INVESTOR DAY 2010

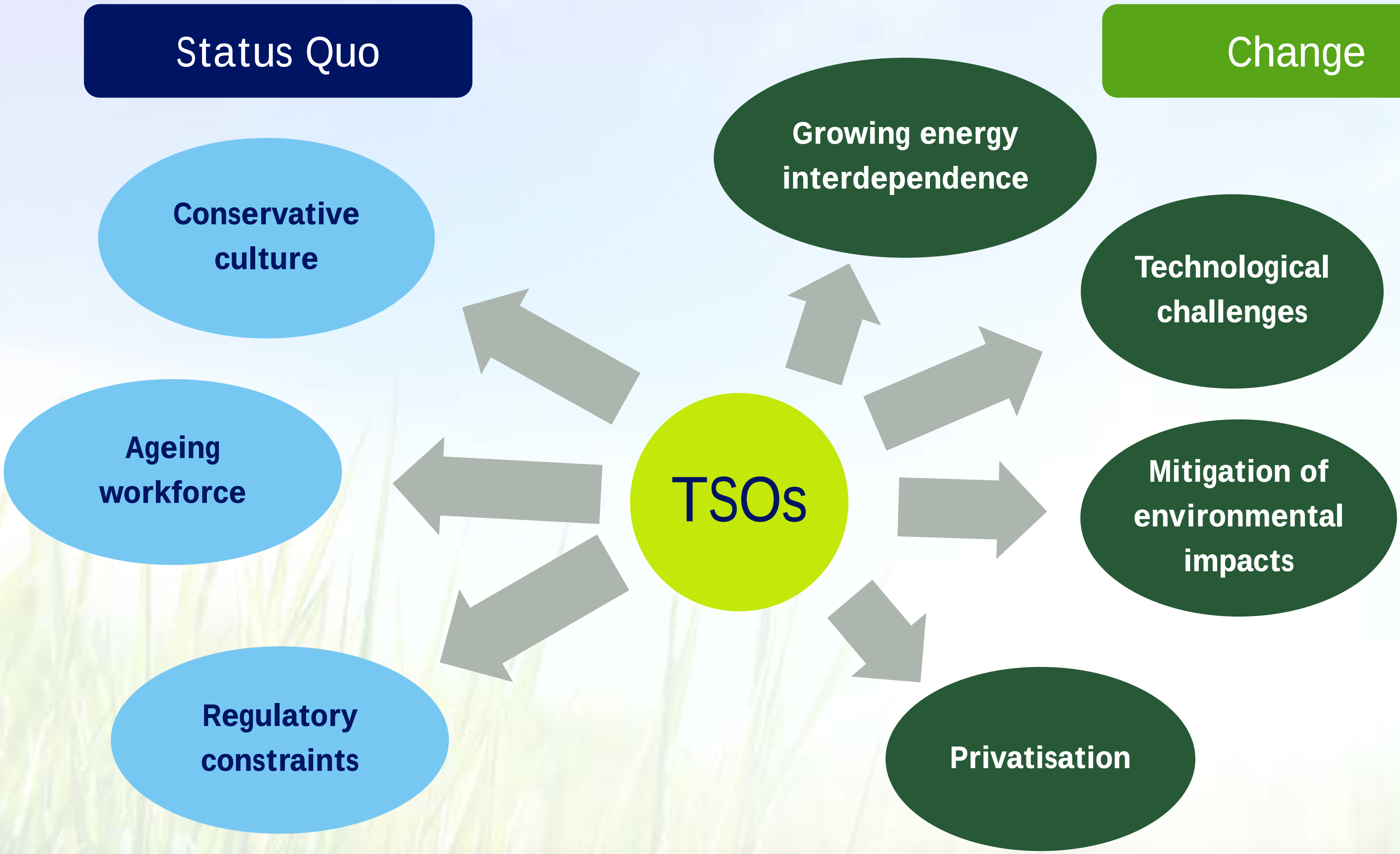
REN
Redes Energéticas Nacionais

Welcome

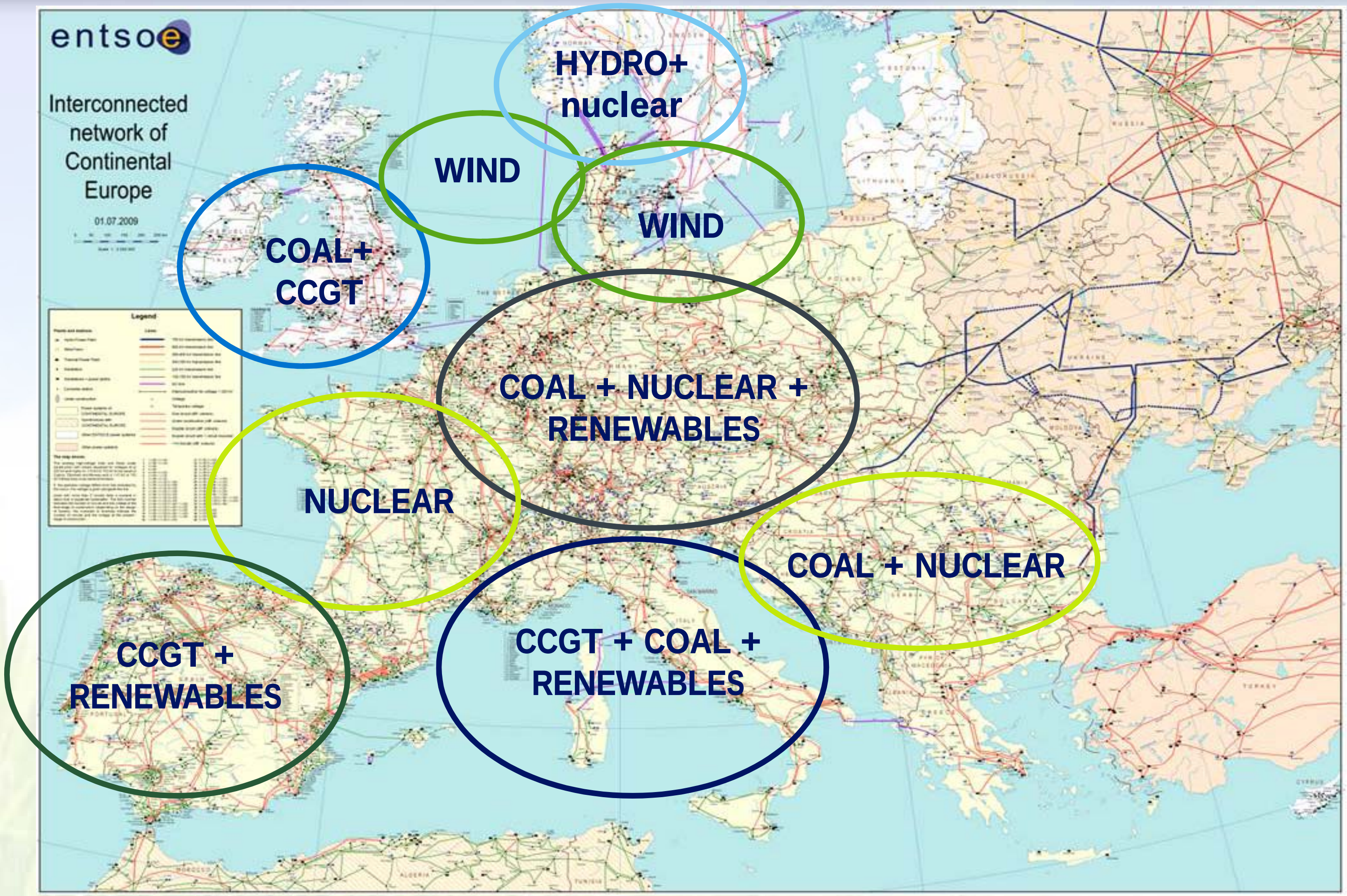
Strategy 2016

Rui Cartaxo
CEO

The TSOs in the crossroads



Energy transmission infrastructure is essential to integrate diversified regional energy profiles



Geographic specialization in different production technologies calls for stronger and smarter Transmission Infrastructures

