

REN 

LISBON

MAY 4

CAPITAL 2018
MARKETS DAY

AGENDA FOR TODAY

10h30

- ▶ A successful journey
- ▶ Strategic guidelines

RODRIGO COSTA
CHIEF EXECUTIVE OFFICER

- ▶ Operational excellence
- ▶ Core business consolidation

JOÃO FARIA CONCEIÇÃO
CHIEF OPERATIONS OFFICER

- ▶ Disciplined growth
- ▶ Solid financials
- ▶ Robust business plan

GONÇALO MORAIS SOARES
CHIEF FINANCIAL OFFICER

- ▶ Closing remarks

RODRIGO COSTA
CHIEF EXECUTIVE OFFICER

12h00

- ▶ Q&A

12h30

- ▶ Lunch



2014

A **domestic-only** player

A **transmission-only** player

Sub investment grade ratings

Solid shareholder base

Today

▶ Focused on **domestic** but with **international** presence (Electrogas, Chile)

▶ With a **distribution** business (Portgás)

▶ **Investment grade** ratings

▶ **Solid base with higher liquidity after €250 Mn capital increase** (39% free float)

Maintaining **operational excellence** and **efficiency**, while committing to **public service**

✕ A SUCCESSFUL JOURNEY

Grid investments: electricity and natural gas



2014

2018

Underground gas storage

Electrogas

Portgás



A SUCCESSFUL JOURNEY

Supporting Portugal's energy policy and backbone

Substations



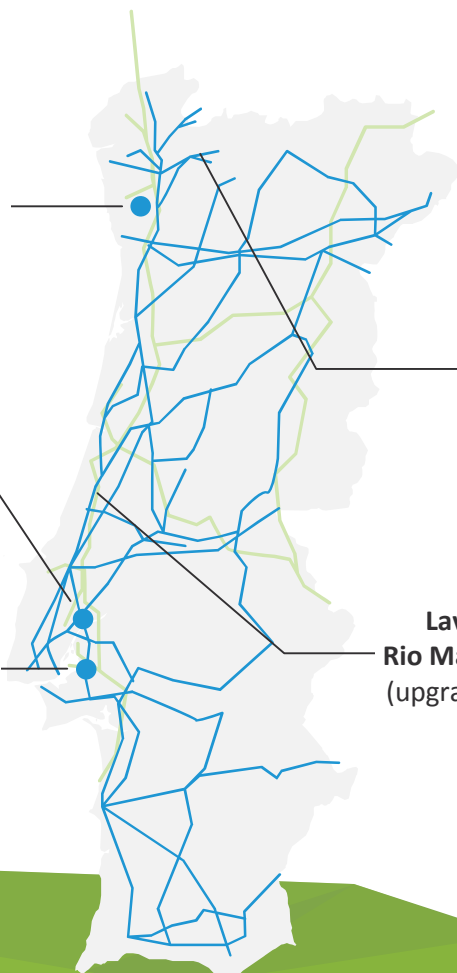
V. Nova
Famalicão
(new)



Carregado
(upgrade)



Alcochete
(new)



V. Minho-
Pedralva
(new)

Lavos-
Rio Maior
(upgrade)

Lines



~€560 Mn CAPEX
in 2015-17

86%
fulfilled efficiency criteria

0.22 min/year
average interruption
time¹ in 2015-17



A SUCCESSFUL JOURNEY

Delivering on growth



2015



Underground gas storage,
becoming the only player in Portugal

€70 Mn

2017



First international investment
with 42.5% of Electrogas

€169 Mn

2017



**Expansion to distribution
network** with Portgás

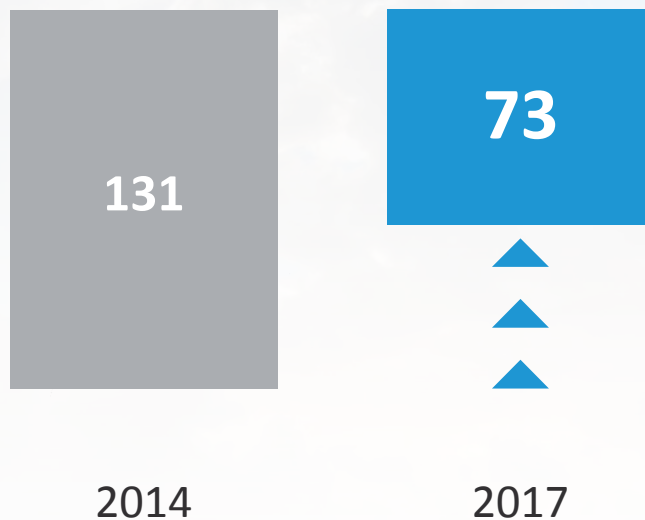
€530 Mn



A SUCCESSFUL JOURNEY

Marked by highly disciplined debt management, resulting in a strong credit profile

Financial costs (€ Mn)



Investment grade since 2015



1st

Portuguese
company

MOODY'S

FitchRatings

STANDARD
& POOR'S



A SUCCESSFUL JOURNEY

With a robust financial performance

EBITDA (€ Mn)

505

487

**Special levy
(CESE)** (€ Mn)

138

152

+25

+26

Net income (€ Mn)

