



# ANNUAL RESULTS REPORT 2016

March 30<sup>th</sup>, 2017



## MAIN INDICATORS

€M	4Q16	2016	2015	Δ%	Δ Abs.
<b>EBITDA</b>	<b>118.9</b>	<b>476.0</b>	<b>489.7</b>	<b>-2.8%</b>	<b>-13.6</b>
<b>Financial Result<sup>(1)</sup></b>	<b>-16.5</b>	<b>-79.9</b>	<b>-98.8</b>	<b>19.2%</b>	<b>19.0</b>
<b>Net Profit</b>	<b>29.7</b>	<b>100.2</b>	<b>116.1</b>	<b>-13.7%</b>	<b>-15.9</b>
<b>Recurrent Net Profit</b>	<b>29.7</b>	<b>126.1</b>	<b>118.1</b>	<b>6.8%</b>	<b>8.1</b>
<b>Average RAB</b>	<b>3,537.1</b>	<b>3,537.1</b>	<b>3,585.8</b>	<b>-1.4%</b>	<b>-48.7</b>
<b>CAPEX</b>	<b>98.1</b>	<b>171.5</b>	<b>240.4</b>	<b>-28.7%</b>	<b>-68.9</b>
<b>Net Debt</b>	<b>2,477.7</b>	<b>2,477.7</b>	<b>2,465.5</b>	<b>0.5%</b>	<b>12.2</b>

(1) Excluded Financial result from the interconnection capacity auctions between Spain and Portugal (+€0.3M in 2015 and -€0.5M in 2016) – known as FTR (Financial Transaction Rights) – that was reclassified from Financial Result to Revenues;

(2) +€20.1M at EBITDA level;

(3) +€16.1M at Net Profit level.

- ▶ Year end **EBITDA** reached €476.0M, 2.8% below 2015's number. **Net Profit** stood at €100.2M, 13.7% lower yoy. Excluding extraordinary items, **Recurrent Net Profit** rose by 6.8% to €126.1M;
- ▶ The decrease in **EBITDA** was mainly driven by (1) a 2015 positive one-off from the sale of REN's stake in Enagás<sup>(2)</sup> and (2) a decline in gas' regulatory asset base remuneration (-€8.3M). The average Rate of Return (RoR) on gas assets dropped to 6.70% from 7.34% following the changes in its regulatory parameters introduced last July. These effects were only partially mitigated by the increase in the electricity's asset remuneration;
- ▶ **Net profit** evolution was mostly impacted by the following 2015 non recurrent gains: the capital gain from the sale of REN's Enagás stake<sup>(3)</sup> and a tax credit (+€9.9M). As in the past two years, in 2016's results were also penalized by the payment of the extraordinary energy sector levy (€25.9M in 2016). Conversely, it benefited from the **Financial Results** improvement to -€79.9M (+19.2%) in 2016, as a consequence of further decreases in the average **cost of debt** (3.2% at the end of 2016, versus 4.1% in 2015). **Net Debt** stayed stable at €2,477.7M (+0.5%).

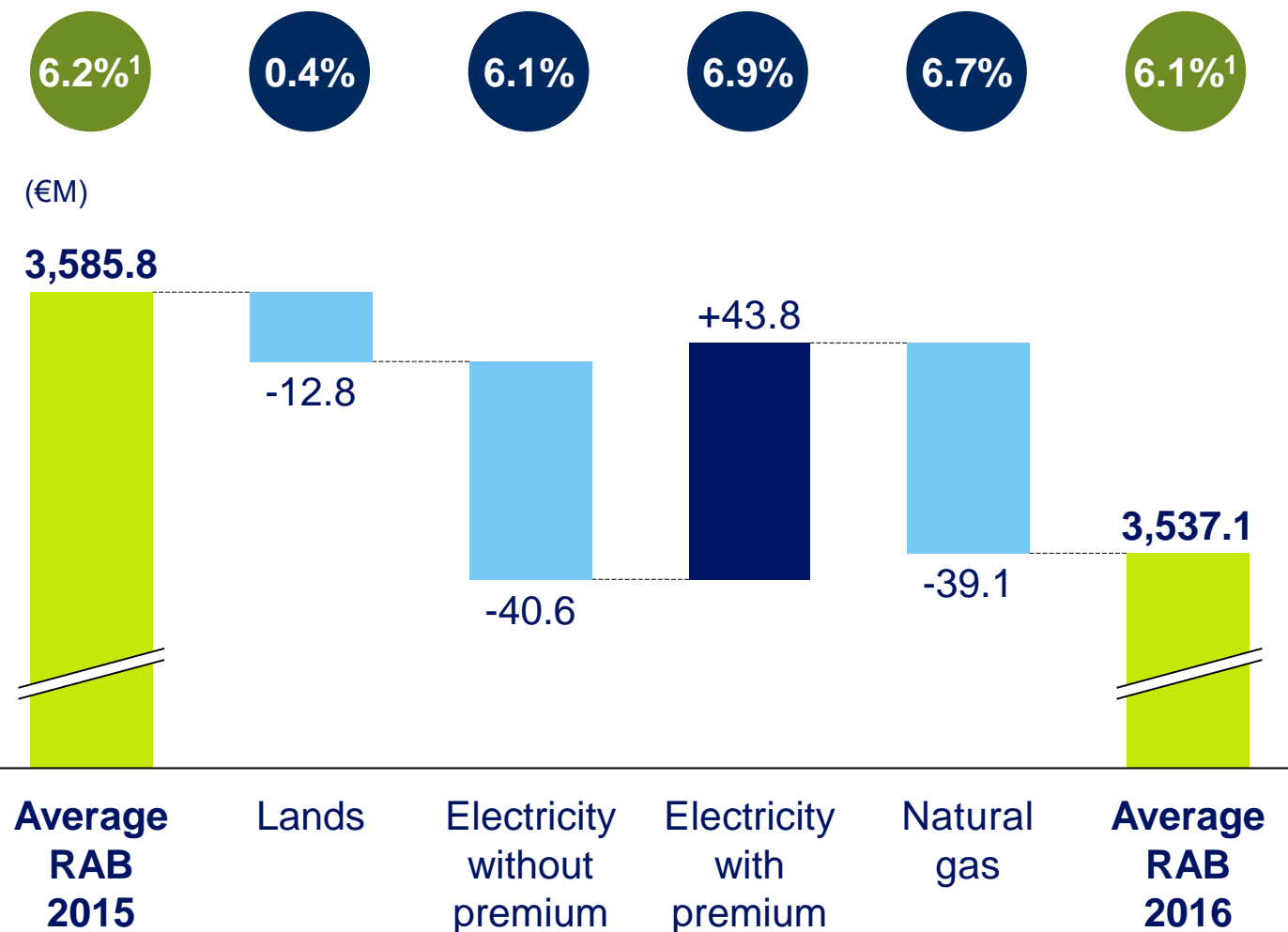
## CAPEX and RAB

€M	2016	2015	Δ%	Δ Abs.
<b>Average RAB</b>	<b>3,537.1</b>	<b>3,585.8</b>	-1.4%	-48.7
Electricity	2,152.6	2,149.4	0.2%	3.2
Land	268.3	281.2	-4.6%	-12.8
Natural gas	1,116.1	1,155.2	-3.4%	-39.1
<b>RAB end of period</b>	<b>3,519.8</b>	<b>3,566.3</b>	-1.3%	-46.5
Electricity	2,162.0	2,155.2	0.3%	6.8
Land	262.0	274.7	-4.7%	-12.8
Natural gas	1,095.8	1,136.4	-3.6%	-40.6
<b>CAPEX</b>	<b>171.5</b>	<b>240.4</b>	-28.7%	-68.9
Electricity	157.5	148.2	6.3%	9.3
Natural gas	13.8	91.8	-85.0%	-78.1
Other	0.2	0.4	-40.9%	-0.1
<b>RAB variation e.o.p.</b>	<b>-46.5</b>	<b>29.5</b>		
Electricity	6.8	11.7		
Land	-12.8	-12.9		
Natural gas	-40.6	30.6		

- ▶ Total **CAPEX** was €171.5M (€240.4M in 2015) and **Transfers to RAB** were €154.2M (€231.6M in 2015). In the previous year, both benefited from the acquisition of two natural gas storage facilities from Galp Energia;
- ▶ Regarding the most important investments in **electricity** transmission infrastructures, in 2016 REN concluded the following projects:
  - ✓ Northern region
    - Pedralva - Ponte de Lima, a 400kV OHL\*;
    - Remodelling work on the Torrão and Vila Fria substations.
  - ✓ Center Region
    - Remodelling of the Feira-Lavos and Pego-Falagueira OHL\*, 400kV.
  - ✓ Greater Lisbon area
    - Remodelling work on the Porto Alto and Carregado substations.
- ▶ Concerning **natural gas** infrastructures, organic CAPEX remained stable when compared to 2015.