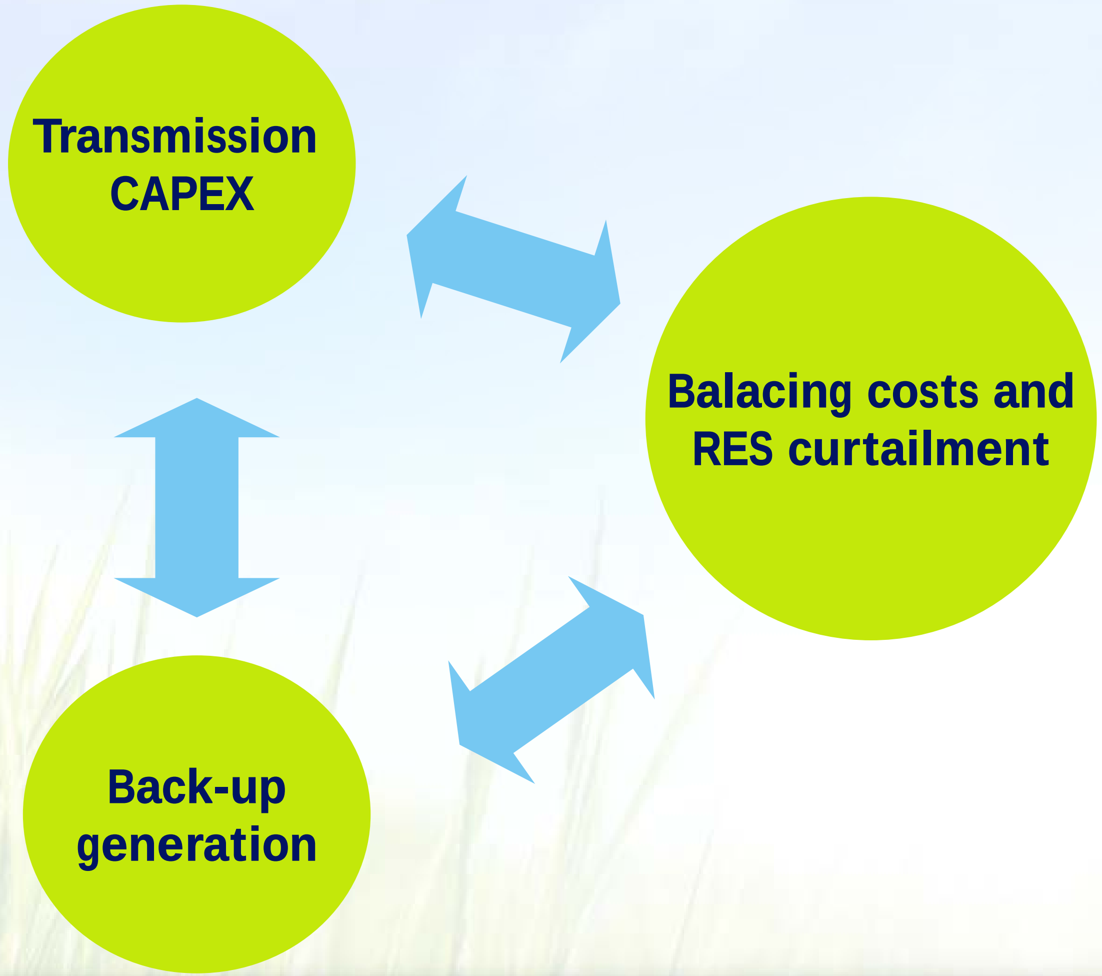
Transmission plays a key role in all the pathways towards a decarbonised power sector

- **Incorporating large shares of intermittent renewables without loss of reliability and without excessive back-up costs requires significant increases in transmission capacity between geographic areas.**

- **Inter-regional demand and supply sharing will play an increasing role: sharing of resources and reserves brings down the backup generation capacity required and the costs of balancing services in the EU27 by 35-40%.**

- **Inter-regional transmission capacity in the EU27 will need to more than double to achieve a decarbonised power sector towards 2050.**

Strong CAPEX in transmission is needed to avoid excessive costs in the decarbonisation of the power sector



Natural Gas assets will play a key role in the transition towards decarbonisation

- Natural Gas will play a large and crucial role in the transition.

- The required backup capacity in 2050 is forecast to be 230 GW. Most of that capacity will be NG plants, specially OCGT.

- Two other issues are in order: energy storage and CCS infrastructures.

- Energy storage is needed for balancing RES supply with energy demand. Underground storage assets will play an important role.

- Extensive CCS infrastructures will have to be built to reconcile a decarbonised power sector with the use of existing fossil resources.

REN's case : a TSO with a distinctive profile

- **One of the few TSOs that integrates electricity and natural gas infrastructures.**
- **Located in a geographic region with predominant renewable resources.**
- **Specialized skills in the integration of renewables in the energy system.**
- **A good quality track record thanks to strong technical skills.**
- **A growth potential for energy demand above most European countries.**

REN is among the few EU TSO's that are 1)fully unbundled and 2) integrated power & gas transmission assets

Source: European Commission

Besides Portugal, only the **UK** and **Denmark** have fully unbundled and integrated power & gas transmission assets

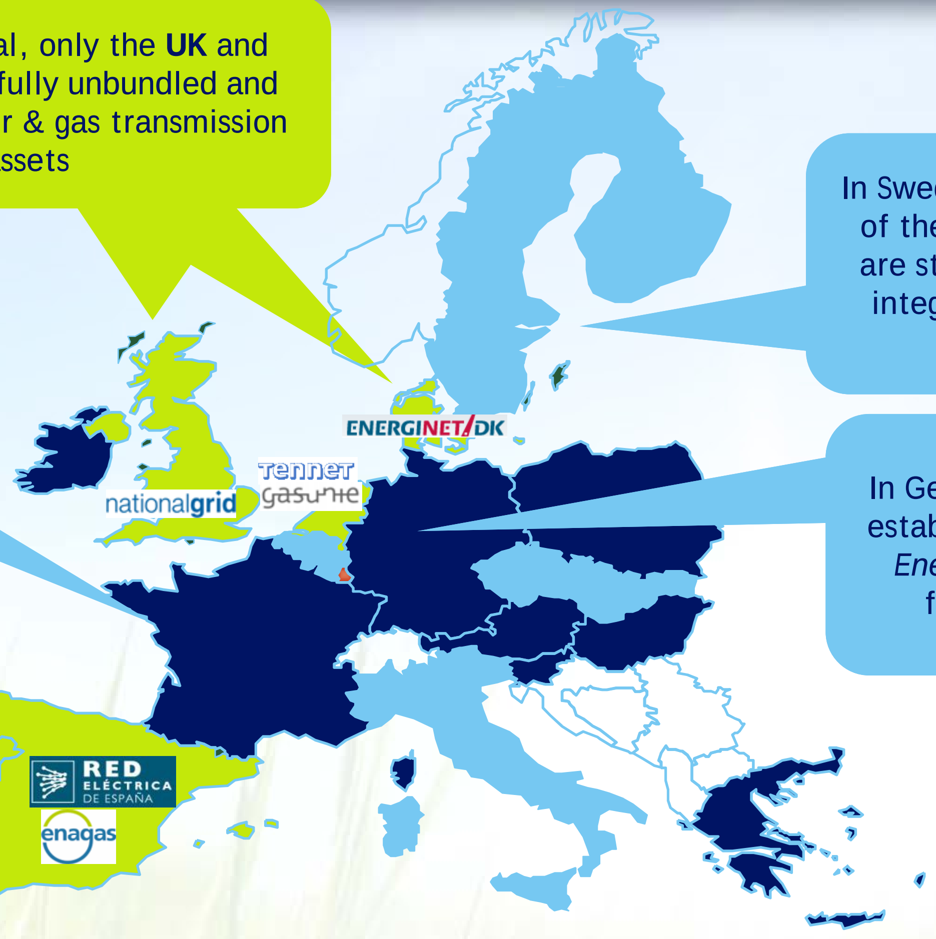
In Sweden and Finland part of the transmission grids are still within vertically integrated within large energy groups

In France power and gas transmission are managed by RTE and GRTgas, fully owned by EDF and GDF respectively

In Germany *unbundling* is established in the *German Energy Act* but not yet fully implemented

In Spain two separate companies ensure the independence of the power and gas networks (REE and Enagas)