113

126

2014

2017





A SUCCESSFUL JOURNEY

Delivering value to the shareholders

**Dividend
yield** (2017)

6.5%

4.1%

4.1%

5.3%

4.0%

**Total
shareholder
return**
(Jan 2015-Jan 2018)

31.3%

6.6%

16.2%

10.9%

24.5%

REN

STOXX Europe
600 Utilities

EURO STOXX
Utilities

Peer group
(TSOs)¹

PSI-20

¹ National Grid, REE, Elia, Terna, Fluxys, SNAM and Enagás



A SUCCESSFUL JOURNEY

Enabling a renewable future

2016



4 consecutive days 100% renewable

2018



Two 70-hour periods 100% renewable



Production in March **exceeded**
consumption of mainland Portugal

A SUCCESSFUL JOURNEY

With best-in-class corporate governance and a stable shareholder base¹

Several **special committees** in place



Remuneration



Corporate
governance



Nomination
and Appraisal

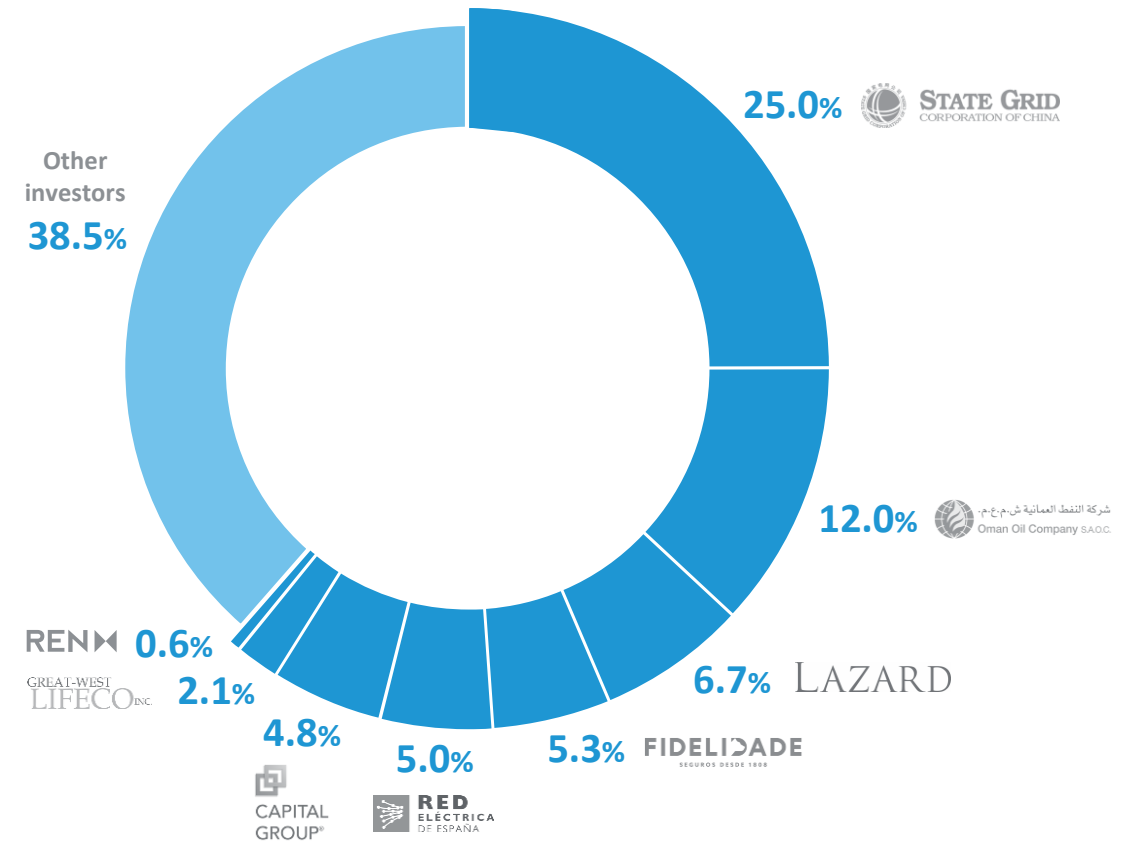
Independence of **supervisory bodies**



Audit
Committee



Statutory
Auditor



UNPARALLELED RELEVANCE ON THE NATIONAL SCENE

Responsible for high-quality energy transmission and distribution



**>€3.0 Bn invested
in energy
infrastructure**
in Portugal, 2006-17



**Top quartile in
quality of service
and efficiency**
among European TSOs



**Total tax
contribution
of ~€750 Mn**
in 2006-17



**Consistent
reduction in
weight on final
consumer tariff¹**

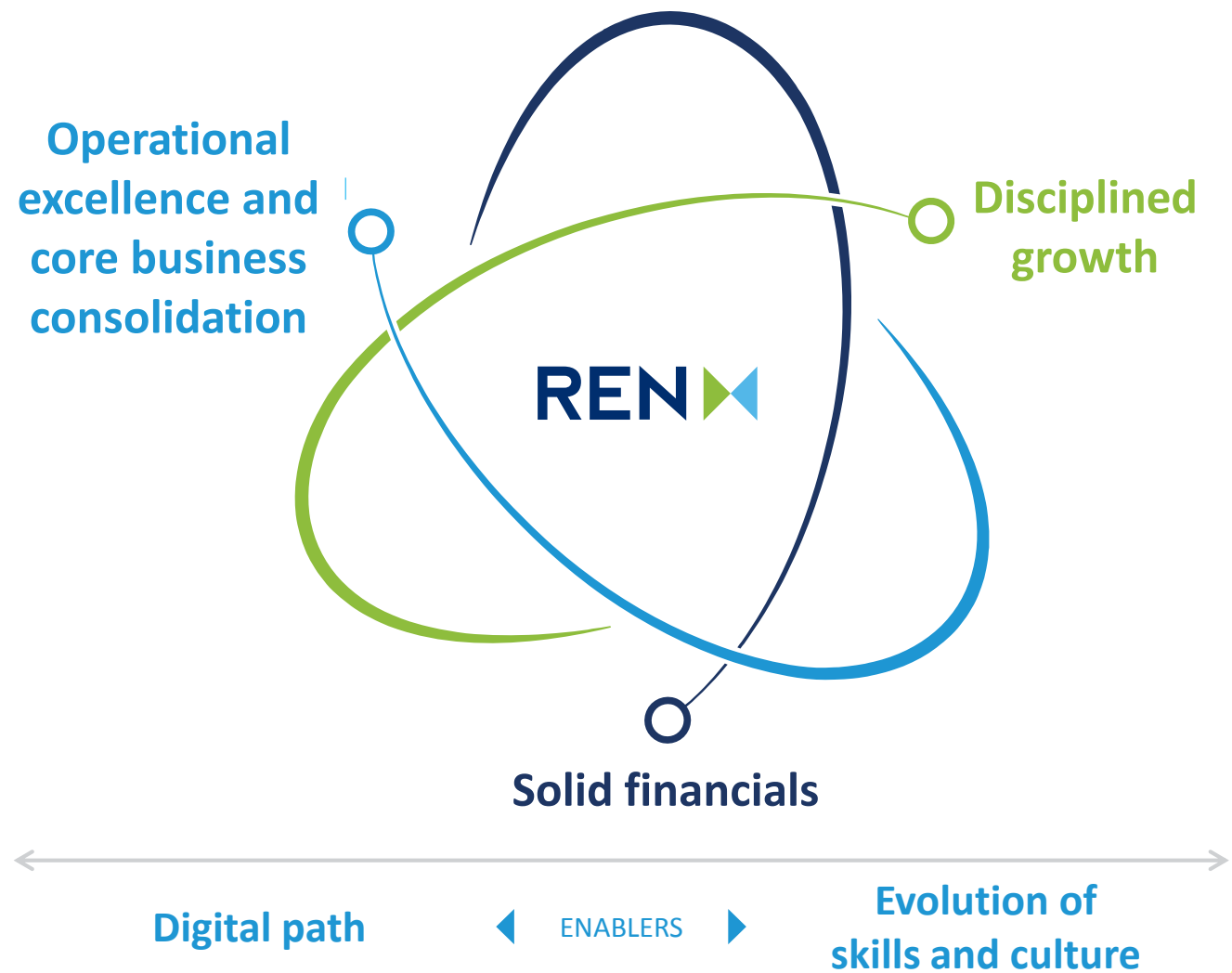


**Top quartile in
sustainability
performance²
vs. peers**

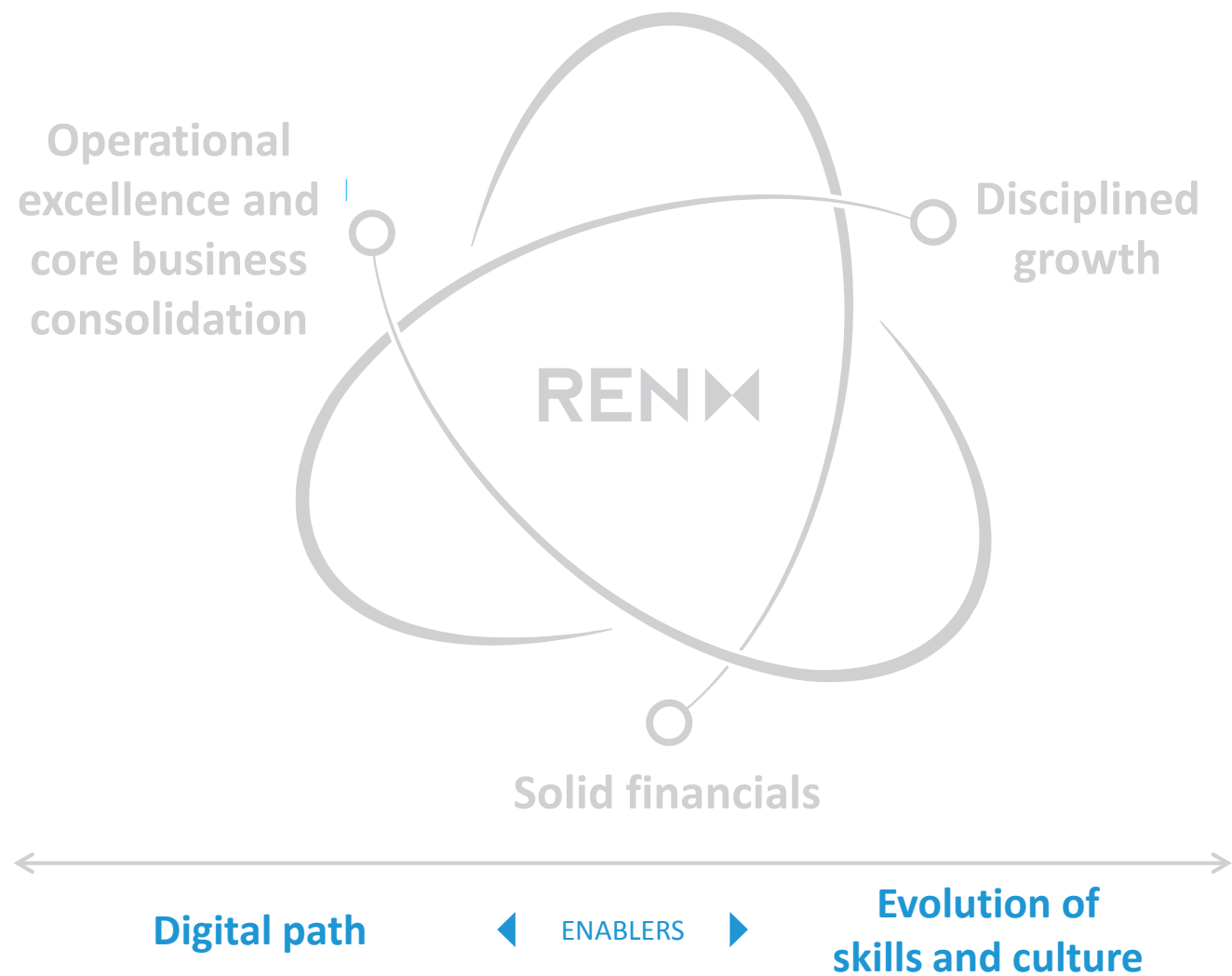
¹ >1pp reduction from 2014 to 2018 in electricity tariff, including transport and system management

² Environmental impact, social impact, and governance model (Oekom Corporate Rating 2017)

