



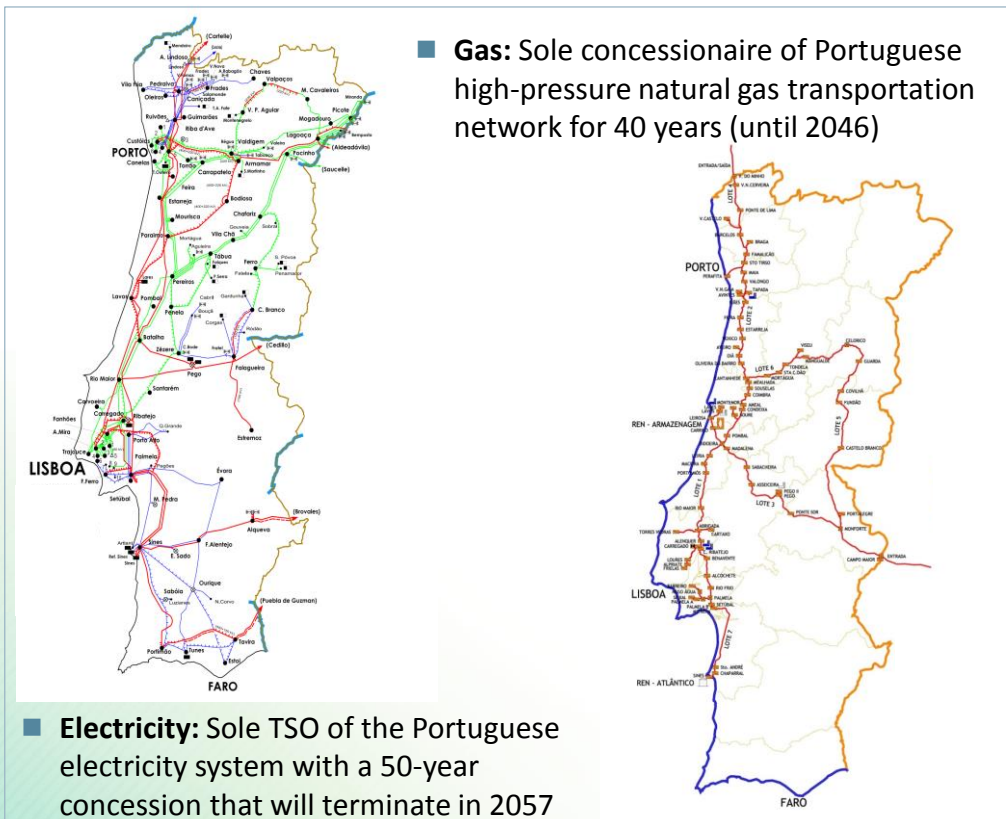
ROADSHOW PRESENTATION

October 2014



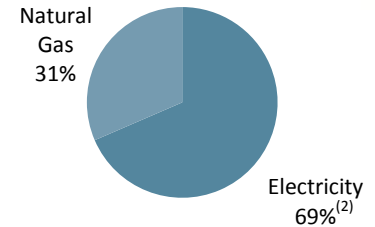
Brief Overview of REN

- REN, headquartered in Lisbon, is an integrated TSO focused in the operation of two major business areas:
 - Transmission in high voltage electricity⁽¹⁾ and Overall Technical Management of the Portuguese National Electricity System
 - Transportation of high-pressure natural gas and Overall Technical Management of the Portuguese National Natural Gas System, Reception, Storage and Regasification of LNG and Underground Storage of natural gas



Average RAB 1H 2014

Total Average RAB of €3.5Bn
(+1.8% vs. 1H 2013)



Key Financial Metrics 2013

EBITDA: €521.5M

Net Income: €121.3M

Capex: €187.8M

Net Debt: €2,402.3M

Source: REN.
(1) High voltage electricity grid of 150 to 400kV.
(2) Including electricity lands.

Business Areas Overview

CORE BUSINESS AREAS

Electricity (50-year Concession until 2057)



Average RAB of €2.4Bn in Jun-2014⁽¹⁾

Regulated Asset Base ("RAB") Remuneration

Regulated Assets under the concession:

REN Eléctrica

[Line length: 8,474 km]

National electricity transmission network

Gas (40-year Concession until 2046)



Average RAB of €1.1Bn in Jun-2014

Regulated Asset Base ("RAB") Remuneration

Regulated Assets under the concession:

REN Gasodutos

[Extension of RNTGN: 1,375 km]

National natural gas transportation network

REN Atlântico

[Terminal Storage Capacity: 0.24 bcm]

LNG Terminal. Reception, storage and regasification of LNG

REN Armazenagem

[GN Underground Storage Capacity: 0.22 bcm]

Natural gas underground storage facilities

COMPLEMENTARY BUSINESS AREAS

REN TELECOM

Marketing of the surplus telecom capacity of REN's networks

REN TRADING

Management of the two remaining PPAs on behalf of two power generators

ENONDAS (Concession until 2055)

Operation of a pilot zone for generation of electric energy from ocean waves

Strategic Stakes

- REE (1.0%)
- Enagás (1.0%)
- Cahora Bassa (7.5%)
- OMIP (40%)
- OMEL (10%)

