



# INVESTOR PRESENTATION

January 2018

Fixed Income Roadshow



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## Today's presenting team



**Gonçalo Morais Soares**  
*CFO*

- Position held since 2012
- Previously Executive Board Member of ZON TV Cabo as well as Head of Planning, Control and Corporate Finance of ZON Multimédia SGPS
- Prior to this, Gonçalo worked as Chief Financial Officer of Jazztel in Portugal and Vice-President of Santander Investment in the Corporate Finance area



**Nuno Rosário**  
*Finance Director*

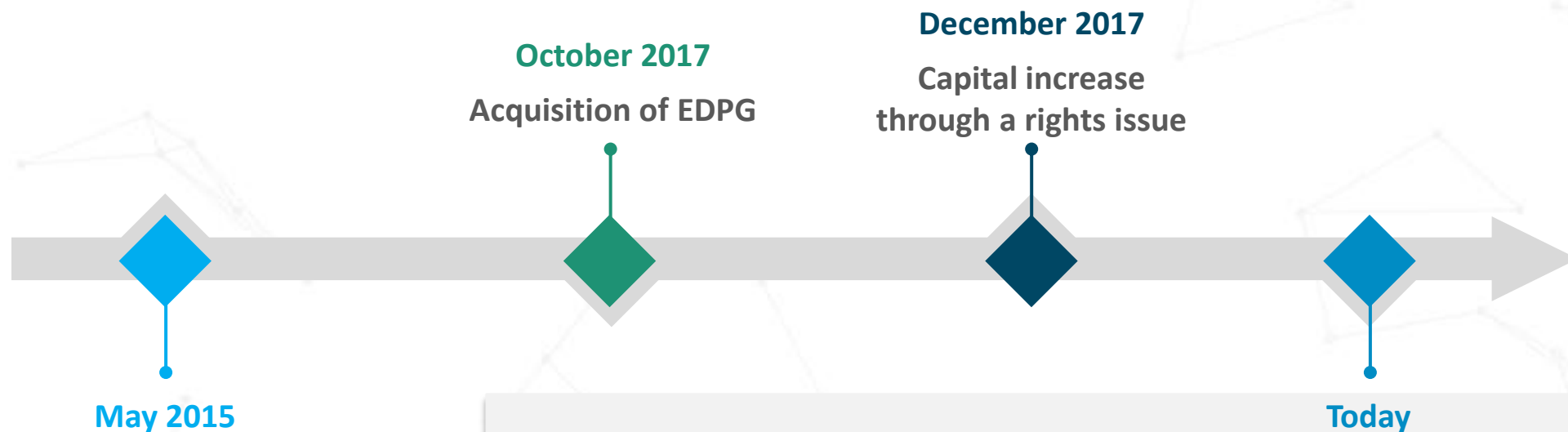
- Position held since 2008
- Previously Head of Financial Operations Department (integrated in the Finance Direction) at REN SGPS, SA
- Prior to this, Nuno worked as a member of the Finance Division of EDP – Energias de Portugal, SA, coordinating the treasury budget and forecasts of EDP's Group



**Ana Fernandes**  
*Head of Investor Relations*

- Position held since 2007
- Previously Equities Portfolio Manager and Specialist Buy-side Analyst at BPI Asset Management and at Espírito Santo Activos Financeiros
- Prior to this, Ana worked as a generalist at Banco Mello's Financial Department and as Research Assistant at Universidade Católica Portuguesa

## Objective of today's meeting



REN's 3-year business plan announcement

- 1 REN and EDP Gas acquisition overview
- 2 Overview of the proposed bond transaction
- 3 Presentation of REN's credit story

## 1. REN Company Overview

2. Solid domestic business with stable regulatory framework

3. Acquisition of EDP Gás

4. Financial Overview

5. Transaction Summary Terms

# REN Is The Portuguese TSO Holding The Electricity And Natural Gas Concessions

REN, headquartered in Lisbon, is an **integrated TSO** focused on the **operation of two major business areas**:

- **Transmission of high voltage electricity<sup>1</sup>** and overall **technical management** of the Portuguese electricity system
- **Transportation of high-pressure natural gas** and overall **technical management** of the Portuguese natural gas system, **reception, storage and regasification of LNG<sup>2</sup>** and **underground storage** of natural gas

## Electricity

- Sole TSO of the Portuguese electricity system with a 50-year concession ending in 2057



**Grid length\***

**8,863 km**

**Electricity consumption\***

**49.3 TWh**

**# Headcount 1H17**

**220**

## Natural Gas

- Sole concessionaire of Portuguese high-pressure natural gas transportation network for 40 years (until 2046)