STRATEGIC GUIDELINES



STRATEGIC GUIDELINES



Digital path

Further effort on digital integration across the company

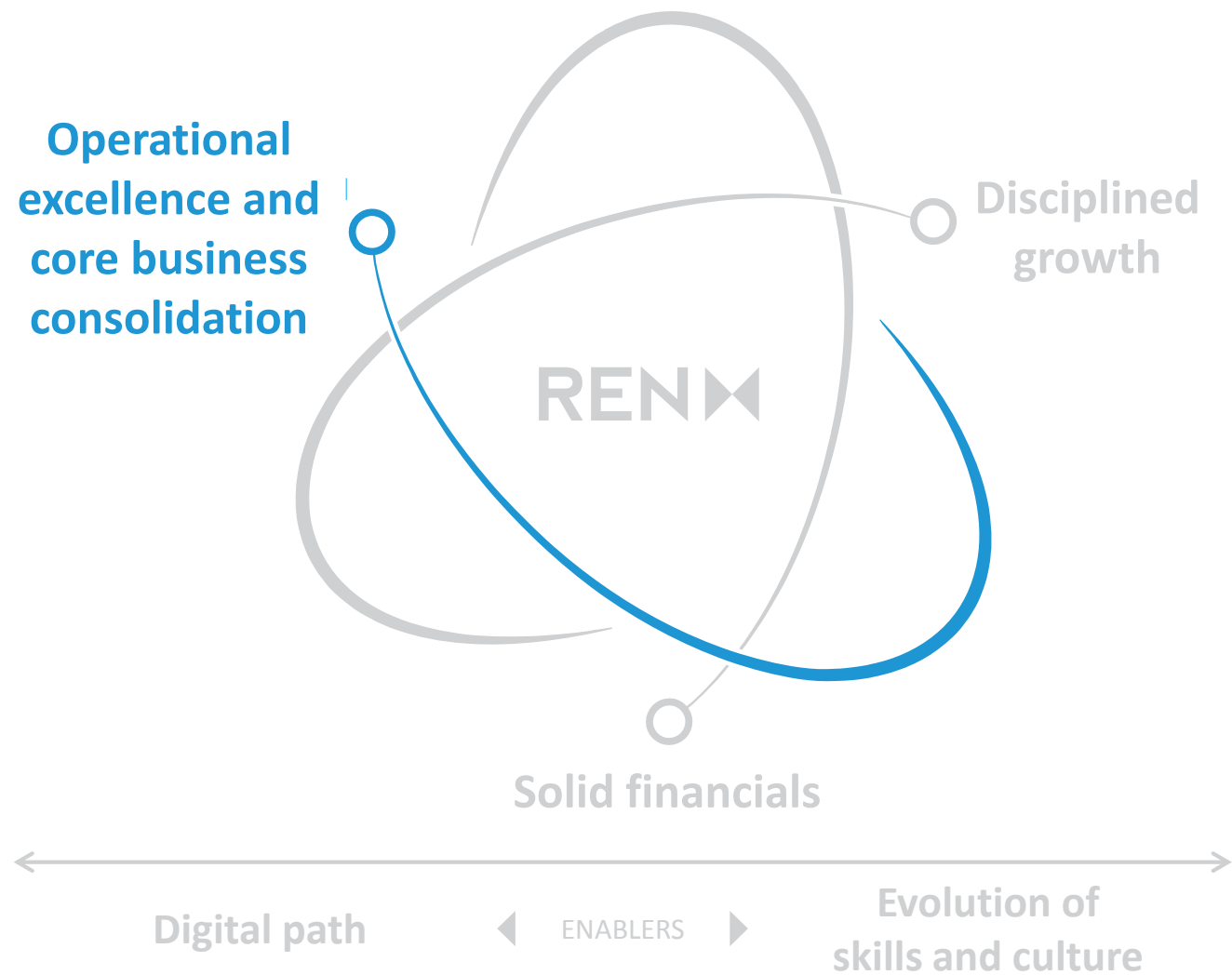
- ▶ **Asset management:** Condition assessment and predictive analytics based on extended monitoring and automation
- ▶ **Operations:** Use of digital tools by field workforce to facilitate productivity through real-time interconnection
- ▶ **Support:** Increased automation in support functions, improving productivity
- ▶ **Cibersecurity:** Consolidate company-wide initiatives and optimize current set-up especially in OT systems
- ▶ **System management:** Renewables integration (with growing support of data analytics) and optimization towards energy savings
- ▶ **Network planning:** Infrastructure design and development with positive environment impact

Evolution of skills and culture

Diversity, Development and Collaboration

- ▶ **Cross-functional** teams to further promote collaboration, accelerate improvements, decision-making and project delivery
- ▶ Focused **talent management** strategy to identify, develop and retain talent
- ▶ Development of workforce with focus on increasing the gender and academic background **diversity**
- ▶ Promotion of **intercompany mobility and professional development opportunities**

STRATEGIC GUIDELINES



OPERATIONAL EXCELLENCE



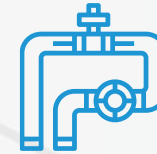
Experience
managing systems
with high penetration
of **renewables**



Service level
above average of
**European
TSOs¹**



0.22 min/year
average
interruption
time in 2015-17²



Full response
of **gas** infrastructure
in 2017 (record
consumption)



**Resilient
performance**
in extremely adverse
conditions (2017
devastating forest fires)

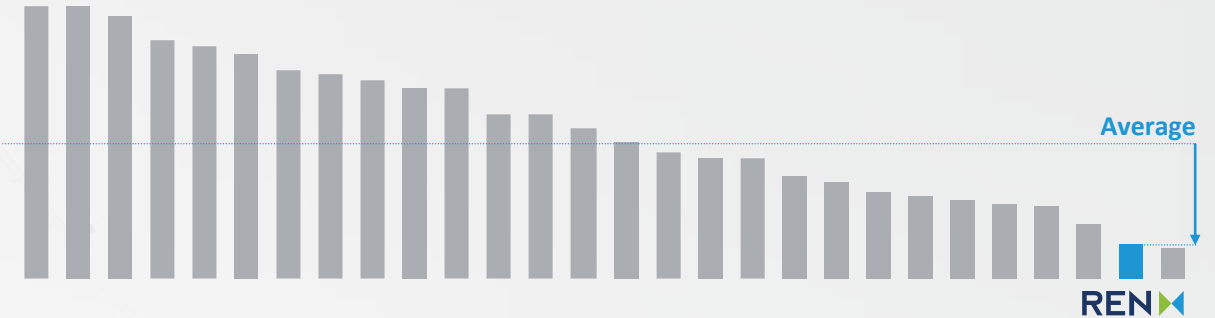
¹ ITOMS 2017, International Electricity TSOs

