REN

RESULTS PRESENTATION

9M 2017

November 03rd, 2017

HIGHLIGHTS

- In the first nine months of 2017, **EBITDA** stood at €364.4M, an increase of €7.2M (2.0%) comparing with the same period of 2016. **Net Profit** (€88.9M) and **Recurrent Net Profit** (€116.9M) rose by €18.4M (26.1%) and €20.5M (21.3%), respectively;

- The improvement in **EBITDA** stemmed mostly from the consolidation of Electrogas' results (€5.8M), the Chilean company in which REN has a 42.5% stake since February. This result was partially offset by the decline in gas' regulatory asset base remuneration (€-8.3M YoY), in which the average Rate of Return (RoR) decreased to 6.1% (6.9% in 9M16);

- **Net Profit** continued to benefit from the better **financial performance** that stood at -€44.5M (+29.8%), coupled with the downward trend in the average cost of debt (2.6%, versus 3.4% in 9M16). Conversely, **Net Debt** was slightly higher YoY (2.2%), impacted by the acquisition of Electrogas (€169.3M). As in the last three years, the payment of the extraordinary energy sector levy (€25.8M in 2017) penalized REN's results and brought the effective corporate tax rate to **43.4%**;

- Both **CAPEX** and **Transfers to RAB** have increased to €80.3M (+€6.9M vs 9M16) and €36.1M (+€14.9M vs 9M16), respectively. **Average RAB** was €3,462.5M, slightly lower when compared with the previous year (€-39.5M), mainly due to the lack of investments in natural gas;

- In 04th October, REN completed the **acquisition of EDP Gás** (now called **REN Portgás**). With this purchase REN intends to strengthen its local business focus, without compromising the company's strong financial and credit profiles, maintaining the alignment with REN's ongoing strategic framework;

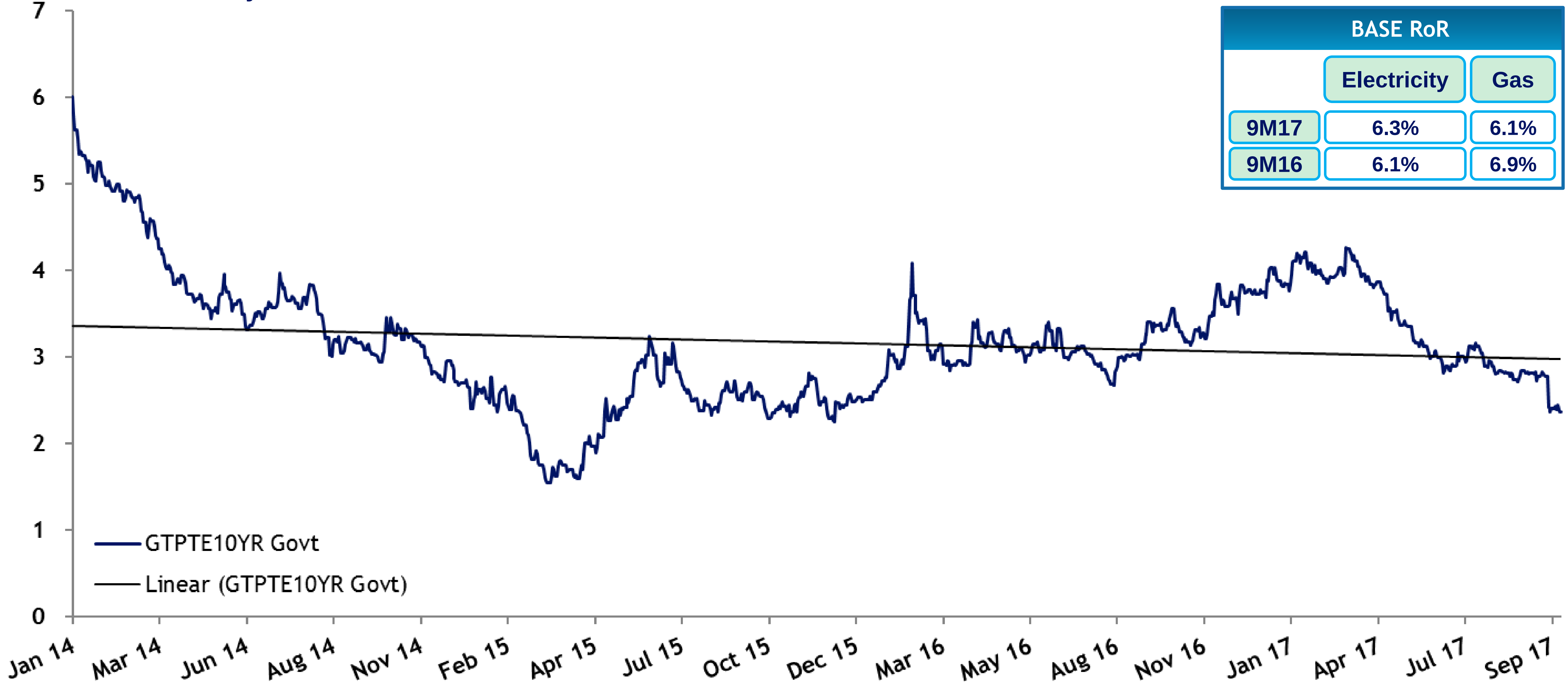
- In 26th October, S&P reaffirmed REN's **Rating at Investment grade level** (BBB-), with positive outlook.