**Pipeline length\***

**1,375 km**

**Natural gas consumption\***

**58.9 TWh**

**# Headcount 1H17**

**130**

1) High and extra high voltages electricity grid of 130kV up to 400kV

2) Liquefied Natural Gas

- As of 31 December 2016

Source: REN

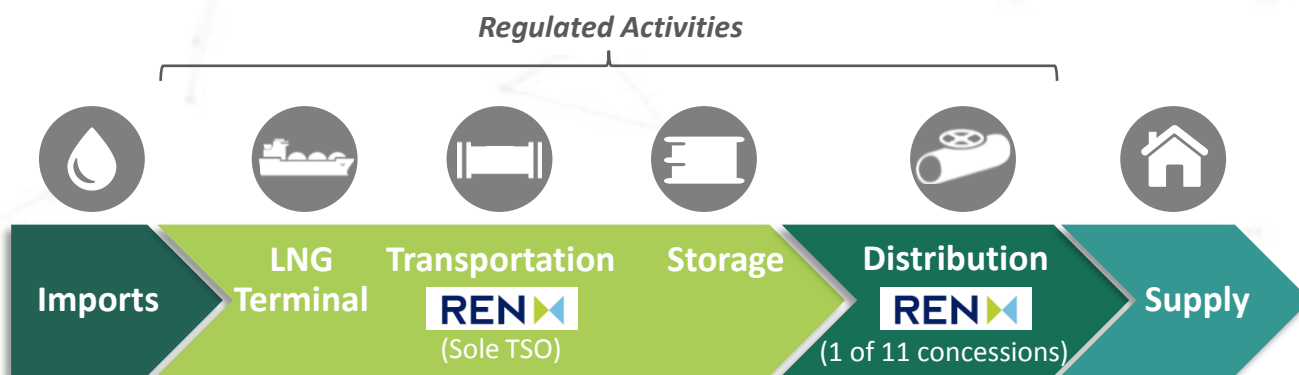
# In Portugal, REN is the sole electricity and natural gas TSO and holds the second-largest natural gas distribution concession

## Electricity



- Sole Transmission System Operator (TSO)
- Transmission of high voltage electricity and overall technical management of the system
- Concession until 2057

## Natural Gas



- Sole TSO (concession until 2046)
- Transportation of high-pressure natural gas and overall technical management of the system
- Reception, storage and regasification of LNG and underground storage of natural gas
- Recently, REN acquired the second-largest gas distribution network

In October 2017, REN acquired 100% of EDPG, which was renamed **REN Portgás**

# REN's key credit highlights

## Predictable Regulated Earnings

- Over 95% of REN's revenues are generated from its regulated electricity and gas transmission activities
- REN enjoys a monopoly role on the Portuguese market and the established and stable regulatory environment in all its businesses supports REN's low business risk profile

## Stable And Supportive Regulatory Framework

- Regulated revenues not dependant on State payments, but based on the definition of allowed revenues (recovery of operating cost + cost of capital)
- Transmission/transportation operators do not have consumer credit risk
- Stable regulatory framework, with 3 year regulatory periods. Latest regulatory framework announced on 15<sup>th</sup> of December 2017

## Prudent Financial Management

- Resilient Financial Management – strong cash generation and robust debt profile with balanced maturity (4.4 years as of Q3 2017), diversified sources of funding, strong liquidity (covering maturities of next 2 years)
- Investment Grade Ratings – REN's reduced risk profile and resilient financials support its credit ratings

## Stable Shareholder Base

- REN's has a strong, stable and diversified shareholder base aligned with the company's objectives
- Diverse and conservative Board



## REN's track record of maintaining stability and delivering on its targets

### BUSINESS PLAN 2015-2018

### ACTUAL RESULTS FY2016

<b>Capex</b>	€175M-€200M per year	Average of €206M per year for 2015-2016	✓
<b>RAB</b>	Stable at c. €3.5B	€3,537M	✓
<b>International investment</b>	Diversify by investing in selected number of international projects	First international investment completed (Electrogas in Chile)	✓
<b>Cost of debt</b>	1.0% decrease in average cost of debt (4.7% in 2014)	3.2% <sup>1</sup>	✓
<b>Financial results</b>	EBITDA €450M-€460M Net Income €120M-€130M	EBITDA €476M Net Income €126M <sup>2</sup>	✓
<b>Debt and credit metrics</b>	Net Debt stable at c. €2.5B Investment-grade credit metrics	Net Debt of €2,478M Investment-grade credit metrics	✓
<b>Dividend</b>	Stable at €0.171 per share	€0.171 per share	✓

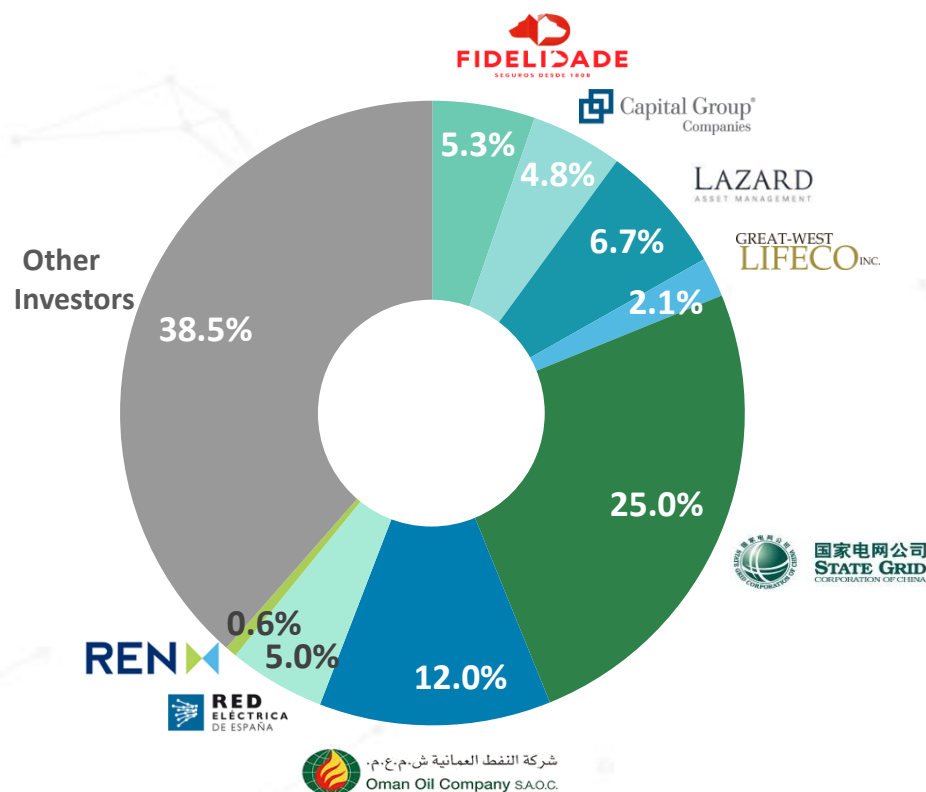
1) Average cost of debt decreased further to 2.6% in 9M 2017

