



# Investor Update

Electrogas' equity stake acquisition agreement

December 2016



# Electrogas' 42.5% investment fits REN's 2015-18 approved strategic plan, which defined international expansion as a key growth pillar



## REN's 2015-18 strategic guidelines



**Local business as top priority**



**Explore international projects**



**Consolidate financials**

## REN's international investment criteria

### NATURE OF INVESTMENT

- Investment in electricity and gas transmission assets
- Analyze both M&A and greenfield projects

### OWNERSHIP STRATEGY

- Assess majority and minority positions
- Achieve active investor position with influence over company decisions

### PARTNERSHIP STRATEGY

- Prioritize investments with relevant local partners

### LATIN AMERICA AS TARGET MARKET

- Chile as a priority investment market based on strong economic fundamentals, established infrastructure development plans and a solid legal and regulatory framework

## Electrogas' investment



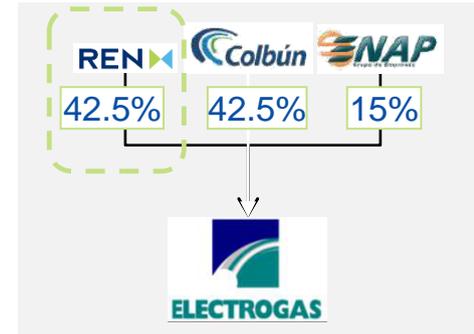
# Investment in a key natural gas asset in Chile with high cashflow visibility



## Key asset in Chile's natural gas sector

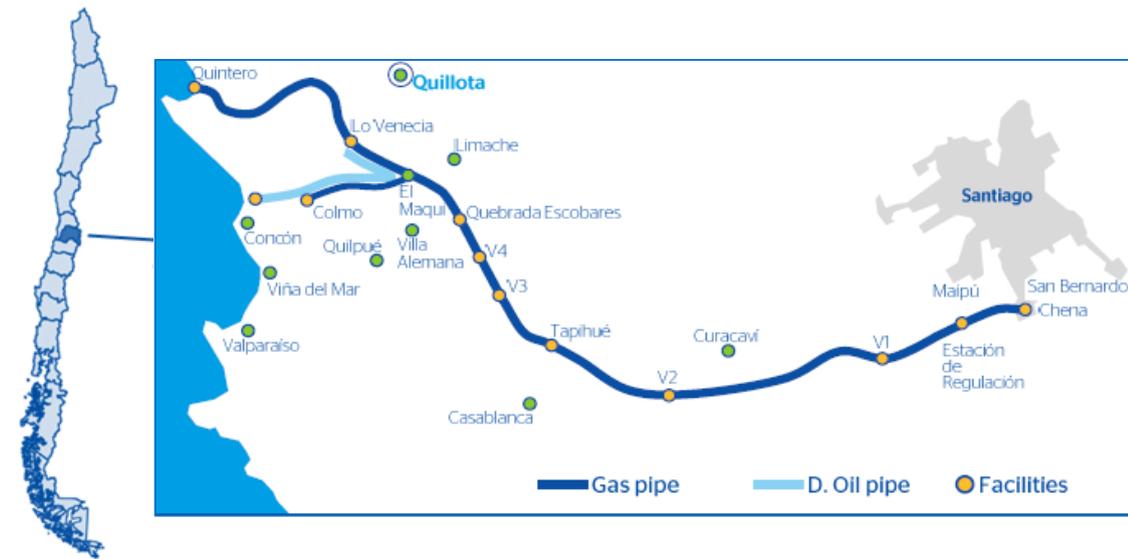
- Electrogas operates a (i) **165.6 Km reversible natural gas pipeline between Quintero's LNG terminal (Chile's Pacific coast) and Santiago metropolitan region** and a (ii) 20.5 Km diesel oil pipeline
- **Electrogas is the only gas pipeline in Chile's central region connecting Quintero's regasification terminal to Chile's largest population center (Santiago),** and to Valparaiso, one of the country's most important ports
- The asset benefits from **high cashflow visibility** due to established long-term Take-or-Pay gas transportation contracts
- Key customers **comprise blue-chip electricity generators** (Endesa, Colbún and AES Gener), **industrial companies** (ENAP) and **major local gas distribution players** (Metrogas and GasValpo)

## REN as partner of major Chilean energy players



- REN to acquire stake from Enel Generación Chile
- Colbún – Involved in electricity generation (3.3 GW of installed capacity in Chile) and transmission
- ENAP – State-owned company involved in Oil & Gas activities

## Asset connects Quintero's LNG terminal to Santiago



# 1<sup>st</sup> major international investment of REN in Chile under a cautious and disciplined approach



## Chile regarded as LatAm's most developed economy

- Low-risk investment grade country, considered as the best country to do business in Latin America
- Competitive and growing economy (Average annual GDP growth of 3.9% since 2011)
- Strong institutional set-up with stable and proven regulatory and legal frameworks

## Unique asset under operation

- 165.6 Km reversible natural gas pipeline under operation, avoiding risk of “greenfield” entry
- Only pipeline connecting the sole LNG terminal in Chile's central region and Santiago metropolitan region
- Lasting relationship with investment grade clients under long-term “Take-or-Pay” contracts
- Asset positioned to benefit from growing strategic importance of natural gas in Chile – Since 2010, Santiago's largest gas distributor registered a 5% annual increase in distributed gas volume

## High cashflow visibility

- Stable Take-or-pay contracts
- High cash conversion based on revenue set-up and stable and efficient cost structure

## Acquisition with positive impact on REN

- REN's 1<sup>st</sup> international success story and delivery of approved strategic plan
- REN as only gas transportation operator shareholder of Electrogas. Acquisition of 42.5% stake provides relevant influence over company decisions
- Acquisition positively impacts REN's Net Income
- Equity ticket in line with REN's investment envelope and limited impact on REN's credit metrics

# Acquisition completion is subject to the non exercise of the remaining shareholders' First Offer Rights



- On December 16<sup>th</sup>, 2016 REN entered into an agreement with Enel Generación Chile for the acquisition of 42.5% of Electrogas' shares
- As per Electrogas' Shareholders Agreement, the remaining shareholders (ENAP & Colbún) hold First Offer Rights over Enel Generación Chile 42.5% stake, under the same conditions agreed with a prospective buyer
- Accordingly, transaction completion is subject to the non exercise of the First Offer Rights. REN expects this process to be concluded until mid-January 2017
- REN expects to reach transaction closing in the 2<sup>nd</sup> half of January 2017

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