In Portugal REN jointly operates the power and gas transport networks

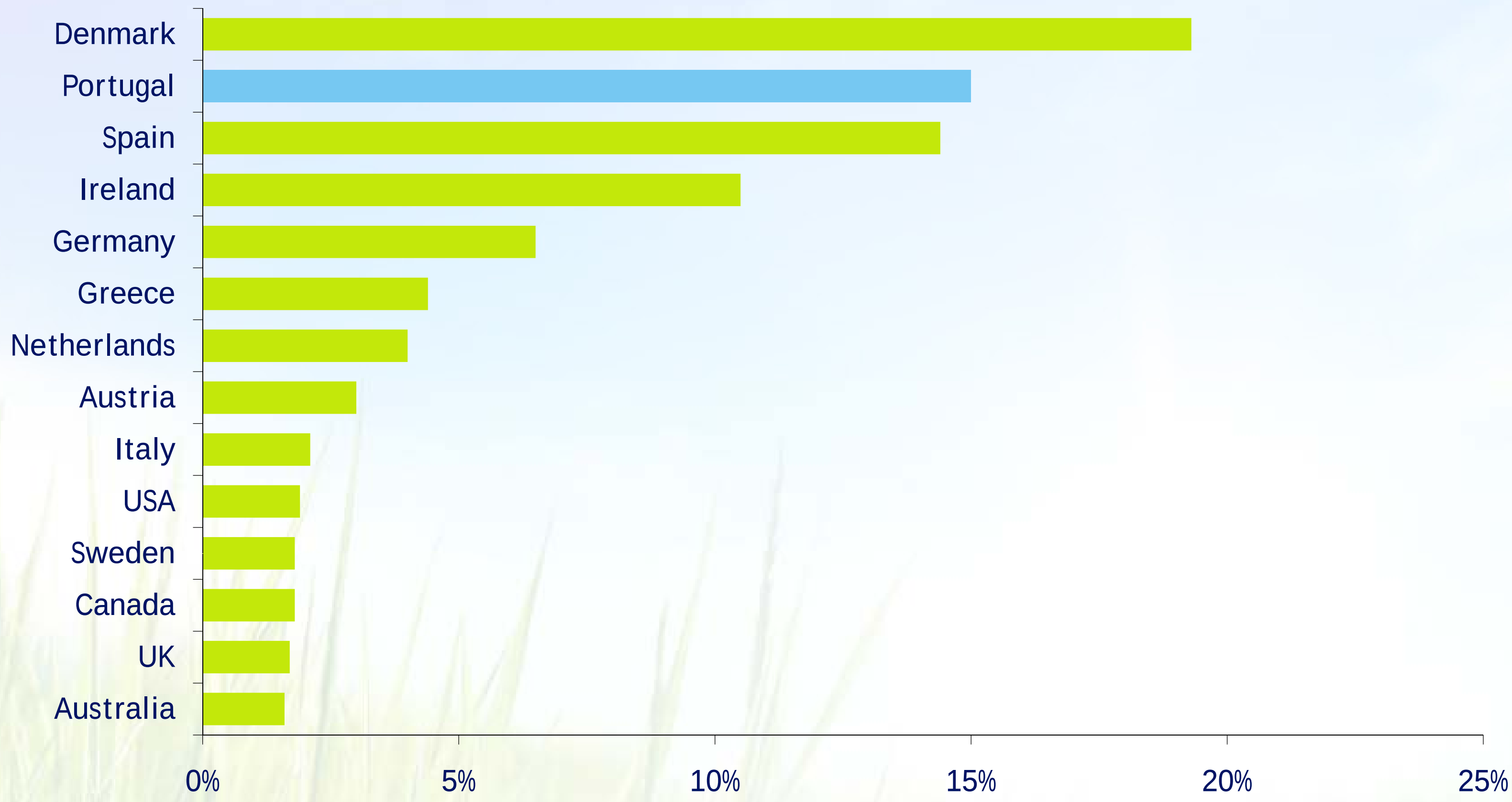


Ownership unbundling of power and natural gas networks

Ownership unbundling of the power network

Legal unbundling without ownership unbundling

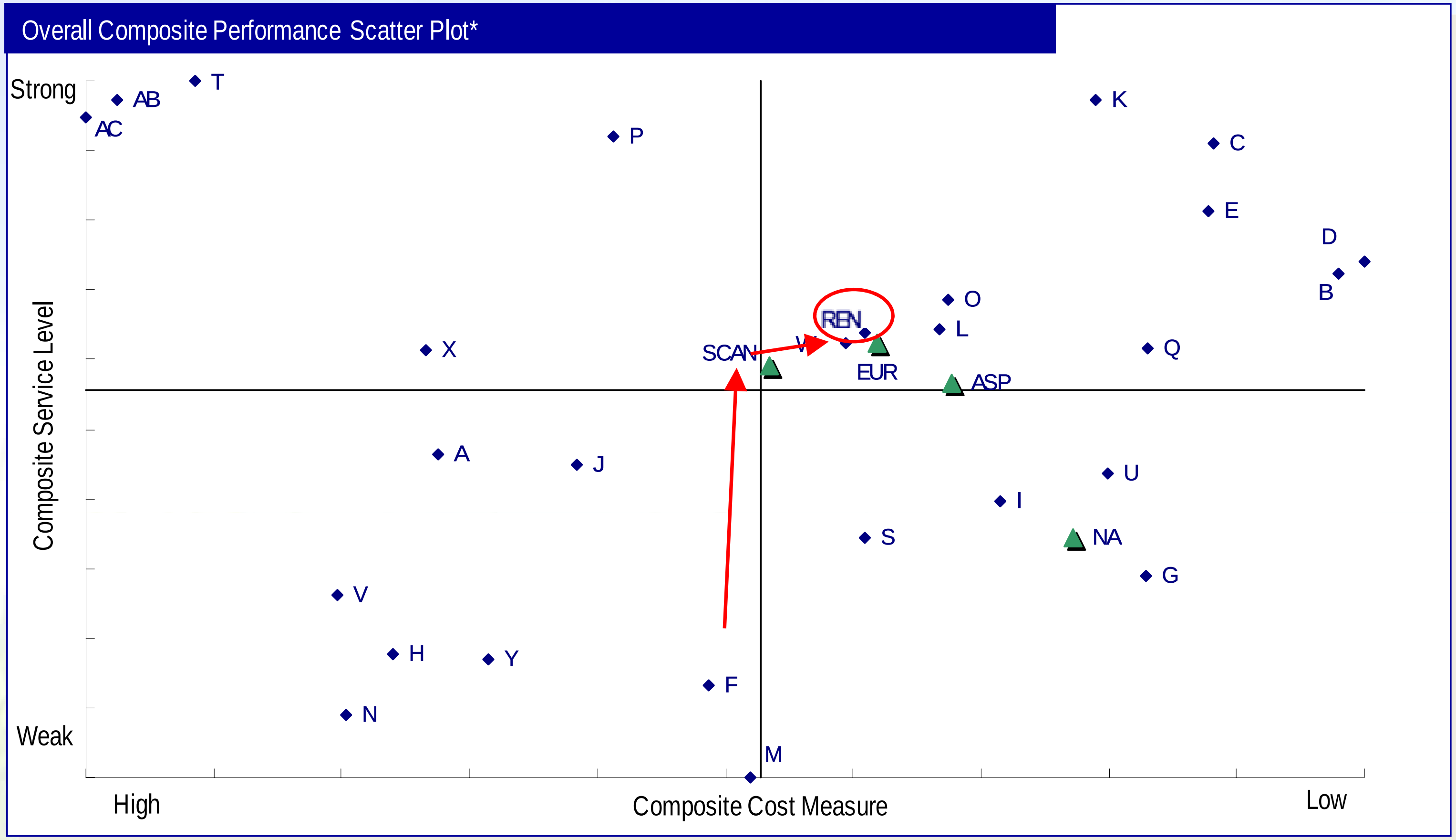
Portugal is the second country in the world with the highest weight of wind in electricity production



Source: National Statistics of the IEA Wind Member Countries for 2009

REN is among the best in quality of service

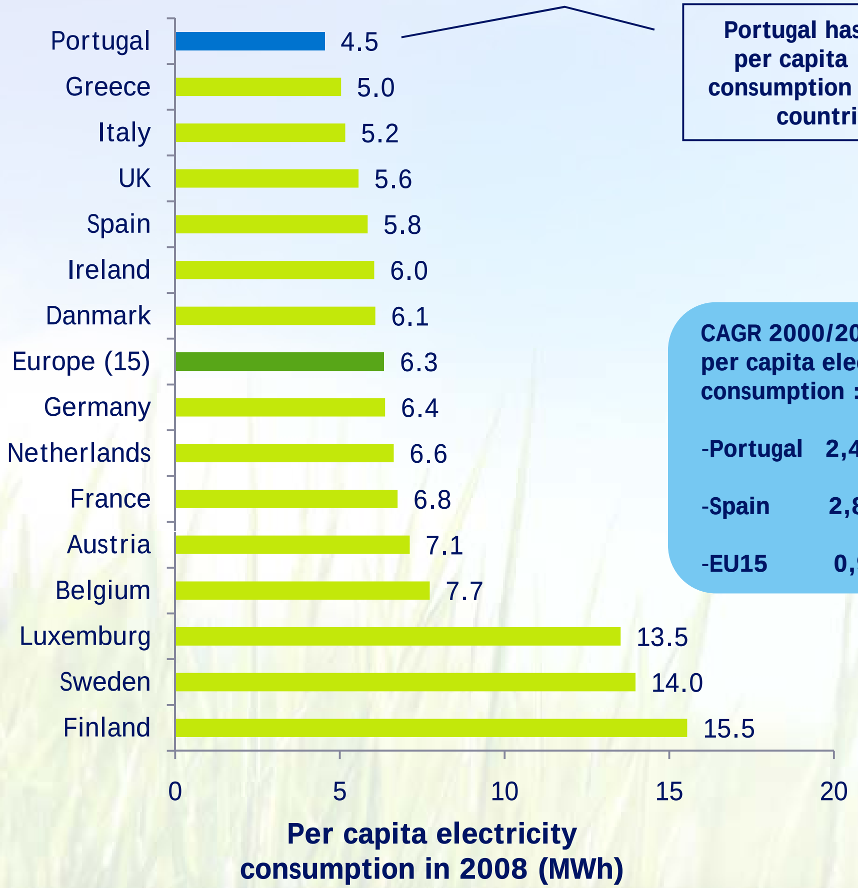
Overall Composite Benchmark – Weighted Average**



Source: ITOMS

Portugal faces significant energy demand ahead

Electricity and natural gas consumption in Portugal Vs Europe (15)



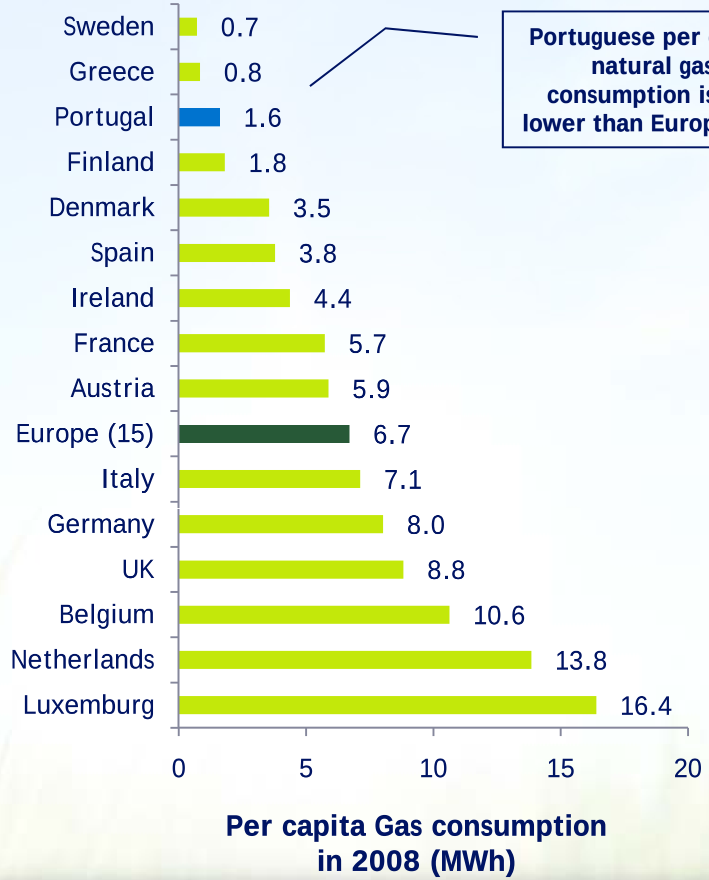
Portugal has the lowest per capita electricity consumption of European countries (15)

