



Unofficial Translation

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ANNOUNCEMENT

ERSE proposal for tariffs and prices for natural gas for the 2019-2020 gas year and parameters for the 2020-2023 regulatory period

Following the proposal for Tariffs and Prices for Natural Gas for the 2019-2020 gas year and parameters for the 2020-2023 regulatory period disclosed by ERSE and in accordance with and for the purposes of article 17 of the Regulation (EU) No 596/2014, of the European Parliament and of the Council, of 16 April 2014, of article 248A of the Portuguese Securities Code and other applicable regulations, REN - Redes Energéticas Nacionais, SGPS, S.A. hereby discloses the attached ERSE'S technical note for the tariffs and prices for natural gas for the 2019-2020 gas year and parameters for the 2020-2023 regulatory period.

Lisbon, April 1, 2019

REN - Redes Energéticas Nacionais, SGPS, S.A.

REN - REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A.

Listed Company (*Sociedade Aberta*)

Share Capital: € 534,000,000

Commercial Registry Office of Lisbon: registry and tax sole number: 503 264 032

Head Office: Avenida Estados Unidos da América, no. 55

1749-061 Lisbon



ERSE'S TECHNICAL NOTE: TARIFFS FOR THE 2019-2020 GAS YEAR AND PARAMETERS FOR THE REGULATORY PERIOD COMPRISED BETWEEN THE YEARS 2020 and 2023

1. FRAMEWORK

- Under the terms of the applicable regulation, ERSE submitted, on the date hereof, the proposal for natural gas tariffs for the 2019-2020 gas year and parameters for the regulatory period between the years 2020 and 2023, which will be subjected to the Tariff Council opinion. This Tariff Council is composed by representatives of the consumers, of the regulated companies, and by the National Municipalities Association. The Tariff Council will present its non-binding opinion regarding the referred proposal up to 30th of April 2019. After evaluation of the opinion expressed by the Tariff Council, ERSE will approve the final tariff values, which are to be published until June 1st 2019.
- Simultaneously, ERSE also disclosed a document containing the key elements of the mentioned proposal.
- Bearing in mind that the main economic and financial assumptions for the calculation of natural gas tariffs for the 2019-2020 gas year and for the definition of parameters for the 2020-2023 regulatory period are relevant factors for the economic and financial evaluation of REN's activity for the 2019-2023 period and that the values part of the proposal now submitted by ERSE are, currently, the best available information for the purposes of these values, the following information is made available.

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2. PARAMETERS

2.1 COST OF CAPITAL

The rates of return of the regulated assets vary according to the indexation methodologies found in the respective parameter documents.

2.1.1 2019 YEAR

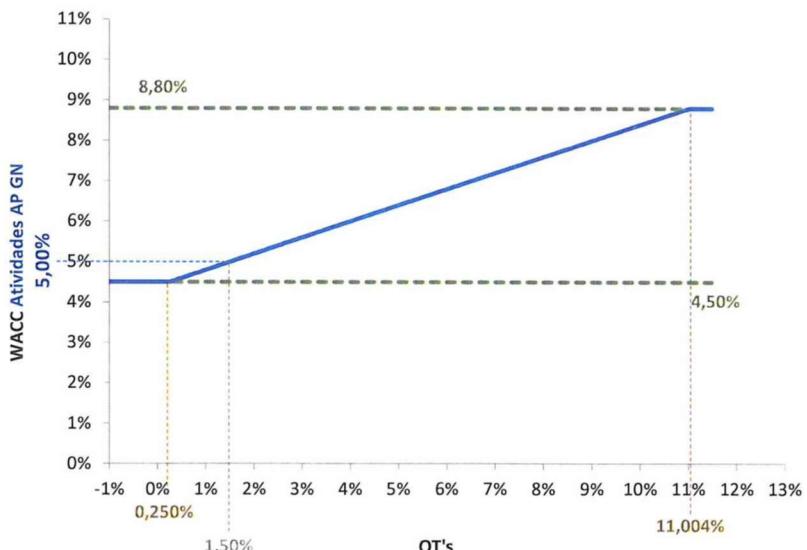
The estimated rates of return for 2019 are fixed at 5.43% for the high pressure and at 5.73% at medium and low pressures, after being calculated according to the methodology approved for the regulatory period initiated on the 2016-2017 gas year, that can be found in the document named “Regulatory parameters for the gas years 2016-2017 and 2018-2019”.