RESULTS AT A GLANCE

€M	3Q17	9M17	9M16	Δ%	Δ Abs.
EBITDA	121.6	364.4	357.2	2.0%	7.2
Financial Result	-17.0	-44.5	-63.4	29.8%	18.9
Net Profit	35.9	88.9	70.5	26.1%	18.4
Recurrent Net Profit	36.0	116.9	96.4	21.3%	20.5
Average RAB	3,462.5	3,462.5	3,502.0	-1.1%	-39.5
CAPEX	39.3	80.3	73.4	9.4%	6.9
Net Debt	2,540.6	2,540.6	2,484.9	2.2%	55.7

PORTUGUESE'S PERCEIVED SOVEREIGN DEBT RISK
The rate levels have been recently coming down

PT 10Y Treasury Bond Yields



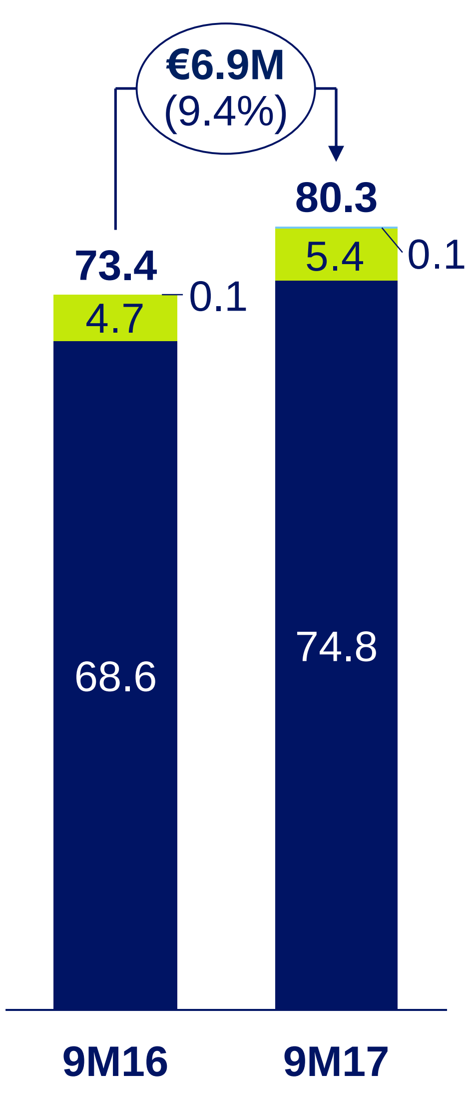
BASE RoR	Electricity	Gas
9M17	6.3%	6.1%
9M16	6.1%	6.9%

