Results Presentation

1H2021

29th July 2021

AGENDA

1. **Overview of the period**

2. **Business performance**

3. **Closing remarks**

1. Overview of the period

KEY MESSAGES

1H2021

EBITDA reached €227.9M, **a contraction of 3.9%** (-€9.2M) **YoY** attributed to (1) a reduction in RAB remuneration (-€5.6M), motivated by the decrease in RAB (with an impact of -€3.7M) and in RoR (-€1.9M); (2) a smaller OPEX contribution (-€2.5M), partially offset by a higher incentive for economic efficiency of investments (+€0.9M).

International business performance had a negative delta of €1.3M, of which €1.1M attributed to Electrogas.

Net Profit amounted to €39.5M, due to (1) a **positive** contribution from **Financial results** (increase of €3.4M to -€18.0M), a consequence of the decrease of the **cost of debt** (from 1.9% to 1.6%); and (2) a lower energy levy (+€1.1M) recognized in 1Q21.

Capex grew by €18.7M vs 1H20 to €79.3M, while transfers to RAB increased by 7.3M€ to €16.9M. There were some delays in transfers to RAB due to the COVID pandemic but that should be concluded by year-end.

Renewable energy sources (RES) reached **68.1%** of total supply (approx. +4 p.p. than in 1H20). **Consumption** of electricity and natural gas **increased** as well as the amount of natural gas **distributed.**

Quality of service was stellar, for both electricity and NG, with **0.00 min of electricity interruption time,** and **natural gas combined availability rate** at approximately **100%.**

REN remains committed to the UN's Sustainable Development Goals, its efforts have not only already been recognized by ESG rating agencies, but also throughout this year, there has been several events such as, the **Green bond issue** and the **Capital Markets day** reinforcing this **commitment to ESG**.

SECTOR OVERVIEW

REN

The Energy Transition is at the center of the Portuguese Government agenda

New regulatory period for the electricity sector

- **ERSE launched a public consultation with proposals to revise the Tariff Regulation for the electricity sector**, with the aim of updating the regulatory mechanisms and methodologies related to the tariff structure and the allowed revenues model for the regulated activities, to be applied over the next regulatory period , from 2022 onwards
- According to ERSE, the proposed changes provide a flexible regulatory framework, in order to respond to the challenges of decarbonisation and decentralization of the electricity sector. In this sense, it is worth highlighting the proposal of a TOTEX regulation, applied to the transmission (VHV) and distribution (HV and MV) activities

Gas Distribution Network Development Plans 2021-25

- **Public consultation on the Gas Distribution Network Development Plans for the period 2021-25.** ERSE concluded that the proposed investments do not result in tariff increases in 2025 and that there are quite different risk levels between the PDIRD-GN 2020 proposals of the different DSOs, leaving the final decision over these differences to the Government discretion, to approve part or all of the investment projects proposed by each DSO.
- ERSE considers relevant the concern of the DSO's to introduce **pilot projects in their PDIRD-GN 2020** proposals, with the objective of obtaining information and expertise in the of decarbonized gases injection, namely hydrogen, in the distribution networks.

Natural Gas annual capacity auctions

- The yearly send-out capacity auction that took place last week resulted again in the **complete allocation of the Terminal send-out capacity with a price premium of 1% over the regulated tariff**.

Electricity auctions

- During the month of June, ERSE promoted **an auction for placing electricity from Special Regime Production and an auction for the acquisition of energy by the Last Resource Supplier.** The total contract volume sold is equivalent to 872 355 MWh in the 39th PRE Auction and 110 430 MWh in the 8th Last resource supplier Auction, with an weighted average final price of: 87,78 EUR/MWh and 91,26 EUR/MWh, respectively.

2. Business performance

BUSINESS HIGHLIGHTS

Superior quality of service in Portugal, albeit an increase in demand and a higher share of renewables

Electricity

Consumption

24.6TWh ↑ 0.8 TWh (3.2%)

1H20: **23.8TWh**

Energy transmission losses

2.1% ↑ 0.1pp

1H20: **2.0%**

Line length

9,038km ↑ 36km (0.4%)

1H20: **9,002km**

Renewables in consumption supply

68.1% ↑ 3.7pp

1H20: **64.4%**

Average interruption time

0.00min ↓ 0.03min (100.0%)

1H20: **0.03min**

Gas Transmission

Consumption

31.6TWh ↑ 1.5TWh (5.1%)

1H20: **30.0TWh**

Combined availability rate

99.9% ↓ 0.11pp

1H20: **100.0%**

Line length

1,375km = 0km (0.0%)

1H20: **1,375km**

Gas Distribution

Gas distributed

4.1TWh ↑ 0.4TWh (10.9%)

1H20: **3.7TWh**

Emergency situations with response time up to 60min

98.2% ↓ 1.0pp

1H20: **99.2%**

Line length

5,977km ↑ 225km (3.9%)

1H20: **5,752km**

NOTE: These figures are representative of the Portuguese activities alone

FINANCIAL HIGHLIGHTS

Positive contribution from Financial Results and solid improvement in Net Debt, nonetheless EBITDA and Net Profit declined

EBITDA

€227.9M ↓ 9.2 (3.9%)

1H20: **€237.0M**

Financial results

-€18.0M ↑ 3.4 (15.8%)

1H20: **-€21.4M**

Net Profit

€39.5M ↓ 6.5 (14.2%)

1H20: **€46.1M**

CAPEX

€79.3M ↑ 18.7 (30.9%)

1H20: **€60.6M**

Average RAB[1]

€3,515.2M ↓ 166.1 (4.5%)

1H20: **€3,681.4M**

Net Debt

€2,539.9M ↓ 300.0 (10.6%)

