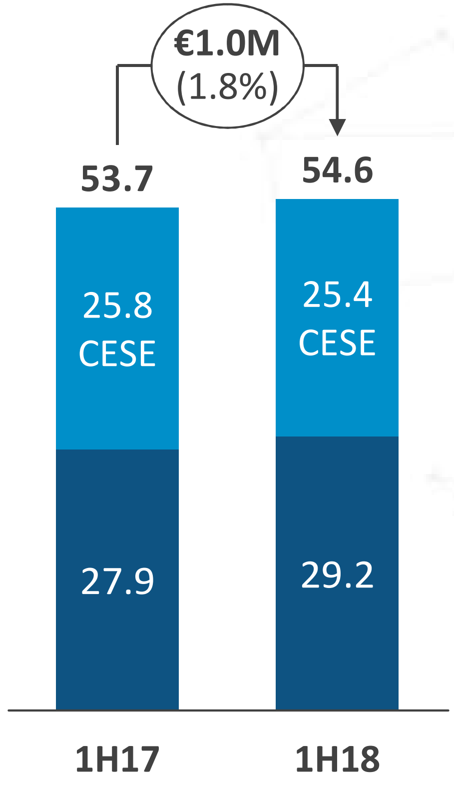
RESULTS PRESENTATION

DEPRECIATIONS AND AMORTIZATIONS
(€M)



FINANCIAL RESULTS
(€M)

TAXES
(€M)

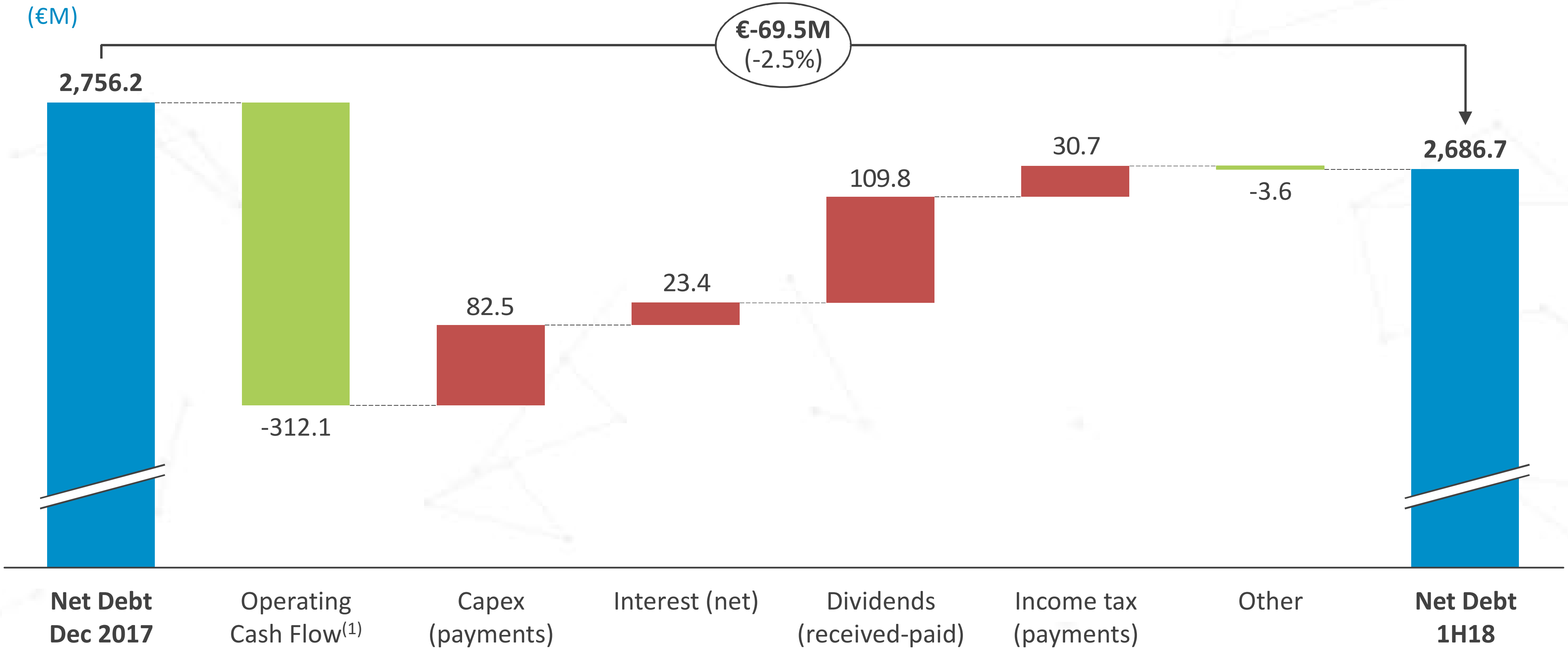


NET DEBT FELL BY 2.5% TO €2,686.7M

RESULTS PRESENTATION

NET DEBT

(€M)