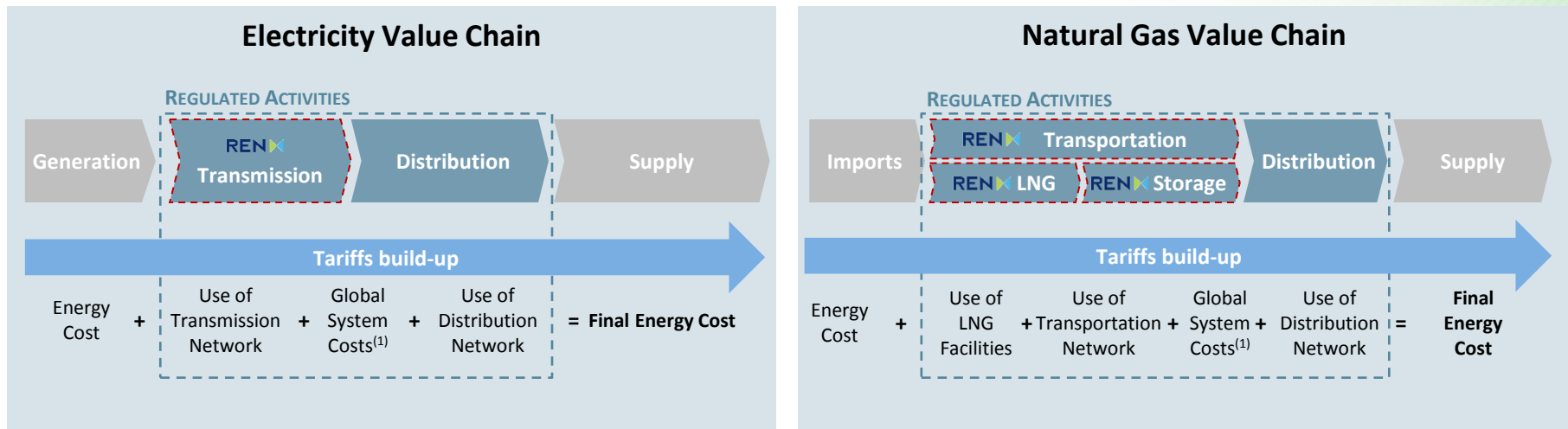
REN is present in several international organizations in the electricity and gas sector, namely ENTSO-E, ENTSO-G, MED-TSO, MEDGRID, FOSG, CCE, GIE and FSR, having an active presence in various committees of these institutions

REN Highlights

REN's business and financial profile continues to be very stable and conservative:

- 1 stable and transparent regulation
- 2 strong shareholder structure
- 3 conservative business plan
- 4 solid and strengthened financial profile

1 Stable and Supportive Regulation in Portugal



Tariffs Rationale

- Remuneration of the regulated activities is based on the definition of the allowed revenues, which assure the principle of recovering operating costs (with efficiency targets) as well as the cost of capital. The model is defined for 3-year regulatory periods, during which the relevant parameters remain stable
- Allowed revenues are earned through the tariffs charged to final consumers through distribution companies
- ERSE sets the regulated tariffs ex-ante every year based on estimated consumption
- One of the regulatory guiding principles for the definition of energy tariffs is stability