2) Excluding the Energy Sector Extraordinary Contribution (ESEC), which amounted to €25.9M in 2016 ("extraordinary levy")

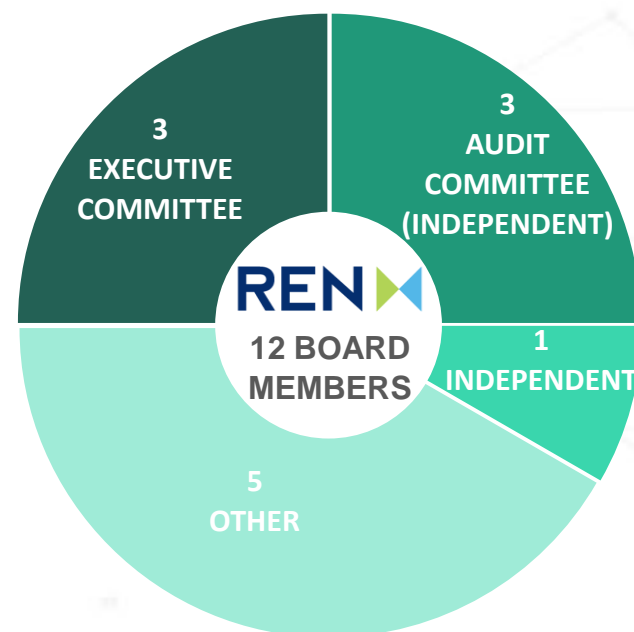
Source: REN

Since the 2014 reprivatisation, REN has a stable shareholder base and robust governance and control measures

## Shareholder structure



## Board composition



*In line with best practices, REN also has special committees in place (Remuneration, Corporate Governance and Nomination and Appraisal committees) and, as supervision bodies, the Audit Committee (fully independent) and Statutory Auditor*