CAGR 2000/2008 per capita electricity consumption :

-Portugal 2,4%

-Spain 2,8%

-EU15 0,9%



Portuguese per capita natural gas consumption is 4 X lower than Europe (15)

Source: EuroStat

REN's strategic guidelines

- **First priority: maximizing value from existing concessions**
  - **Rigorous execution of CAPEX plan**
  - **Aggressive cost efficiency programmes: OPEX & CAPEX**
  - **Work towards regulatory convergence with EU peers**

- **Second priority: positioning REN to ensure long term growth**
  - **Create value using existing competences/resources beyond the existing concessions**
  - **Build REN's presence in a few high growth energy transmission markets**
  - **Develop key competences for the global supergrids of the future**

REN will invest €3.2B in 2010-2016

Total projected CAPEX 2010-16:	**€3.2B**
Electricity Concession	**€2.3B**
Natural Gas Concession	**€0.9B**
Other activities	**€50M**
RAB accumulated growth 2009-16:	**60%**

Business Plan 2010-2016 : Main Financials

Yearly growth	CAGR 2009-16
RAB Total	7%
EBITDA	9%
Net Income (recurrent)	9%

Credit metrics	2010F	2016P
FFO / Net Debt	11.0%	13.2%
Net Debt / EBITDA	5.9 X	5.0 X

Conclusion: REN is a compelling investment case

- **Power transmission will be increasingly important worldwide in a context of decarbonisation of the power sector**
- **Natural gas assets will be of great value during the transition to a decarbonised energy world**
- **Strong CAPEX required in transmission implies regulatory adequacy and convergence among EU TSOs**
- **REN's business plan displays high growth rates of Net Income and EBITDA up to 2016**
- **REN will keep an increasing DPS up to 2016.**

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2010 – 2016 Business Plan

João Faria Conceição

REN's 2010 – 2016 Business Plan driven by three core competences

REN's core competences

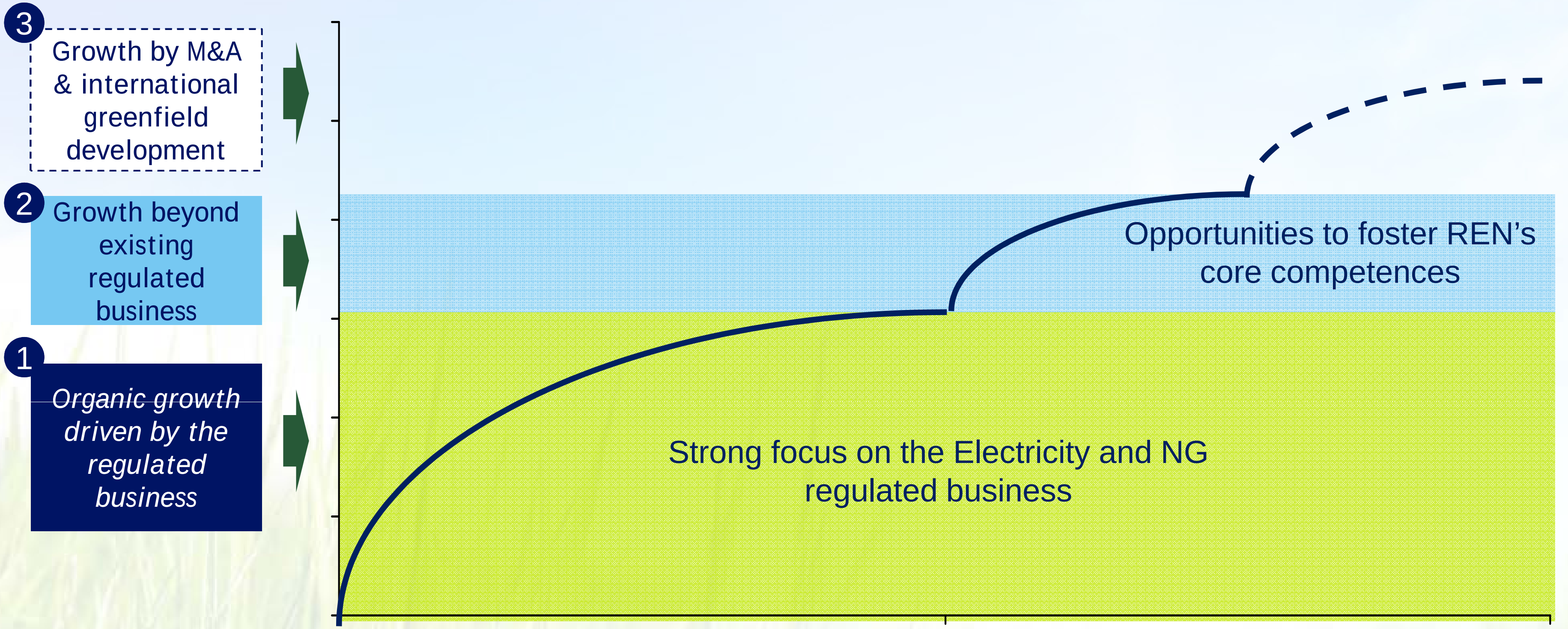
- Integrated management of electricity and NG transmission networks
  - ✓ Planning, construction and operation
  - ✓ O&M synergies
  - ✓ Procurement economies of scale

- Integrated online dispatch center (both in electricity and NG national systems)
  - ✓ Know-how in online dispatching of a highly volatile system
    - Security of supply planning and monitoring competences
      - Wholesale and ancillary services' markets competences
        - ✓ Optimize economic value of renewable bidding

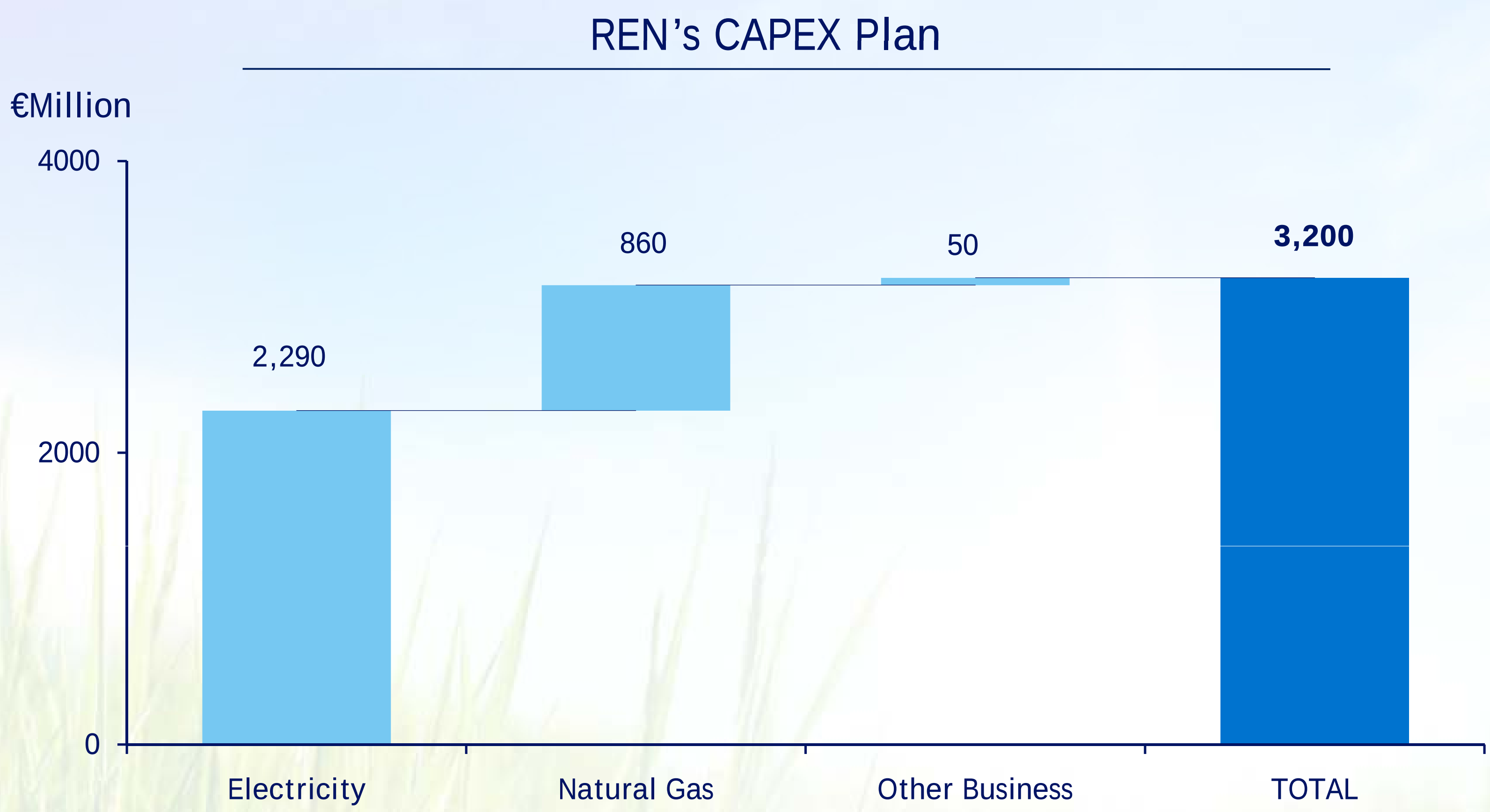
- Security of supply planning and competences monitoring
- Electricity and NG interconnections management
- Energy storage assets management (LNG Terminal, NG underground storage, …)