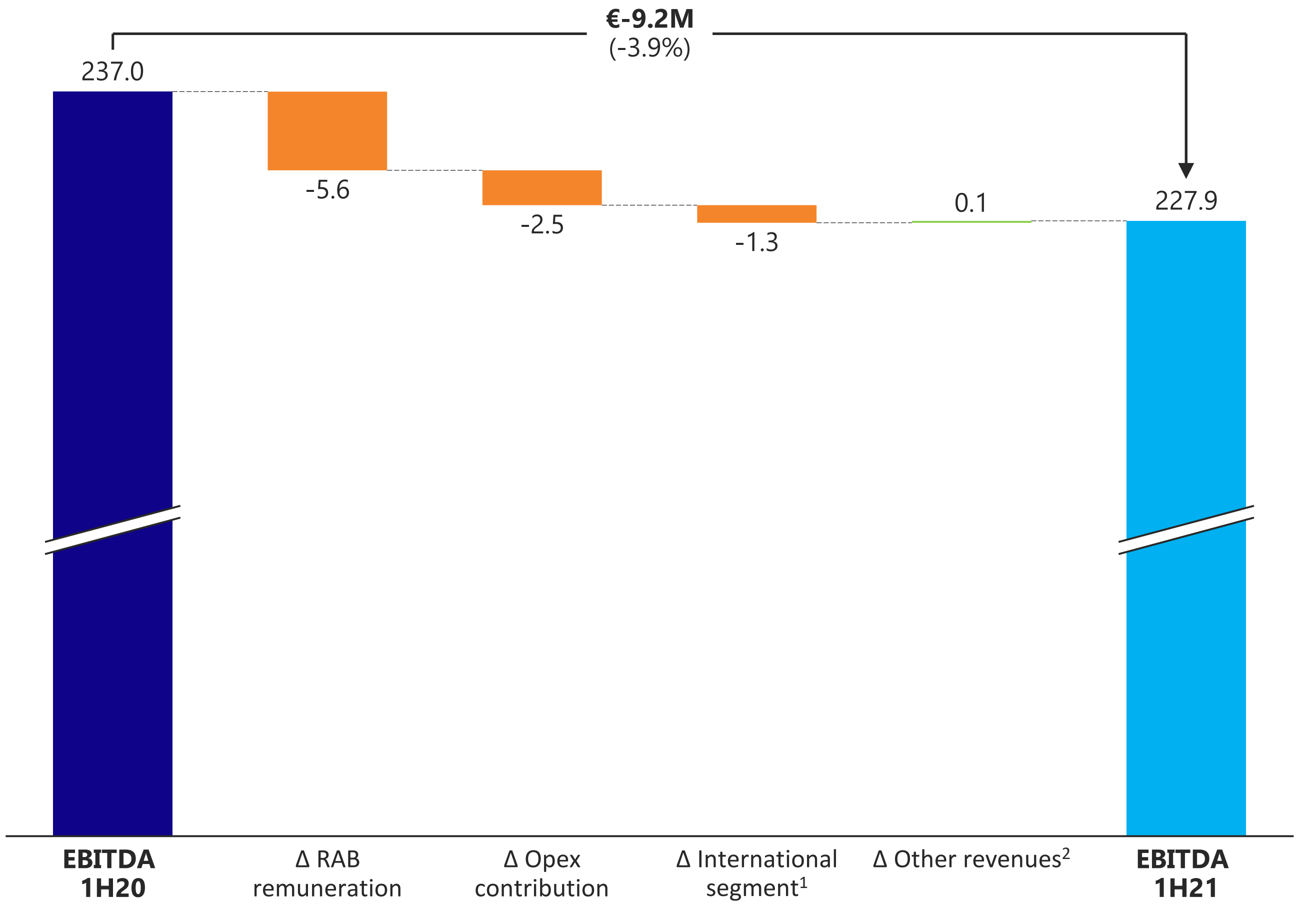
1H20: **€2,839.9M**

1 Refers only to Domestic RAB

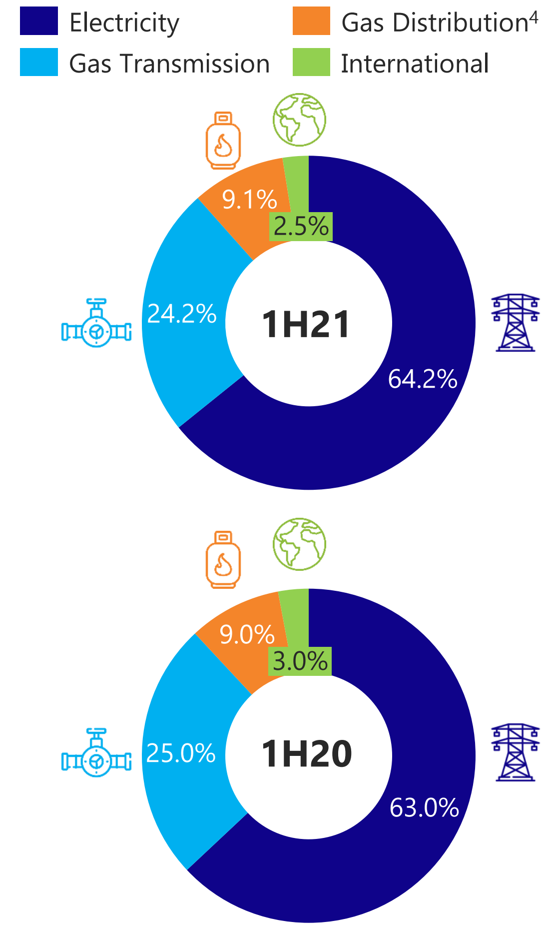
CONSOLIDATED VIEW

EBITDA reduction mostly due to lower RAB, remuneration rates and greater OPEX costs