## 1. REN Company Overview

## 2. Solid domestic business with stable regulatory framework

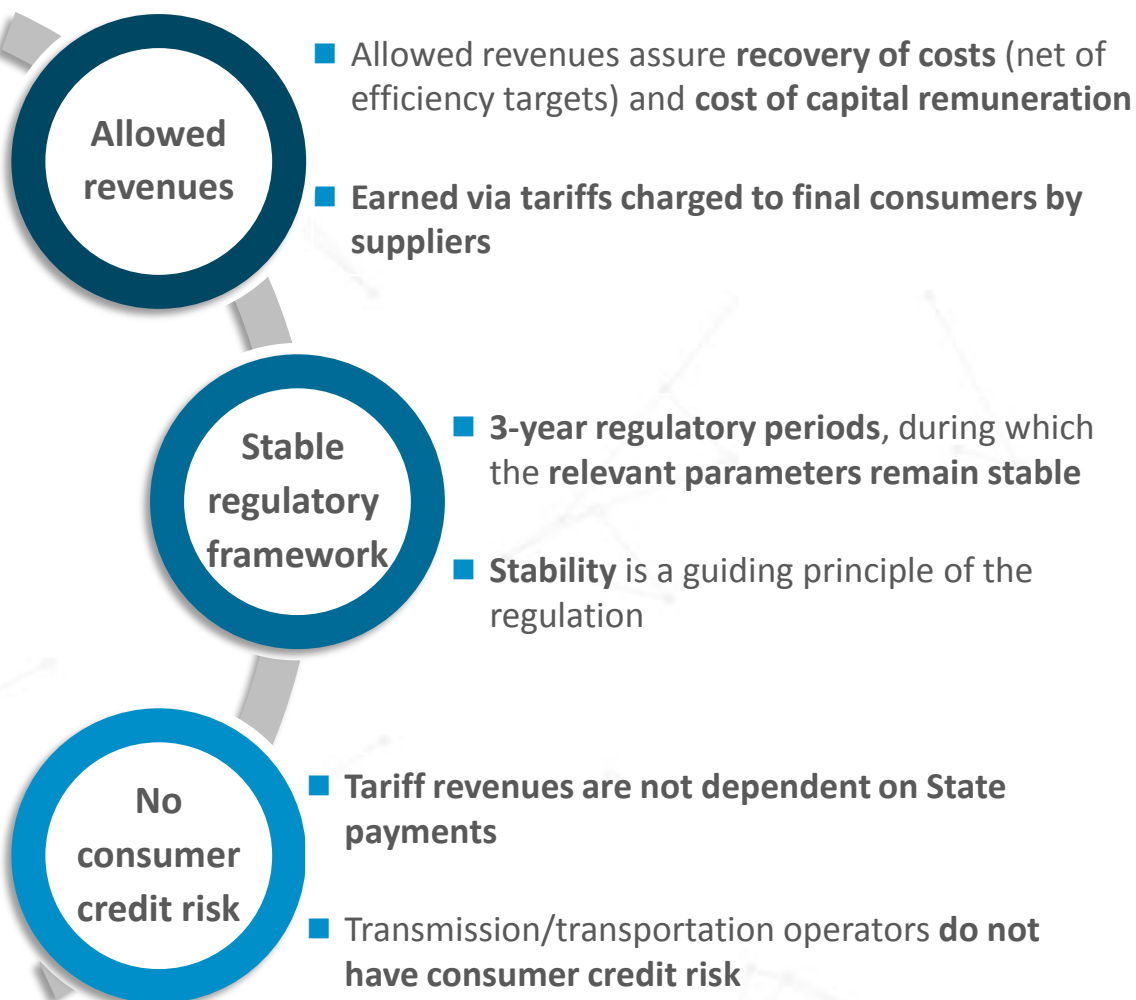
## 3. Acquisition of EDP Gás

## 4. Financial Overview

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# Fully regulated domestic business...

## Regulatory framework overview



Source: REN

## Key regulatory stakeholders

### Ministry of economy



- Setting the energy policies and their implementation

### DGEG



- In charge of the **design, promotion and evaluation of policies on energy** and geological resources

### ERSE

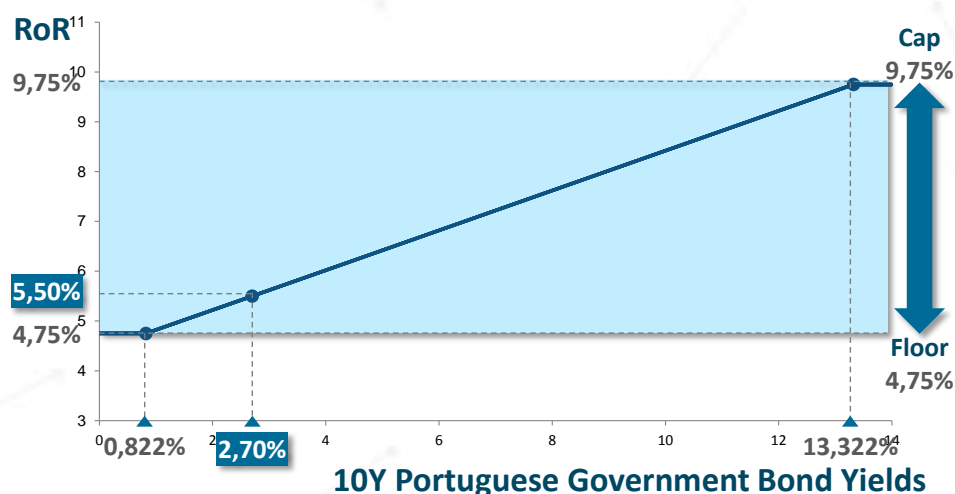


- Independent regulator for electricity and natural gas, responsible for setting tariffs

... with a transparent and stable return mechanism linked to the 10-year Portuguese bond yield...

## Electricity Transmission RoR (2018-20)

- Base RoR indexed to the average Portuguese government 10-Y bond yields, with a fixed floor (4.75%) and cap (9.74%)
- RoR starting point was set at 5.50%, for a 2.70% 10Y bond yield yearly average, and it is adjusted annually



Base RoR  
evolution

2015

5.99%

2016

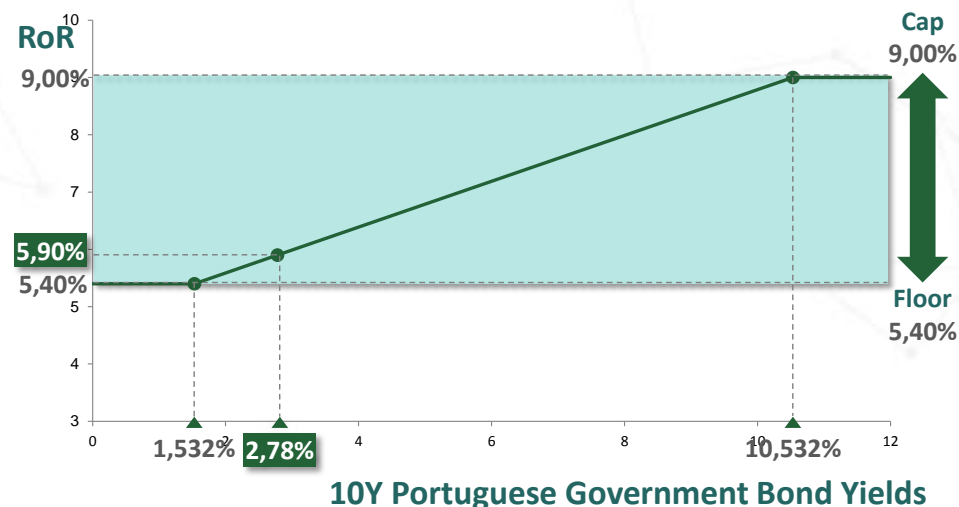
6.13%

2017

6.33%

## Gas Transportation RoR (2016-19)

- Base RoR indexed to the average Portuguese government 10-Y bond yields, with a fixed floor (5.40%) and cap (9.0%)
- RoR starting point was set at 5.90%, for a 2.78% 10Y bond yield yearly average, and it is adjusted annually