# AVERAGE ROR DECLINED TO 6.1% FROM 6.2%

## Despite the increase in Electricity assets with premium

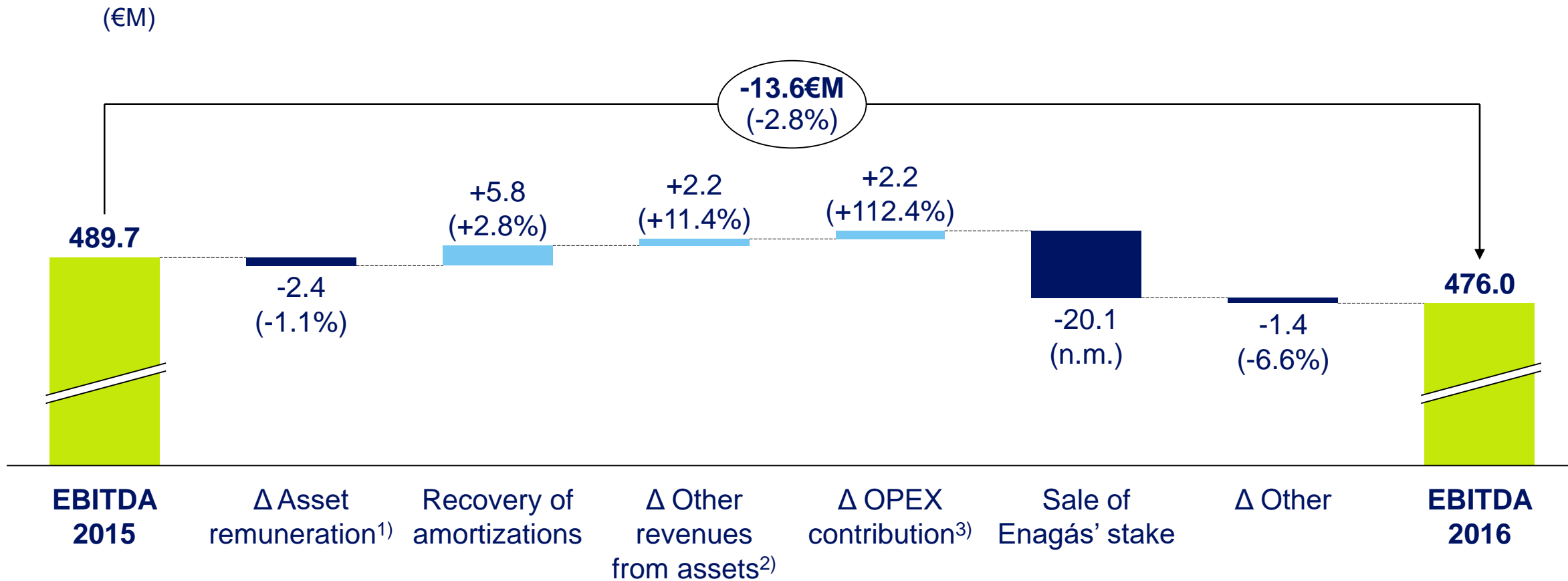


- ▶ Despite the favourable contribution from electricity with premium, average RAB fell by 1.4%;
- ▶ In the electricity business, the base rate of return (RoR) increased to 6.1% from 6.0%. Regarding electricity with premium (with a 6.9% RoR), it was up by €43.8M vs 2015, while lands, the category with the lowest RoR (0.4%), saw a decrease in the value of its average RAB of €12.8M, to €268.3M;
- ▶ In natural gas, the average RAB had a decrease of €39.1M (RoR 6.7%);
- ▶ At the end of 2016, electricity accounted for 60.9% of the average RAB, natural gas for 31.6% and lands for the remaining 7.6%.

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

# EBITDA WAS SLIGHTLY LOWER (-2.8%) AS EXPECTED

Grounded by the sale of Enagás' stake in 2015



(1) Included Δ+€2.6M of NG tariff smoothing effect;

(2) Included Δ+€2.2M of Remuneration of fully amortized assets;

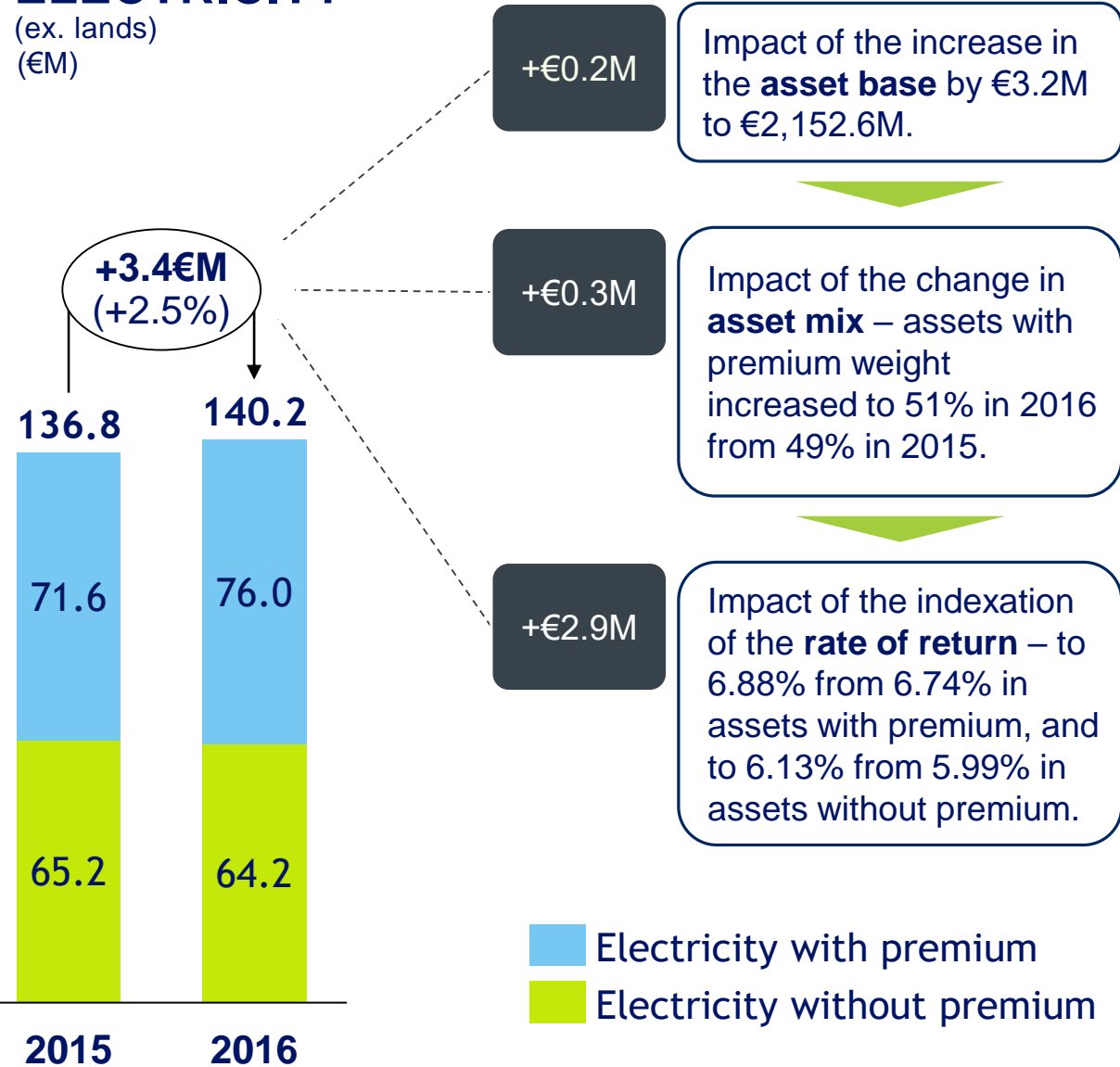
(3) Included Δ-€0.7M of OPEX own works.