Source: Bloomberg, REN

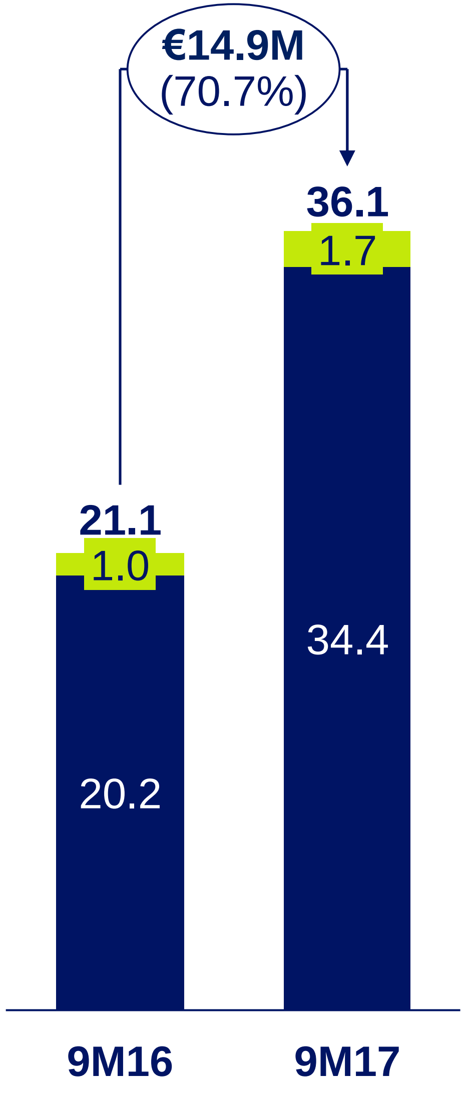
CAPEX STOOD AT €80.3M AND TRANSFERS TO RAB AT €36.1M

RESULTS PRESENTATION

CAPEX



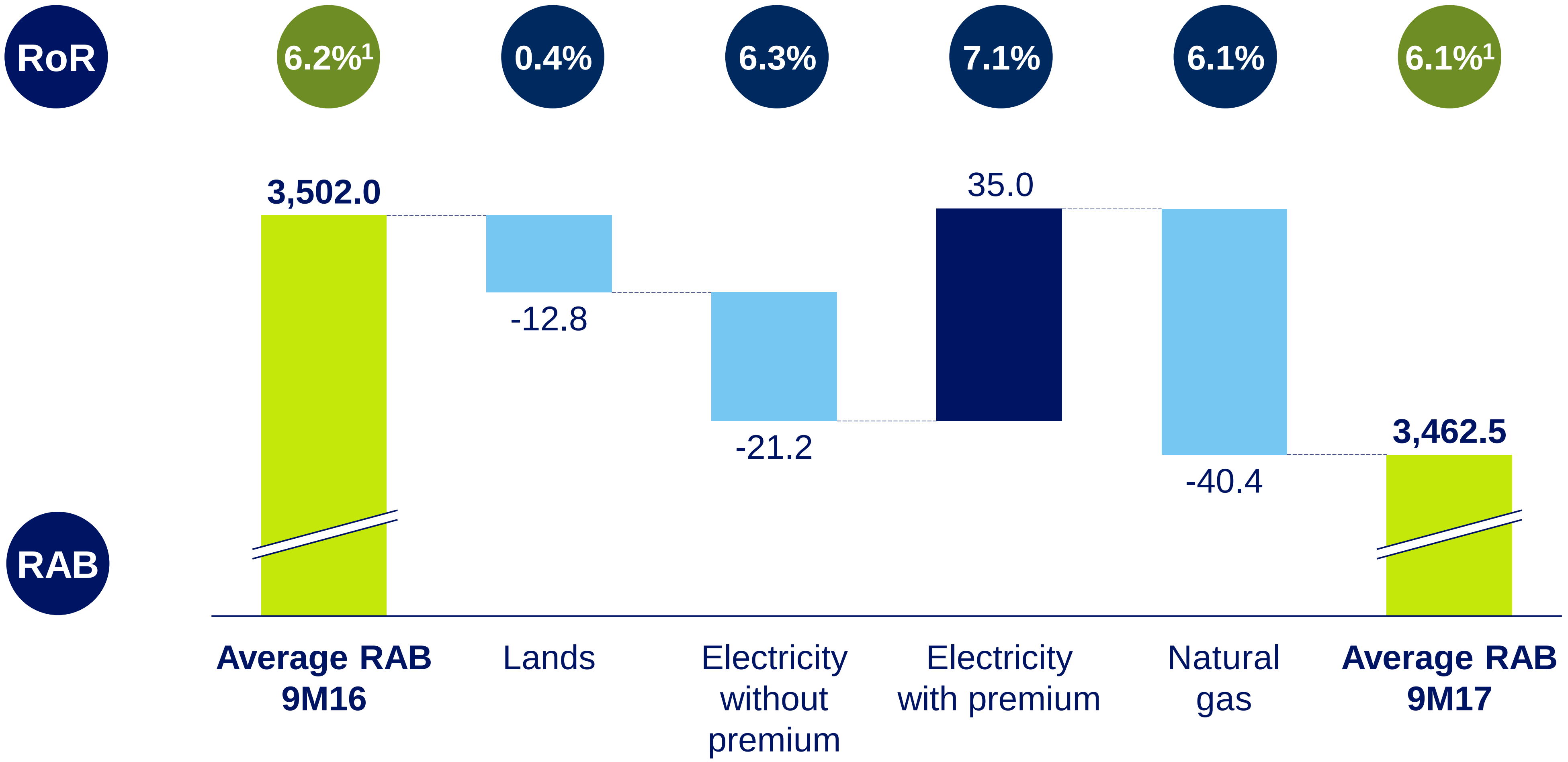
TRANSFERS TO RAB



Other
Natural gas
Electricity

AVERAGE RAB DECLINED BY 1.1%

(€M)



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

RAB REMUNERATION WAS €4.2M BELOW IN 9M17 (vs 9M16)

Despite the positive contribution of electricity

RAB REMUNERATION ELECTRICITY

(ex. lands)
(€M)

Electricity with premium
Electricity without premium

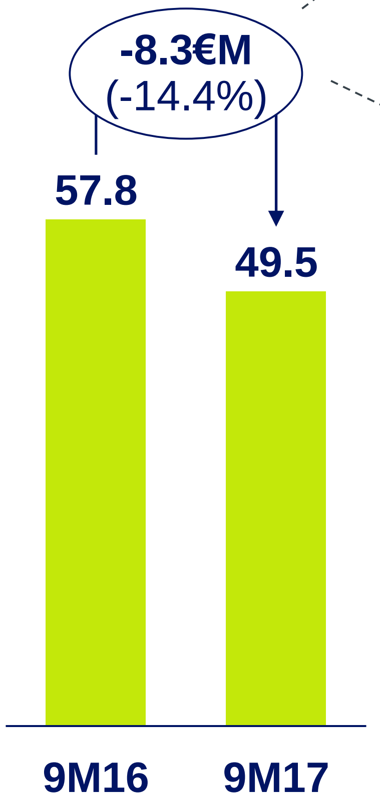
+€0.69M — Impact of the increase in the **asset base** by €13.7M to €2,129.4M.