The sector companies' regulated revenues are not dependent from State payments

Transmission/transportation operators do not have consumer credit risk

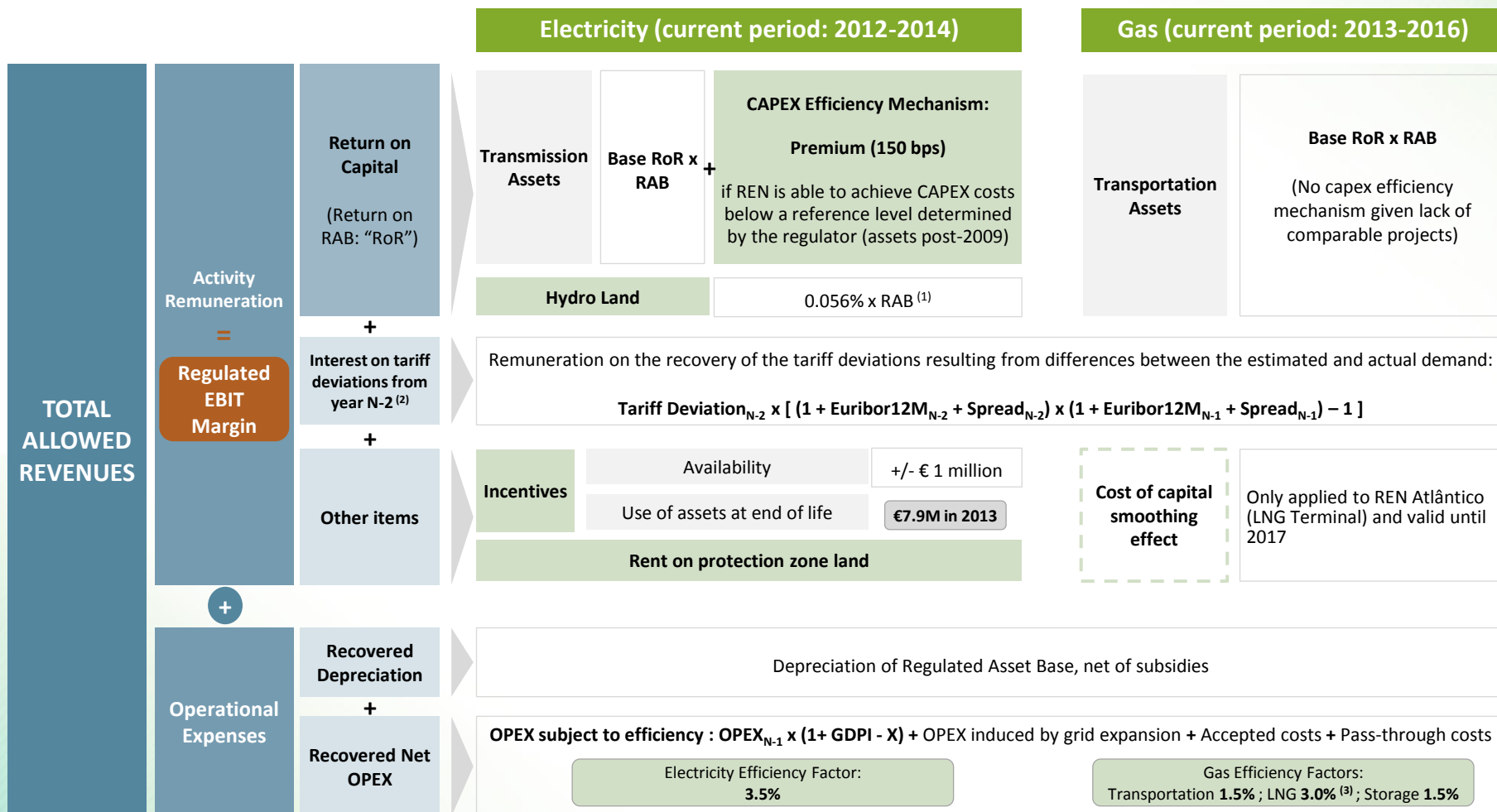
Stable regulatory framework

Source: REN, ERSE.

(1) Tariff charged through the transmission/transportation operator, mostly composed by pass-through costs, such as energy acquisition costs related with the management of the two remaining PPAs (Electricity), hydro land (Electricity), positive or negative adjustments related with costs supported by the supplier of last resort (Gas) and ERSE costs.

1 Remuneration in detail

- Remuneration regime based on allowed revenues, set by the regulator ERSE for 3-year regulatory periods



Source: REN, ERSE.

Notes: GDPI = Inflation implicit on GDP deflator.

(1) Remuneration set for 2014.

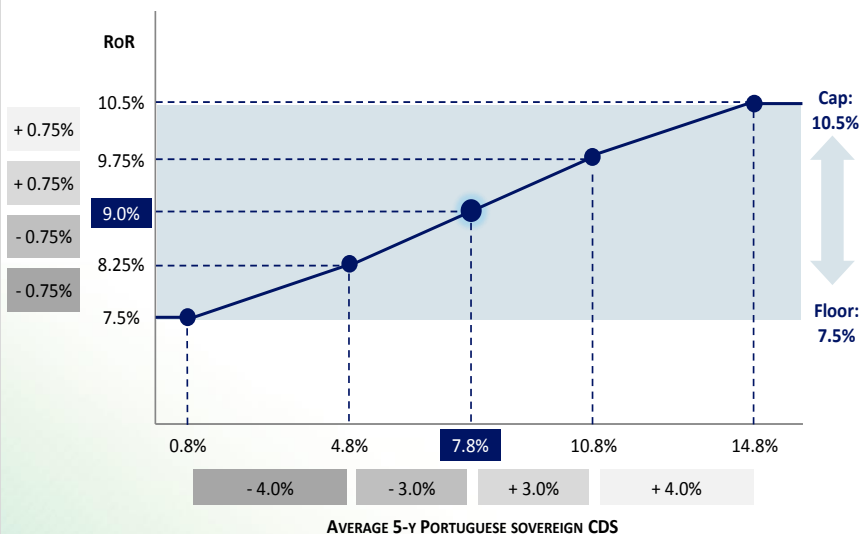
(2) For Gas, the regulator may decide to set a provisional tariff deviation of N-1 depending on tariffs level.

(3) Except for the electricity consumed in the LNG Terminal, for which the efficiency factor is 1.5% and the price change is based on the Futures Market price.

1 Rate of Return on RAB Indexation Mechanisms

Electricity Base RoR

- The Base RoR is indexed to the average Portuguese sovereign 5y
- A base rate of 9% was defined, which may be adjusted annually based on the difference between the annual average Portuguese sovereign 5y CDS (Oct_{N-1} - Sep_N)⁽¹⁾ and a base CDS average of 7.8%. The mechanism assures a floor RoR of 7.5% and a cap of 10.5%