² Including exceptional events and force majeure

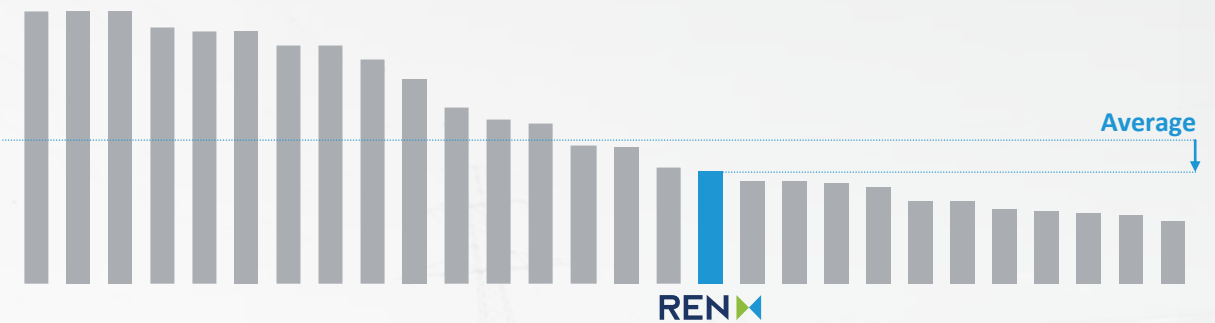
Maintain
focus on
EFFICIENCY

Electricity

Line costs/km



Substation costs/circuit end



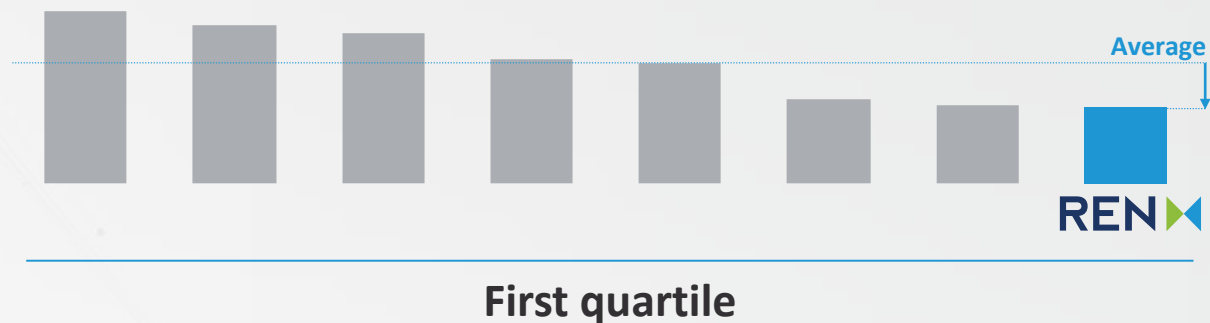
Performance above European average

OPERATIONAL EXCELLENCE

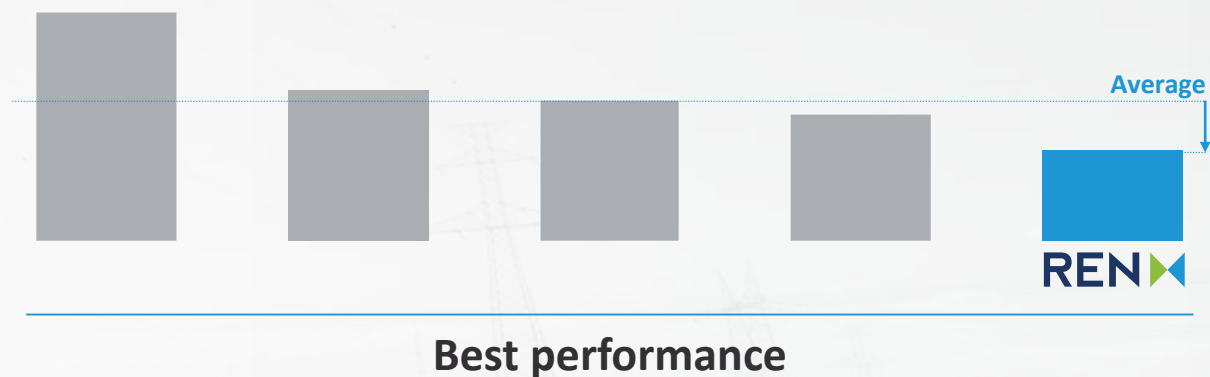
Maintain
focus on
EFFICIENCY

Natural gas

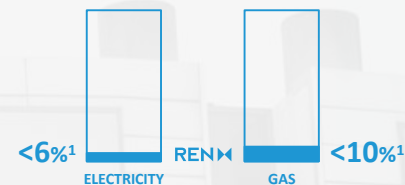
OPEX/complexity factor



LNG terminal costs/complexity factor



✕ CORE BUSINESS CONSOLIDATION



Limited weight on consumer **tariff**



Achieved regulatory **efficiency targets**

86% CAPEX
within efficiency
targets

4%
efficiency per year in
OPEX

~€20 Mn
incentives per year
for end-of-life
extension



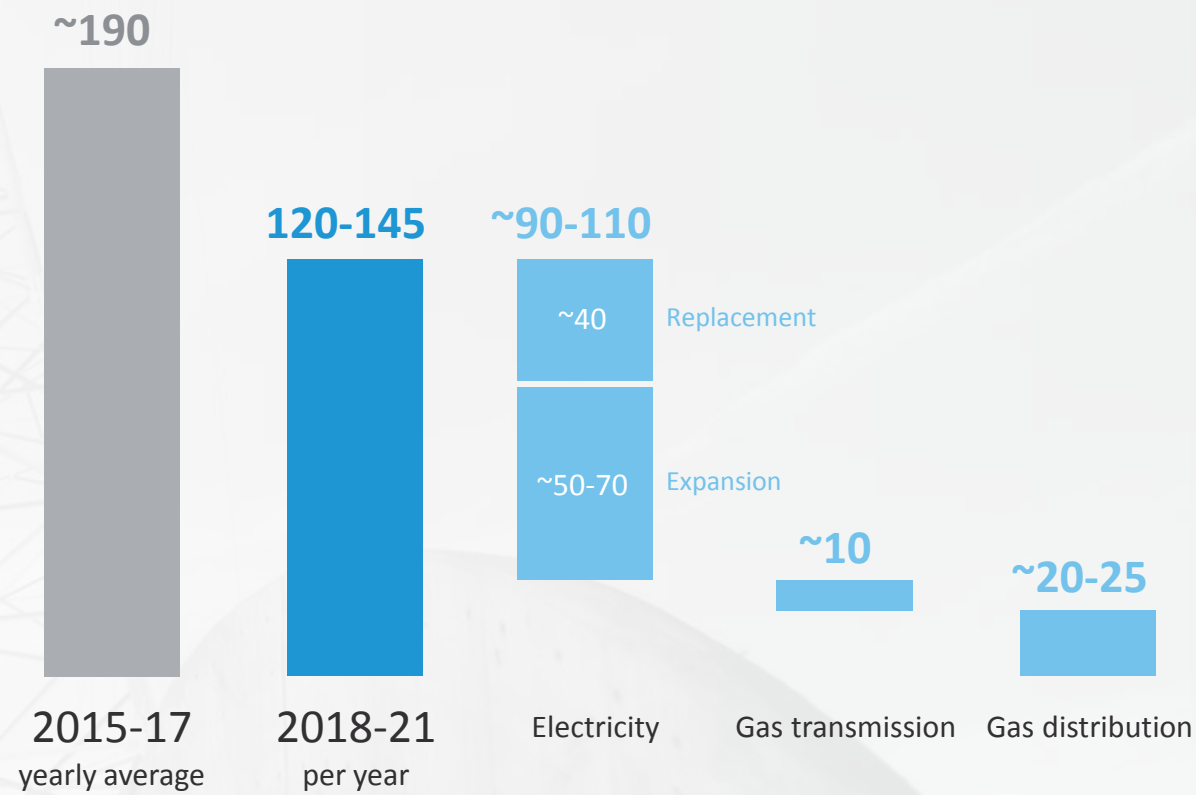
Partner for the national energy policy agenda

Support
REGULATORY
and
ENERGY POLICY
agenda

✕ CORE BUSINESS CONSOLIDATION

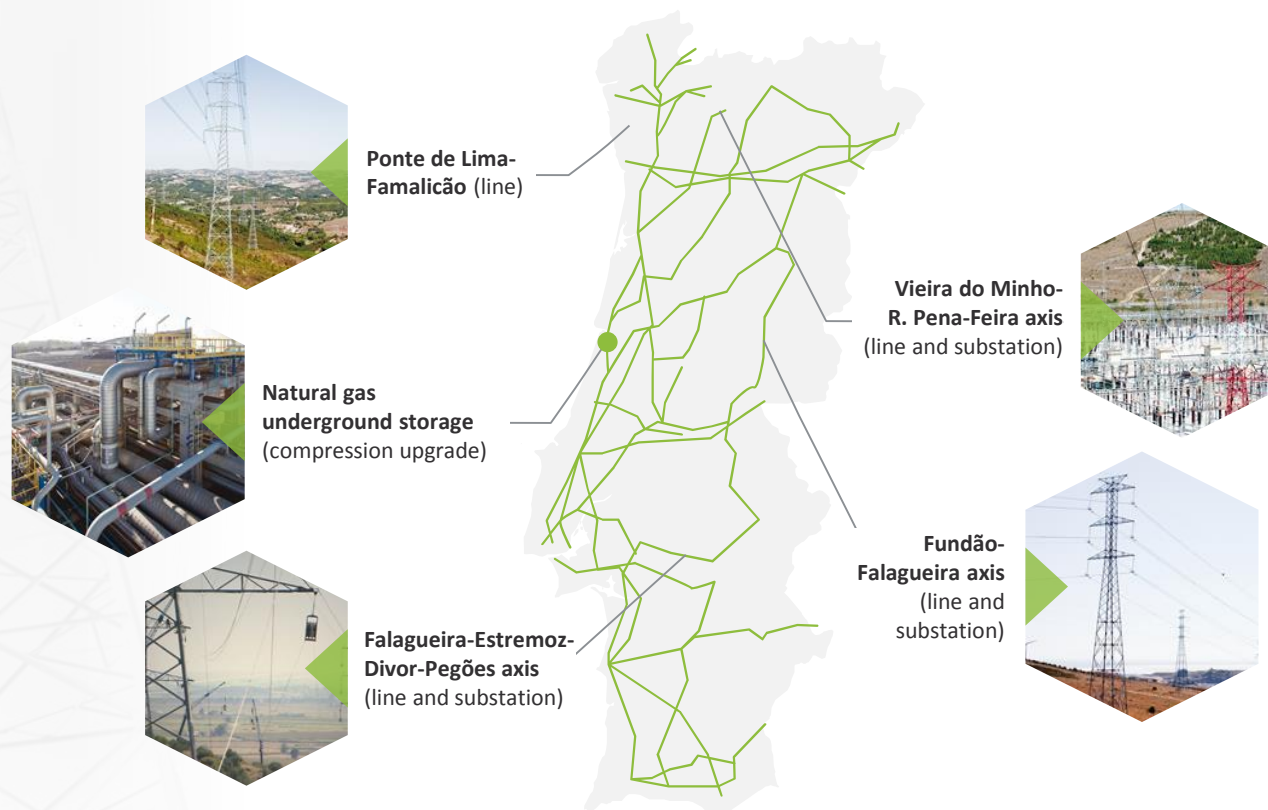
Invest
>€500 Mn
in the network
in Portugal
until 2021

Domestic organic CAPEX (€ Mn)



✕ CORE BUSINESS CONSOLIDATION

Invest
>€500 Mn
in the network
in Portugal
until 2021



Examples of potential upside (additional projects)

Further boost
in renewables

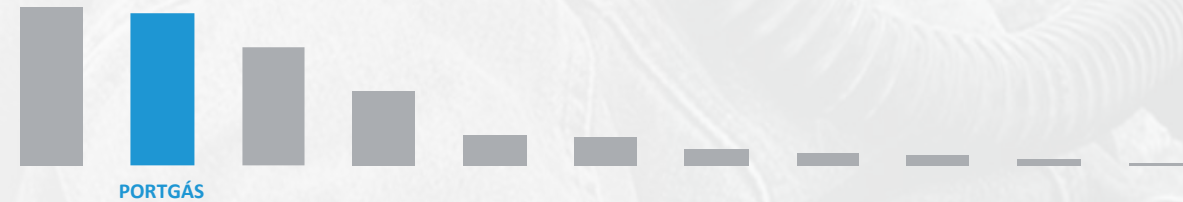
Interconnection
to Morocco

Underground cables
in Lisbon and Oporto

✕ CORE BUSINESS CONSOLIDATION

Other gas distribution companies in Portugal

2nd largest gas distribution company in Portugal (km)