EBITDA evolution breakdown €M



EBITDA contribution by business segment³ %

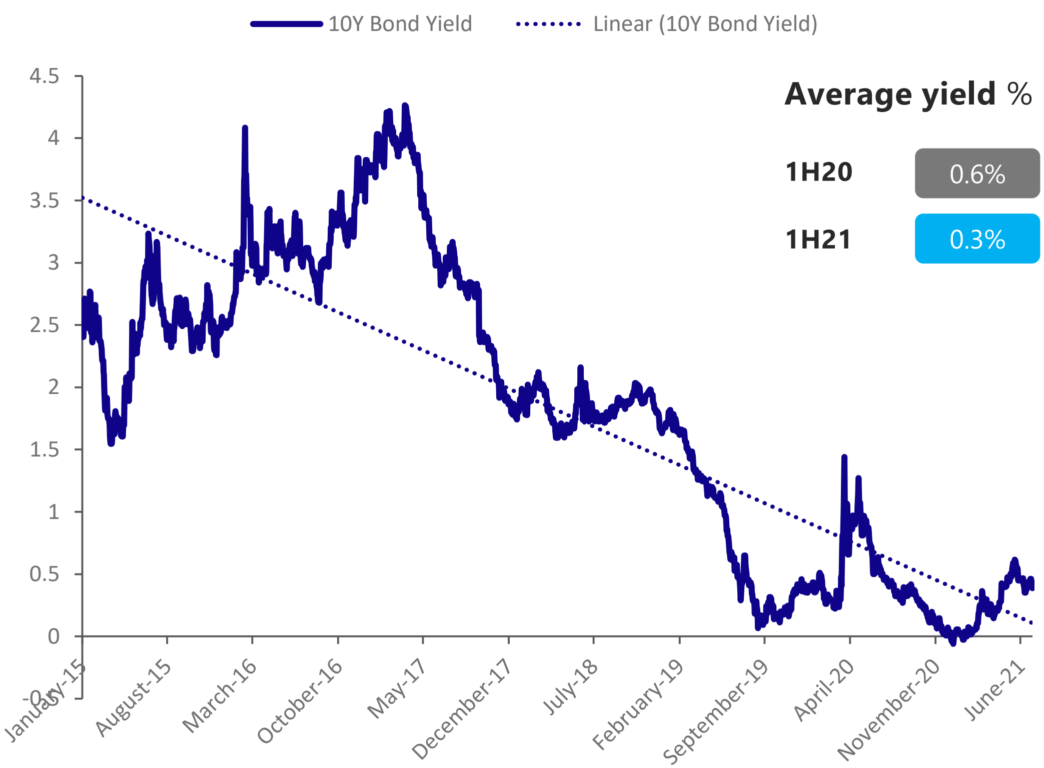


1 Includes Apolo SpA and Aerio Chile SpA costs | 2 Includes amortizations recovery, subsidies amortization, REN Trading incentives, telecommunication sales and services rendered, interest on tariff deviation, consultancy revenues and other services provided, OMIP and Nester results | 3 Excludes the segment "Other", which includes REN SGPS, REN Serviços, REN Telecom, REN Trading, REN PRO and REN Finance B.V. | 4 Refers to Portgás

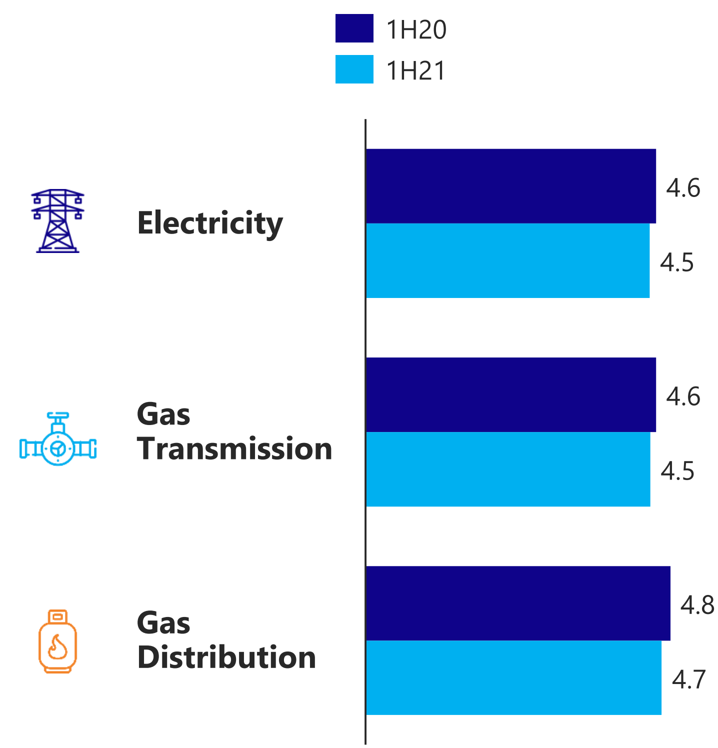
DOMESTIC BUSINESS

Return on RAB stable relatively to last year, with regulatory WACC at the set floor

Portuguese 10Y Treasury Bond Yields %



Base Return on RAB (RoR)* %

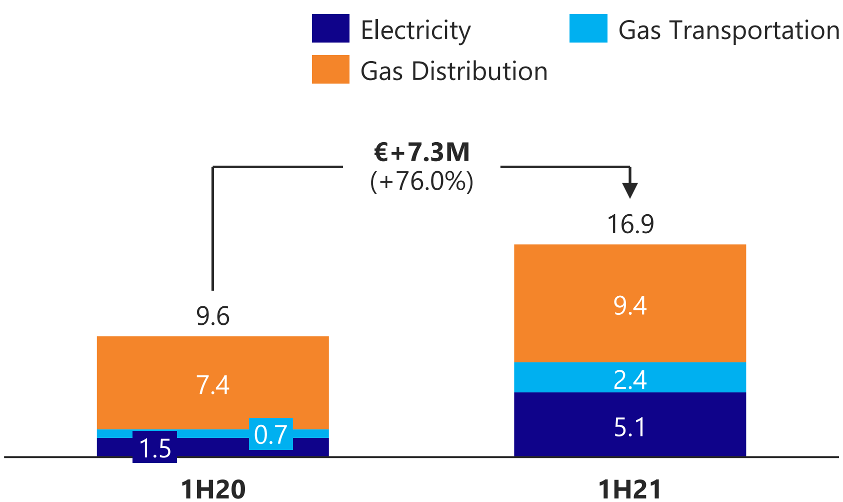


SOURCE: Bloomberg; REN
* Electricity regulatory period: from Oct-20 to Sep-21, Gas regulatory period: from Jan-21 to Dec-21