Base RoR  
evolution

2015

7.20%

2016

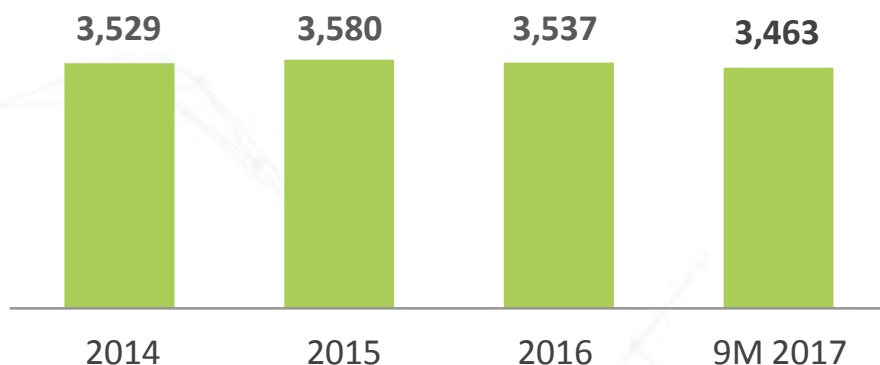
6.70%

2017 3Q

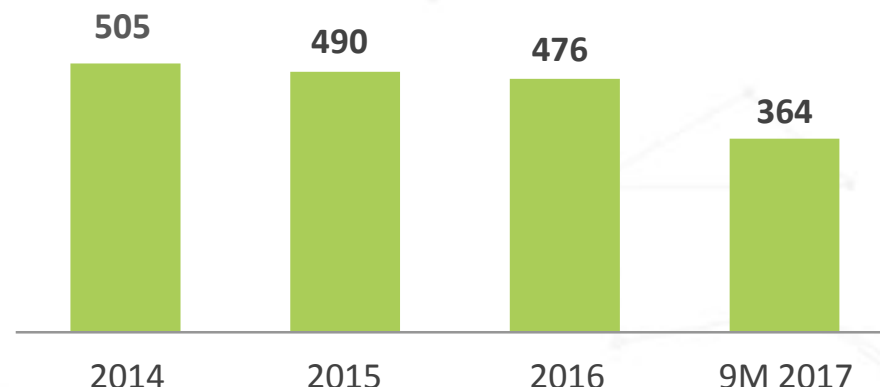
6.13%

... resulting in a solid domestic business  
with stable financial performance

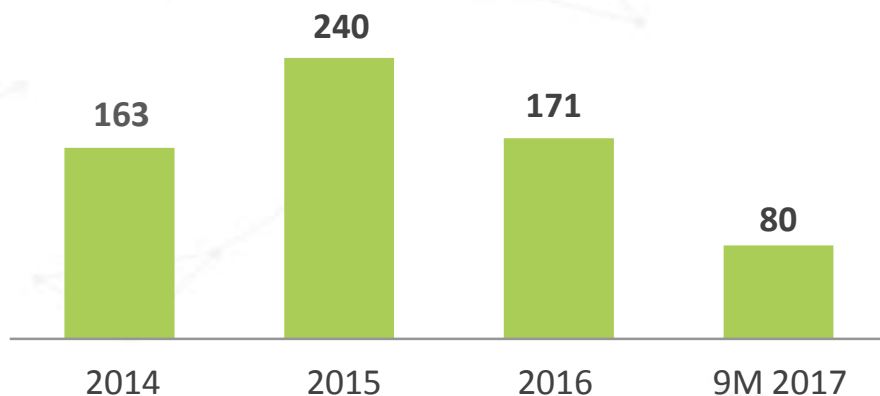
**Average RAB (M€)**



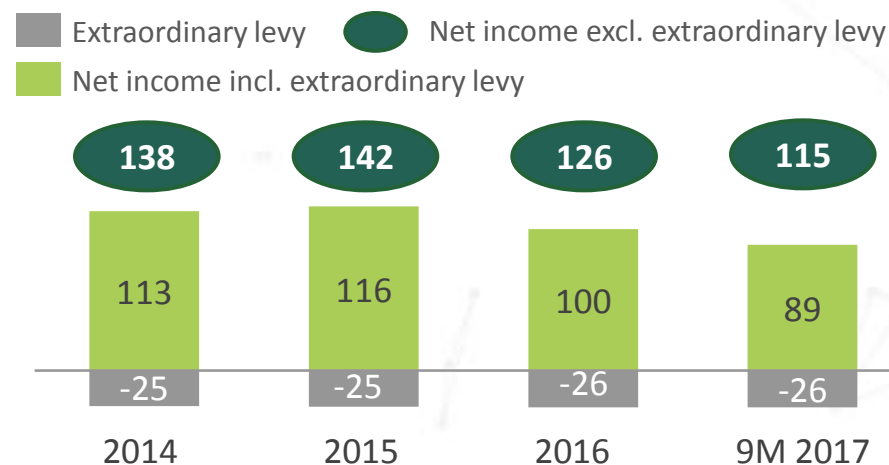
**EBITDA (M€)**



**Capex (M€)**



**Net Income (M€)**



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# REN Portgás is the second-largest distribution concession, with significant growth potential