Most efficient gas distribution company in Portugal

OPEX/km



OPEX/connection point

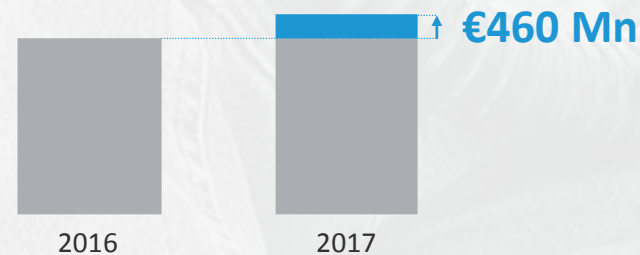


Consolidate
PORTGÁS

✕ CORE BUSINESS CONSOLIDATION

Consolidate
PORTGÁS

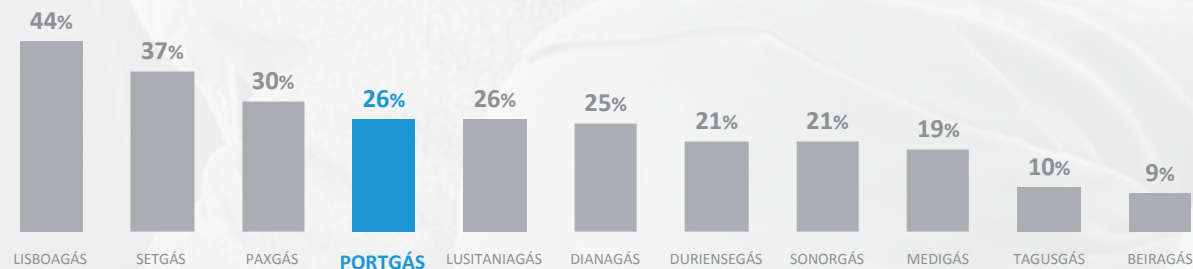
Increased REN's RAB in 11%



Consistent with regulatory framework



Growth potential from lower penetration (penetration rate)



Ongoing systems integration according to plan

✕ CORE BUSINESS CONSOLIDATION



Direct impact

on operations, e.g., solar photovoltaic forecasting tool



Partnership

with State Grid for R&D



Recognition

of the scientific community (publications and conferences)



Proprietary tools

developed, including in partnership with universities

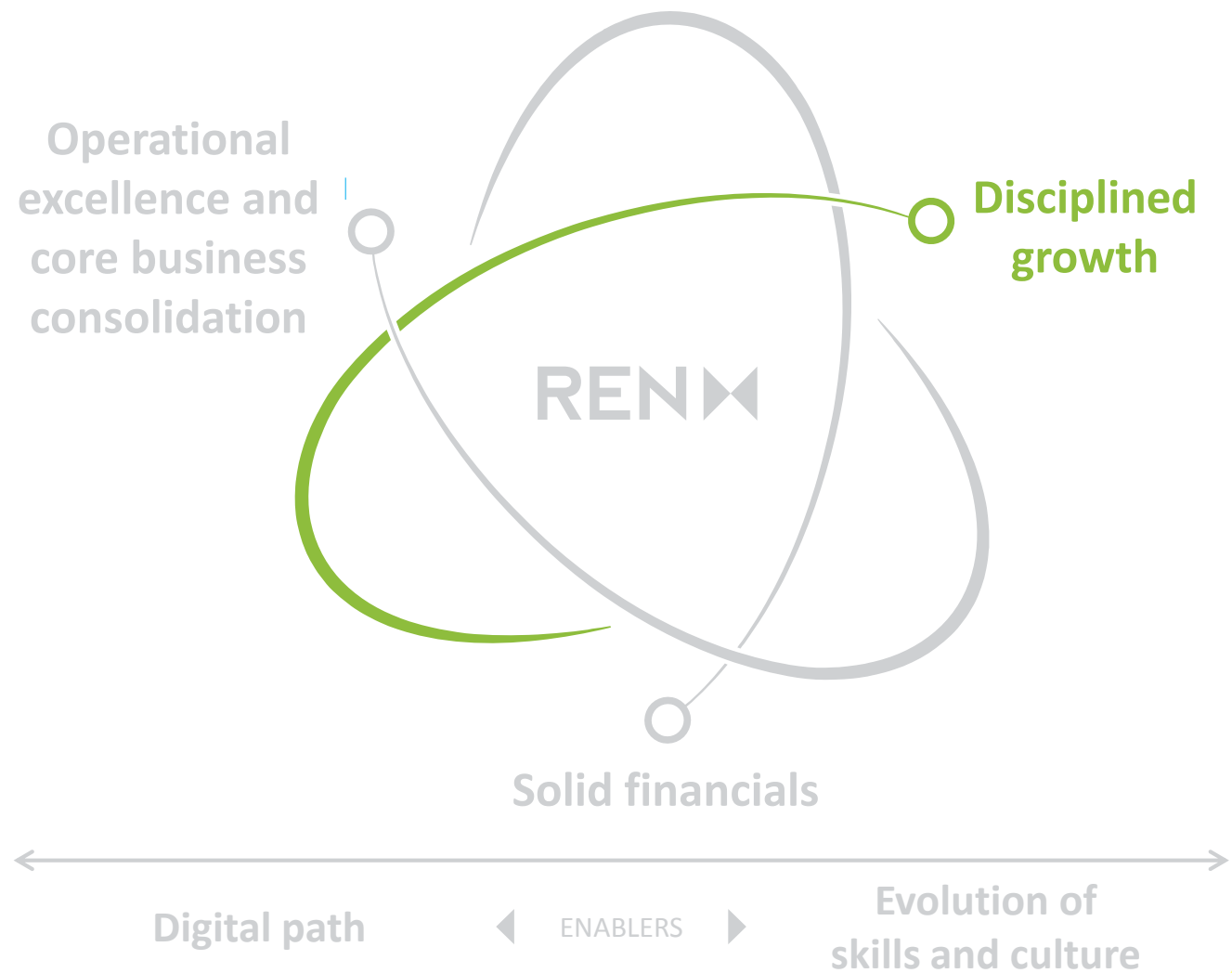


EV charging

ongoing technological development and upcoming pilot

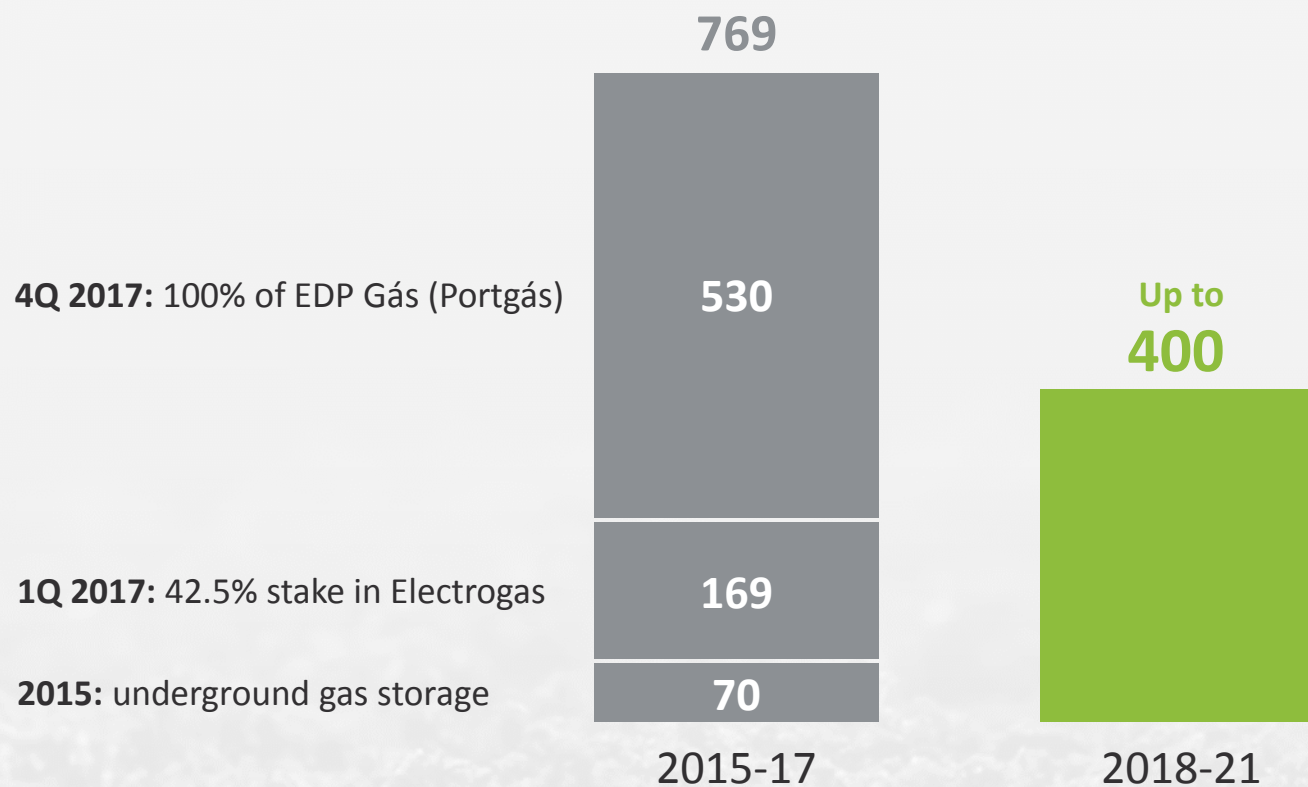
Leverage
REN's DNA of
INNOVATION

STRATEGIC GUIDELINES



DISCIPLINED GROWTH

Inorganic investments (€ Mn)



