Results Presentation

2021

24th March 2022

AGENDA

1. Overview of the period

2. Business performance

3. 2021-2024 Strategic Plan execution & Outlook

4. Shaping a sustainable future

5. Closing remarks

1. Overview of the period

KEY MESSAGES

2021

EBITDA achieved €460.8M, **a decline of 2.0% YoY.** This result was driven by: (1) the reduction in both **RAB and remuneration rates**(-€3.4M); (2) a **decline in IREI** (Incentive for Economic Efficiency of Investment) of -€5.1M and (3) a negative contribution from OPEX, due to higher electricity costs.

International business performance improved by +€0.1M, due to the strong performance of Transemel (+€1.4M).

Net Profit reached €97.2M (a decline of 11.1% versus 2020), mostly due to a lower EBITDA and an increase in Income Tax, partially compensated by **higher financial results** (gain of €4.2M to -€42.6M).

Capex increased by €73.8M (vs €173.3M in 2020), while transfers to RAB soared to €309.1M, an increase of €229.5M, as a result of the electricity transmission business (+€208.6M). Strong consolidation of transfers as 2020 had several projects delayed due to the pandemic.

Definition of renewed and ambitious ESG targets, with a commitment to achieve carbon neutrality by 2040. Issuance of REN's first green bond.

Renewable energy sources (RES) reached **59.2%** of total supply (approx.+0.7pp than in 2020). Electricity **consumption increased** by 1.4% whilst **natural gas consumption fell** by 4.6% due to a decrease in natural gas use for electricity generation (-9.7%).

The **levels of service quality** remained **high**. The level of energy transmission losses stayed in accordance with the figure for the previous year and in line with other TSOs best practices, while the **gas transmission combined availability rate** reached almost 100%.

SECTOR OVERVIEW

New Regulatory Model for the Electricity Sector

New regulatory period for the electricity sector

- ERSE published the final "Tariffs and Prices for Electricity in 2022 and parameters for 2022-2025 regulatory period", on the 15th December.
- A new regulatory model is defined with **a revenue cap methodology applied to the controllable TOTEX of electricity transmission**. However, **assets pre-2022 are still eligible under the previous reference cost mechanism methodology** (keeping the 0.75% premium over Base RoR and still recording the corresponding asset D&A recovery and the gain on RAB as revenue).
- The regulator defined the **Rate of Return** applicable to the next regulatory period 2022-2025 with a **base rate of 4.4%**, considering 0.302% for the Portuguese 10Y Treasury bonds. Under the indexation mechanism a variation of 1 pp of the Portuguese 10YTB implies a variation of 0.3 pp in the RoR. The minimum is set at 3.7% and the maximum at 7%.
- For the years 2023 to 2025, the **efficiency factor** for both TEE and GGS activities are set to 1.5%.
- ERSE introduced **two new incentive mechanisms**:
  - **Incentive to Improve Technical Performance (IMDT)** - Promotion of an adequate network performance, based on performance metrics and ranging between -€20M to +€20M. Not to be included in the Efficiency Sharing Mechanism
  - **Efficiency Sharing Mechanism** - a mechanism under which the positive or negative spread from the defined reference return is shared / recovered at the end of the regulatory period (cumulative sharing ratios 0%; 50% and 100% as the spread grows).

New National Electricity System Law

- Following the government's public consultation which ended in November 2021, the new Law-Decree n.º 15/2022 was published on the 14th of January 2022, regarding the organization and functioning rules of the National Electricity System (SEN). **The new law acts on five axes: i) production licensing; ii) network planning; iii) competitive mechanisms to access SEN activities; iv) giving consumers an active role in the system; and v) allowance to innovative technologies**.

Energy Transition

- **REN applied to the Portuguese Recovery and Resilience Plan (PRR) and had two projects selected for the final phase:** (i) the H2 Green Valley project, for the development of a Green H2 ecosystem in Sines, and (ii) the High Power Mobility project, for implementation of 8 pilot projects using the solution for electric charging through the Transmission Grid patented by REN.