# RETURN ON RAB HAD A €5.0M CUT

## Penalized by a lower Rate of Return on gas assets

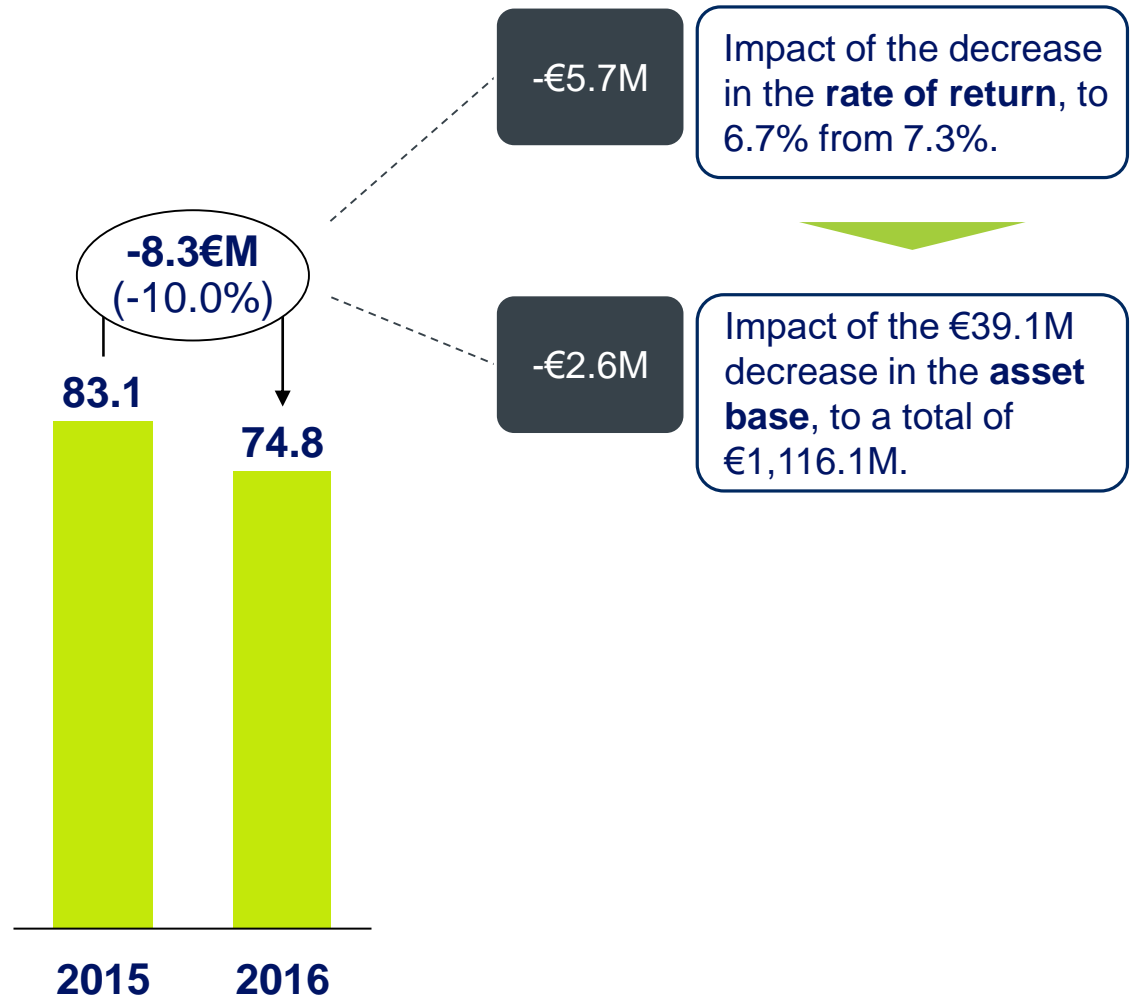
### RAB REMUNERATION ELECTRICITY

(ex. lands)  
(€M)



### RAB REMUNERATION NATURAL GAS

(ex. tariff smoothing effect)  
(€M)



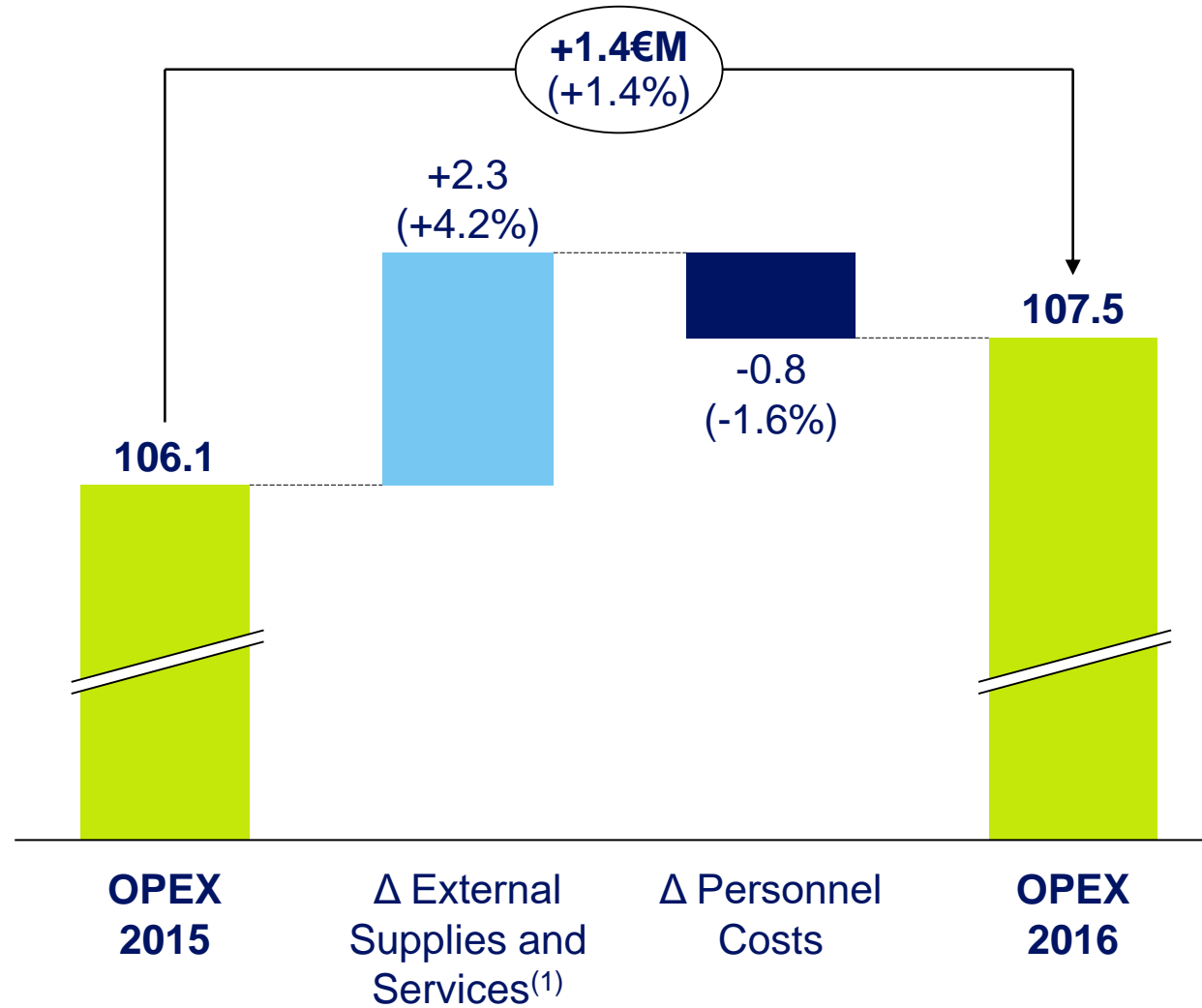


# OPEX HAD A SLIGHT INCREASE (+1.4%)

## Personnel Costs dropped by 1.6%

### OPERACIONAL COSTS

(€M)

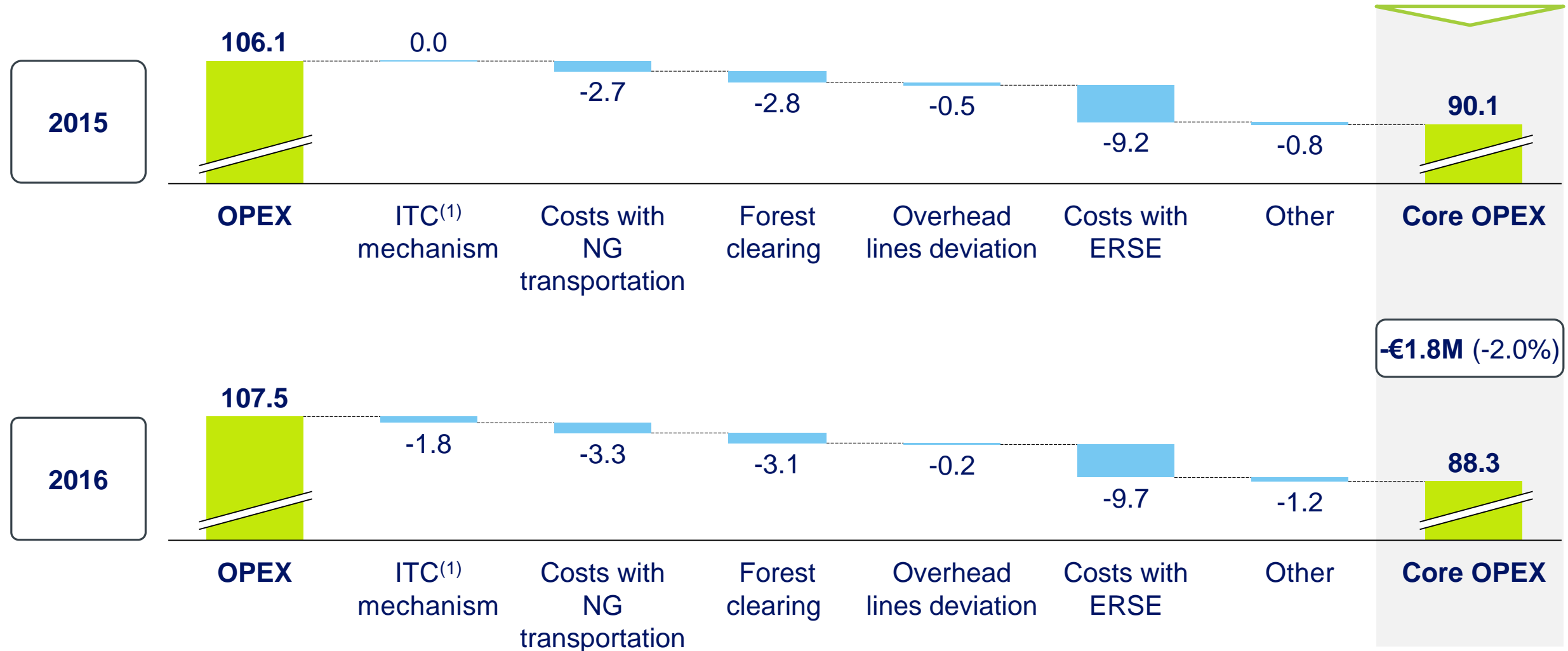


(1) Included Δ+€0.6M of Other Operating Costs.