+€0.16M — Impact of the change in **asset mix** – assets with premium weight increased to 52% in 9M17 from 51% in 9M16.

+€3.26M — Impact of the indexation of the **rate of return** – to 7.08% from 6.88% in assets with premium, and to 6.33% from 6.13% in assets without premium.

RAB REMUNERATION NATURAL GAS

(ex. tariff smoothing effect)
(€M)



-€6.48M — Impact of the decrease in the **rate of return**, to 6.1% from 6.9%.

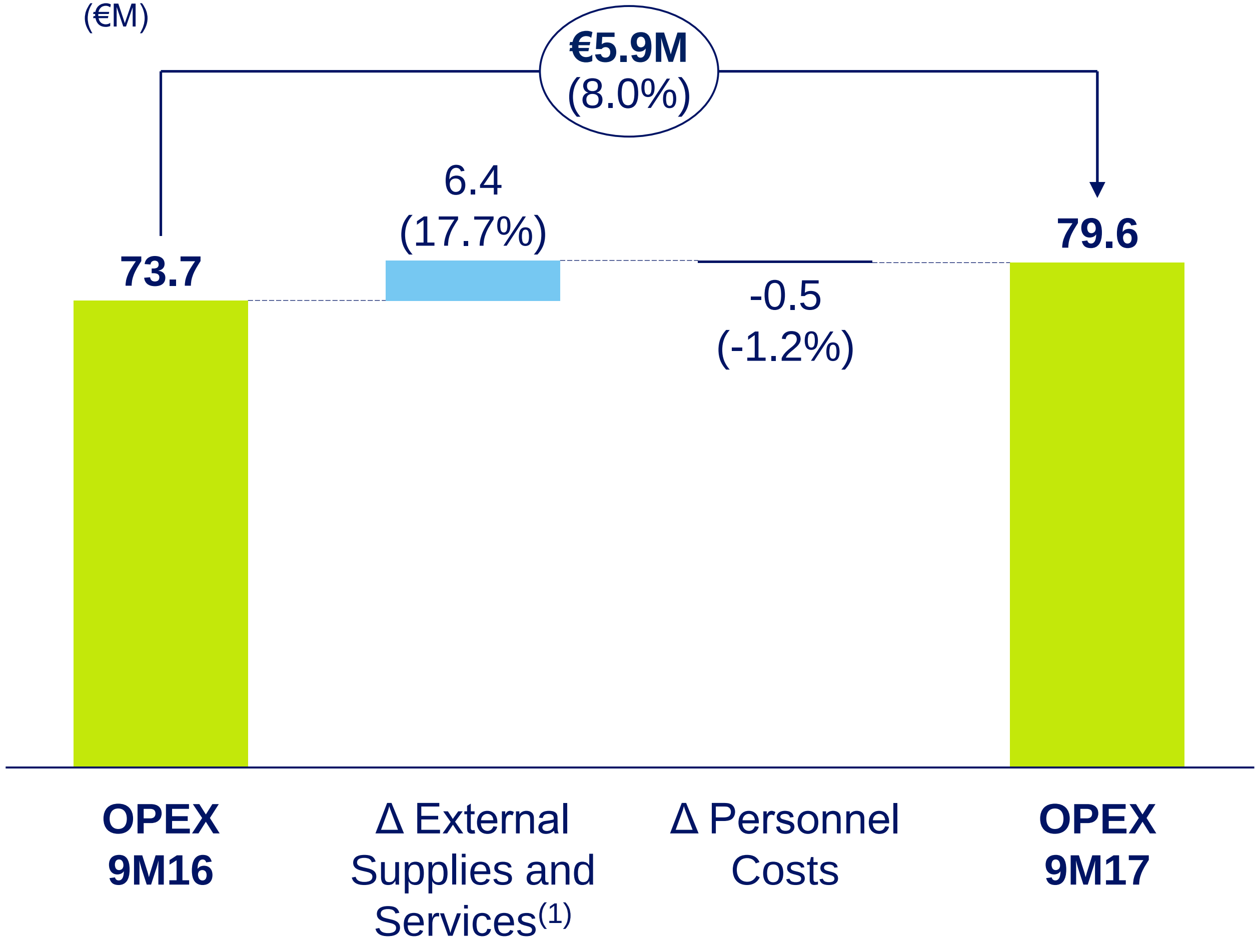
-€1.86M — Impact of the €40.4M decrease in the **asset base**, to a total of €1,076.0M.