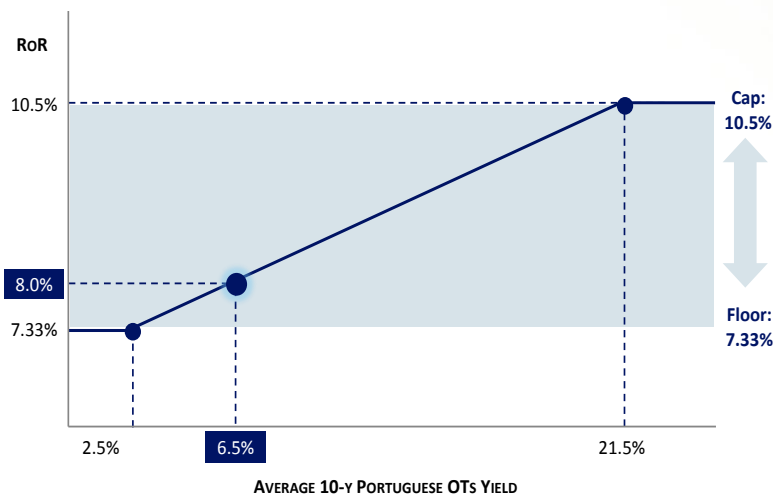


Last Regulatory Periods' Base RoR

2011	2012	2013
7.56%	9.55%	8.06%

Gas Base RoR

- The Base RoR is indexed to the average Portuguese sovereign 10y OTs through a linear function
- A base rate of 8% was defined for the regulatory period, which every year may be adjusted based on the difference between the annual average Portuguese 10y OTs yield (Apr_{N-1} - Mar_N) and a base 10y OTs average of 6.5%. The mechanism assures a floor RoR of 7.33% and a cap of 10.5%



Last Regulatory Periods' Base RoR

2010/11	2011/12	2012/13	2013
8.00%			7.98% ⁽²⁾

Source: REN, ERSE.

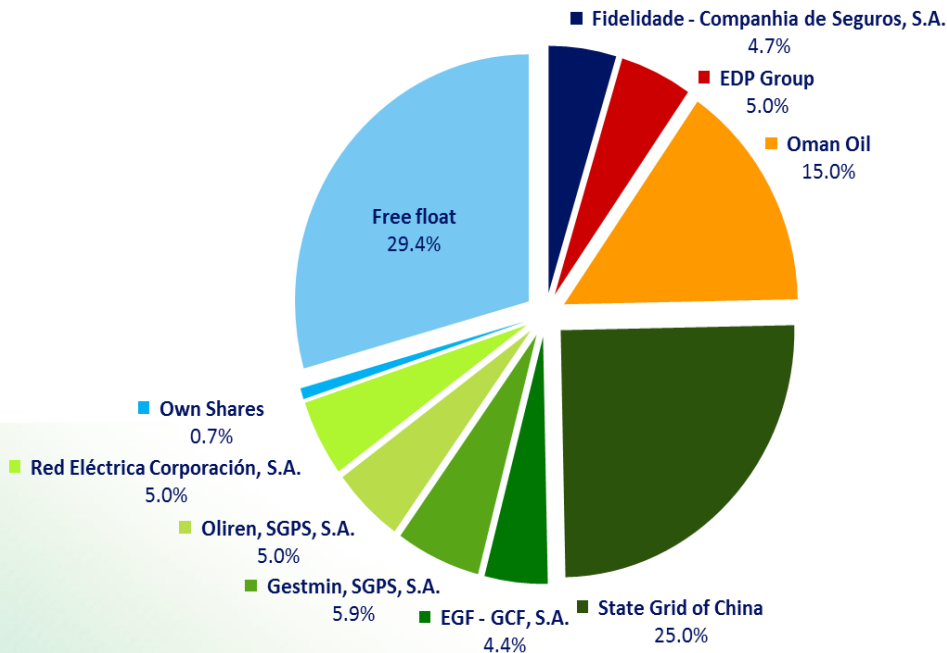
Notes: All rates of return are pre-tax; CDS = Credit Default Swap.

(1) The average shall be filtered by the 1/12 highest and lowest quotations.

(2) Average rate of return on RAB in 2013.

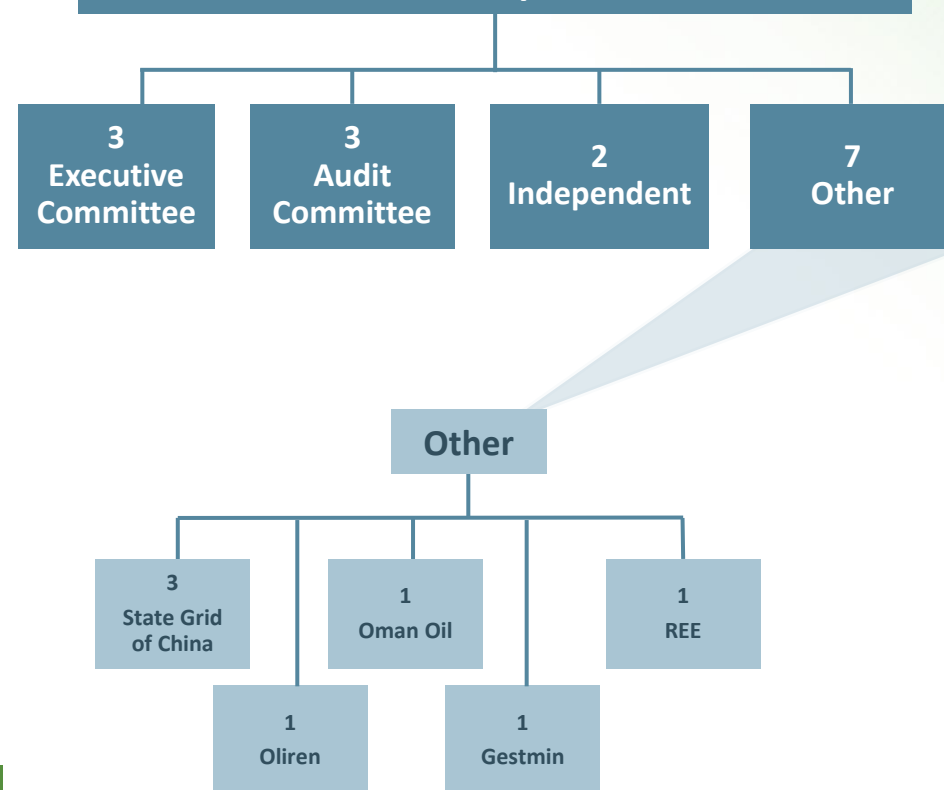
The Shareholder Structure and the Board changed with the reprivatization in 2012 (40%) and 2014 (11%)