Three complementary drivers to sustain growth

Forecasted drivers to sustain growth

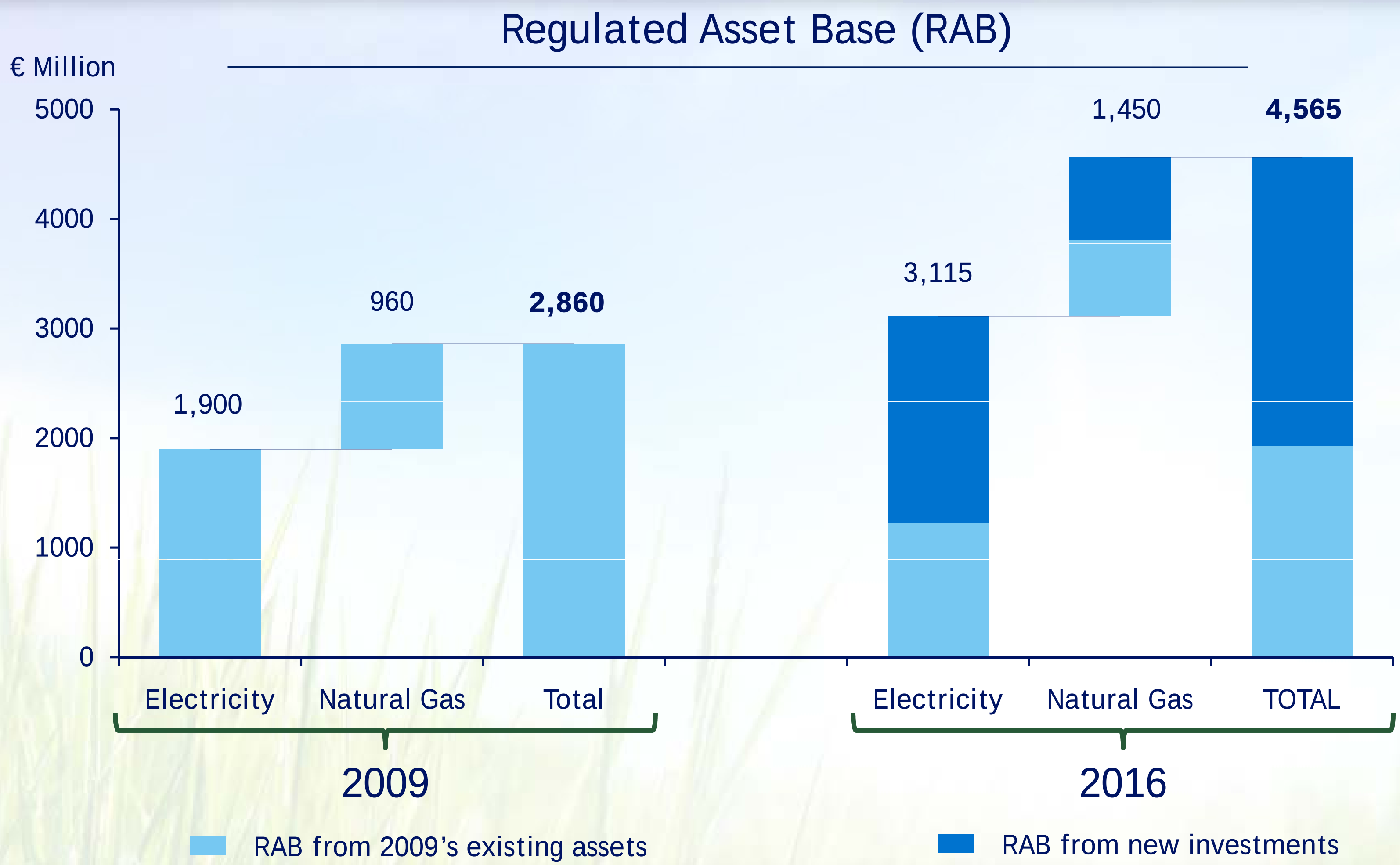


€3.2B CAPEX Plan between 2010 and 2016



Commitment to maintain the track record of high execution rate regarding REN's CAPEX Plans

€1.7B net increase in the RAB until 2016



Growth metrics in line with previous 2009 – 2014 Business Plan

Growth	CAGR 2009-16 (2010 – 2016 Business Plan)	CAGR 2009-14 (2009 – 2014 Business Plan)
Total RAB	7%	8%
EBITDA	9%	9%
Net Income (recurrent)	9%	10%

The electricity and NG regulated businesses: four major priorities

How to sustain growth in the regulated business?

1. Excelling in regulatory management
2. Optimizing CAPEX execution
3. Maximizing OPEX efficiency and cost reduction measures
4. Promoting innovation

Beating regulatory cost targets both in CAPEX and OPEX

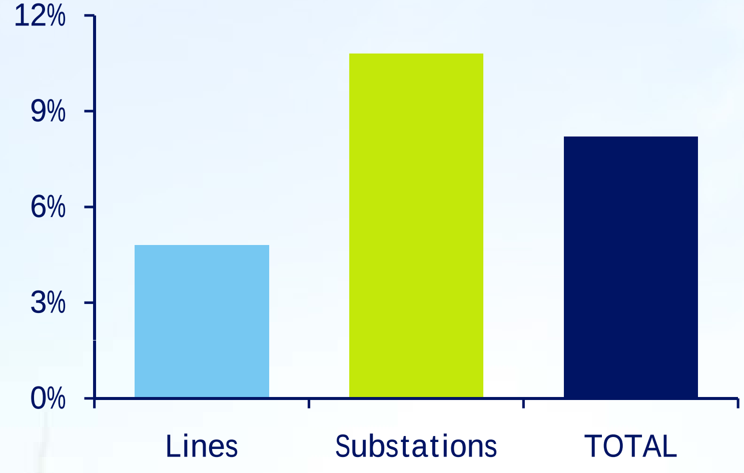
Regulatory efficiency incentives set to:

1. CAPEX in Electricity
- ✓ Transmission grid assets
- ✓ Reference costs methodology set by the Regulator

2. OPEX in Electricity
- ✓ Major transmission grid assets' costs
- ✓ CPI-0.5%

3. OPEX in NG
- ✓ Pipeline and LNG Terminal (Underground Storage excluded)
- ✓ CPI – 1.0%

Electricity CAPEX Reference Costs Deviation
[2009-2010, (Ref cost – Real cost)/ Real cost]



8.3% reduction in OPEX costs up to 3Q2010
- Significant part of those costs under the regulatory efficiency incentives

CAPEX in electricity to cope with the need for a more robust, integrated and technological infrastructure

Future energy networks to be...

... more robust and integrated

- Better regional network integration
- Higher reception capacity
- More robustness network

REN's infrastruct. challenges

- **Interconnection capacity** increase
- **Links to new hydro & wind power**
- Higher **densification network** with acceptable **levels of redundancy**

... more technological

- Multi-directional electricity flows
- Faster/wider response to network failures
- Better coordination between networks

REN's infrastruct. challenges

- New equipment for **"smarter" network flows management** (STATCOM)
- New **systems for network protection**
- **High resistance/temperature cables**

... more innovative and environmental friendly

- Security of supply
- Increasing environmental concerns
- Importance of intermittent generators in wholesale/ancillary services markets

REN's infrastruct. challenges

- **Underground cables**
- **Centralized dispatch center** to monitor **renewables**
- New **platforms to manage online demand and supply matching**

Electricity: €2.3B CAPEX plan until 2016

€2.3B CAPEX plan in the Electricity Business

Examples from the CAPEX Plan

New lines & upratings
- >2.150km of new lines
  - ✓ 30% increase from 2010

Substations
- 30 new substations
  - ✓ 50% increase from 2010
- >90 new trabsformers

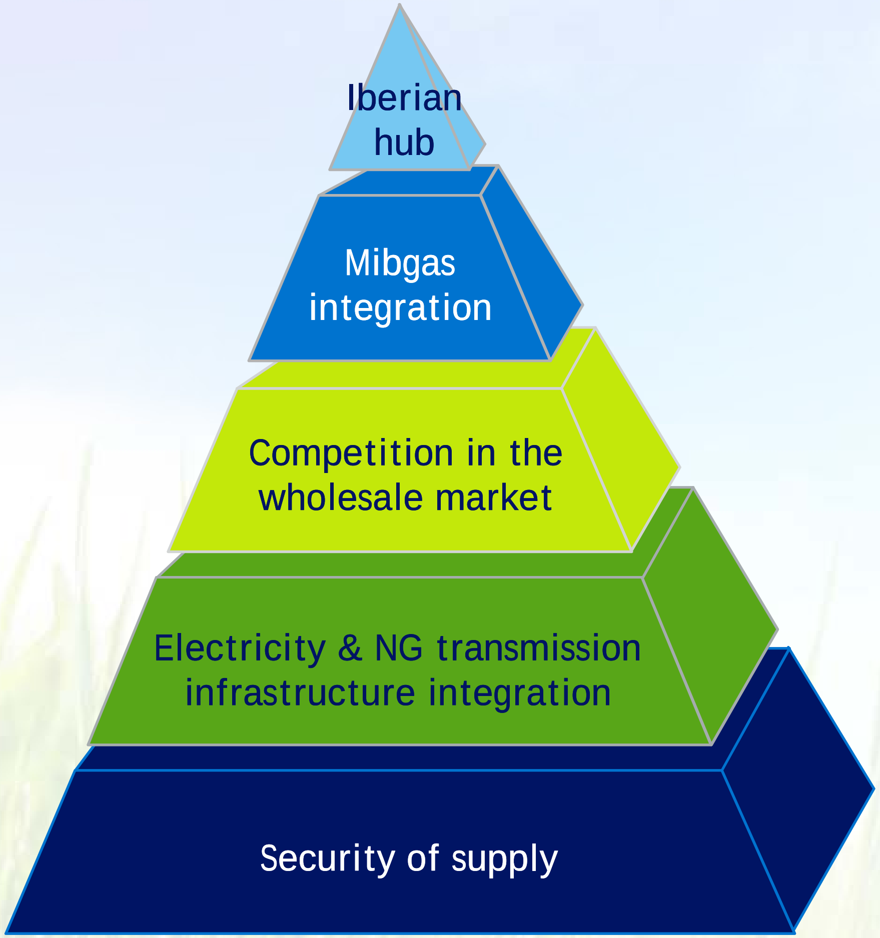
Underground cables
- > €200M investment

New technolog. equipment
- STACOM Equipment in substations
  - ✓ Better management of electricity flows (strong impact on renewables)
- Hign temperature/capacity lines
- ~ €100M investment