# CORE OPEX DECLINED BY 2.0% DURING 2016

## CORE OPEX

(€M)



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



# BELOW EBITDA

Recurrent Results go up by €8.1M

€M	2016	2015	Δ%	Δ Abs.
EBITDA	476.0	489.7	-2.8%	-13.6
Depreciations and amortizations	214.8	209.3	2.6%	5.5
Financial Result	-79.9	-98.8	19.2%	19.0
Profit before income tax and levy	181.4	181.5	-0.1%	-0.1
Taxes	55.3	40.0	38.3%	15.3
Extraordinary levy	25.9	25.4	1.9%	0.5
Net Profit	100.2	116.1	-13.7%	-15.9
Recurrent Net Profit	126.1	118.1	6.8%	8.1

- ▶ **Depreciations and amortizations** increased by €5.5M (2.6%) to €214.8M;
- ▶ Reported **Income Tax** increased by €15.3M to €55.3M, affected by the increase in the effective tax rate;
- ▶ In 2016, the Group was taxed at a Corporate Income Tax rate of 21%, added by a municipal surcharge up the maximum of 1.5% over the taxable profit plus (i) a State surcharge of an additional 3.0% of taxable profit between €1.5M and €7.5M, (ii) an additional 5.0% of taxable profit in excess of €7.5M and up to €35.0M; and (iii) 7.0% over the taxable profit in excess of €35.0M, which results in a maximum aggregate tax rate of 29.5%.

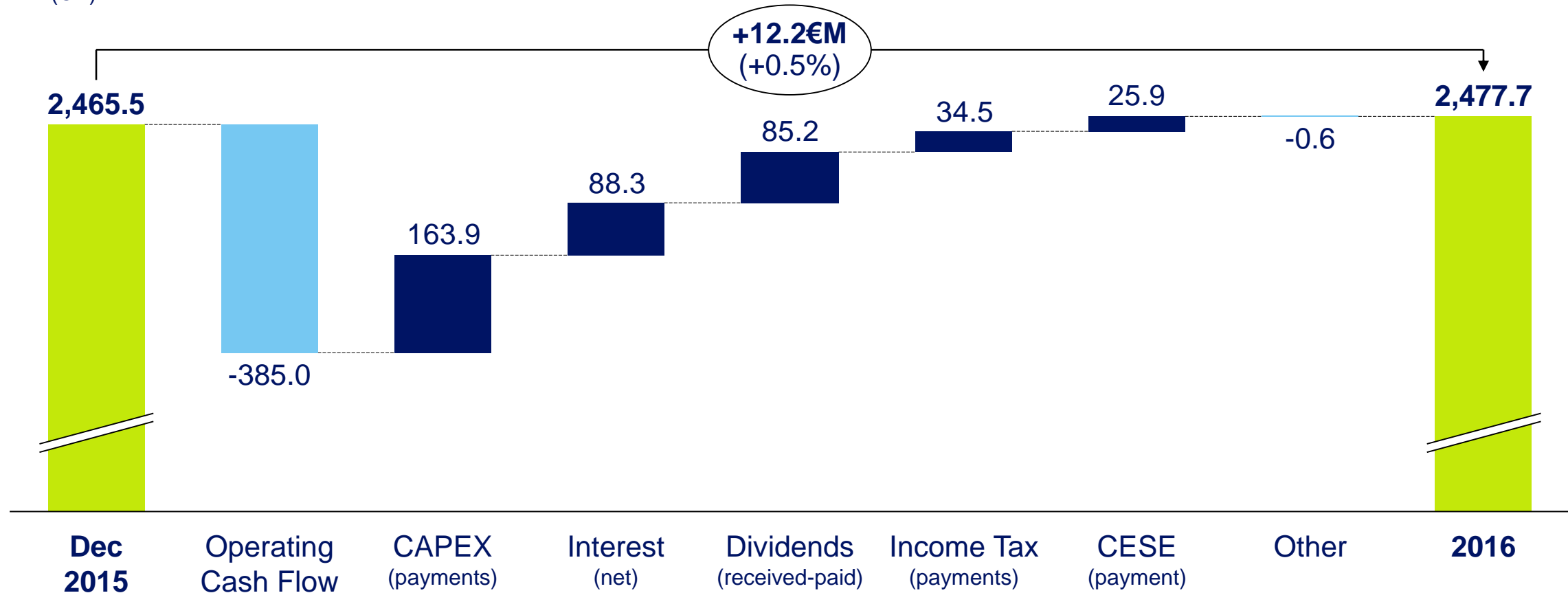
- ▶ The **average cost of debt** was **3.2%** versus 4.1% in 2015;
- ▶ **Financial Result** improved to **-€79.9M**, representing a positive evolution of 19.2% when compared with 2015.

# NET DEBT WAS KEPT STABLE DURING 2016

Average cost of debt declined more than expected

## NET DEBT

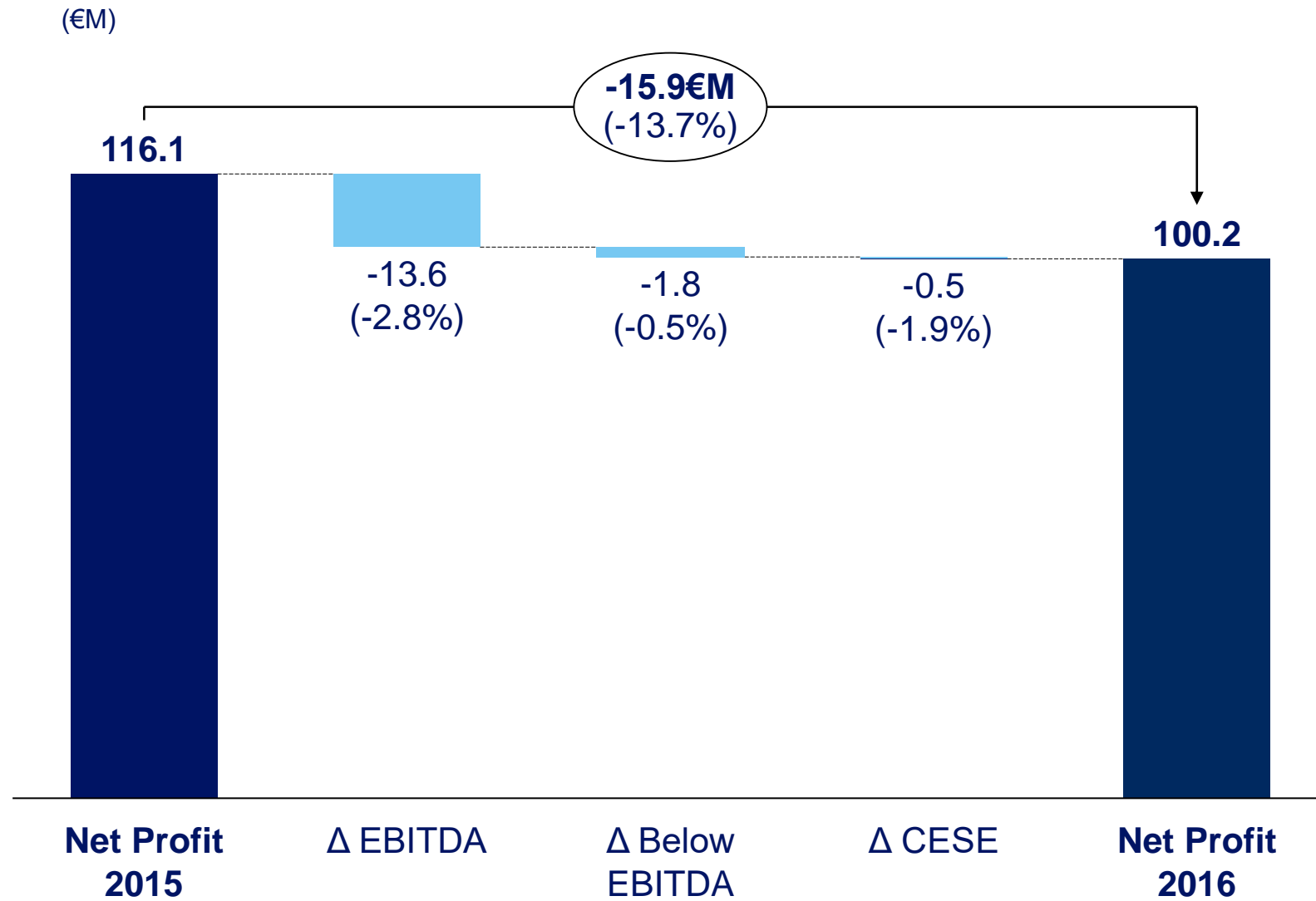
(€M)



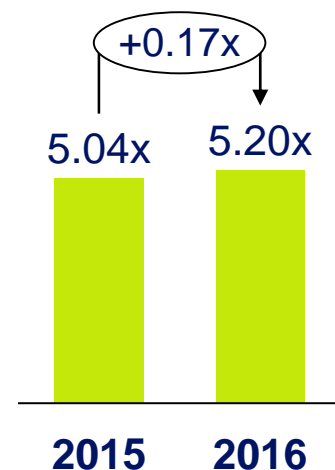
- ▶ **Average cost of debt** decreased consistently over the year (3.2% in 2016, vs 4.1% in 2015);
- ▶ **FFO/Net Debt** ratio stood at 11.4%.