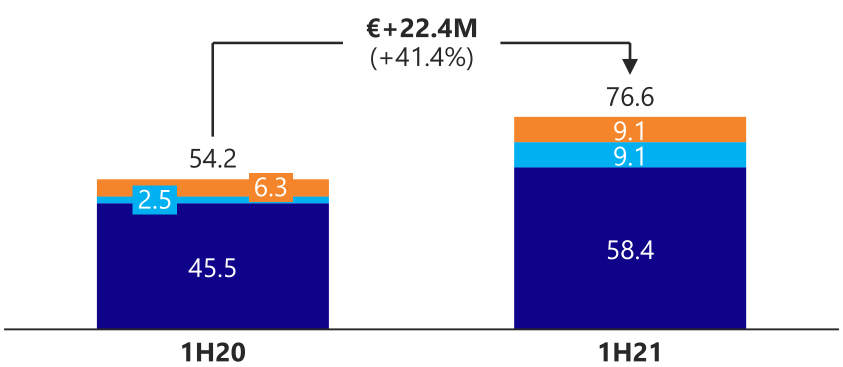
DOMESTIC BUSINESS

Transfers to RAB and CAPEX increased despite the ongoing pandemic

Transfers to RAB €M



Capex €M



Key highlights

Electricity

Main investment projects:

- New 60 kV bay at Castelo Branco substation, to reinforce the transmission grid;
- New 400 kV Fundão - Falagueira axis through the extension of the current Falagueira - Castelo Branco line to Fundão and construction of a new 400/200kV substation
- The installation of new composite insulators on the Carregado – Fanhões 2 overhead line, at 220 kV, as well as anti-corrosion protection.

Gas Transmission

Main investment projects:

- Pipeline Network: GRMS heating systems and safety valves replacement as this equipment was at the end of its useful life

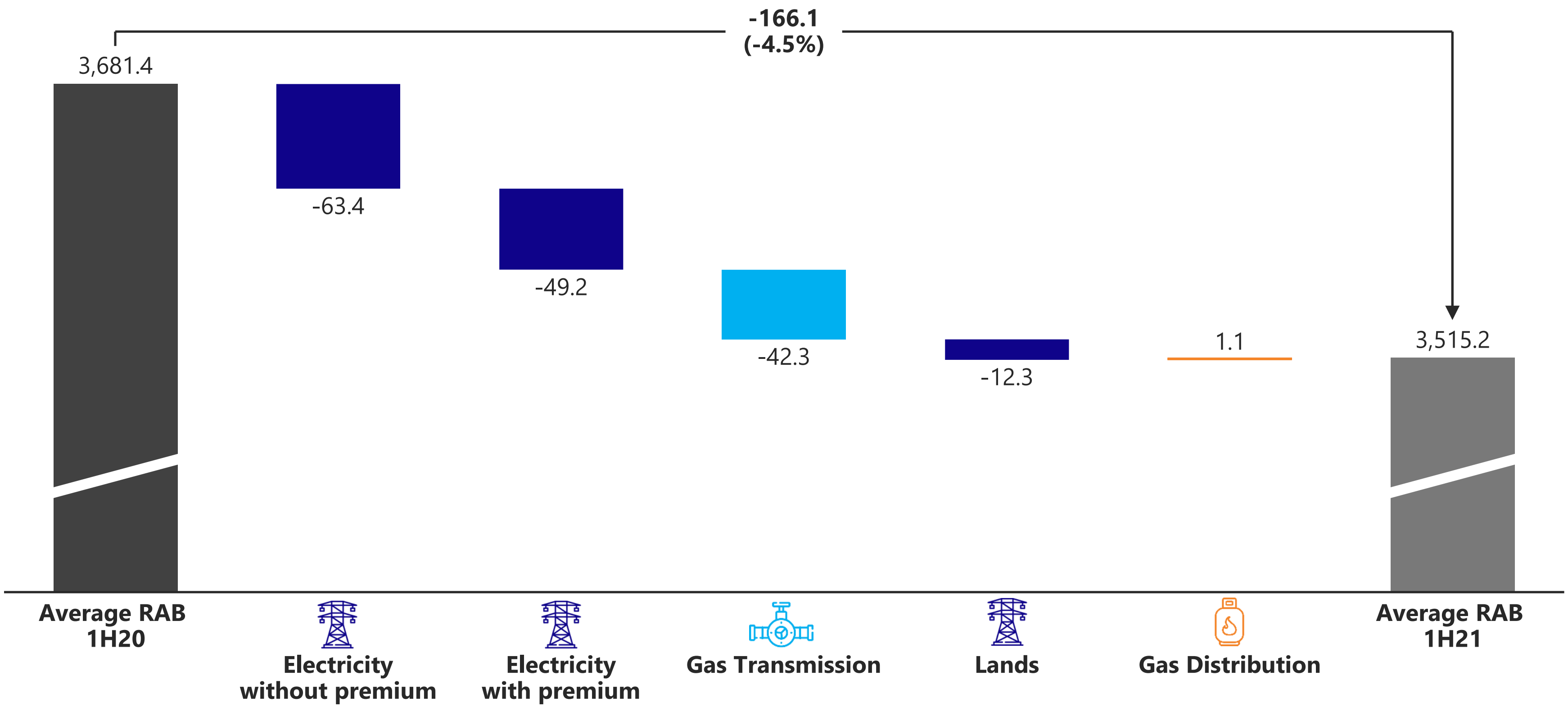
Gas Distribution

- Steady developments on the network expansion and densification, aiming at reaching new points of consumption (**B2C**)
- **B2B** is perceived as an anchor for network development, with 32 more clients connected in 1h2021 and constantly searching for ways to reinforcing it through mass market connections
- Licensing of **3 big projects** with Capex execution expected to occur in 2H 2021

DOMESTIC BUSINESS

Decrease in RAB in most asset categories with Gas distribution being the exception