  REN projects have an estimated total investment of €52M (of which €37.5M to be made by REN) and €23M (of which €13.5M to be made by REN), respectively. Final Proposals will be submitted at the beginning of April 2022.

  Following the impacts of the pandemic, the European Commission created the Next Generation EU, a recovery instrument, from which the Recovery and Resilience Facility is developed, which includes the PRR.

2. Business performance

BUSINESS HIGHLIGHTS

REN

High quality of service in Portugal, in a context of increasing electricity consumption and greater share of renewables supply

Electricity

Consumption

49.5TWh ↑ 0.7 TWh (1.4%)

2020: **48.8TWh**

Energy transmission losses

2.0% ↑ 0.1pp

2020: 1.8%

Line length

9,348km ↑ 312km (3.5%)

2020: **9,036km**

Renewables in consumption supply

59.2% ↑ 0.7pp

2020: **58.5%**

Average interruption time

0.05min ↑ 0.02min (65.3%)

2020: **0.03min**

Gas Transmission

Consumption

63.8TWh ↓ 3.0TWh (4.6%)

2020: **66.9TWh**

Combined availability rate

99.9% ↓ 0.1pp

2020: **100.0%**

Line length

1,375km = 0km (0.0%)

2020: **1,375km**

Gas Distribution

Gas distributed

7.6TWh ↑ 0.3TWh (4.3%)

2020: **7.3TWh**

Emergency situations with response time up to 60min

98.3% ↓ 0.4pp

2020: **98.7%**

Line length

6,118km ↑ 221km (3.7%)

2020: **5,897km**

NOTE: These figures are representative of the Portuguese activities alone

FINANCIAL HIGHLIGHTS

Solid contribution from Financial Results and strong improvement in CAPEX and Net Debt, nonetheless EBITDA and Net Profit decreased

EBITDA

€460.8M ↓ 9.3 (2.0%)

2020: **€470.2M**

Financial results

-€42.6M ↑ 4.2 (8.9%)

2020: **-€46.8M**

Net Profit

€97.2M ↓ 12.1 (11.1%)

2020: **€109.2M**

CAPEX

€247.1M ↑ 73.8 (42.6%)

2020: **€173.3M**

Average RAB[1]

€3,602.8M ↓ 32.2 (0.9%)

2020: **€3,635.0M**

Net Debt

€2,362.0M ↓ 380.0 (13.9%)