# NET PROFIT STOOD AT €100.2M

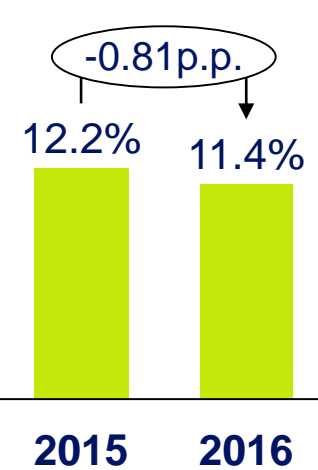
2015 impacted by one-offs at EBITDA level



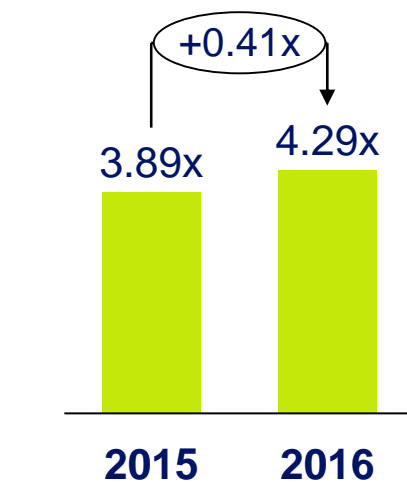
## Net Debt / EBITDA



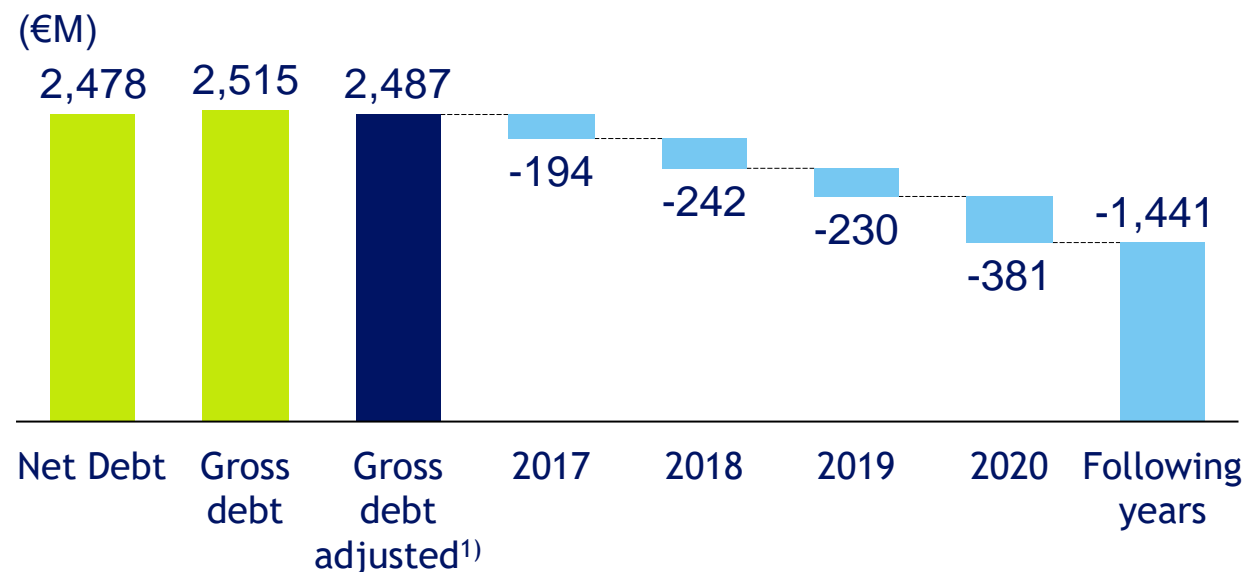
## FFO / Net Debt



## FFO interest coverage



## DEBT MATURITY SCHEDULE



In 2016, the cost of REN's debt continued to come down, thus continuing the trend set in 2014. This reduction was the result of two main factors: 1) the improvement in the country's macro-economic context allowing REN to introduce a set of initiatives that enabled the company to take the most advantage from existing market conditions, namely the partial exchange operation of bonds maturing in 2018 and 2020 for bonds from a new seven-year issue; 2) REN's own risk profile that warrants its debt as investment grade by the three major rating agencies - S&P, Fitch and Moody's;

REN's financing strategy has placed special emphasis on the flexibility of the financial instruments contracted and the maintenance of a robust liquidity position. It allows the Company to adjust the cost of debt to the improvement seen in credit market conditions both significantly and at a fast pace;

The average debt maturity is currently **5.15** years.

1) Value adjusted by interest accruals and hedging on yen denominated debt.

€M	2016	2015
Fixed assets RAB related	3,818.2	3,860.3
Investments and goodwill <sup>1</sup>	190.3	184.9
Tariff deviations	138.8	205.8
Receivables <sup>2</sup>	383.0	262.8
Cash	10.8	63.7
Other <sup>3</sup>	8.7	12.5
<b>Total assets</b>	<b>4,549.8</b>	<b>4,590.0</b>
Shareholders equity	1,159.2	1,161.3
Debt (end of period)	2,515.1	2,542.0
Provisions	7.0	6.9
Tariff deviations	21.7	28.0
Payables <sup>4</sup>	707.9	708.2
Other <sup>5</sup>	138.9	143.6
<b>Total equity and liabilities</b>	<b>4,549.8</b>	<b>4,590.0</b>

- ▶ The total amount of **fixed assets RAB related** decreased to **€3,818.2M** (this value includes investment subsidies and the caverns purchased from Galp);
- ▶ **Investments and goodwill** (1) increased to €190.3M from €184.9M at the end of 2015. This item includes goodwill, available-for-sale financial assets, derivative financial instruments, investments in associates and other investments;
- ▶ **Receivables** (2) related to trade and other receivables, deferred tax assets and current income tax recoverable, reached €383.0M in 2016, an increase from €262.8M at the end of 2015;
- ▶ **Other Assets** (3) stood at €8.7M. This item consists of inventories, guarantee deposits, fixed assets and assets in progress (not RAB related);
- ▶ **Payables** (4) include trade and other payables, deferred tax liabilities and income tax payable. These totalized €707.9M at the end of the period, versus €708.2M in 2015;
- ▶ **Other liabilities** (5) stood at €138.9M, these include retirement and other benefit obligations, derivative financial instruments and guarantee deposits (€143.6M in 2015).

# THE BALANCE OF TARIFF DEVIATIONS ADDED UP TO €212.1M

## To be received from tariffs over the next two years

### TARIFF DEVIATIONS

€M	2016	2015
Electricity <sup>1)</sup>	176.3	114.3
Trading	27.0	66.7
Natural gas	8.8	46.8
<b>TOTAL</b>	<b>212.1</b>	<b>227.8</b>

- ▶ The value of the tariff deviations is paid in full and with interest over a two year period from the moment it is created.

1) Value adjusted to include the amount to be received from the Fund for the Systemic Sustainability of the Energy Sector (FSSSE) related with the PPA's (€50M in 2015 and €45M in 2016).

### BORROWINGS

€M	Current	Non Current	TOTAL
Bonds	30.0	1,670.1	<b>1,700.1</b>
Bank borrowings	61.7	495.3	<b>557.1</b>
Commercial paper	101.0	152.0	<b>253.0</b>
Bank overdrafts	0.1	0.0	<b>0.1</b>
Finance lease	1.4	1.8	<b>3.2</b>
<b>TOTAL</b>	<b>194.2</b>	<b>2,319.3</b>	<b>2,513.5</b>
Accrued interest	28.1	0.0	<b>28.1</b>
Prepaid interest	-5.8	-20.7	<b>-26.5</b>
<b>TOTAL</b>	<b>216.6</b>	<b>2,298.5</b>	<b>2,515.1</b>

- ▶ On 31 December 2016 REN's total liquidity reached €978M, including credit facilities, loans, non-used commercial paper programmes, cash and bank deposits;
- ▶ Under the Euro Medium Term Programme, the Group issued a new **bond** in the amount of €550M with an associated coupon of 1.750% and a 7 years maturity. Through an Exchange Offer, this issue allowed bonds maturing in January 2018 and in October 2020 to be refinanced, representing a partial exchange of 137.2 million euros and of 132.2 million euros, respectively. In October, the REN Finance B.V. bond issue held in February 2015 was reopened to issue a further 200 million euros, fungible with the initial issue, increasing the total amount to 500 million euros. In September 2016 a €300M bond issue reached its maturity;
- ▶ Regarding **bank borrowings**, they were mainly represented by EIB loans (€497M). In June, a five years, €250M revolving credit facility was signed with Bank of China, of which €10M were disbursed;
- ▶ In December 2016, REN Atlântico's project finance of €79.2 signed with EIB was converted into a corporate finance contract with REN SGPS taking over the position of its subsidiary;
- ▶ Concerning **commercial paper**, REN had five active programmes, in the amount of €1,050M, of which €797M were available for utilization.