Shareholder structure



Key Shareholders provide stability and support to refinancing and international projects

Board composition



Clear business strategy leveraging on the core domestic market to explore new international opportunities

Strategic Priorities

Stable and Resilient Business Model

Focus on core regulated activities in Portugal ensuring strong cash flow generation

Profitability

Ensure an adequate return on capital

Financial Strength

Continue to improve credit ratios, optimize cost of capital and extend average maturity

Diversification / Internationalization

Partner with strategic investors to source attractive capital deployment opportunities abroad

Guidelines

Ensure profitable growth

- Leverage technical skills and broad energy industry experience
- Maintain cooperative working relationship with ERSE
- Promote a fair and incentive-based regulation for electricity and gas
- Adjusted capex plan for Portugal
- Further increase opex and capex efficiency

Preserve efficient capital structure

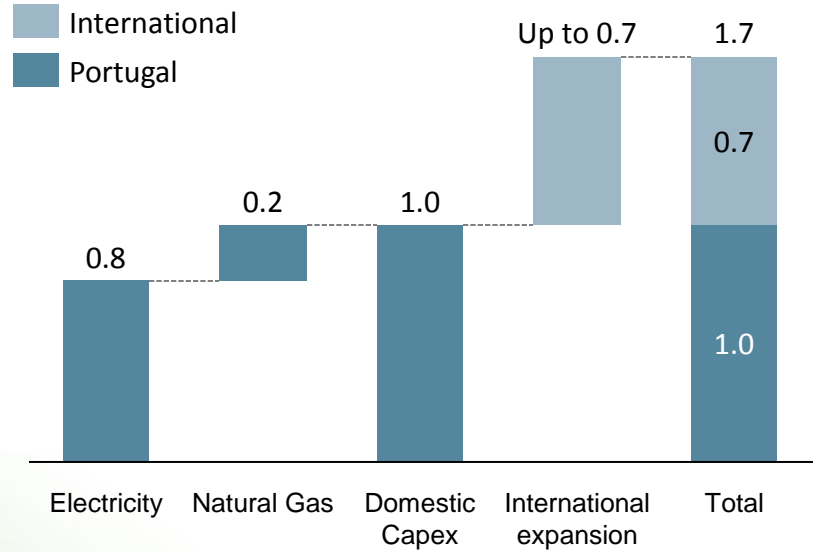
- Ensure funding access at a competitive cost from a diversified funding mix
- Maintain investment grade credit metrics

Diversify risk

- Diversify investments and revenue sources
- Invest selectively in new geographies and benefit from value accretive opportunities brought by the new strategic partners

REN will invest up to 1.7bn in 2012-2016 a cautious approach to internationalization

Investment Plan 2012-2016 (€Bn)



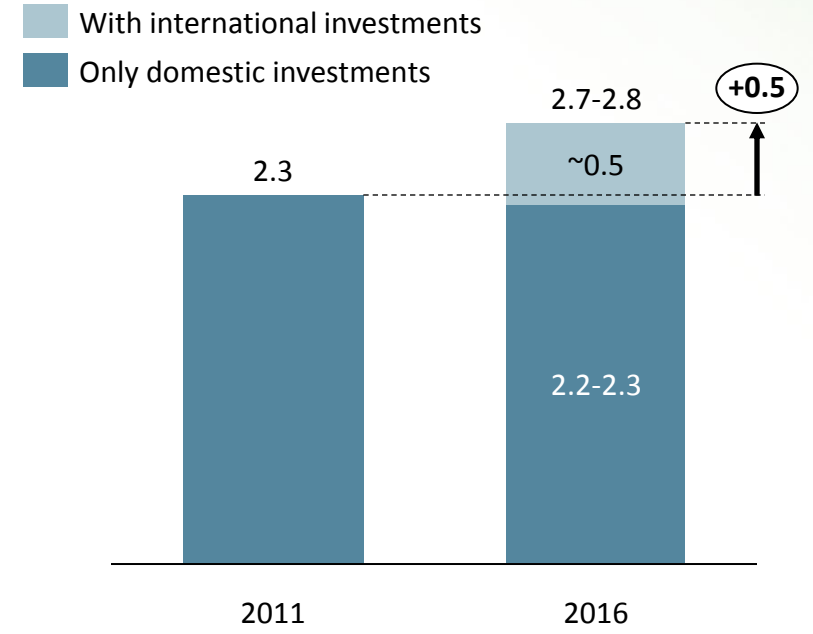
Domestic

- Approx. €200M/year
- Flexibility to increase or decrease investment
- Detailed pipeline of projects