OPEX WAS €5.9M ABOVE THE 9M16 VALUE

Driven by non recurrent, non core and revenue related costs

OPERACIONAL COSTS

(€M)



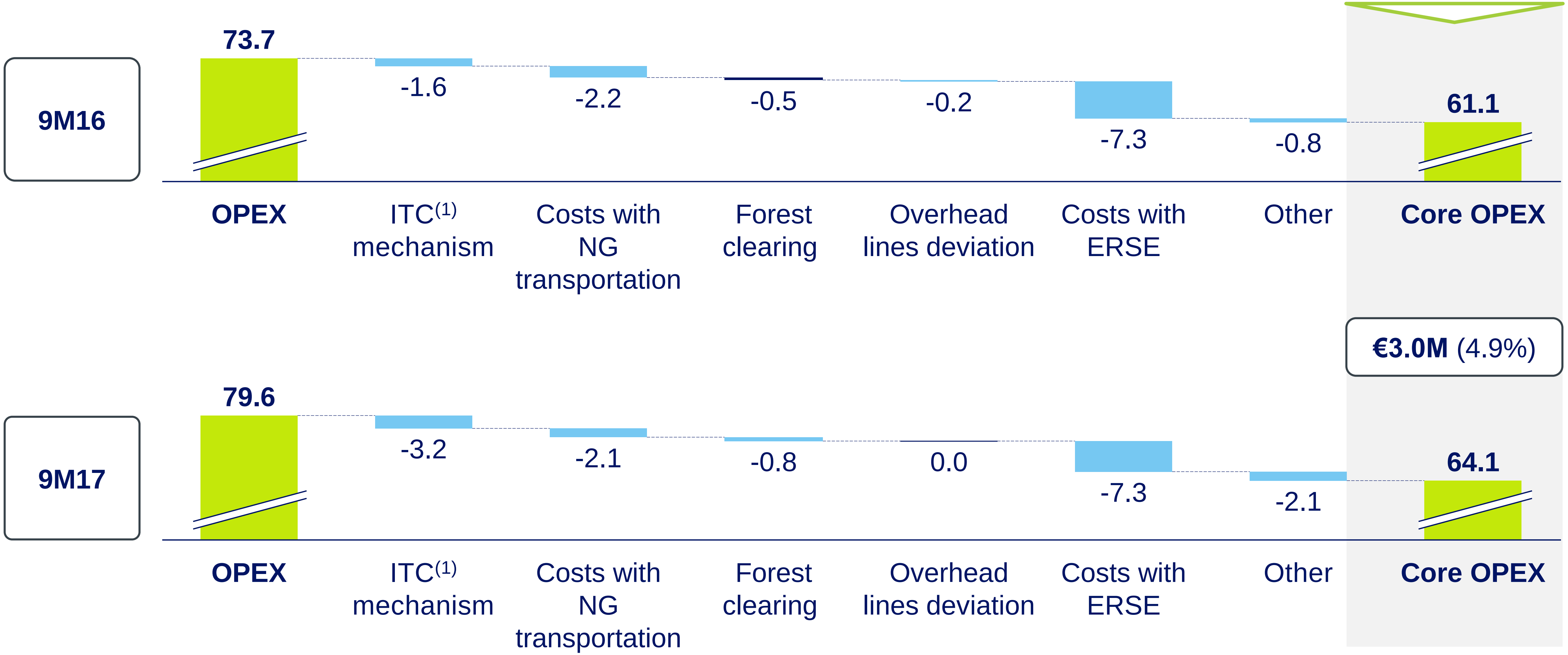
- The **External Supplies and Services** evolution was mostly explained by: (1) €2.0M from the EDPG and Electrogas acquisitions; (2) €1.7M from electricity costs related to the increase in the LNG Terminal activity; and (3) €1.6M from ITC mechanism costs[2].

[1] Include Δ€0.5M of Other Operating Costs;
[2] Note: (2) and (3) are pass-through costs.