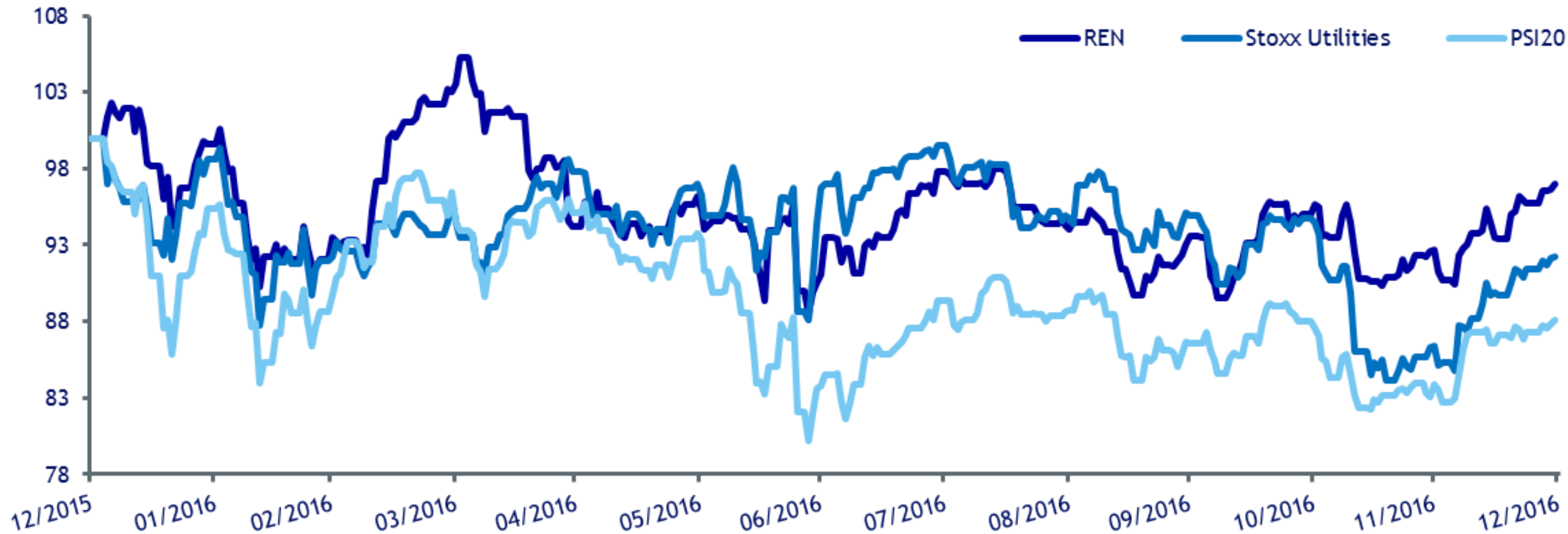
# SHARE PERFORMANCE

REN ended 2016 with a total return of +3.3% (YTD)



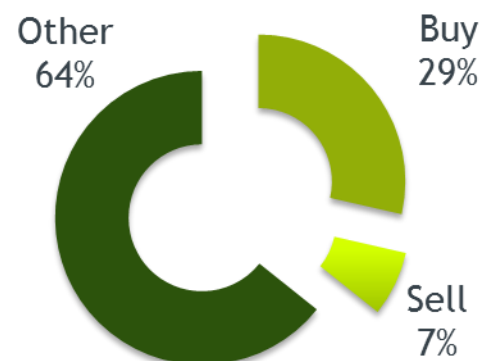
RESULTS  
REPORT

## ANNUALIZED CLOSING PRICES



### ANALYST RECOMMENDATIONS<sup>(1)</sup>

- ▶ **Average price target**  
**€2.85**
- ▶ **Upside/Downside<sup>(+/-)</sup>**  
**+5.8%**



### CMVM: MAIN PRESS RELEASES

(from January 2016)

- ▶ **Feb-15:** Summary of annual information disclosed in 2015
- ▶ **Mar-07:** Temporary suspension of member of the Board of Directors
- ▶ **Mar-17:** 2015 Annual results presentation
- ▶ **Mar-27:** Transactions over REN shares
- ▶ **Apr-01:** Temporary suspension of member of the Board of Directors
- ▶ **Apr-05:** Qualified shareholding (The Capital Group Companies)
- ▶ **Apr-07:** Qualified shareholding and transactions over REN shares (Gestmin)
- ▶ **Apr-13:** Resignation of member of the Board of Directors
- ▶ **Apr-13:** Resolutions approved in the General Shareholders meeting
- ▶ **Apr-14:** ERSE's proposal for tariffs and prices for natural gas for the 2016-2017 gas year and parameters for the 2016-2019 regulatory period
- ▶ **Apr-21:** Payment of dividends
- ▶ **May-06:** Qualified shareholding (The Capital Group Companies)
- ▶ **May-09:** Transactions over REN shares (Gestmin)
- ▶ **May-13:** 1Q16 Results presentation

(1) March 24<sup>th</sup>., 2017.

# REN'S TOTAL SHAREHOLDER RETURN WAS +71.0% (ITD)

REN	2016	2015
<b>END OF YEAR</b>		
<b>Price (€)</b>		
Close	2.698	2.782
Average	2.663	2.683
High YTD	2.928	2.899
Low YTD	2.464	2.367
<i>Variation YTD</i>	-3.0%	15.6%
Market cap. (€M)	1,440.7	1,485.6
Nr. of shares (M)	534	534
Own shares (M)	3.9	3.9
Volume (M shares)	0.491	0.109
Volume WAP	2.662	2.687
<b>Performance indicators</b>		
Dividend yield	6.3%	6.1%
PER	11.8x	9.8x
Total shareholder return YTD	+3.3%	23.0%
Cumulative total return*		
REN	71.0%	65.6%
PSI20	-46.0%	-44.6%
EuroStoxx Utilities	-23.1%	-24.6%

- ▶ **May-16:** Tender offer launch announcement
- ▶ **May-24:** Bond issue and tender offer
- ▶ **May-31:** Tender offer results
- ▶ **Jun-16:** Natural gas allowed revenues and regulation
- ▶ **Jun-16:** Facility agreement with the Bank of China
- ▶ **Jul-28:** Qualified shareholding (Gestmin)
- ▶ **Jul-28:** 1H16 Results presentation
- ▶ **Jul-29:** Transactions of REN notes
- ▶ **Sep-16:** Disclosure of quarterly financial information
- ▶ **Sep-22:** Transactions over REN shares
- ▶ **Oct-06:** Qualified shareholding (Great-West Lifeco)
- ▶ **Oct-07:** Issue of debt instruments
- ▶ **Oct-11:** Transactions over REN shares
- ▶ **Oct-14:** Manager's transactions over REN shares
- ▶ **Nov-04:** 9M16 Results presentation
- ▶ **Dec-19:** Purchase of stake in Chilean gas pipeline

\* Inception to date (July 9<sup>th</sup> 2007).  
Source: Bloomberg



# APPENDIX

€M	2016	2015	2016/2015	
			Δ %	Δ Abs.
<b>1) TOTAL REVENUES</b>	<b>739.0</b>	<b>819.3</b>	<b>-9.8%</b>	<b>-80.3</b>
<b>Revenues from assets</b>	<b>451.7</b>	<b>446.0</b>	<b>1.3%</b>	<b>5.7</b>
Return on RAB	214.9	219.9	-2.3%	-5.0
Electricity	140.2	136.8	2.5%	3.4
Natural gas	74.8	83.1	-10.0%	-8.3
Hydro land remuneration	0.3	0.3	-4.5%	0.0
Lease revenues from hydro protection zone	0.7	0.7	-1.2%	0.0
Remuneration of fully amortized assets	20.8	18.5	12.1%	2.2
Tariff smoothing effect (natural gas)	-0.9	-3.5	74.3%	2.6
Recovery of amortizations (net from subsidies)	197.8	192.1	3.0%	5.7
Subsidies amortization	18.1	18.0	0.6%	0.1
<b>Revenues of OPEX</b>	<b>98.6</b>	<b>94.2</b>	<b>4.6%</b>	<b>4.3</b>
<b>Other revenues</b>	<b>17.4</b>	<b>39.0</b>	<b>-55.2%</b>	<b>-21.5</b>
<b>Construction revenues (IFRIC 12)</b>	<b>171.2</b>	<b>240.0</b>	<b>-28.6%</b>	<b>-68.8</b>
<b>2) OPEX</b>	<b>107.5</b>	<b>106.1</b>	<b>1.4%</b>	<b>1.4</b>
Personnel costs	50.5	51.4	-1.6%	-0.8
External supplies and services	43.9	42.3	4.0%	1.7
Other operational costs	13.0	12.5	4.7%	0.6
3) Construction costs (IFRIC 12)	155.2	222.6	-30.3%	-67.4
<b>4) Depreciations and amortizations</b>	<b>214.8</b>	<b>209.3</b>	<b>2.6%</b>	<b>5.5</b>
<b>5) Other</b>	<b>0.2</b>	<b>0.9</b>	<b>-75.6%</b>	<b>-0.7</b>
<b>6) EBIT</b>	<b>261.3</b>	<b>280.4</b>	<b>-6.8%</b>	<b>-19.1</b>
7) Depreciations and amortizations	214.8	209.3	2.6%	5.5
<b>8) EBITDA</b>	<b>476.0</b>	<b>489.7</b>	<b>-2.8%</b>	<b>-13.6</b>
9) Depreciations and amortizations	214.8	209.3	2.6%	5.5
10) Financial result	-79.9	-98.8	19.2%	19.0
11) Income tax expense	55.3	40.0	38.3%	15.3
12) Extraordinary contribution on energy sector	25.9	25.4	1.9%	0.5
<b>13) NET PROFIT</b>	<b>100.2</b>	<b>116.1</b>	<b>-13.7%</b>	<b>-15.9</b>
14) Non recurrent items*	25.9	2.0		24.0
<b>15) RECURRENT NET PROFIT</b>	<b>126.1</b>	<b>118.1</b>	<b>6.8%</b>	<b>8.1</b>