## REN Portgás overview

### Overview

- On **October 4<sup>th</sup> 2017**, REN completed the acquisition of 100% of EDPG (subsequently renamed REN Portgás) from EDP
- **Second-largest gas distribution concession** in Portugal
- Provides services in the **coastal region of Northern Portugal**

### New Growth Opportunity

- **EDPG will increase REN's RAB by €451.6M (+13%)** in a fully regulated sector with a stable regulatory framework
- Concession covers 21.7% of total households<sup>1</sup> in Portugal (vs. 20.4% for LisboaGás' concession)
- Low penetration rates compared to other concession regions

### Low Risk Transaction

- **40-year concession (ending 2047)** aligned with the long-term maturity of REN's concessions and supervised by the same Portuguese regulatory bodies
- Limited integration risk considering REN's experience in integrating and managing regulated gas assets
- Regulatory remuneration framework similar to REN's existing gas and electricity TSO activities

### Compelling Valuation

- Acquired at **11.0x EV/EBITDA, below the 14.8x median multiple** for similar market transactions, which is particularly significant considering this is an acquisition granting full control
- Share Purchase Agreement helps **protect REN's against post-transaction risks**
- Opportunity for **synergies over the long term**, leveraging REN's industry expertise

### Funding plan preserves financial discipline

- Acquisition funding structure designed to **maintain solid investment grade credit metrics**
- REN plans to **maintain its current nominal dividend per share** (0.171 €/sh)

## Key indicators (2016)

Acquisition price (M€)

532

Net Income (M€)

40

Network length (km)

4,640<sup>2</sup>

Distributed gas (GWh)

7,090

Connection points (#)

346,000



# The Funding Of The Acquisition Is Secured And Structured So That REN's Credit Ratings Are Not Impacted

Funding source	Key considerations	Credit rating profile
<b>Capital Increase</b>	<ul style="list-style-type: none"> <li>■ €250M of proceeds</li> <li>■ Completed on 7th December 2017, involved the issue of 133,191,262 common, book-entry and registered shares, with the nominal value of one euro each, at the unit subscription price of €1.877, corresponding to a financial income of about €250M</li> <li>■ 126,731,246 shares were subject to proportional subscription, representing approximately 95.1% of the total shares to be issued under this offer, with 6,460,016 shares remaining available for pro-rata allotment</li> <li>■ The rights issue was fully subscribed, and the total recorded demand amounted to 165.6% of the offer</li> </ul>	<p><b>REN's credit metrics post transaction are expected to remain consistent with an Investment Grade rating</b></p> <p><b>Current</b></p> <hr/> <p><b>MOODY'S</b> Baa3 (Stable)</p> <p><b>STANDARD &amp; POOR'S</b> BBB- (Positive)</p> <p><b>FitchRatings</b> BBB (Stable)</p>
<b>Debt Financing</b>	<ul style="list-style-type: none"> <li>■ €532m Bridge loan already partly refinanced via successful right issue</li> <li>■ REN has c.€1bn of available liquidity</li> <li>■ New bond financing to complete refinancing of Bridge loan</li> </ul>	

# Selected Pro-forma Consolidated Financials

## As At 30 September 2017<sup>(1)</sup>

€M	REN	EDP Gás	Adjustments	Pro-forma
<b>Operating Income</b>	512,332	72,485	-10,663	574,154
<b>Operating Costs</b>	-310,502	-51,549	7,831	-354,220
<b>Operating Results</b>	201,831	20,936	-2,833	219,934
<b>Financial Results</b>	-44,774	8,183	-5,388	-41,979
<b>Profit Before Income Tax</b>	157,057	29,119	-8,221	177,955
<b>Net Profit For The Year</b>	88,867	20,847	-5,919	103,795

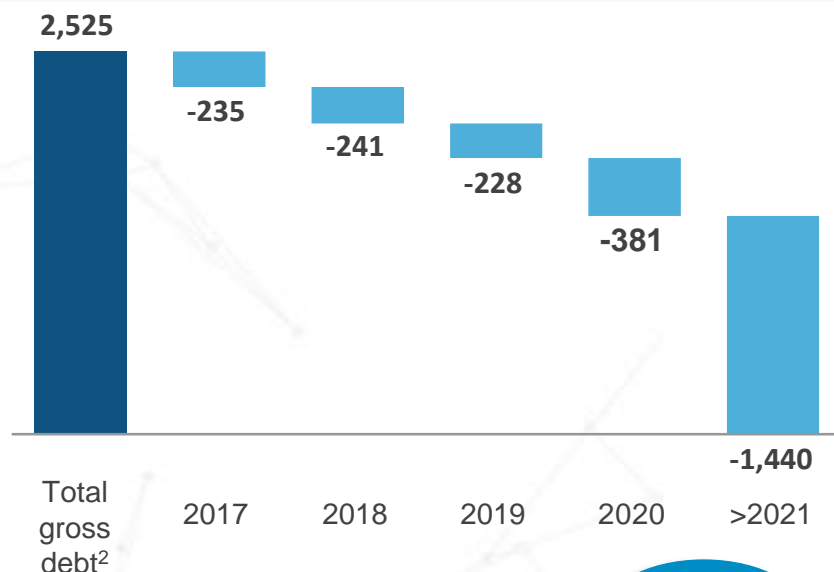
€M	REN	EDP Gás	Adjustments	Pro-forma
<b>Non Current Assets</b>	4,192,573	530,279	75,616	4,798,468
<b>Current Assets</b>	362,225	35,116	-10,471	386,870
<b>Total Assets</b>	4,554,798	565,395	65,145	5,185,338
<b>Total Equity</b>	1,145,857	344,841	-99,984	1,390,714
<b>Non-Current Liabilities</b>	2,597,577	180,515	174,004	2,952,096
<b>Current Liabilities</b>	811,364	40,039	-8,872	842,531