CONTROLLABLE COSTS ROSE BY €3.0M

CORE OPEX

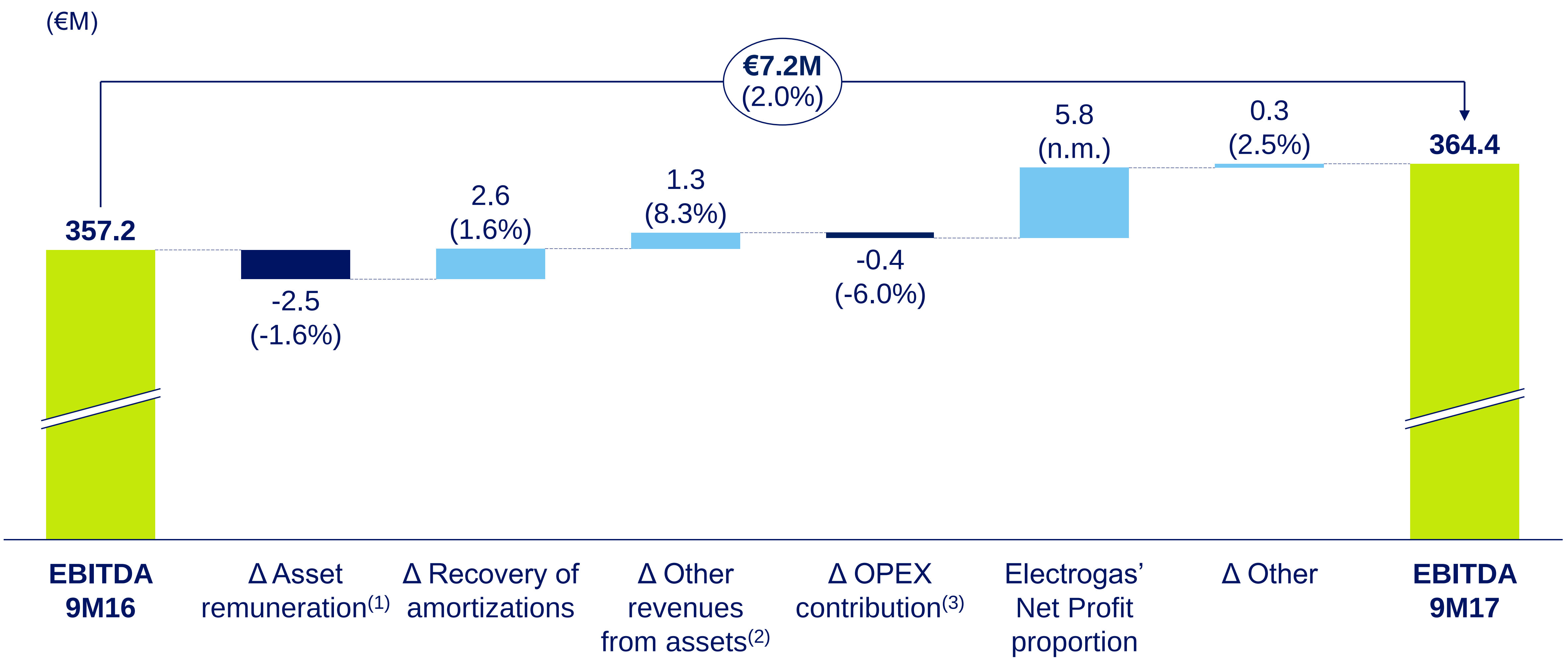
(€M)



[1] ITC - Inter Transmission System Operator Compensation for Transits.

EBITDA MAINTAINED ITS TREND

Benefiting from Electrogas' results (€5.8M)

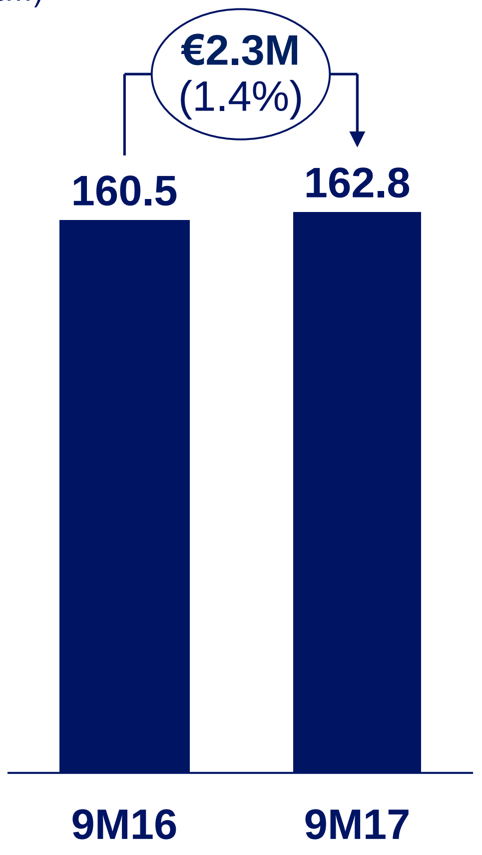


[1] Includes Δ€1.7M of NG tariff smoothing effect (natural gas);
[2] Includes Δ€1.3M of Remuneration of fully amortized assets;
[3] Includes €1.2M and €0.8M related to the one-off costs with Electrogas and EDPG acquisitions (respectively) and Δ€1.1M of OPEX own works.

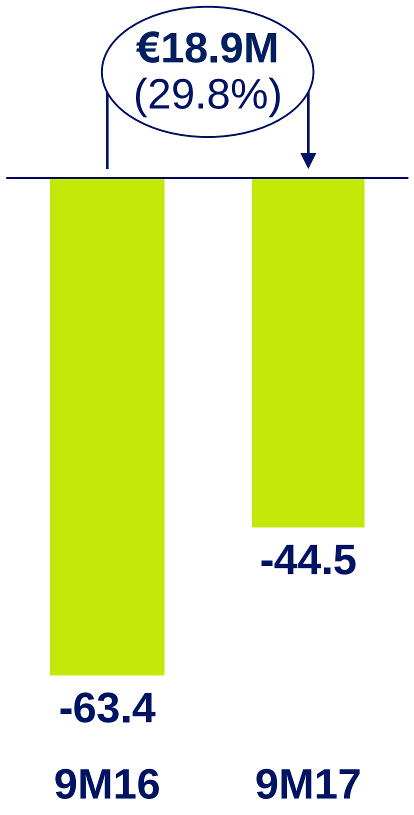
BELOW EBITDA

Again a positive behaviour from Financial Results (29.8%)