### \* NON RECURRENT ITEMS:

**2016:** Energy sector extraordinary levy, as established in the 2016 State budget law (€25.9M);

**2015:** i) Cost of carry of the EIB escrow account of €3.2M (€2.3M after taxes); ii) Energy sector extraordinary levy, as established in the 2015 State budget law (€25.4M); iii) Capital gains with the sale of the Group's stake in Enagás (-€20.1M; -€16.1M after tax); and iv) One-off effect related to the recovery of taxes linked to the re-valuation of assets (-€9.9M; -€9.7M net of associated costs and after taxes).

# OTHER OPERACIONAL REVENUES AND COSTS BREAKDOWN

€M	2016	2015	2016/2015	
			Δ %	Δ Abs.
<b>Other revenues</b>	<b>17.4</b>	<b>39.0</b>	<b>-55.2%</b>	<b>-21.5</b>
Allowed incentives	3.1	3.3	-5.3%	-0.2
Interest on tariff deviation	1.9	2.7	-28.7%	-0.8
Gains in related companies	0.0	20.1		-20.1
Telecommunication sales and services rendered	5.5	5.6	-2.1%	-0.1
Consultancy services and other services provided	2.9	3.3	-14.8%	-0.5
Other revenues	4.1	4.0	2.9%	0.1
<b>Other costs</b>	<b>13.0</b>	<b>12.5</b>	<b>4.7%</b>	<b>0.6</b>
Costs with ERSE	9.7	9.2	5.8%	0.5
Other	3.3	3.2	1.8%	0.1



# EBITDA BREAKDOWN (ELECTRICITY<sup>1</sup>)

€M	2016	2015	2016/2015	
			Δ %	Δ Abs.
<b>1) REVENUES</b>	<b>539.7</b>	<b>518.2</b>	<b>4.2%</b>	<b>21.6</b>
<b>Revenues from assets</b>	<b>317.3</b>	<b>307.7</b>	<b>3.1%</b>	<b>9.6</b>
Return on RAB	140.2	136.8	2.5%	3.4
Hydro land remuneration	0.3	0.3	-4.5%	0.0
Lease revenues from hydro protection zone	0.7	0.7	-1.2%	0.0
Remuneration of fully amortized assets	20.8	18.5	12.1%	2.2
Recovery of amortizations (net from subsidies)	143.1	139.2	2.8%	3.9
Subsidies amortization	12.2	12.2	0.7%	0.1
<b>Revenues of OPEX</b>	<b>62.3</b>	<b>58.8</b>	<b>5.9%</b>	<b>3.5</b>
<b>Other revenues</b>	<b>2.6</b>	<b>3.4</b>	<b>-22.5%</b>	<b>-0.8</b>
Interest on tariff deviation	0.1	1.2	-88.1%	-1.1
Other	2.5	2.2	14.3%	0.3
Construction revenues (IFRIC 12)	157.5	148.3	6.2%	9.2
<b>2) OPEX</b>	<b>51.9</b>	<b>51.5</b>	<b>0.6%</b>	<b>0.3</b>
Personnel costs	20.5	21.6	-5.1%	-1.1
External supplies and services	23.2	22.2	4.8%	1.1
Other operational costs	8.2	7.8	4.4%	0.3
3) Construction costs (IFRIC 12)	143.6	133.4	7.6%	10.1
<b>4) Depreciations and amortizations</b>	<b>154.7</b>	<b>151.0</b>	<b>2.4%</b>	<b>3.7</b>
5) Other	-0.1	0.6		-0.7
<b>6) EBIT (1-2-3-4-5)</b>	<b>189.7</b>	<b>181.5</b>	<b>4.5%</b>	<b>8.2</b>
7) Depreciations and amortizations	154.7	151.0	2.4%	3.7
<b>8) EBITDA (6+7)</b>	<b>344.4</b>	<b>332.5</b>	<b>3.6%</b>	<b>11.9</b>

(1) Included Electricity and Enondas (wave energy concession).



# EBITDA BREAKDOWN (NATURAL GAS)

€M	2016	2015	2016/2015	
			Δ %	Δ Abs.
<b>1) REVENUES</b>	<b>186.5</b>	<b>269.8</b>	<b>-30.9%</b>	<b>-83.3</b>
<b>Revenues from assets</b>	<b>134.4</b>	<b>138.4</b>	<b>-2.9%</b>	<b>-4.0</b>
Return on RAB	74.8	83.1	-10.0%	-8.3
Tariff smoothing effect (natural gas)	-0.9	-3.5	74.3%	2.6
Recovery of amortizations (net from subsidies)	54.7	52.9	3.4%	1.8
Subsidies amortization	5.9	5.9	0.3%	0.0
<b>Revenues of OPEX</b>	<b>36.3</b>	<b>35.4</b>	<b>2.4%</b>	<b>0.8</b>
<b>Other revenues</b>	<b>2.1</b>	<b>4.1</b>	<b>-48.9%</b>	<b>-2.0</b>
Interest on tariff deviation	0.8	1.1	-32.5%	-0.4
Other services provided	1.2	2.2	-48.8%	-1.1
Other	0.2	0.8	-74.4%	-0.6
Construction revenues (IFRIC 12)	13.8	91.9	-85.0%	-78.1
<b>2) OPEX</b>	<b>24.6</b>	<b>25.0</b>	<b>-1.3%</b>	<b>-0.3</b>
Personnel costs	7.9	8.3	-5.4%	-0.5
External supplies and services	12.7	12.7	0.5%	0.1
Other operational costs	4.0	4.0	1.9%	0.1
3) Construction costs (IFRIC 12)	11.7	89.3	-86.9%	-77.7
<b>4) Depreciations and amortizations</b>	<b>59.8</b>	<b>58.0</b>	<b>3.1%</b>	<b>1.8</b>
<b>5) Other</b>	<b>0.0</b>	<b>-0.3</b>		<b>0.3</b>
<b>6) EBIT</b>	<b>90.5</b>	<b>97.9</b>	<b>-7.6%</b>	<b>-7.4</b>
7) Depreciations and amortizations	59.8	58.0	3.1%	1.8
<b>8) EBITDA</b>	<b>150.2</b>	<b>155.9</b>	<b>-3.6%</b>	<b>-5.6</b>

# EBITDA BREAKDOWN (OTHER<sup>1</sup>)

€M	2016	2015	2016/2015	
			Δ %	Δ Abs.
<b>1) TOTAL REVENUES</b>	<b>12.7</b>	<b>31.3</b>	<b>-59.4%</b>	<b>-18.6</b>
<b>Other revenues</b>	<b>12.7</b>	<b>31.4</b>	<b>-59.6%</b>	<b>-18.7</b>
Allowed incentives	3.1	3.3	-5.3%	-0.2
Interest on tariff deviation	1.0	0.3		0.7
Telecommunication sales and services rendered	5.5	5.6	-2.1%	-0.1
Gains in related companies	0.0	20.1		-20.1
Consultancy services and other services provided	1.7	1.1	57.4%	0.6
Other	1.4	1.1	32.6%	0.3
Construction revenues (IFRIC 12)	0.0	-0.2		0.2
<b>2) OPEX</b>	<b>31.0</b>	<b>29.6</b>	<b>4.9%</b>	<b>1.5</b>
Personnel costs	22.2	21.5	3.3%	0.7
External supplies and services	8.0	7.4	7.7%	0.6
Other operational costs	0.9	0.7	24.6%	0.2
3) Construction costs (IFRIC 12)	0.0	-0.2		0.2
<b>4) Depreciations and amortizations</b>	<b>0.2</b>	<b>0.3</b>	<b>-13.6%</b>	<b>0.0</b>
<b>5) Other</b>	<b>0.3</b>	<b>0.6</b>	<b>-53.8%</b>	<b>-0.3</b>
<b>6) EBIT</b>	<b>-18.9</b>	<b>1.0</b>		<b>-19.8</b>
7) Depreciations and amortizations	0.2	0.3	-13.6%	0.0
<b>8) EBITDA</b>	<b>-18.6</b>	<b>1.2</b>		<b>-19.9</b>

(1) Included REN SGPS, REN Serviços, REN Telecom, REN Trading and REN Finance B.V.