International

- Up to €140M/year
- Mainly from 2014 onwards
- Will depend on opportunities, funding and solid credit metrics

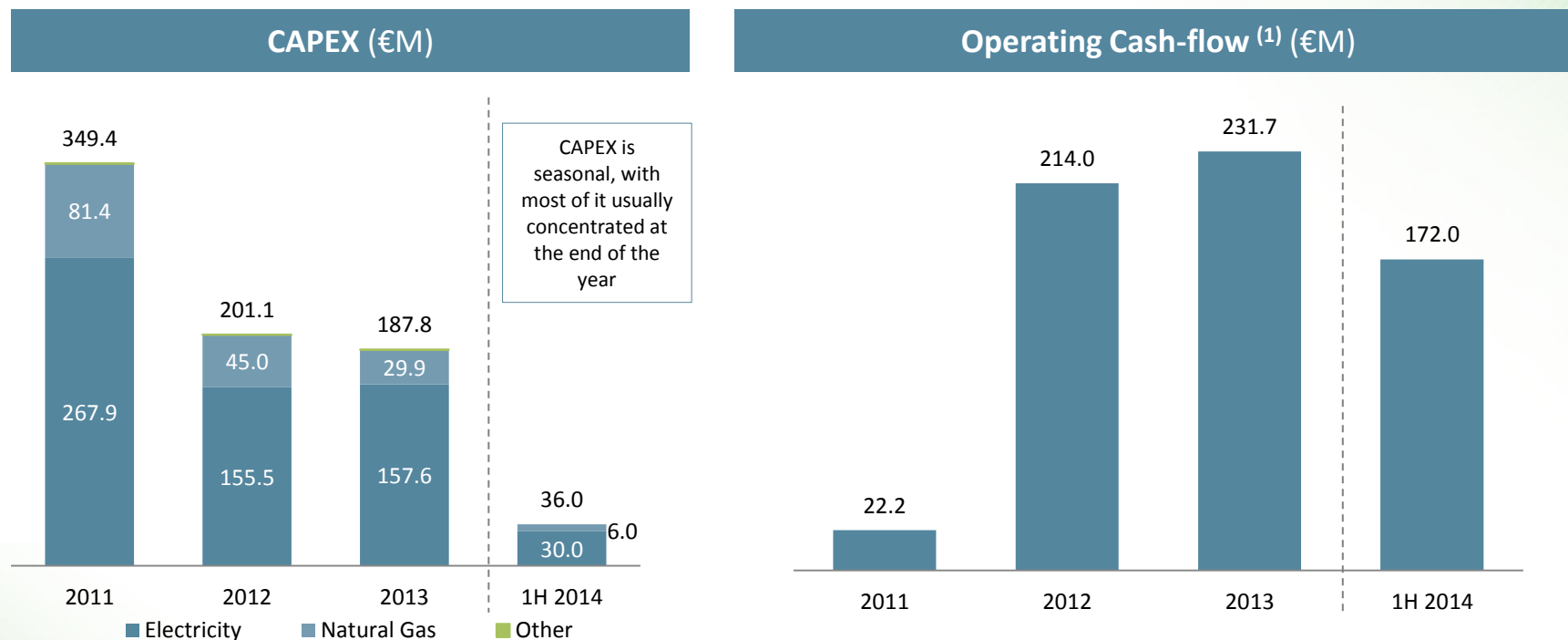
Net debt (€Bn)



Considering only domestic investments, REN would be able to fully fund its Investment plan and still lower its net debt

Source: REN.

Stable CAPEX levels have led to a strong cash-flow generation



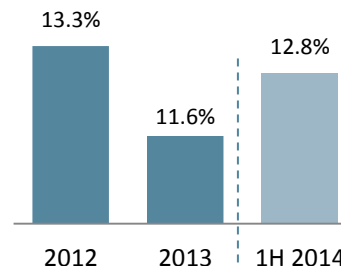
- CAPEX figures have reduced during the last years due to the slowdown in the construction of new infrastructures as well as lower unit prices in the context of a depressed construction market
- The company foresees approximately €200M/year of CAPEX in Portugal over the next three years

4 REN has been improving its credit profile

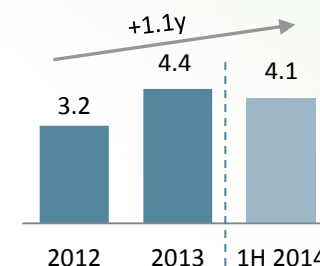
Sound Financial Position

- Strong liquidity position to fund future needs
- Leverage position has reduced. FFO/Net Debt of 12.8% as of Jun 2014
- Average debt maturity of 4.1 years as of Jun 2014