Invest up to
€400 Mn
until 2021 in
additional growth
opportunities

**Keep growth path in light of market opportunities
and leveraging strong track record**



**Regulated assets/
long-term
contracts**



**Attractive
risk-return
profile**



**Leveraging
REN's
know-how**



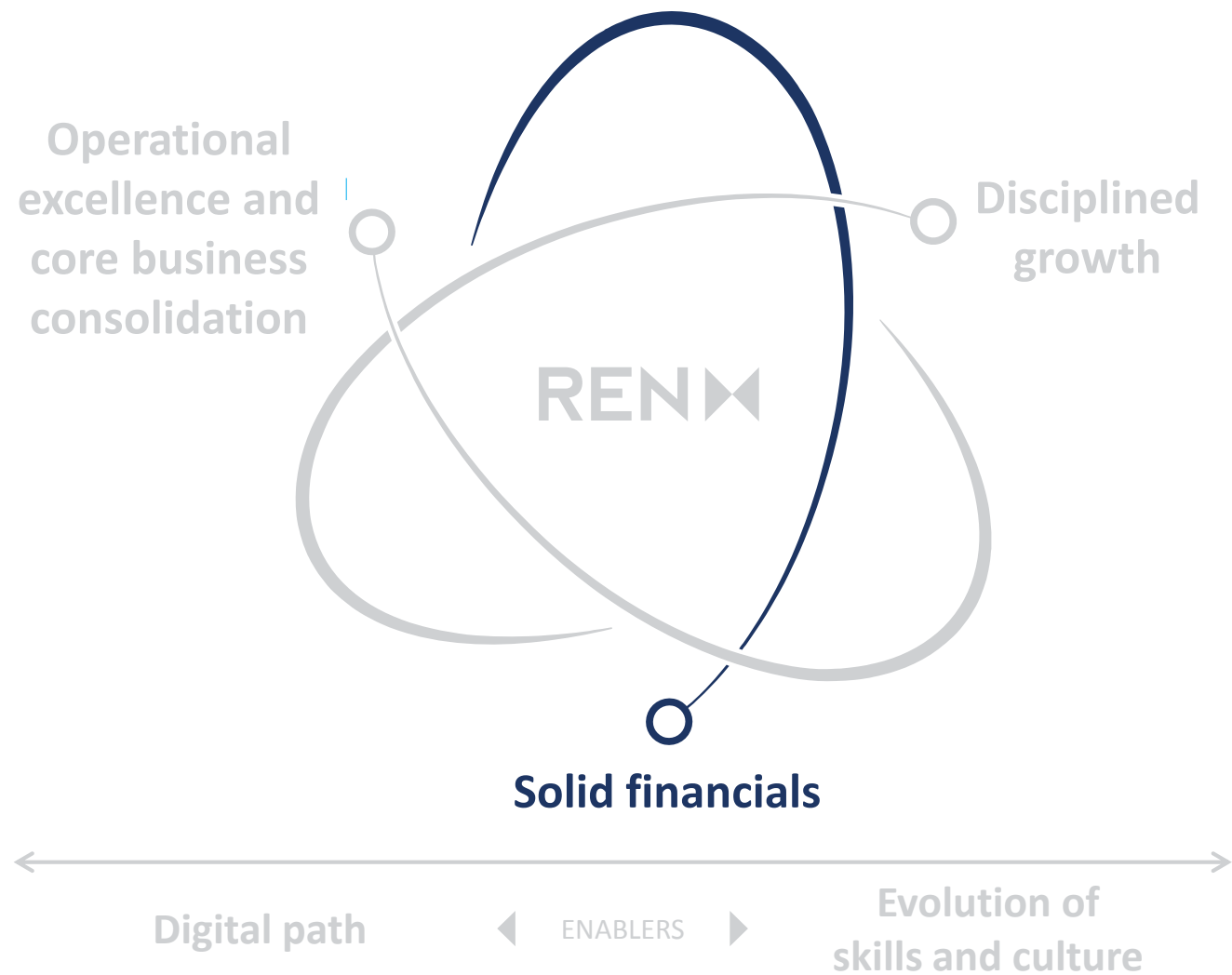
**Pace set to
maintain
credit rating**



Clear focus on **Portugal**
and **Regulated Assets**
while also considering further
**incremental opportunities/
investments in LatAm**

Potential upside on domestic CAPEX
always the top priority for REN

STRATEGIC GUIDELINES






**Optimize
cost of debt**




**Protect
net income**



**Fixed vs.
floating rates**



Maturity



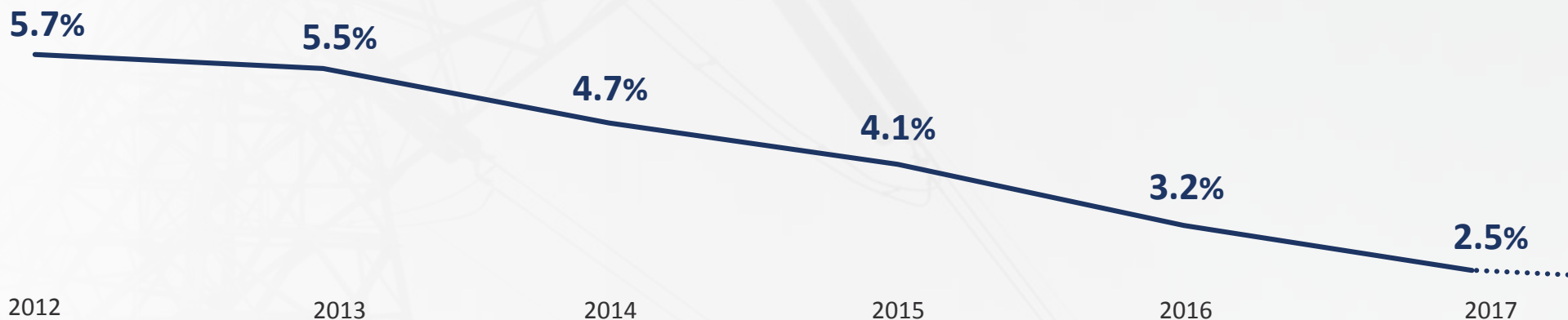
**Liquidity
buffer**

Allows for flexibility to grow while ensuring performance



SOLID FINANCIALS


Debt management strategy – Optimize cost of debt



>50% reduction in cost of debt in 1Q 2018 vs. 2014 (from 4.7% to 2.3%), aligning with European peers



Increase in average maturity from **3.9 to 5.0** years in 2014-1Q 2018



Bonds representing **63%** of funding sources in 1Q 2018

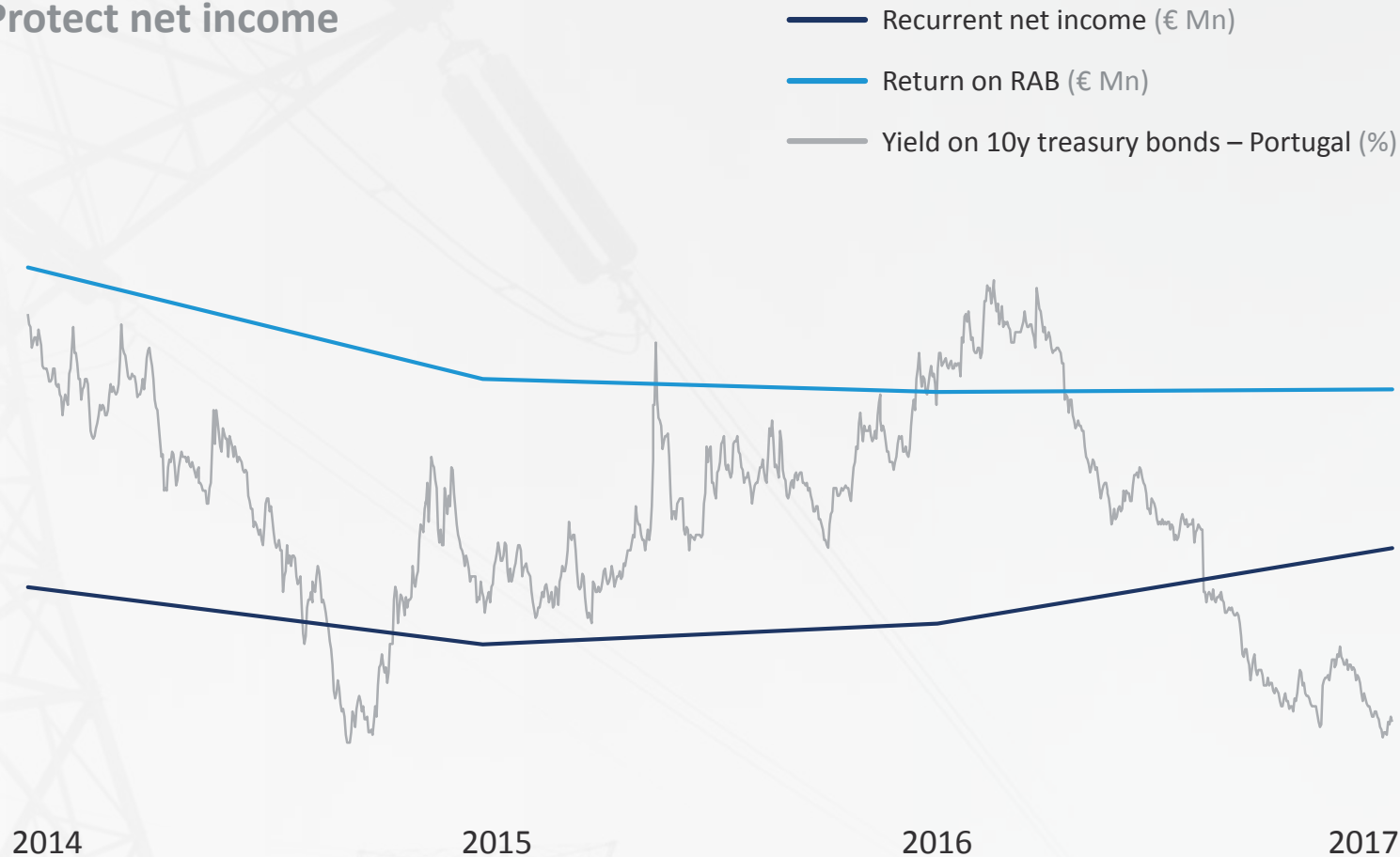
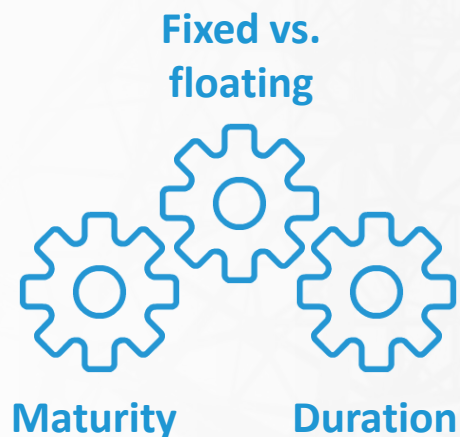