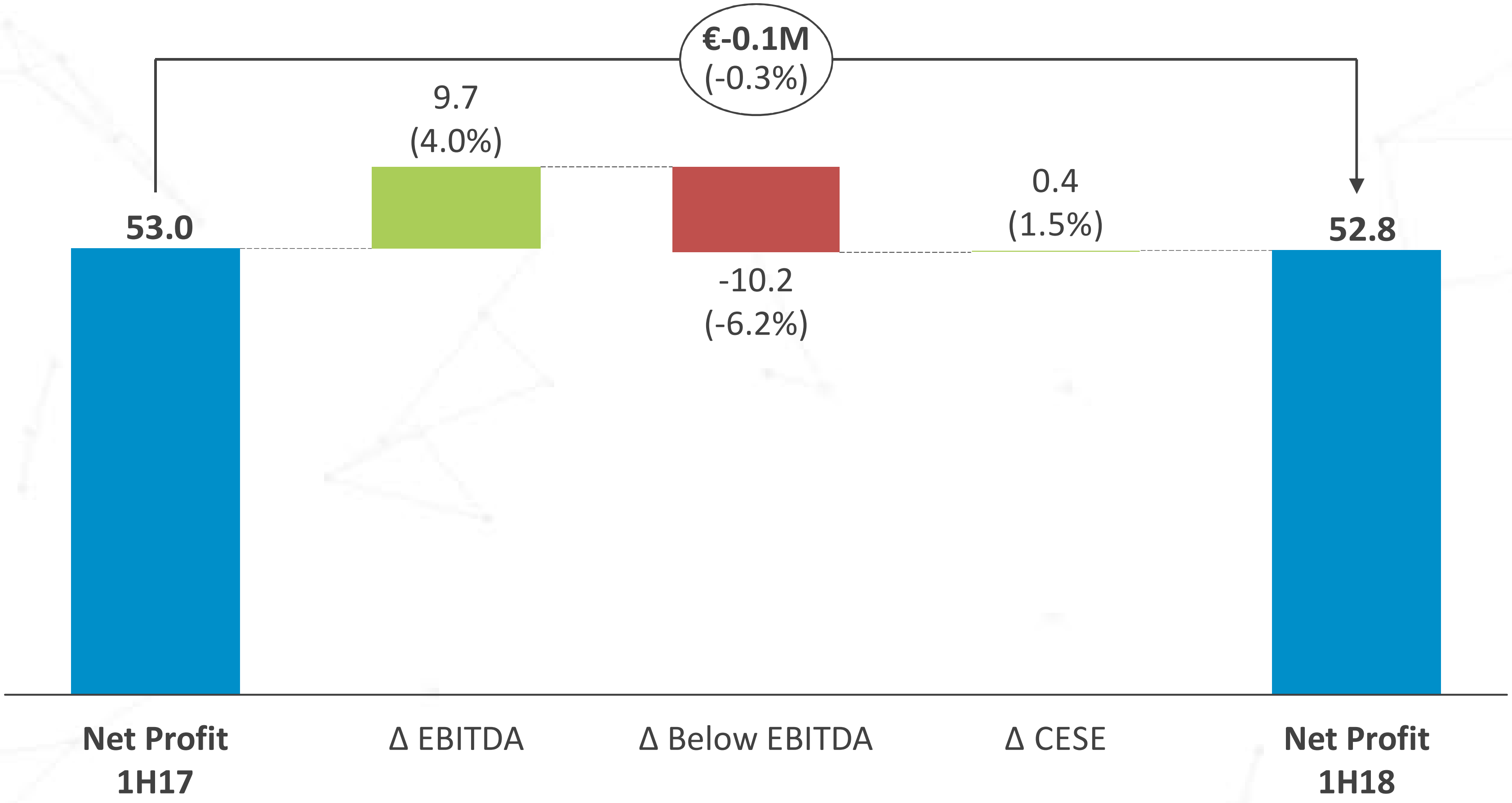


- The **Average cost of debt** decreased over the last twelve months: 2.3% in 1H18 vs 2.6% in 1H17;
- The **FFO/Net Debt** ratio went up to 12.2%.

(1) Includes Δ€42.4M of positive **tariff deviations**.

NET PROFIT WAS FLAT YOY

NET PROFIT
(€M)



FINAL REMARKS

- In the first semester of 2018, REN showed an improvement at **EBITDA** level, mainly due to the **Portgás' purchase** in the last quarter of 2017. This July, aligned with its strategic framework of focus on regulated businesses, **REN sold** to Energyco II **its LPG business** which was part of Portgás;

- REN's results were penalized by the **lower asset remuneration** resulting from the new regulation in electricity, the decrease in **bond yields** and the **extraordinary levy on the energy sector** that brought the **effective corporate tax rate to 39.0%**. **Financial Result** was impacted by an increase in **Net Debt**, followed by REN's acquisition of Portgás, in 2017, but the **average cost of debt** maintained its downward trend;

- In 2Q18, REN presented to the market its **strategic plan for the 2018-2021 period** that is based on three pillars: to consolidate its core business and maintain its operational excellence, to preserve a disciplined growth path and to ensure a solid financial performance. Regarding international operations, REN expects a sustainable return from its investments.

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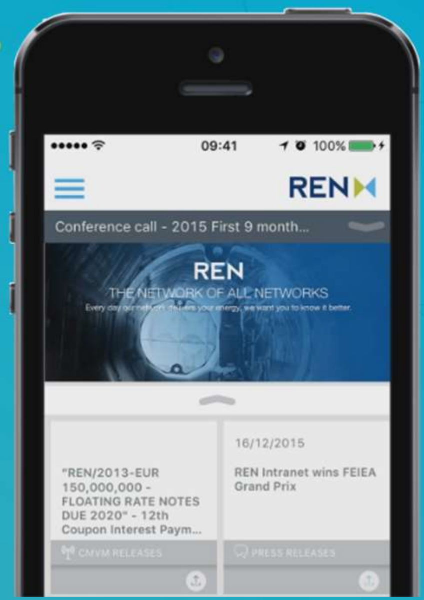

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