€M	2016	2015	2016/2015	
			Δ %	Δ Abs.
<b>CAPEX*</b>	<b>171.5</b>	<b>240.4</b>	<b>-28.7%</b>	<b>-68.9</b>
Electricity	157.5	148.2	6.3%	9.3
Natural gas	13.8	91.8	-85.0%	-78.1
Other	0.2	0.4	-40.9%	-0.1
<b>Transfers to RAB**</b>	<b>154.2</b>	<b>231.6</b>	<b>-33.4%</b>	<b>-77.4</b>
Electricity	140.1	141.3	-0.9%	-1.2
Natural gas	14.1	90.4	-84.4%	-76.2
<b>Average RAB</b>	<b>3,537.1</b>	<b>3,585.8</b>	<b>-1.4%</b>	<b>-48.7</b>
Electricity	2,152.6	2,149.4	0.2%	3.2
With premium	1,105.0	1,061.2	4.1%	43.8
Without premium	1,047.6	1,088.2	-3.7%	-40.6
Land	268.3	281.2	-4.6%	-12.8
Natural gas	1,116.1	1,155.2	-3.4%	-39.1
<b>RAB e.o.p.</b>	<b>3,519.8</b>	<b>3,566.3</b>	<b>-1.3%</b>	<b>-46.5</b>
Electricity	2,162.0	2,155.2	0.3%	6.8
Land	262.0	274.7	-4.7%	-12.8
Natural gas	1,095.8	1,136.4	-3.6%	-40.6
<b>RAB's variation e.o.p.</b>	<b>-46.5</b>	<b>29.5</b>		
Electricity	6.8	11.7		
Land	-12.8	-12.9		
Natural gas	-40.6	30.6		
<b>RAB's remuneration</b>	<b>215.9</b>	<b>220.9</b>	<b>-2.3%</b>	<b>-5.0</b>
Electricity	140.2	136.8	2.5%	3.4
With premium	76.0	71.6	6.2%	4.4
Without premium	64.2	65.2	-1.6%	-1.0
Land	1.0	1.0	-2.1%	0.0
Natural gas	74.8	83.1	-10.0%	-8.3
<b>RoR's RAB</b>	<b>6.1%</b>	<b>6.2%</b>		<b>-0.1p.p.</b>
Electricity	6.5%	6.4%		0.1p.p.
With premium	6.9%	6.7%		0.1p.p.
Without premium	6.1%	6.0%		0.1p.p.
Land	0.4%	0.4%		0.0p.p.
Natural gas	6.7%	7.3%		-0.6p.p.

\* Total costs;

\*\* Transfers to RAB include direct acquisitions RAB related.

	2016	2015
Net Debt (€M)	2,477.7	2,465.5
Average cost	3.2%	4.1%
Average maturity (years)	5.1	4.2

### DEBT BREAKDOWN

Funding sources		
Bond issues	67%	61%
EIB	20%	23%
Loans	3%	2%
Other	10%	15%

### TYPE

Float	36%	47%
Fixed	64%	53%

### CREDIT METRICS

Net Debt / EBITDA	5.2x	5.0x
FFO / Net Debt	11.4%	12.2%
FFO Interest Coverage	4.3x	3.9x

RATING	Long term	Short term	Outlook	Date
Moody's	Baa3	-	Stable	12/21/2016
Standard & Poor's	BBB-	BB+	Positive	10/17/2016
Fitch	BBB	F3	Stable	03/09/2017



# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENTS

## Financial position (teuros)

	Dec 2016	Dec 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	578	695
Goodwill	3,397	3,774
Intangible assets	3,825,712	3,869,085
Investments in associates and joint ventures	14,657	14,588
Available-for-sale financial assets	150,118	154,862
Derivative financial instruments	20,425	10,157
Other financial assets	14	7
Trade and other receivables	10,145	133,676
Deferred tax assets	62,825	65,838
	<b>4,087,871</b>	<b>4,252,682</b>
<b>Current assets</b>		
Inventories	1,028	2,985
Trade and other receivables	448,826	263,766
Current income tax recoverable	0	5,358
Other financial assets	1,317	1,510
Cash and cash equivalents	10,783	63,652
	<b>461,954</b>	<b>337,271</b>
<b>TOTAL ASSETS</b>	<b>4,549,825</b>	<b>4,589,953</b>

	Dec 2016	Dec 2015
<b>EQUITY</b>		
<b>Shareholders' equity:</b>		
Share capital	534,000	534,000
Own shares	-10,728	-10,728
Reserves	319,204	325,619
Retained earnings	216,527	196,253
Other changes in equity	30	30
Net profit for the year	100,183	116,115
<b>TOTAL EQUITY</b>	<b>1,159,217</b>	<b>1,161,289</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	2,298,543	1,891,245
Liability for retirement benefits and others	125,673	129,217
Derivative financial instruments	12,212	8,426
Provisions	6,154	5,717
Trade and other payables	318,126	332,232
Deferred tax liabilities	73,027	88,249
	<b>2,833,735</b>	<b>2,455,086</b>
<b>Current liabilities</b>		
Borrowings	216,594	650,755
Provisions	801	1,171
Trade and other payables	311,539	315,735
Income tax payable	26,875	0
Derivative financial instruments	1,063	5,918
	<b>556,873</b>	<b>973,579</b>
<b>TOTAL LIABILITIES</b>	<b>3,390,608</b>	<b>3,428,664</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,549,825</b>	<b>4,589,953</b>

# CONSOLIDATED STATEMENTS

## Profit and loss (teuros)

	Period ended December	
	2016	2015
Sales	569	552
Services rendered	544,672	536,544
Revenue from construction of concession assets	171,247	240,002
Gains / (losses) from associates and joint ventures	1,314	768
Other operating income	21,649	41,279
<b>Operating income</b>	<b>739,452</b>	<b>819,144</b>
Cost of goods sold	-450	-562
Cost with construction of concession assets	-155,217	-222,602
External supplies and services	-44,328	-42,636
Personnel costs	-49,583	-51,673
Depreciations and amortizations	-214,761	-209,303
Provisions	-516	302
Impairments	-258	-683
Other expenses	-12,595	-11,893
<b>Operating costs</b>	<b>-477,708</b>	<b>-539,049</b>
<b>Operating results</b>	<b>261,743</b>	<b>280,095</b>
Financial costs	-91,182	-110,503
Financial income	5,291	6,339
Investment income - dividends	5,550	5,592
<b>Financial results</b>	<b>-80,341</b>	<b>-98,572</b>
<b>Profit before income tax</b>	<b>181,403</b>	<b>181,523</b>
Income tax expense	-55,282	-39,963
Energy sector extraordinary contribution	-25,938	-25,445
<b>Net profit for the year</b>	<b>100,183</b>	<b>116,115</b>
<b>Attributable to:</b>		
Equity holders of the Company	100,183	116,115
Non-controlled interest	0	0
<b>Consolidated profit for the year</b>	<b>100,183</b>	<b>116,115</b>



# CONSOLIDATED STATEMENTS

## Cash flow (teuros)

	Period ended December	
	2016	2015
<b>Cash flow from operating activities</b>		
Cash receipts from customers (a)	1,872,348	1,951,951
Cash paid to suppliers (a)	-1,388,869	-1,514,879
Cash paid to employees	-64,113	-62,508
Income tax received/(paid)	-34,453	-39,229
Other receipts/(payments) relating to operating activities	-70,206	-95,865
<b>Net cash flows from operating activities (1)</b>	<b>314,706</b>	<b>239,469</b>
<b>Cash flow from investing activities</b>		
Receipts related to:		
Available-for-sale	128	63,278
Property, plant and equipment	0	3
Other financial assets	0	100,857
Investment grants	2,172	10,380
Interests and other similar income	7	174
Dividends	5,466	5,513
Payments related to:		
Available-for-sale	-202	-208
Property, plant and equipment	-20	-2
Intangible assets - Concession assets	-153,900	-225,414
<b>Net cash flow used in investing activities (2)</b>	<b>-146,349</b>	<b>-45,419</b>
<b>Cash flow from financing activities</b>		
Receipts related to:		
Borrowings	5,546,236	3,043,500
Derivative financial instruments	0	15,007
Interests and other similar income	17,757	0
Payments related to:		
Borrowings	-5,570,474	-3,110,844
Interests and other similar expense	-124,084	-100,122
Dividends	-90,650	-90,650
<b>Net cash flows from / (used in) financing activities (3)</b>	<b>-221,216</b>	<b>-243,110</b>
Net (decrease)/increase in cash and cash equivalents (1)+(2)+(3)	-52,859	-49,060
Cash and cash equivalents at the beginning of the year	63,539	112,599
<b>Cash and cash equivalents at the end of the period</b>	<b>10,680</b>	<b>63,539</b>
<b>Detail of cash and cash equivalents</b>		
Cash	1	0
Bank overdrafts	-103	-113
Bank deposits	10,782	63,652
	<b>10,680</b>	<b>63,539</b>

(a) These amounts included payments and receipts relating to activities in which the Group acts as agent, income and costs being reversed in the consolidated statement of profit and loss.

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