Average RAB evolution €M

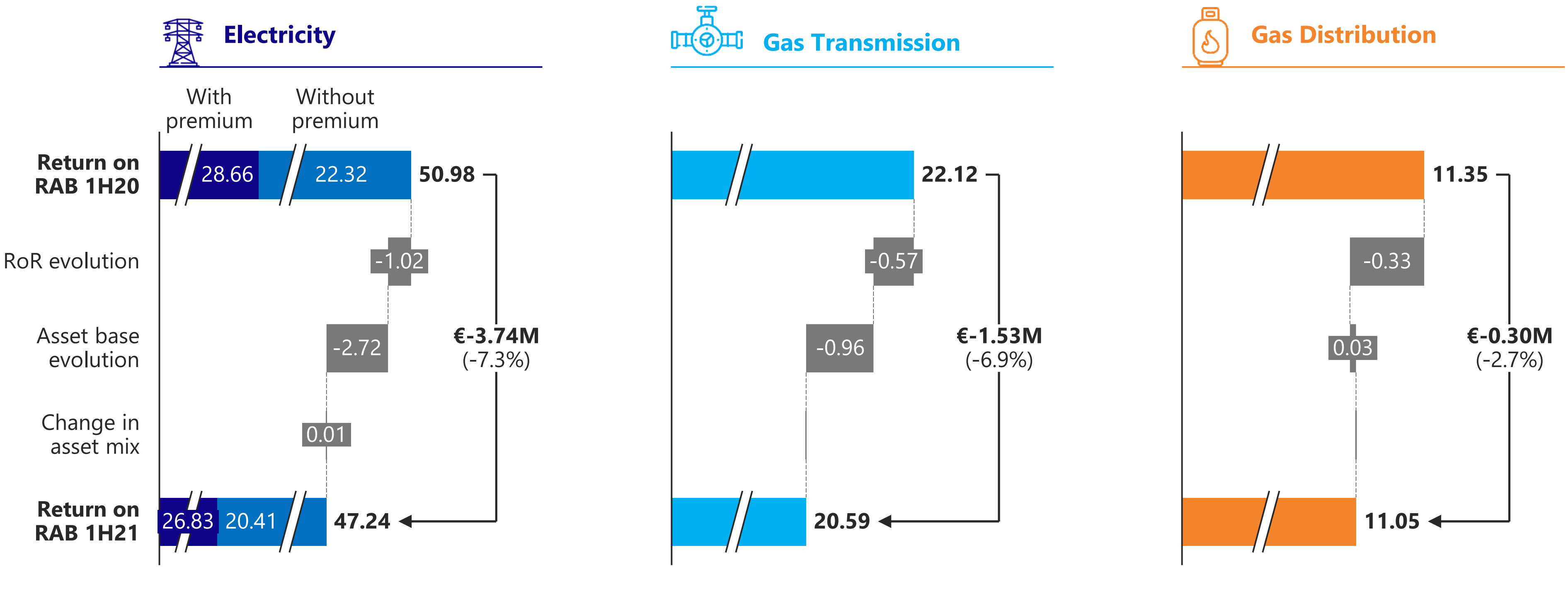


	Average RAB 1H20	Electricity without premium	Electricity with premium	Gas Transmission	Lands	Gas Distribution	Average RAB 1H21
RoR %	4.6	4.5	5.3	4.5	0.3	4.7	4.5

DOMESTIC BUSINESS

RAB remuneration decreased across all businesses, but more sharply in electricity, driven by the decrease in the asset base

Return on RAB evolution breakdown €M



Return on RAB fell due to a **smaller asset base** (by €112.7M to €1,925.3M) and **lower rate of return on assets** with and without premium[1]

Decline in Return on RAB attributed to a **smaller asset base** (by €42.3M to a total of €911.2M) and a **lower RoR** of 4.52% (-12bps)

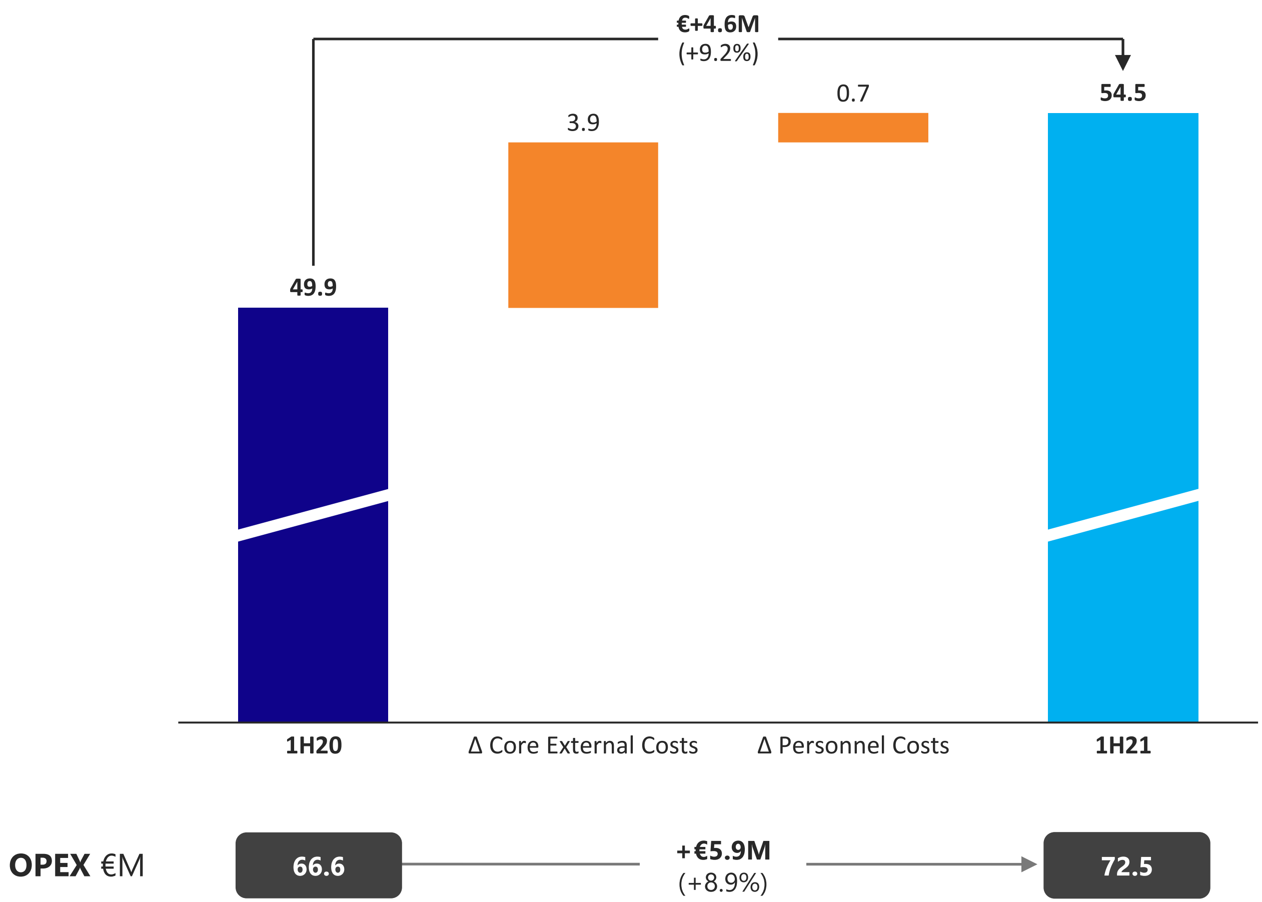
Return on RAB reduction justified by a **lower rate of return** (from 4.84% to 4.72%) and practically same **asset base** (+€1.1M to a total of €470.1M)