1) Summary of consolidated pro forma financial information included in REN's Base Prospectus and should be read in conjunction with REN's consolidated financial statements and the information set forth under "Risk Factors" on the Base Prospectus

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# REN has a stable credit profile with investment grade credit metrics

## Gross debt maturity profile (3Q 2017, M€)

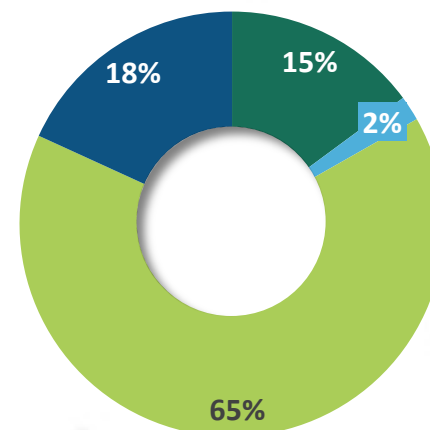


**Maturity slightly extended** by taking advantage of market conditions

**4.4 years**  
(3Q 2017)

## Gross debt funding sources<sup>1</sup> (3Q 2017)

Commercial paper Banks Bonds EIB<sup>3</sup>



REN's goal is to **maintain its liquidity over two years<sup>4</sup>**

**2.3 years**  
(3Q 2017)

**After the recent acquisition, the three major rating agencies reaffirmed REN's rating as investment grade**

**FitchRatings**

(April 2017)

**BBB**

**Stable outlook**

**MOODY'S**

(April 2017)

**Baa3**

**Stable outlook**

**STANDARD  
& POOR'S**

(October 2017)

**BBB-**

**Positive outlook**

1) Fixed/variable rates: 60%/40%; 2) Adjusted by interest accruals and hedging on yen denominated debt; 3) European Investment Bank  
4) Cash and bank deposits and undrawn committed credit facilities that are available to cover all funding needs for at least the following two years  
Source: REN