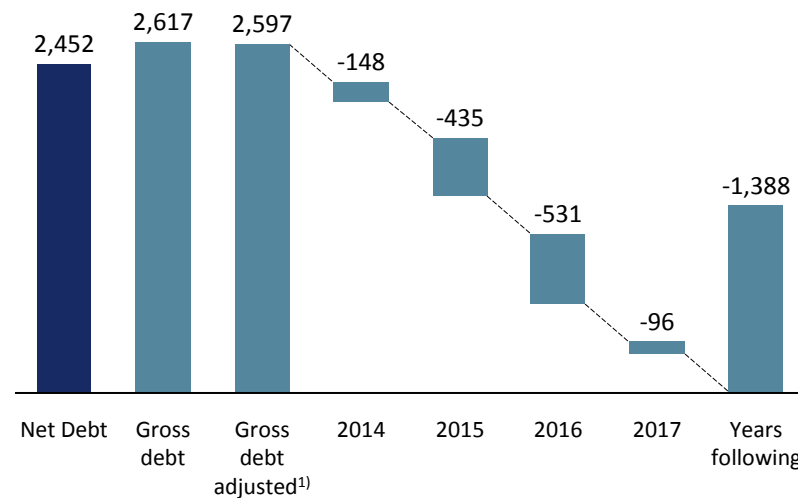
FFO/Net Debt



Debt Maturity (years)



Debt Maturity Schedule (1H 2014 €M)

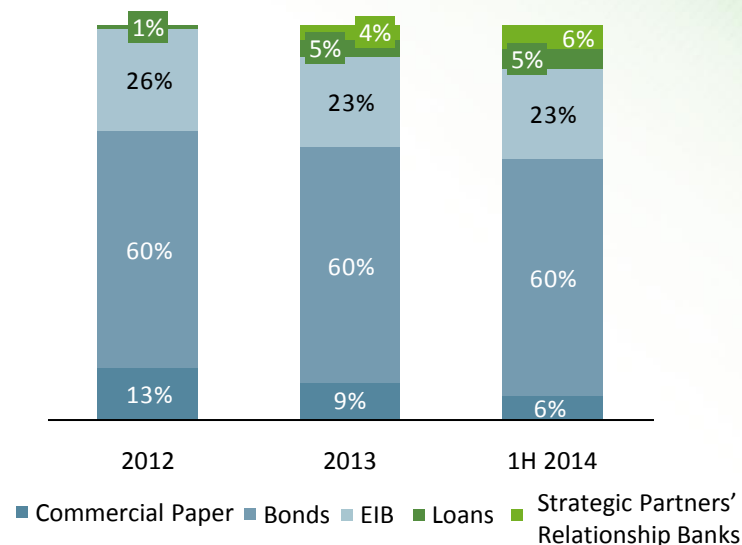


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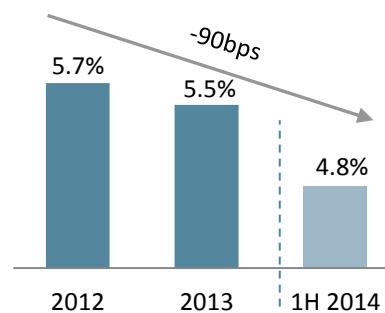
Funding Diversification and Cost Efficiency

- REN has diversified sources of funding (EMTN, EIB, financing through international banks including non-European, etc.) and has been achieving a decrease in cost of debt
- Average cost of debt of 5.5% at the end of 2013 and 4.8% at 1H 2014
- Adequate interest rate mix rebalanced to optimize cost of debt

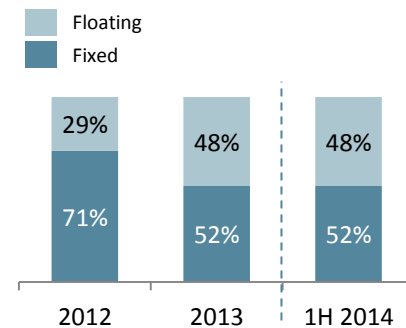
Mix of Withdrawn Funds



Cost of Debt (%)



Interest Rate Mix



REN is the only investment grade company in Portugal

Debt Management and Financial Risk Strategy

- Growth and diversification of the base of funding sources and lender base
- Extension of the average debt maturity
- Smoothing of debt refinancing needs
- Increased flexibility of financial instruments

Available Liquidity H1 2014	(€M)
RCF	516.0
Loans + Strategic Partners Relationship Banks	990.0
EIB loan	75.0
Other ST bank lines	80.0
Cash (uncommitted bank deposits)	42.5
Total	1,703.5

In July 2014 REN recovered its investment grade rating from Moody's

	<u>Rating</u>	<u>Outlook</u>
MOODY'S	Baa3	Stable

STANDARD & POOR'S	BB+	Stable

FitchRatings	BBB	Stable

REN Highlights

REN's business and financial profile continues to be very stable and conservative:

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- conservative business plan
- solid and strengthened financial profile



APPENDIX

1H14 Highlights

- ▶ EBITDA amounted to €252.2M, 3.0% below 1H13 (-€7.8M). This was mainly due to: (1) the reversal of an one-off impairment of receivable debts in 2013 (-€5.3M); (2) the decrease of €3.9M in hydro land remuneration; (3) the expansion of the RAB and its respective remuneration (+€1.5M); (4) the reduction achieved in operational costs;
- ▶ Recurrent net income increased by 16.8% (+€10.4M), mainly due to the improvement in net financial results which stood at -€51.7M, €14.0M better than 1H13, on account of the decline in both net debt (decreased by €46.9M to €2,452.5M) and average cost of debt (to 4.75% from 5.65%);
- ▶ Net income stood at €58.3M (-€5.8M, -9.0%), penalized by the accrual of the energy sector extraordinary levy established in 2014's State budget law;
- ▶ Total CAPEX stood at €36.0M, a YoY decrease of €22.9M (-38.8%), mainly due to normal seasonality and the late start of some new electricity investments in the first quarter of 2014;
- ▶ In June, REN's privatization process was successfully concluded. The placement of the State's remaining 11% stake, improved the free float of the stock (30.0% vs 19.6%) together with its liquidity;
- ▶ In July Moody's upgraded REN to a Baa3 investment grade rating with a stable outlook. REN remains the Top Rated Company in Portugal, and this comes on the back of a successful refinancing process.