1 From 5.36% to 5.26% for assets with premium, and from 4.61% to 4.51% for assets without premium

DOMESTIC BUSINESS

OPEX increased by 8.9% YoY, with core OPEX rising 9.2%

Core OPEX[1] evolution €M



Key highlights

Core external costs

- Consultancy services and other 3rd party services (+€1.5M), mostly related to strategic plan and bond issuance
- Insurance costs (+1.0M€)
- Electricity costs (+0.9M€) in LNG terminal

Non-core costs

- Pass-through costs (costs accepted in the tariff) **increased by €1.3M**, of which €0.7M correspond to **costs with cross-border and system services costs** and **1.0M€ to cost with NG transportation**

1 Calculated as OPEX minus pass-through costs (e.g., ITC mechanism, NG transportation costs, ERSE costs and subsoil occupation levies)

INTERNATIONAL BUSINESS

Solid performance in Chile despite lower revenues

Contribution to EBITDA 1H21 €M

	€M	Share in REN total %	1H20 contribution €M
REN International	6.0	2.7	7.3
Transemel (100%)	3.2	1.4	3.3
Electrogas (42.5%)	2.9	1.3	4.0

Contribution to Capex 1H21 €M

	€M	Share in REN total %	1H20 contribution €M
REN International	2.7	3.4	6.4
Transemel (100%)	2.7	3.4	6.4
Electrogas (42.5%)	N/A	0.0	N/A

Key highlights

Transemel, Chile

- **Revenues decreased YoY** mainly driven by the negative impact of the ongoing tariff review and delays in transfers to operation

Revenues

€4.7M ↓ €0.4M (7.1%)

1H20: **€5.1M**

EBITDA

€3.2M ↓ €0.2M (5.6%)

1H20: **€3.3M**

Electrogas, Chile

- **EBITDA decreased YoY,** driven by the end of the take-or-pay contract with Colbún in March of 2021 and lower available capacity of Argentinian gas

Revenues

€13.4M ↓ €3.4M (20.4%)

1H20: **€16.8M**

EBITDA

€11.7M ↓ €3.6M (23.6%)

1H20: **€15.3M**

CONSOLIDATED VIEW

Strong improvement in Financial Results, as the cost of debt maintained its decreasing trend

Depreciation & Amortization

€120.2M ↑ €0.5M (0.4%)

1H20: **€119.7M**

Increase of €0.5M versus 1H20, reflecting the evolution of gross assets

Financial results

-€18.0M ↑ €3.4M (15.8%)

1H20: **-€21.4M**

Higher financial results (+€3.4M) reflecting **the decrease in the average cost of debt** of 0.28 p.p. to 1.6%, lower net debt and higher dividends from HCB (€1.3M), despite lower dividends from REE (-€0.3M)

Taxes

€50.1M ↑ €0.2M (0.5%)

1H20: **€49.8M**

Total taxes include the **extraordinary levy of €27.1M** (€28.2M in 1H20) and **income tax which grew by** €1.3M to €23.0M, partially offset by the decrease in EBT (-€6.3M)

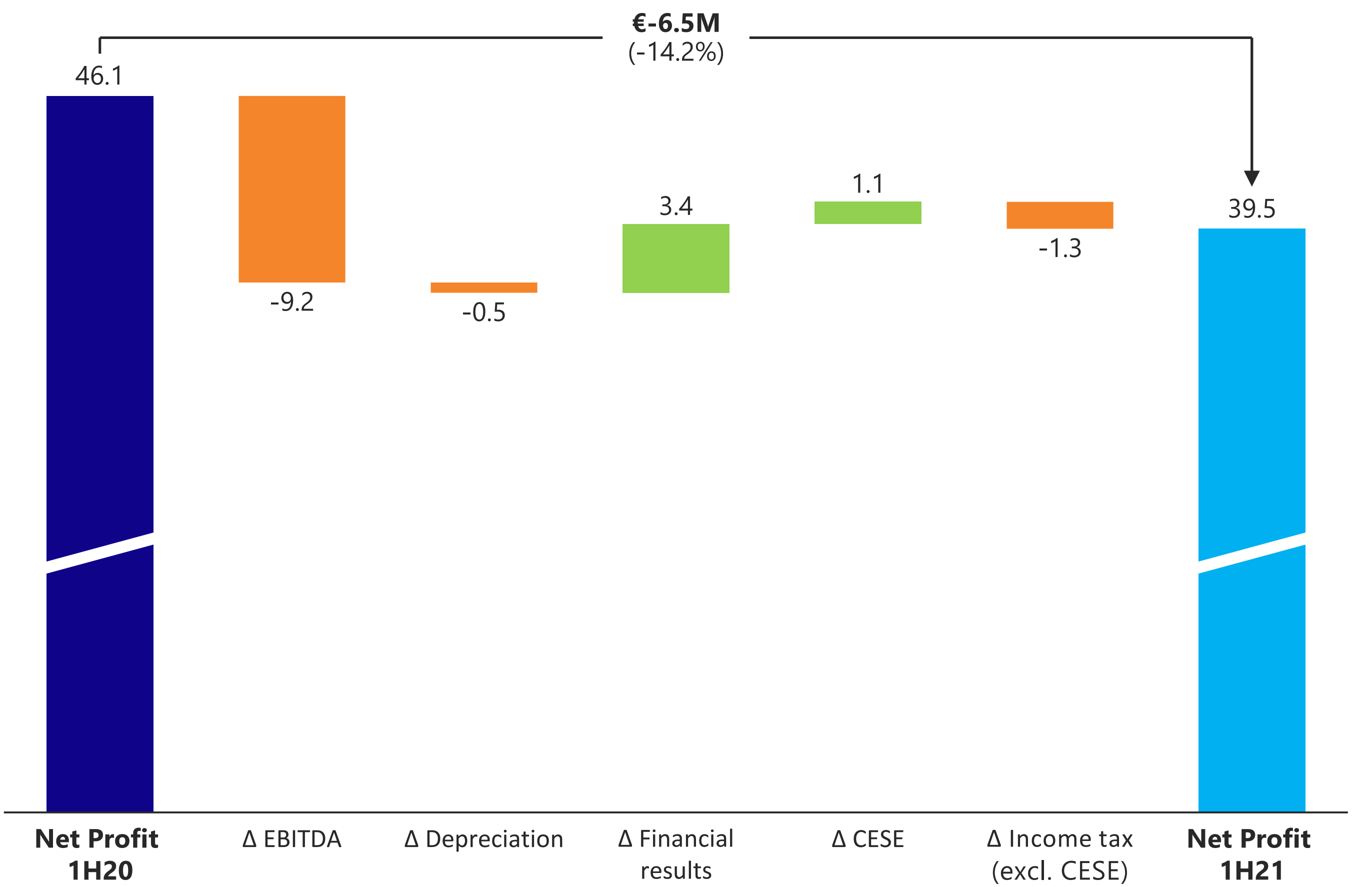
Effective tax rate reached 40.8%, a 3.5 p.p. increment relatively to 1H20 (including the levy)