2.1.2 NEW REGULATORY PERIOD 2020 TO 2023

2.1.2.1 HIGH-PRESSURE ACTIVITIES

- The risk free rate is fixed at 0.57% for the next regulatory period. This value was obtained on the basis of the five year average of the 10-year bonds' yields of the EU countries with AAA rating (Germany and The Netherlands);
- The debt risk premium applicable to the risk free rate will be 2.75%;
- For 2020 the provisional WACC is 5.00% and is indexed to the 10-year Portuguese Treasury bond yield (OT);
- For the purpose of calculation of the final WACC for the civil year s, the average of the daily quotations of the index variable from 1st of January to the 31st of December of year s, will be considered. This average shall be filtered by eliminating the 1/12th of highest quotation and the 1/12 lowest quotations. The starting point is at 1.5%;
- A variation of 1% in the WACC is based on a variation in the OT's yield of 2.5%;
- The minimum WACC is set at 4.50%, based on an average OT yield of 0.250%;
- The maximum WACC is set at 8.80%, based on an average OT yield of 11.004%.

The following figure represents the indexation methodology of the WACC for the high-pressure natural gas activities in the 2020-2023 period:



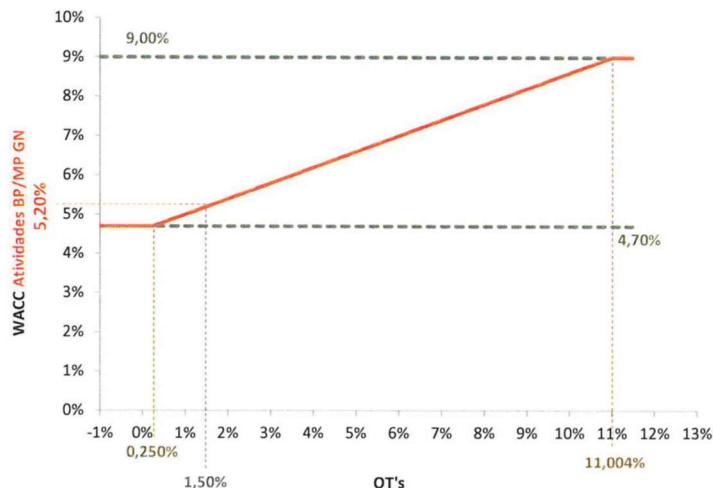
Fonte: ERSE, Banco de Portugal, Reuters

2.1.2.2 MEDIUM AND LOW PRESSURE ACTIVITIES

- The risk free rate is fixed at 0.57% for the next regulatory period. This value was obtained on the basis of the average of the 10-year bonds' yields of the EU countries with AAA rating (Germany and The Netherlands), over the last 5 years;
- The debt risk premium applicable to the risk free rate will be 2.75%;
- For 2020 the provisional WACC is 5.20% and is indexed to the 10-year Portuguese bond yield (OT);
- For the purpose of calculation of the final WACC for the civil year s, the average of the daily quotations of the index variable from 1 January to 31 December of year s, will be considered. This average shall be filtered by eliminating the 1/12 of highest quotation and the 1/12 lowest quotation. The starting point is 1.5%;
- A variation of 1% in the WACC is based on a variation in the OT's yield of 2.5%;
- The minimum WACC is set at 4.70%, based on an average OT yield of 0.250%;
- The maximum WACC is set at 9.00%, based on an average OT yield of 11.004%.

The following figure represents the indexation methodology of the WACC for the medium and low-pressure natural gas activities in the 2020-2023 period:

Figura 2-2 - Metodologia de indexação nas atividades de média e baixa pressão do gás natural para o período 2020 a 2023



Fonte: ERSE, Banco de Portugal, Reuters

2.2 EFFICIENCY FACTORS

The efficiency factor applicable to the distribution in medium and low-pressure of REN Portgás Distribuição in 2021-2023 is 2.5%.