60% with fixed rate in 1Q 2018



Funding needs fully covered for **>2 years** on a constant basis

REN has been significantly reducing its cost of debt



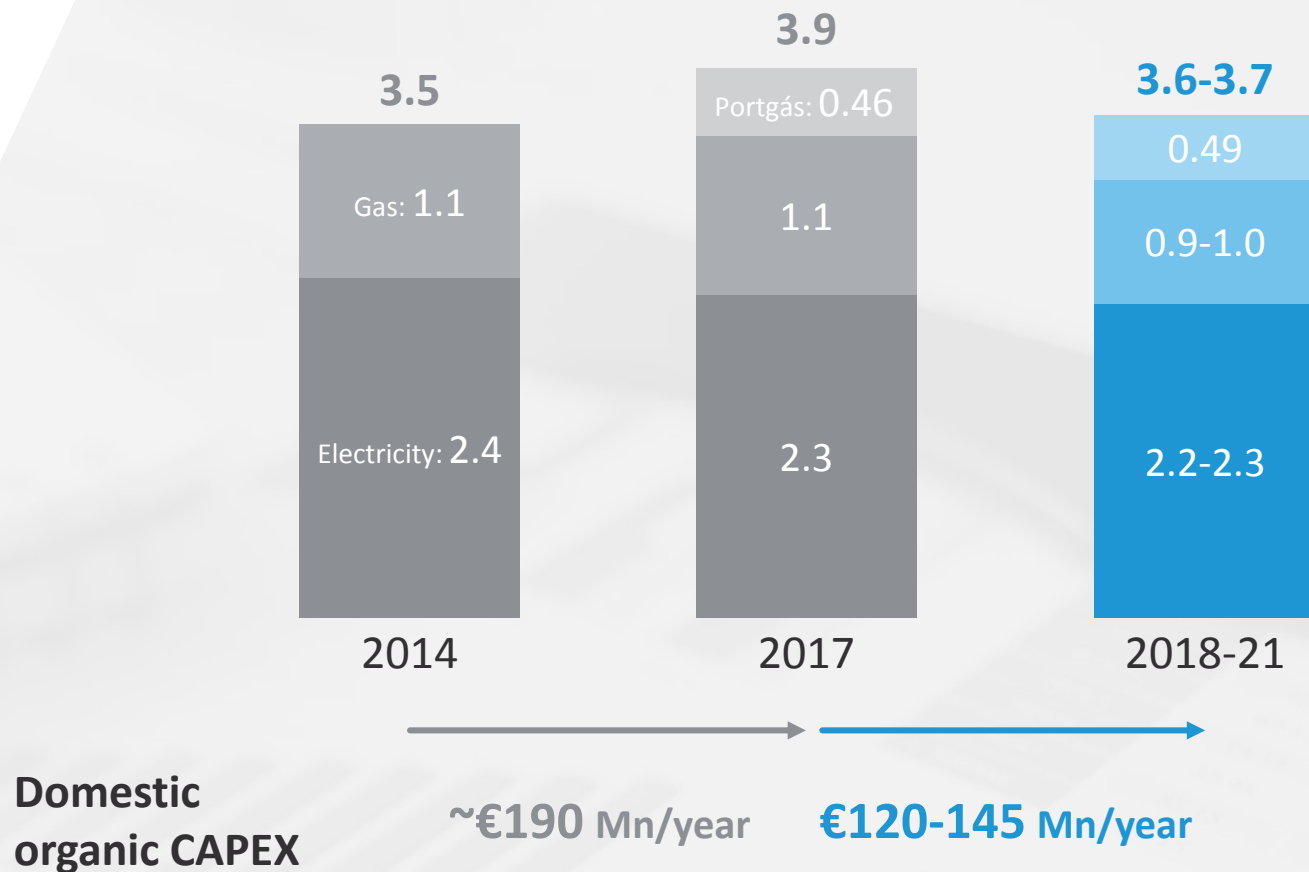
REN has been successfully protecting its net income by aligning debt management with its regulated revenues profile