Increase in the effective tax rate vs 1H20 reflecting the different gains with the recovery of previous years taxes in 1H20 (€4.7M) and 1H21 (€2.3M)

CONSOLIDATED VIEW

Net Profit decreased as a result of lower EBITDA, partially offset by higher financial results

Net profit evolution breakdown €M



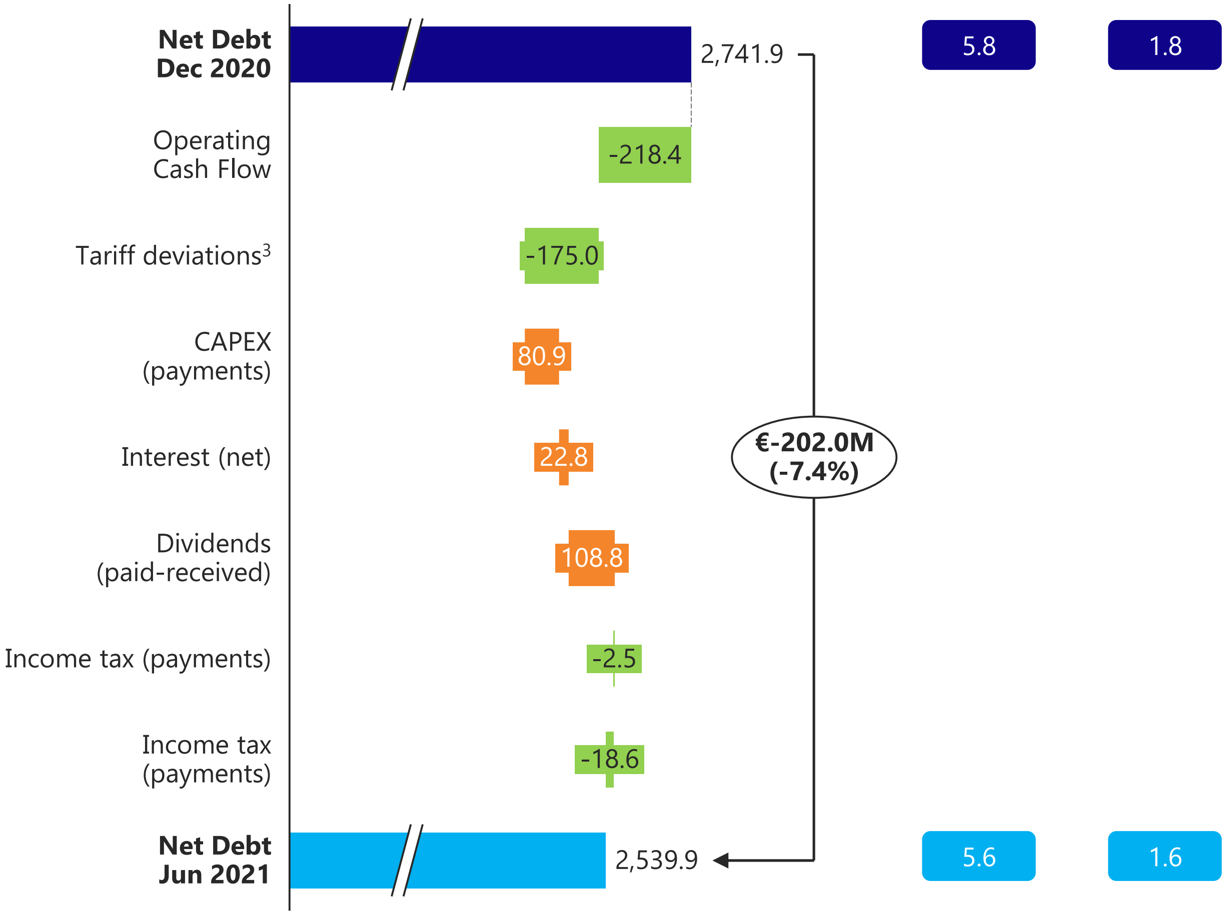
Key highlights

- The **Positive effect** of €3.4M from **Financial Results** as a consequence of better market conditions and higher dividends from associates (Δ€1.3M)
- **Lower CESE charges** (Δ€-1.1M), reflecting the reduction of the asset base
- Decrease in **tax recovery** from previous years (Δ€-2.4M)

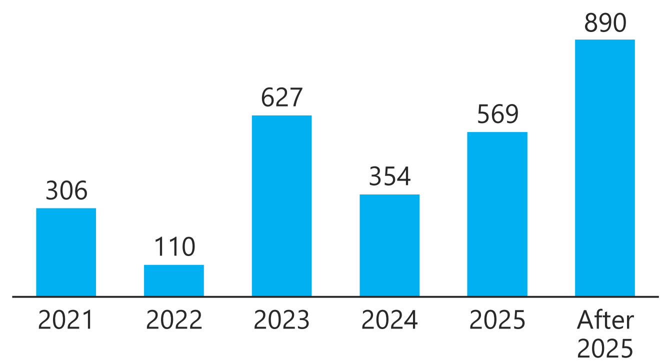
CONSOLIDATED VIEW

Net Debt improvement due to a higher operating cash flow and positive tariff deviations