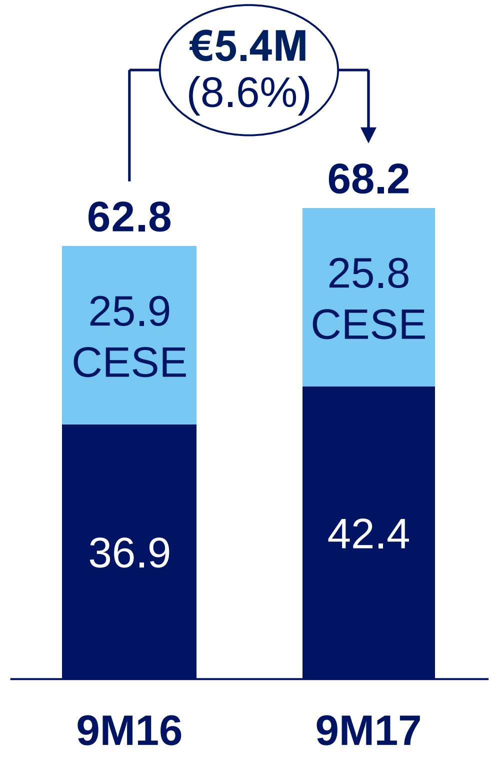
DEPRECIATIONS AND AMORTIZATIONS
(€M)



FINANCIAL RESULTS
(€M)

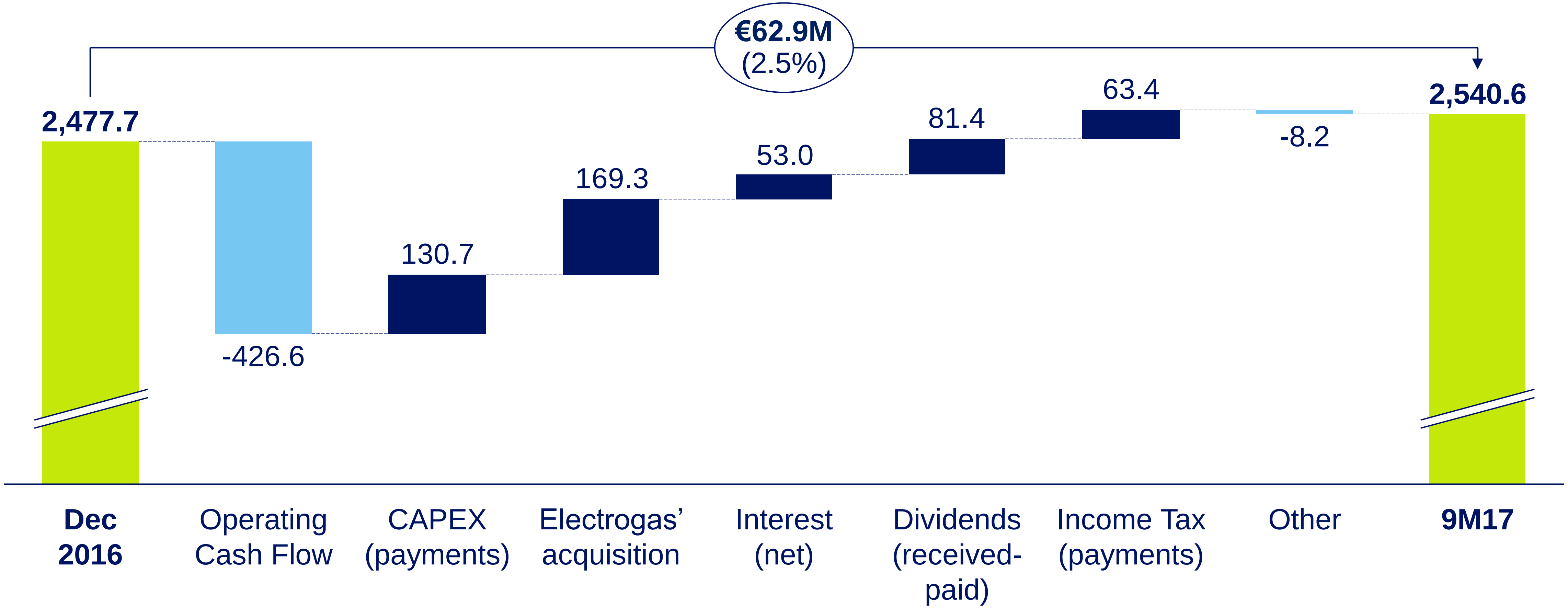


TAXES
(€M)



NET DEBT AMOUNTED TO €2,540.6M (2.5% vs 2016)
Benefiting from the payment of Tariff deviations