Global system management
- Software and hardware upgrades

Replacement of fully depreciated assets and new technological/environmental requirements will sustain long term growth in electricity business beyond 2016

Five drivers for NG infrastructure development



1 LNG Terminal expansion (Sines)

- 3rd LNG tank
- Emission capacity increase

2 Underground storage infrastructure expansion

- 5 new caverns
- Injection/extraction capacity reinforcement

3 3rd interconnection

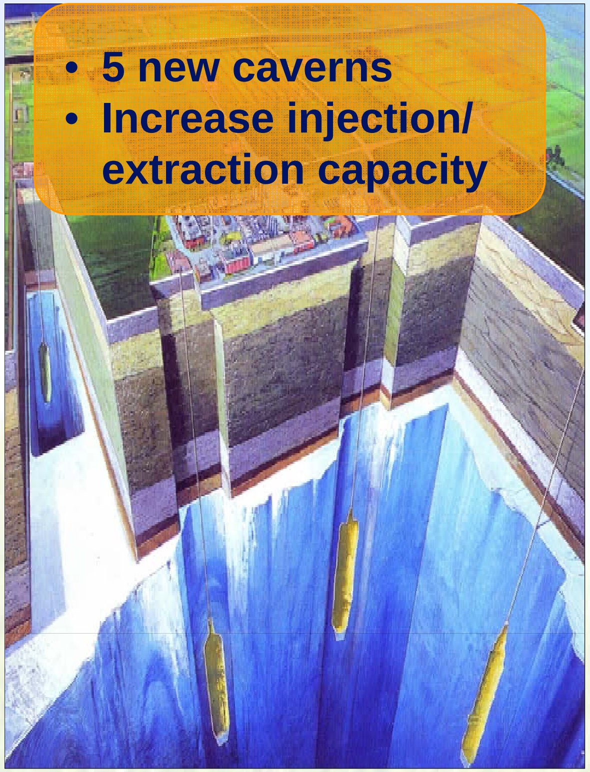
- Mangualde – Zamora new pipeline

4 Pipeline network development

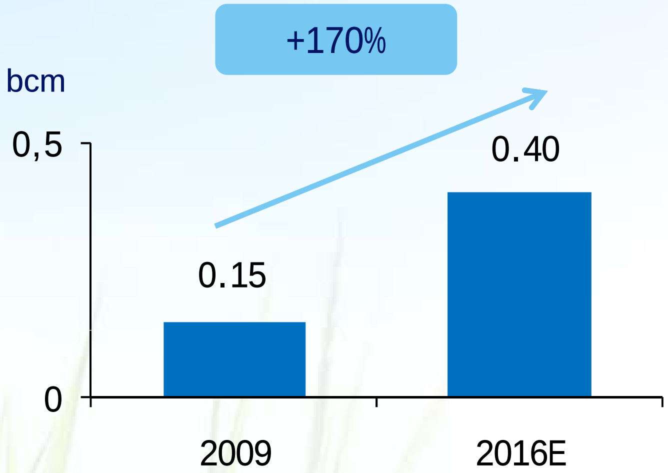
- 2 new compression stations
- New connections to industrial clients and distribution networks

Significant increased forecasted for REN's underground storage capacity at Carriço's infrastructre

2010-16 Business Plan CAPEX
(NG underground storage only)



REN's underground storage capacity



Impacts

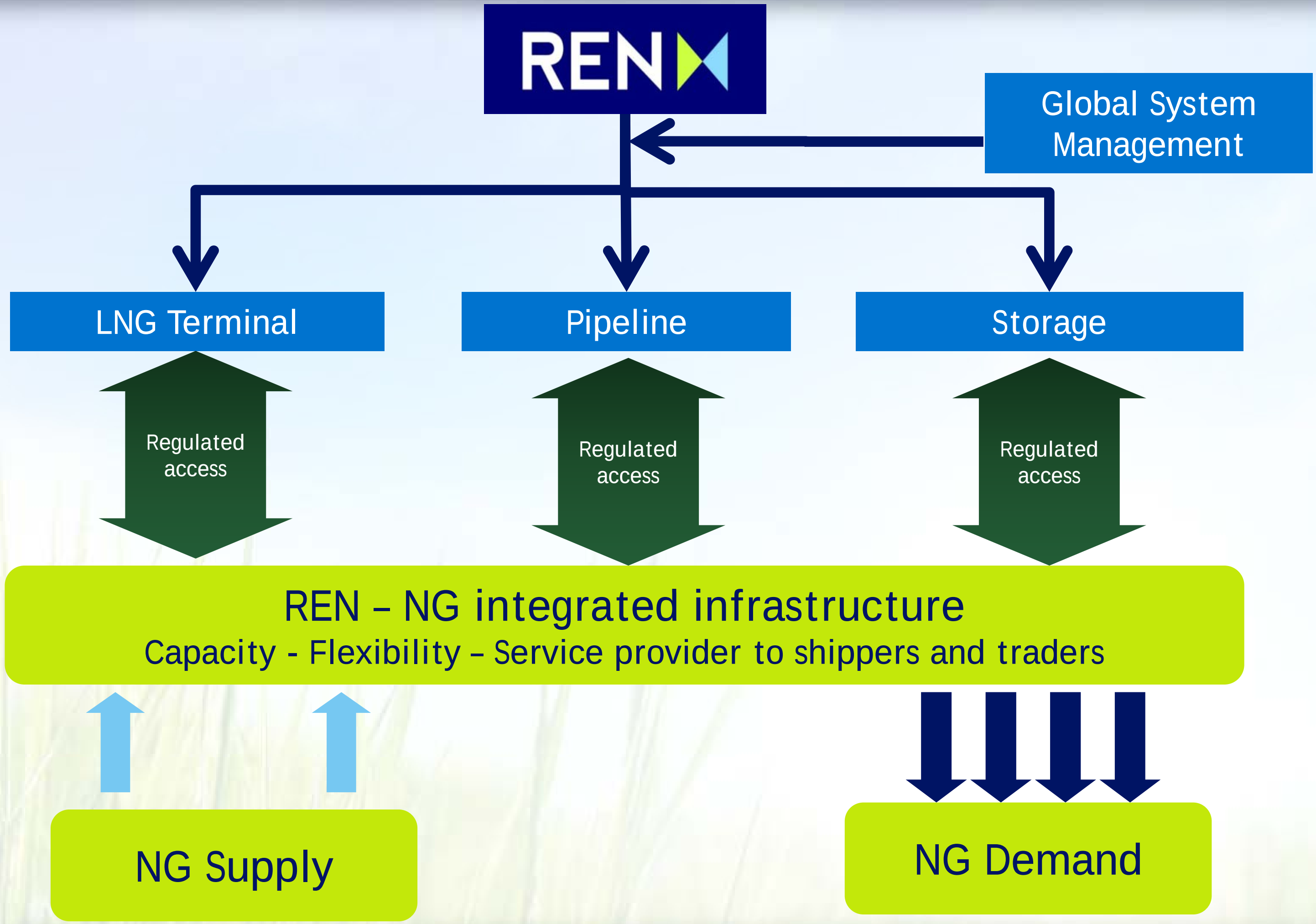
- Increase the NG national security reserve capacity by 18 days
- Provide additional storage capacity available to the NG wholesale market
- Improve the technical conditions to integrate the LNG and underground storage infrastructures
- Develop the Portuguese storage capacity required for Mibgas integration

New NG interconnection to reinforce Iberian market integration and foster NG Iberian hub

New Mangualde – Zamora interconnection

- Total investment: €300M
- Pipeline length (Portugal only): 290 km
  - ✓ 23% increase regarding the total length of current infrastructure
  - ✓ Greenfield NG transmission infrastructure development in the North-East region of Portugal
  - ✓ Additional investment to reinforce existing infrastructure
    - New compression station
    - Backup pipeline ring in Carriço-Cantanhede (currently overloaded)
- Future capacity load: 500 000 m3(n)/h (6 GW)
  - ✓ Equivalent to 4 bcm/year
- Interconnection with reverse flow capability
  - Connection two major Iberian underground storage infrastructure (Carriço and Yela (Enagas))