Main financial indicators

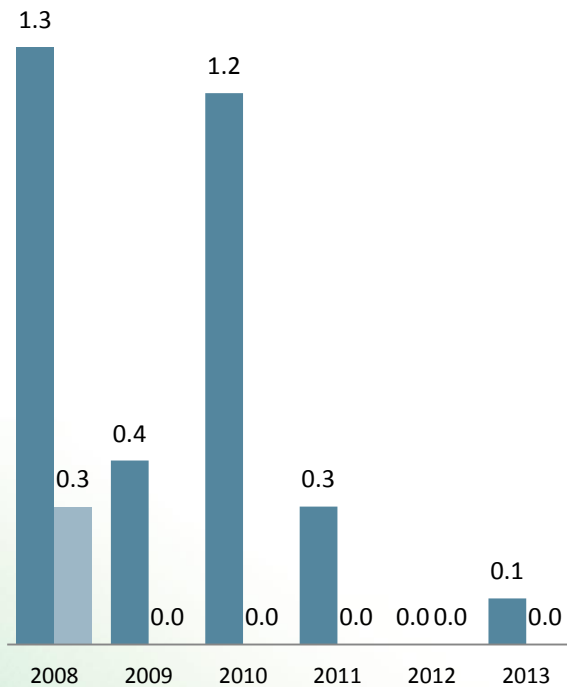
€M	1H14	1H13	QoQ variation		2013	2012	YoY variation	
			Δ%	Δ Abs.			Δ%	Δ Abs.
EBITDA	252.2	259.9	-3.0%	-7.8	521.5	511.6	1.9%	9.9
Net Financial Income	-51.7 ⁽¹⁾	-65.7	21.3%	14.0	-142.2	-136.0	-4.6%	-6.2
Recurrent Net Income	72.3	61.9	16.8%	10.4	120.7	120.2	0.4%	0.5
Net Income	58.3	64.1	-9.0%	-5.8	121.3	123.6	-1.8%	-2.3
Average RAB	3,480.6	3,418.1	1.8%	62.5	3,490.8	3,380.7	3.3%	110.1
CAPEX	36.0	58.9	-38.8%	-22.9	187.8	201.1	-6.6%	-13.2
Net Debt	2,452.5	2,499.4	-1.9%	-46.9	2,402.3	2,512.4	-4.4%	-110.1
Electricity base RoR	7.8%	8.0%	-0.2p.p.		8.1%	9.6%	-1.5p.p.	
Gas RoR	7.6%	8.0%	-0.4p.p.		8.0%	8.0%	0.0p.p.	

(1) Excludes the Financial cost as of the interconnection capacity auctions between Spain and Portugal (€0.4M), known as FTR (Financial Transaction Rights), that were reclassified to Revenues.

Core Business Supported by Technical Excellence and Outstanding Know-how

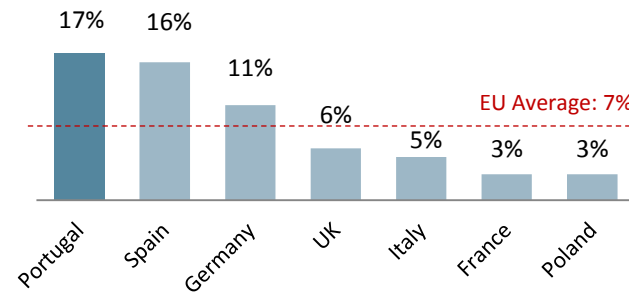
Equivalent Interruption Time (min)

Electricity Natural Gas



Outstanding Know-how

Weight of wind energy in electricity consumption ⁽¹⁾ (%)

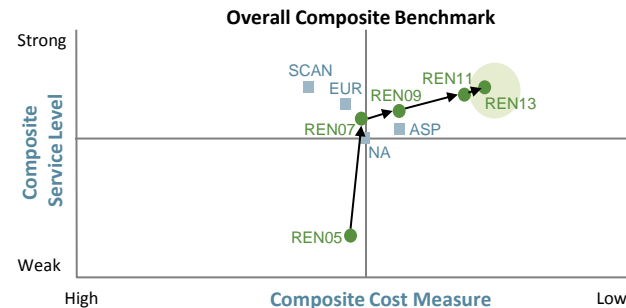


Integrated management of Electricity and Gas networks



Management of electricity networks with a high penetration of intermittent energy

Leading Operational Efficiency ⁽²⁾



Company expects to maintain focus on core business in Portugal by taking advantage of strong technical expertise and experience

Source: REN. International Transportation Operations and Maintenance Study (ITOMS).

(1) Wind in power: 2012 annual statistics.

(2) Source: ITOMS 2013 results.

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