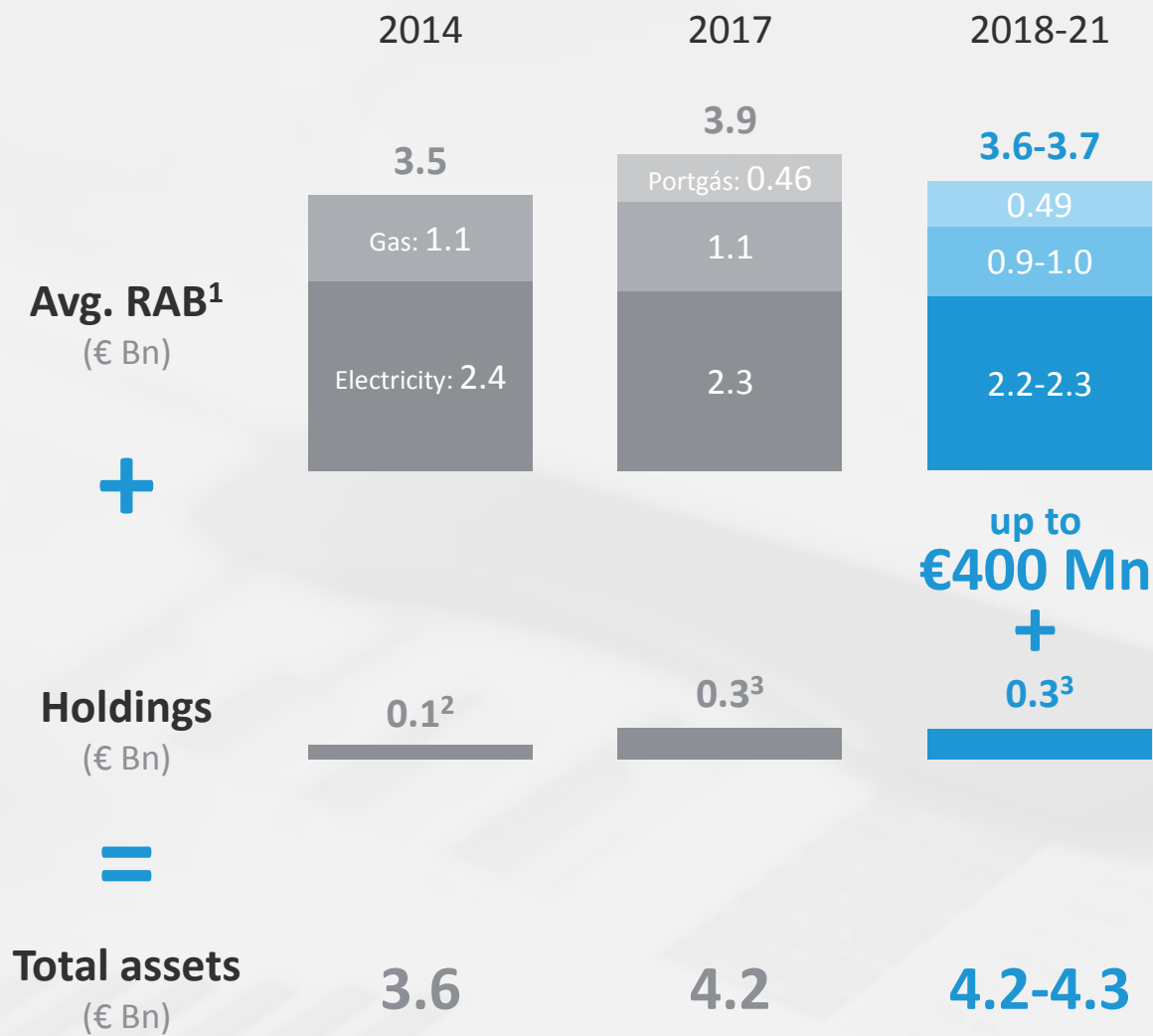
ROBUST BUSINESS PLAN

**Expected lower
domestic organic
CAPEX enables
additional
investment
capacity**

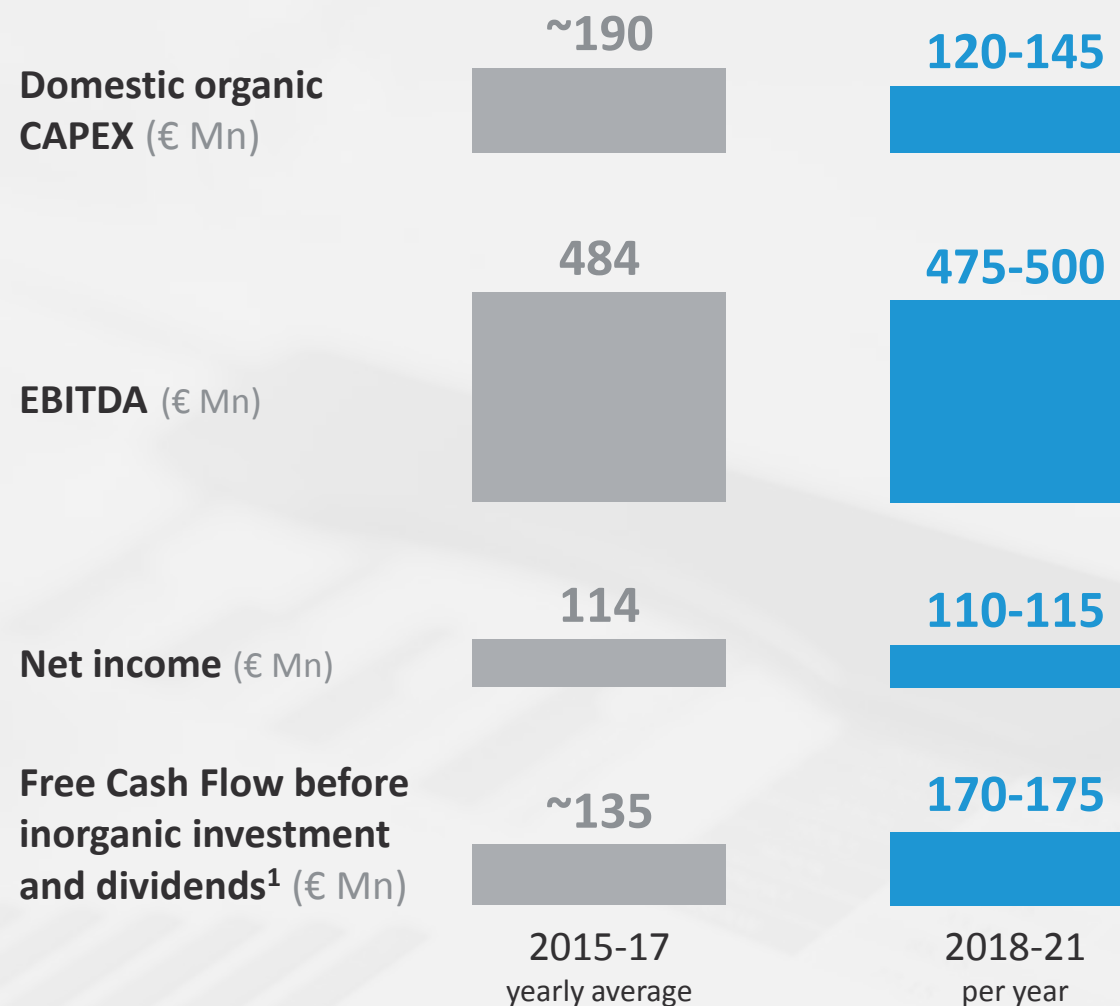
Average RAB. Historical costs (€ Bn)



**Total asset base
will remain stable**



Performance
going forward will
remain strong



**REN will maintain
credit metrics
consistent with
investment
grade rating**

FFO/Net debt

11.7%

11-12%

Net debt (€ Bn)

2.8

2.7-2.9

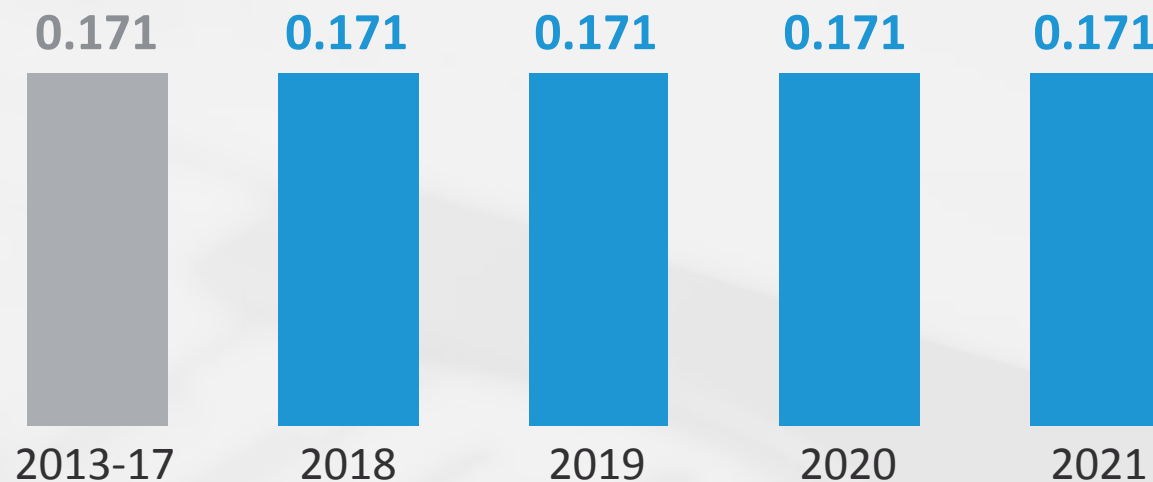
2017 EOY


2018-21


SUSTAINABLE DIVIDEND POLICY

REN plans to
maintain the
dividend policy

Dividend (€/share)

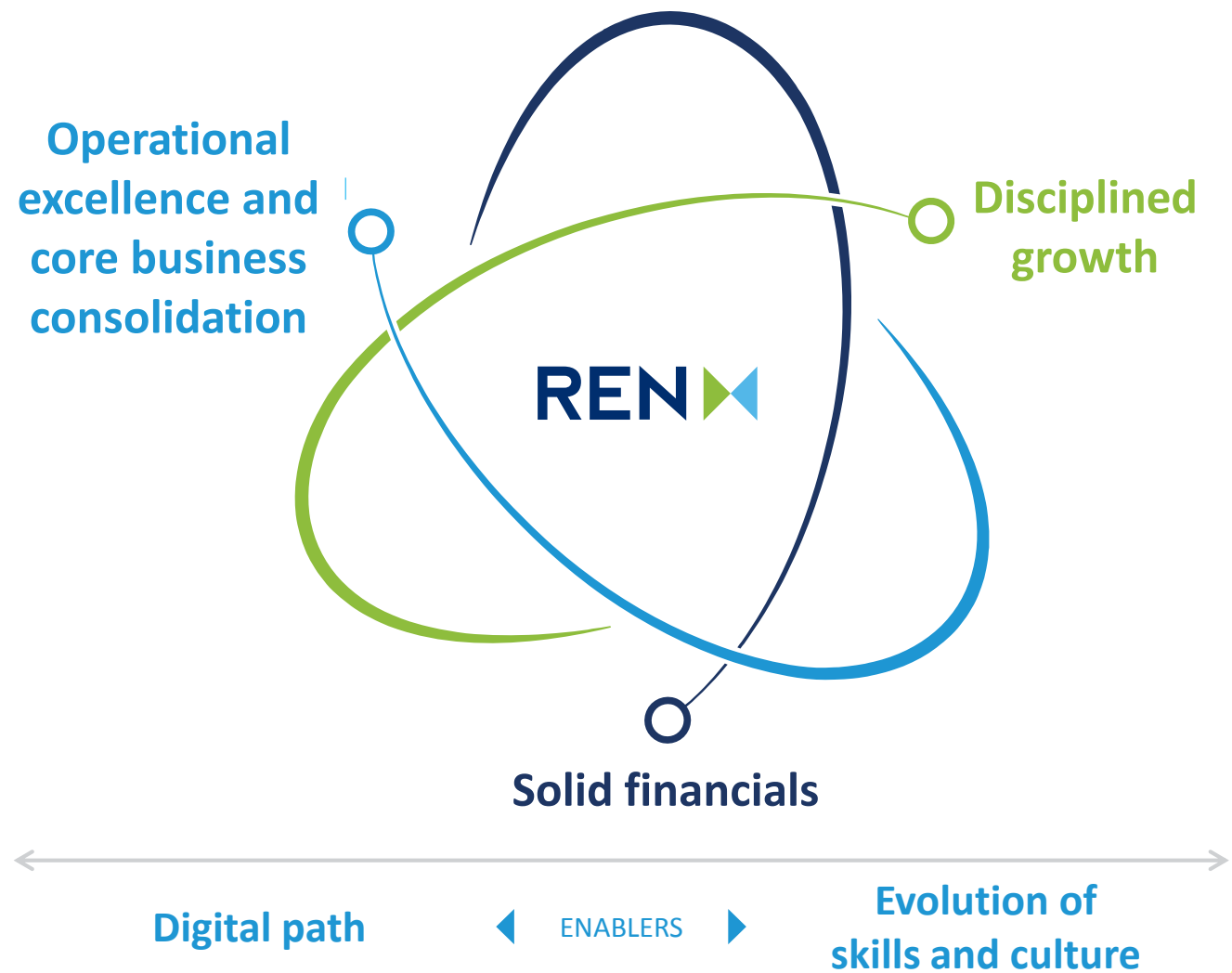



One of the highest
dividend yields in
the industry


High sustainability
given REN's capacity of
generating cash flow



STRATEGIC GUIDELINES



❏ CLOSING REMARKS



REN is now at an **intermediate point** of a path that started in 2015



2015-17 cycle was marked by **excellence in delivering core business** and **strong investment**



REN was able to **initiate a move to inorganic growth** anticipating the impact from a maturing grid while **tightly managing funding costs**



In 2018-21, REN will keep its focus on **delivering energy in Portugal**, also investing up to **€400 Mn in attractive opportunities** in line with its DNA (skills and risk profile)



REN will continue its commitment to **investment grade rating** and **attractive shareholder returns** as well as the **highest sustainability standards**

MUITO OBRIGADO