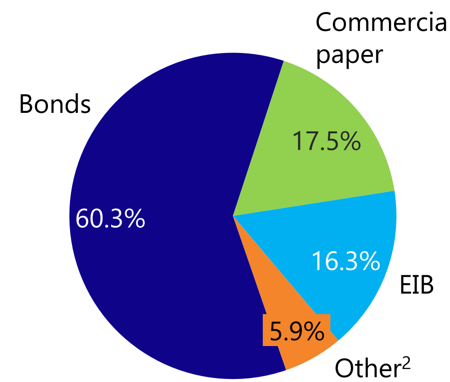
Net debt evolution €M



Adjusted Gross Debt Maturity[1] €M



Debt sources %

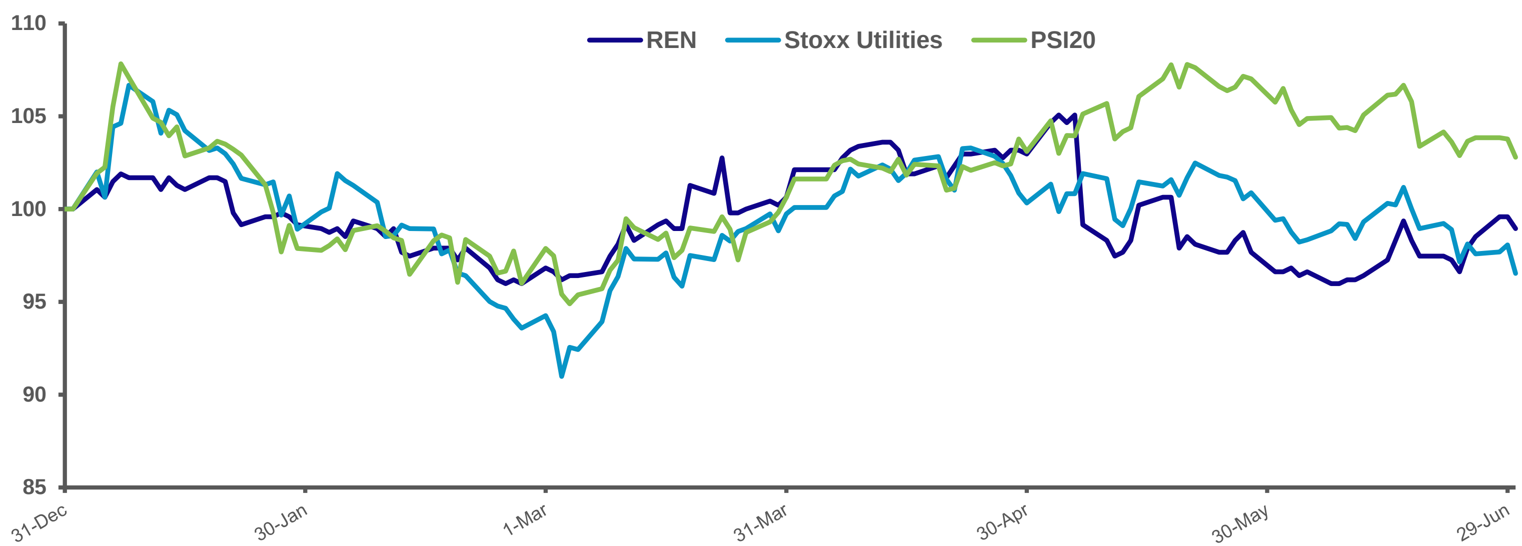


1 Calculated as Net Debt plus Cash, bank deposits and derivative financial instruments (€323M), excluding effects of hedging on yen denominated debt, accrued interest and bank overdrafts | 2 Includes loans (5.7%) and leasing (0.2%) | 3. Includes amounts received from the Fund for Systemic Sustainability of the Energy Sector (FSSSE)

SHARE PRICE & SHAREHOLDER RETURN

The share price moved in line with the Portuguese index

Annualized closing prices %



	% TSR 1H21	% TSR 1H20
PSI20	6.3	-13.7
REN	6.2	-4.4
Stoxx Utilities	-0.8	2.2

Analyst recommendations[1]

Average Price target

€2.60 ⬇ €0.19 (6.8%)

1H20: **€2.79**

Upside/Downside (+/-)

10.6% ⬆ 2.5pp

1H20: **8.1%**

Buy recommendations

50.0% ⬇ 12.0pp

1H20: **58.0%**

Hold recommendations

50.0% ⬆ 8.0pp

1H20: **42.0%**

1 End of period
SOURCE: Bloomberg, REN

3. Closing remarks

CLOSING REMARKS

Focus on strengthening of financials and a sustainable shareholders return

As expected, **EBITDA** was lower as a result of **reduction in RAB remuneration**, which was driven by a decrease in both RAB and remuneration rates, as well as a **downturn in OPEX contribution**.

Net Profit stood at €39.5M mainly because of the EBITDA performance. Nevertheless, the positive impact from Financial Results mitigated this decline.

A lower **Net debt** was the result of a **higher operating cash flow** and **tariff deviations surpassing the outflows** resulting from investment and financing activities.

On the 14^{th} of May REN hosted its **Capital Markets Day** where it presented its strategy for the 2021-2024 period **focused on energy transition** and an unwavering objective of achieving **carbon neutrality by 2040**.

The 2021-2024 Strategic Plan also provides guidance on the company‘s financing policy that will increasingly be focused on green bonds.

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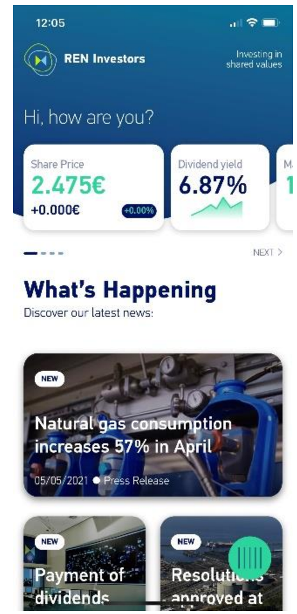

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