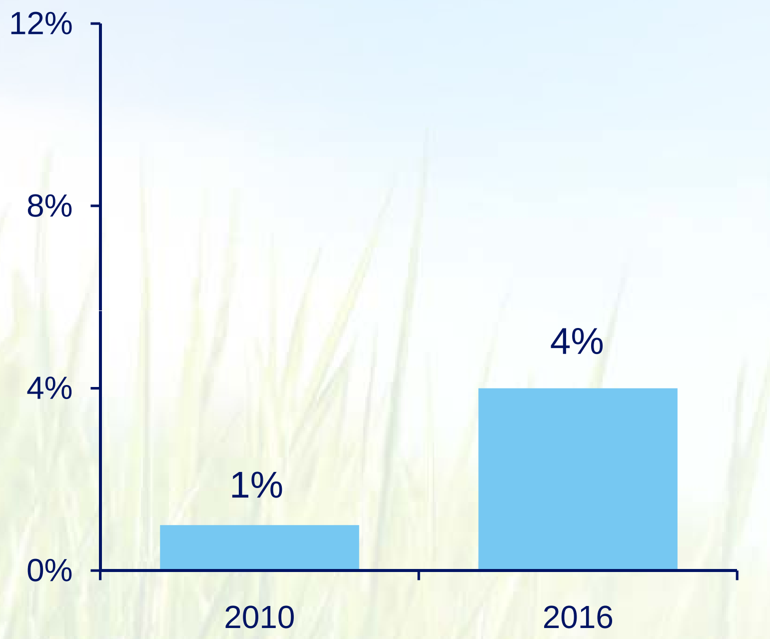
Promote infrastructure integration to reduce costs and to provide better services



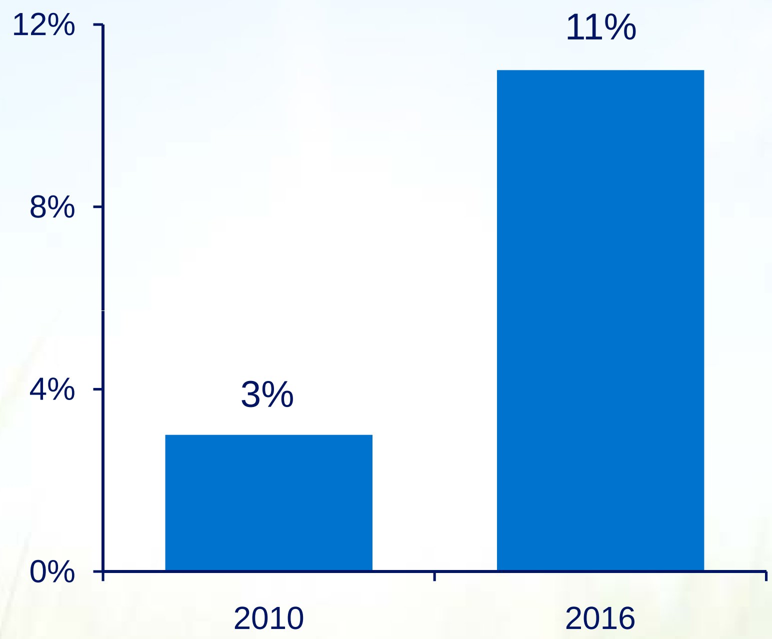
New opportunities beyond REN's regulated business[1]: despite limited CAPEX an increasing impact on the P&L

€50M CAPEX Plan for opportunities beyond regulated business[1]
(2% of global 2010-16 CAPEX Plan)

Weight of opportunities beyond regulated business(1) (excluding M&A) in global EBITDA



Weight of opportunities beyond regulated business[1] (excluding M&A) in global Net Income



(1) - REN Telecom, Technical consultancy services, Renewables technical dispatch, …

An example of business beyond existing regulated business: technical consultancy

5 priority regions to look for business opportunities for REN's technical consultancy services

(infrastructure management, renewables integration, security of supply assessment)

• EUA, Brazil, Southern Africa, Northern África and Eastern Europe

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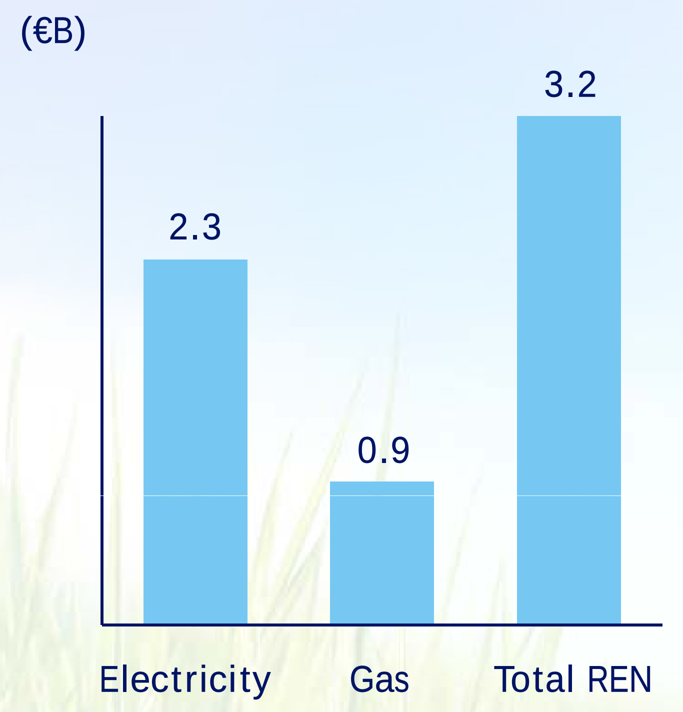
CFO Presentation

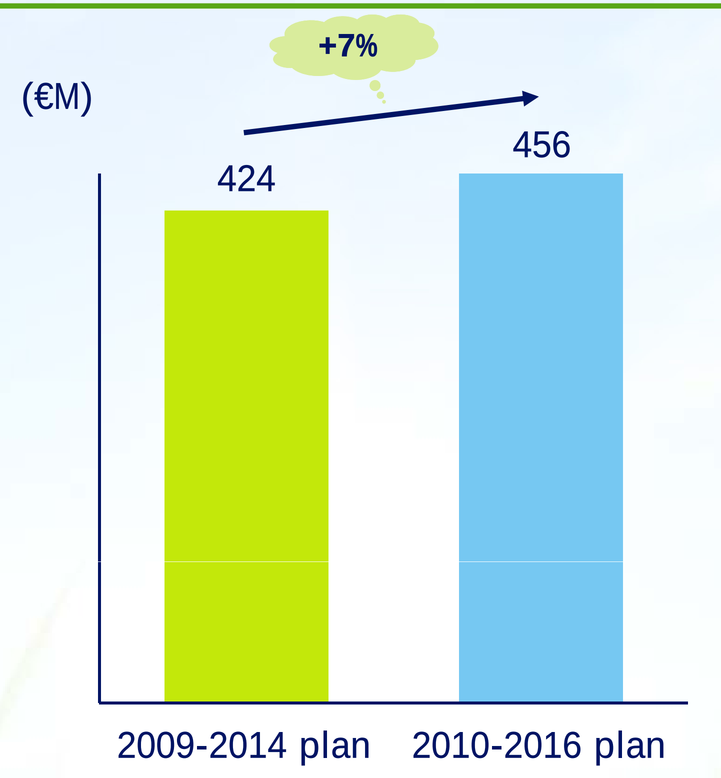
João Nuno Palma

The new CAPEX plan represents a 7% average yearly increase versus the previous plan…

CAPEX Plan (2010-2016)