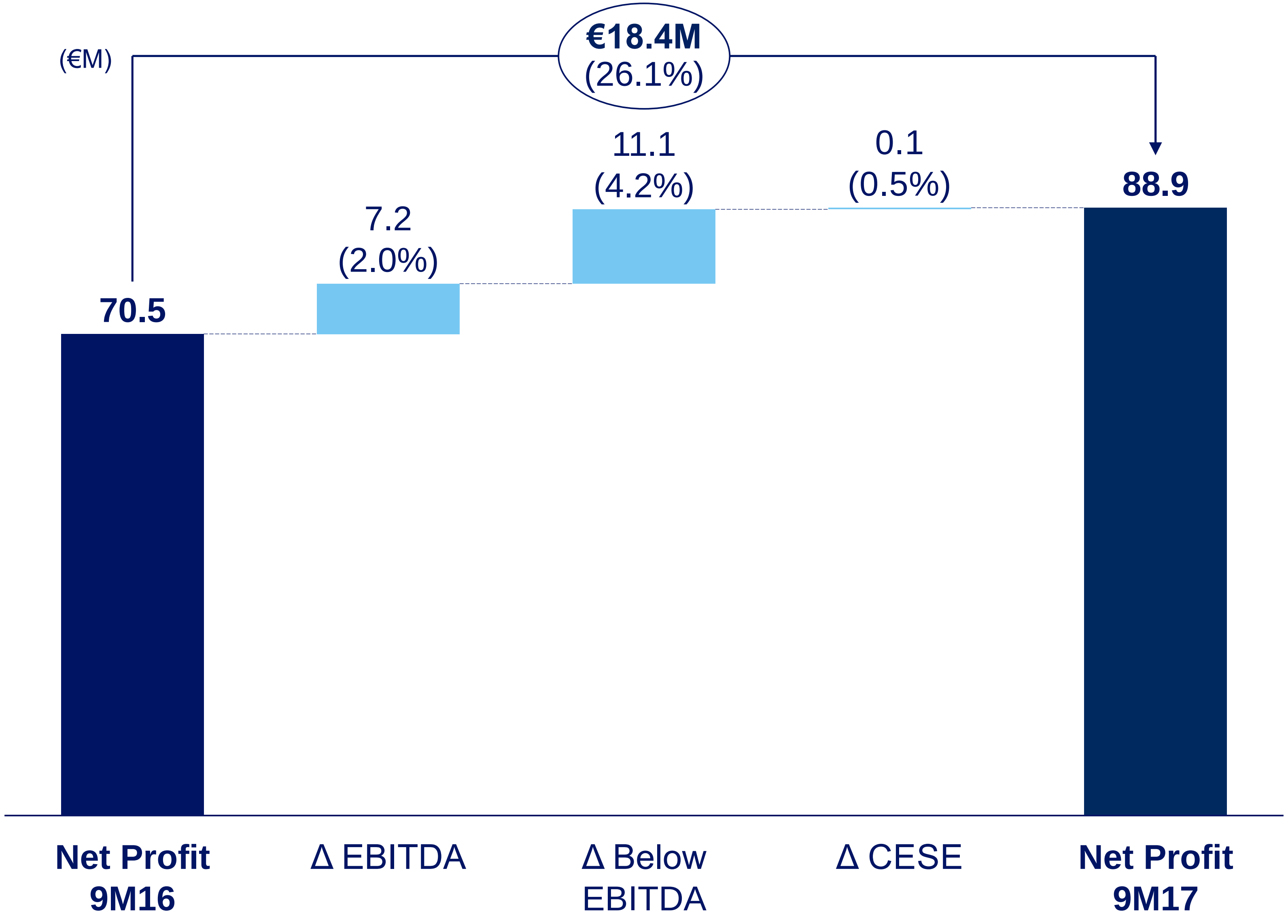
NET DEBT
(€M)



- **Average cost of debt** decreased consistently over the year (2.6% in 9M17 vs 3.2% in the end of 2016);
- **FFO/Net Debt** ratio reached 11.2%.

NET PROFIT STRENGTHENED BY €18.4M

RESULTS PRESENTATION



FINAL REMARKS

- A stronger **Net Profit** and **Recurrent Net Profit** were the result of a firm effort both at the operational as well as the financial levels of the business. The Portuguese macro-economic environment continued to show significant signs of recovery, leading rating agencies to take positive actions that helped lower the financial risk associated with Portugal. However, REN's results continued to be constrained by the special levy on energy companies and lower natural gas asset remuneration;

- In 2017, REN took very **important steps towards the accomplishment of its strategic plan**. **The acquisition of a relevant stake in Electrogas**, a Chilean gas pipeline company, was an important move towards REN's pledge to explore international investment opportunities. **The purchase of REN Portgás** strengthened REN's commitment to Portugal. Both these investments expanded REN's number of business activities without compromising the company's strong financial and credit profiles and maintaining its dividend policy. Accordingly and following the announcement of these recent transactions, all **three major rating agencies have reaffirmed REN's investment grade rating**;

- As previously announced and as part of financing the recent REN Portgás acquisition, the second biggest natural gas distribution company in Portugal, **REN will proceed with a share capital increase** implemented through a €250M rights issue. Therefore, the capital increase will be reserved to REN's shareholders that exercise the respective pre-emption rights and for the investors that acquire subscription rights. The terms and conditions of this operation are set to be announced by the company soon.

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