# Debt management priorities are focused on cost of debt optimization and net income protection

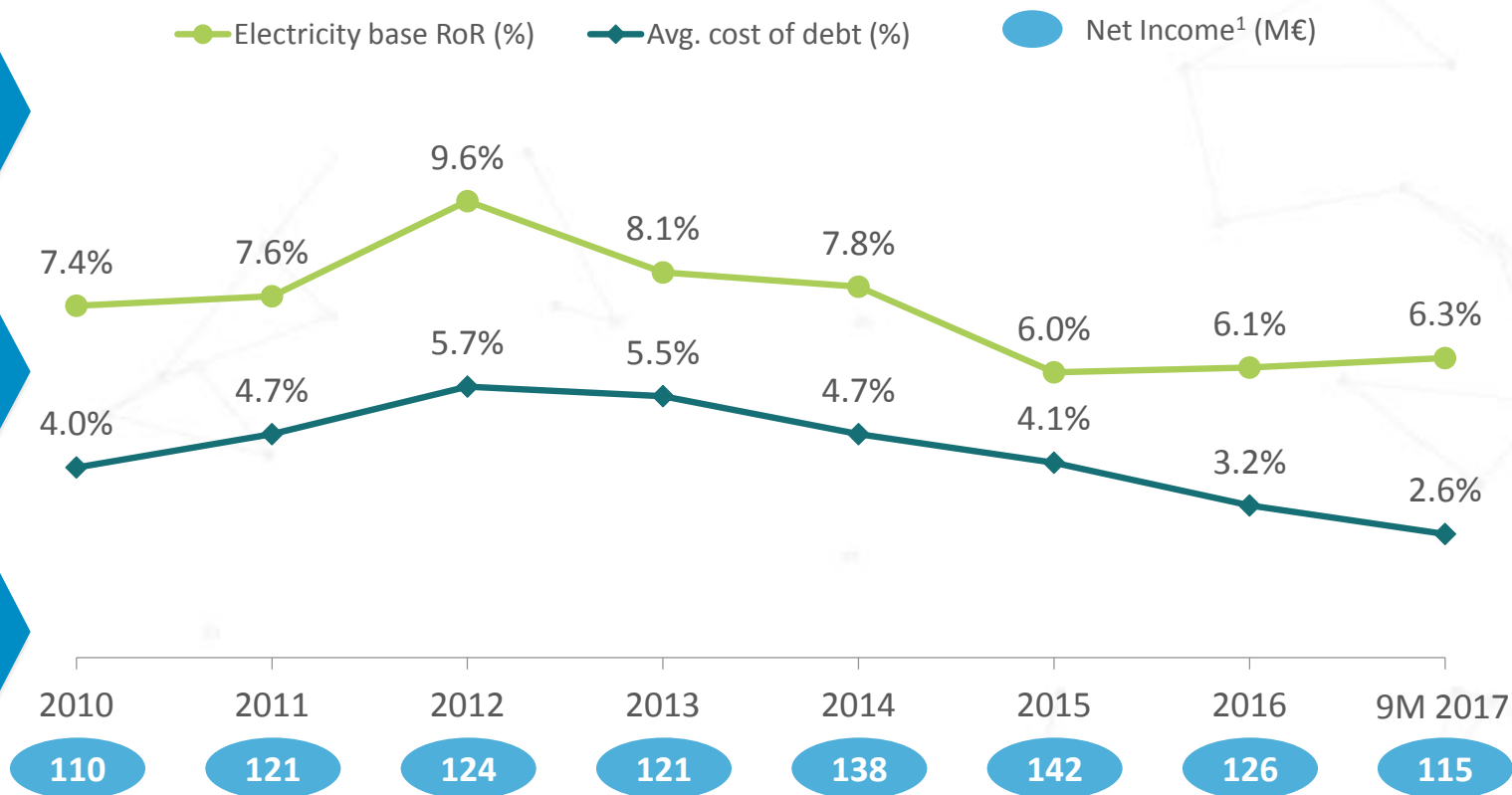
## Debt management strategy

Adjust the cost of debt to a changing RoR resulting in a consistent spread between cost and return, and consequently, to stable results

Locking in costs at very low rates

Benefiting from the spread to RoR floor or from future potential for RoR increase

Close alignment of debt maturities with the regulatory cycles



## Debt breakdown and key credit metrics

	9M17	9M16	2016
Net Debt (€M)	2,540.6	2,484.9	2,477.7
Average cost	2.6%	3.4%	3.2%
Average maturity (years)	4.4	4.7	5.1

### Debt breakdown

#### Funding sources

Bond issues	65%	58%	67%
EIB	18%	21%	20%
Loans	2%	2%	3%
Other	15%	20%	10%

#### Type

Float	40%	49%	36%
Fixed	60%	51%	64%

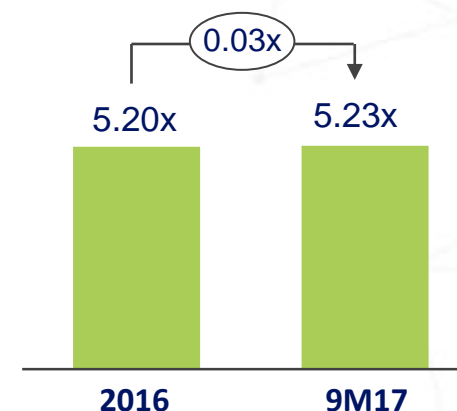
### Credit metrics

Net Debt / EBITDA	5.2x	5.2x	5.2x
FFO / Net Debt	11.2%	11.5%	11.4%
FFO Interest Coverage	5.2x	4.1x	4.3x

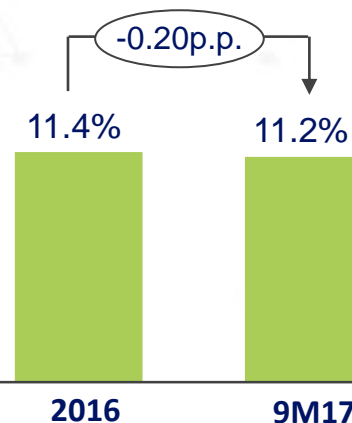
- ▶ In 9M17, the cost of REN's debt continued to come down, thus maintaining the trend set in 2014. This reduction was due to the relevant improvements in market conditions and REN's own risk profile that warrants its debt as investment grade by the three major rating agencies - S&P, Fitch and Moody's;

- ▶ The average debt maturity is currently **4.38** years.

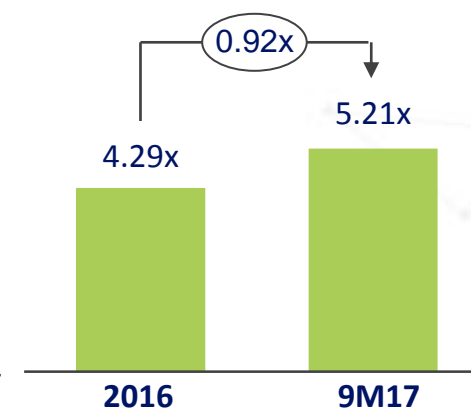
### Net Debt / EBITDA



### FFO / Net Debt



### FFO interest coverage



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# Overview of the offering



Issuer	REN Finance B.V.
Ratings	Baa3 (stbl) / BBB- (pos) / BBB (stbl) (Moody's/S&P/Fitch)
Format	Senior Unsecured, Reg S Bearer
Size	€300m (no grow)
Settlement	18 January 2018
Maturity	18 January 2028 (10-years)
Coupon	Fixed (annual, act/act)
Denominations	€100k + €1k
Docs	EMTN
Listing / Gov Law	Irish List / English Law / [3m par call] / [MWC] / [Clean-up Call (80%)]
UoP	GCP, including repayment of bridge facility for acquisition of EDP Gás
Joint Global Coordinators	Barclays, Deutsche Bank
Joint Bookrunners	Banco BPI, Haitong Bank, ICBC Standard, Millennium bcp
Target Market	MiFID II professionals/ECPs-only - No PRIIPs KID

*MiFID II professionals/ECPs-only / No PRIIPs KID – Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA*



## CONCLUDING REMARKS

## Concluding remarks

Sole electricity and natural gas TSO, holder of the second-largest natural gas distribution concession in Portugal

Significant growth potential from EDP Gas acquisition

Solid credit profile with investment grade credit metrics

Stable And Supportive Regulatory Framework

Prudent Financial Management



# INVESTOR PRESENTATION

January 2018