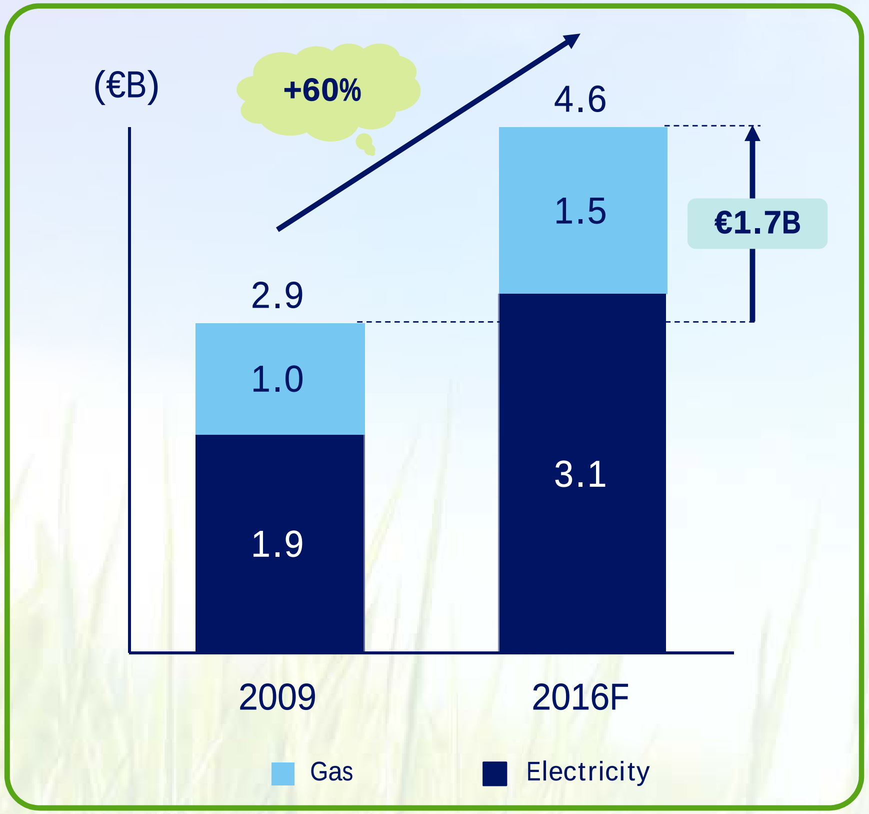


Average yearly CAPEX

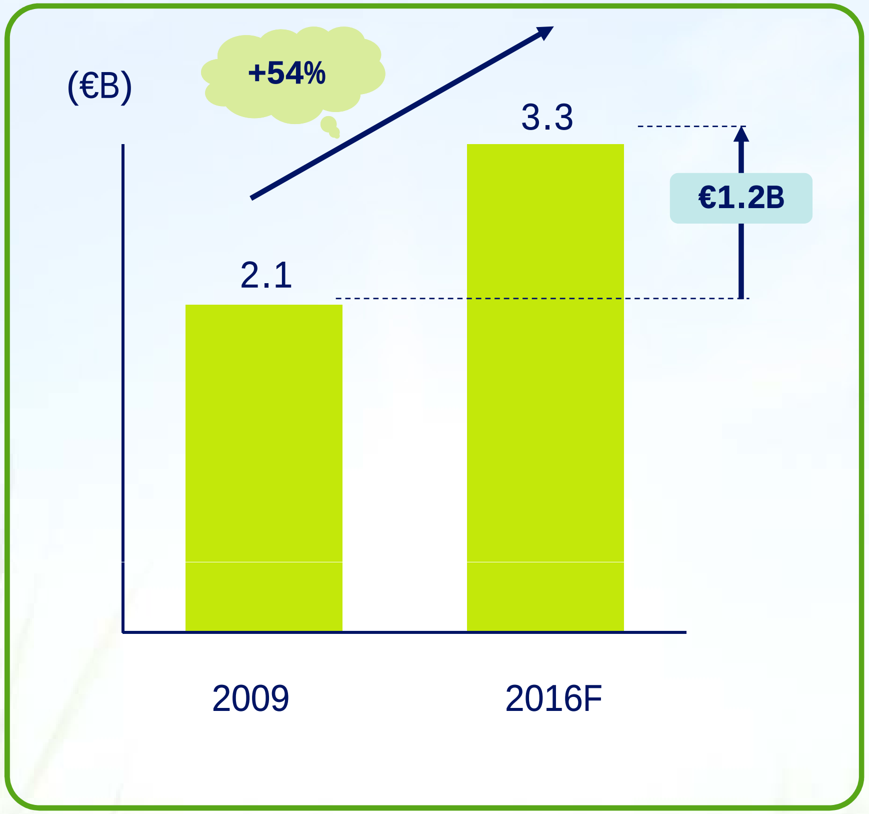


…leading to a 60% cumulative increase in total RAB, with net debt total growth under 50%

RAB



Net Debt



REN will finance ~2/3 of its ~€3.2B CAPEX plan with own funds (excluding refinancing, REN will need ~€1.2B of new debt until 2016)

CAPEX plan is supported by a solid and growing capacity to generate stable cash-flows

98.5% of CAPEX invested in regulated activities

7% per year RAB average growth between 2010 and 2016

+

Stable regulatory framework

Funds from Operations[1] will grow at 8% CAGR, reaching ~ €400M in 2016 (up from €241M in 2009)

1. FFO = Net income + Amortizations + Provisions ± other non cash items

Additionally, REN has a strong credit story with limited downside risk (I)

Strategic role in the European integrated energy system	• Strong interconnection among TSOs and networks at European level • REN will play an important role in the compliance of the European internal market "security of supply" directives • Strategic partnerships and agreements within European TSOs
Legal and operational ability to maintain a stable cash-flow generation	• Almost all of the group's operating cash-flow is generated by regulated activities • Transparent and supportive regulatory framework based on allowed revenues permitting full recovery of OPEX and CAPEX, subject to efficiency standards • Flexibility to decrease CAPEX to maintain cash-flow generation
Limited cash-flow dependence on the Portuguese government	• Revenues are generated through the tariffs ultimately paid by final consumers • The Portuguese electricity and gas sectors are subject to a common and independent regulator • Electricity transmission tariff represents around 6% of the final tariff

Additionally, REN has a strong credit story with limited downside risk (II)

Revenue stream and operating performance not correlated with Portuguese economy

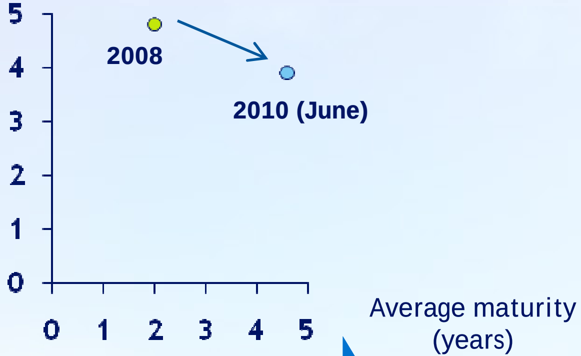
- Revenues and operating performance are capacity (RAB) driven rather than consumption driven
- Natural hedging in electricity's regulated revenues model against changes in the Sovereign cost of debt (electricity accounts for ~2/3 of total RAB, and its RoR is based on the Portuguese 10 year bonds' yield plus a spread)
- Essential service provider, ensuring continuity and security of electricity and natural gas supply
- Protection against adverse changes in the concessions, i.e. the group's restoration of financial equilibrium, should adverse changes occur, is assured by the regulatory framework

Sound financial profile and liquidity position

- Commitment to maintaining a solid credit rating and a sound liquidity position
- Well diversified sources of funding (EIB, capital markets, banks)
- Average cost of debt under control, despite increase in average maturity of financial debt

REN continues to reshape its debt

Cost and debt maturity



Reduction from 4,8% to 3.9%

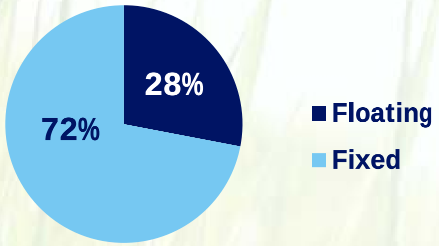
Increase from 2 to 4.6 years

Loans/issues during 2008-10	Amount
EIB 17 yr (2008)	€250M
EMTN 5 yr benchmark (2008)	€500M
EMTN bond tap of 5 yr (2009)	€300M
Private placements (2009)	€125M
EIB 17 yr / 20 yr (2009-2010)	€150M
EIB 17 yr / 20 yr (2010 -) [1]	€150M

REN will reach the end of 2010 with more than €500M of undrawn committed credit lines

Interest rate mix (June 2010)

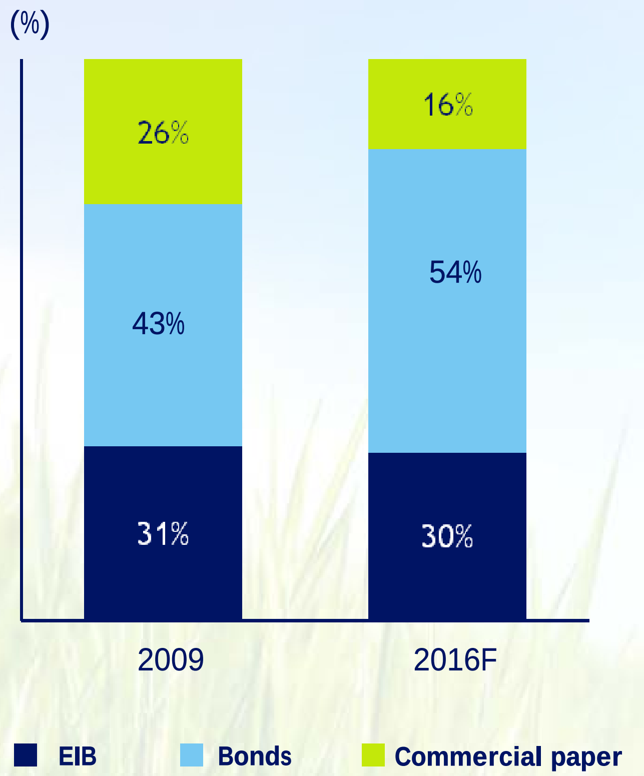
REN well 72% protected against increases in the interest rate



(1) - €75M tranche already signed in Oct.2010

Strategy will focus in access to bond markets and reduced exposure to short-term credit lines…

Net debt mix by funding source



Strategy guidelines

- Focus on medium/long term bonds and other debt instruments in order to balance price and refinancing risk
- Reduce exposure to commercial paper (and thus the banking sector), and maintain a strong relationship with the EIB (1)
- Collaboration with private investors, capable of contributing with the majority of the capital, to support the expansion into new non-core opportunities
- Actively look for new funding sources in addition to the current options

(1) - Following the signing of a new EIB loan (€150M), **EIB loans will reach ~40% of REN's debt**

…while focusing in keeping credit metrics associated with a higher rating than the current one

Rating affected by Portugal's downgrade	• Recent REN downgrades caused solely by the downgrade of the Sovereign rating
Liquidity policy unchanged	• REN will maintain an adequate level of liquidity for its business profile and previous rating level • Maintaining (at controlled costs) available bank lines to cover at least 12 months of funding requirements

REN will keep its credit metrics consistent with a solid Credit Rating

Highlights of the 2010-2016 plan

Strong CAPEX plan	• €3.2B CAPEX plan for the 2010-2016 period
	  • €456M per year, an increase of 7% vs the previous 2009-2014 plan (€424M per year)
	  • Leading to an increase in net debt of €1.2B (between 2009 and 2016F)

Solid cash flow generation	• 98.5% of the CAPEX will be in regulated activities • RAB will increase 60% vs 2009 values, ensuring the generation of new regulated revenues, critical to support the new CAPEX plan
Limited downside risk	• Despite the pressure from the Portuguese Republic, REN has a strong credit story with limited downside risk for credit investors, being independent from the Portuguese budget and economy • Additionally, REN has a natural hedging in ~2/3 of its asset base, as electricity accounts for ~2/3 of total RAB, and its RoR is based on the Portuguese 10 year bond yield plus a spread

Focus on medium/long term debt instruments	• Overall funding strategy based on:
	  • Focus on the bond market
	  • Reduce exposure to commercial paper and maintain a strong relationship with the EIB
	  • Actively look for new funding sources

Focus on credit metrics	• Despite the recent downgrade, caused by the Portuguese Republic downgrade, REN is committed not to ease its credit metric goals

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Thank you