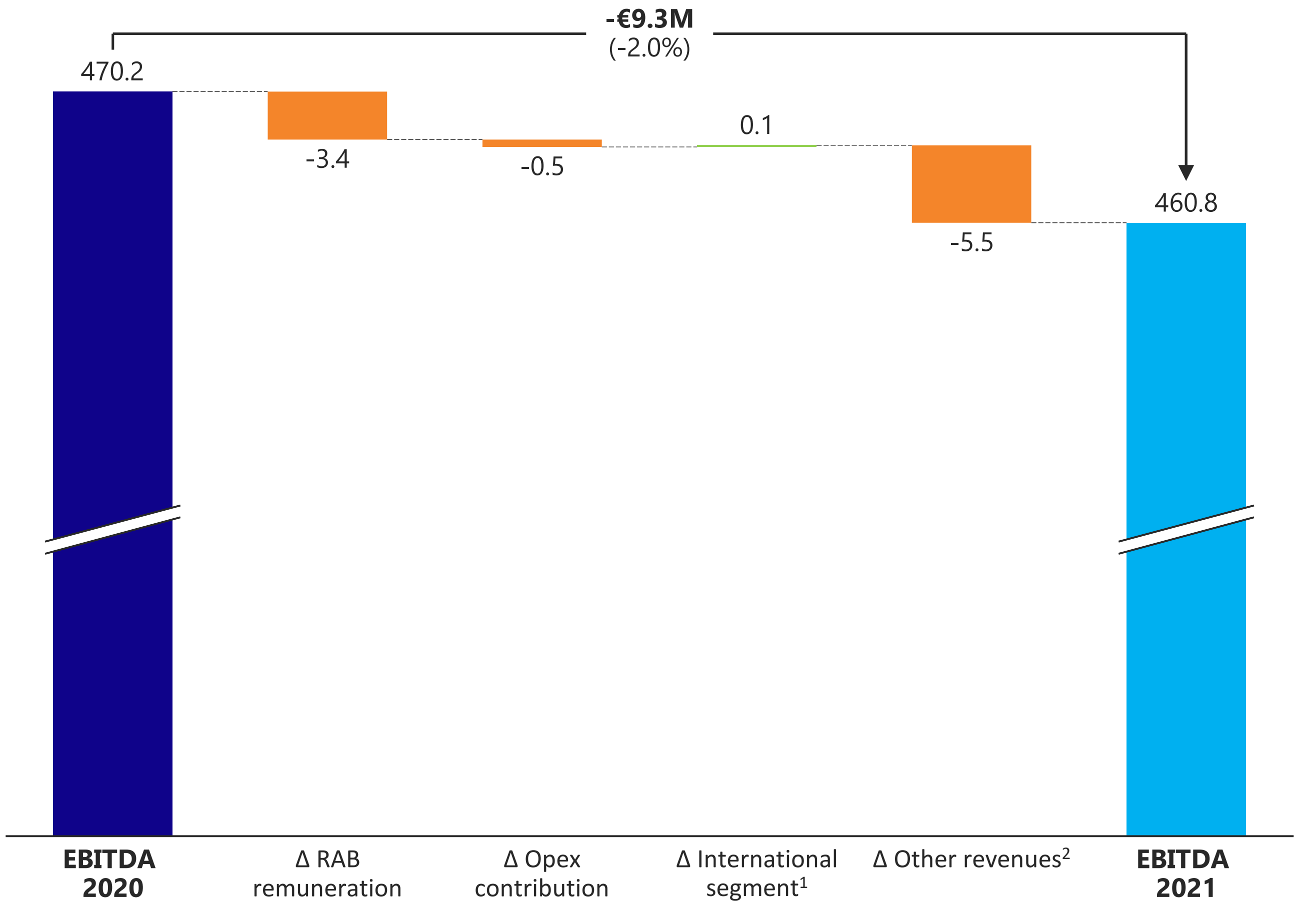
2020: **€2,741.9M**

1 Refers only to Domestic RAB

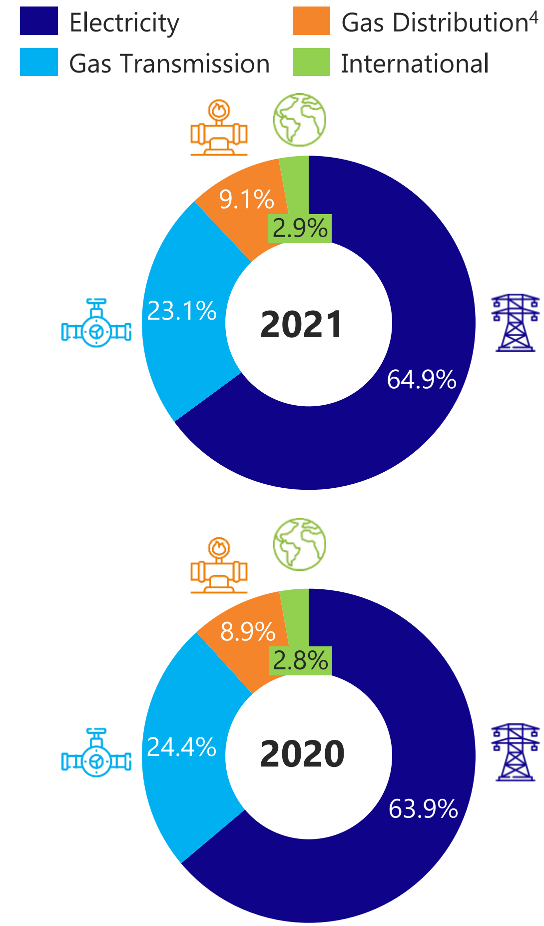
CONSOLIDATED VIEW

Decline in EBITDA mostly due to lower RAB remuneration and decrease in IREI incentive

EBITDA evolution breakdown €M



EBITDA contribution by business segment[3] %

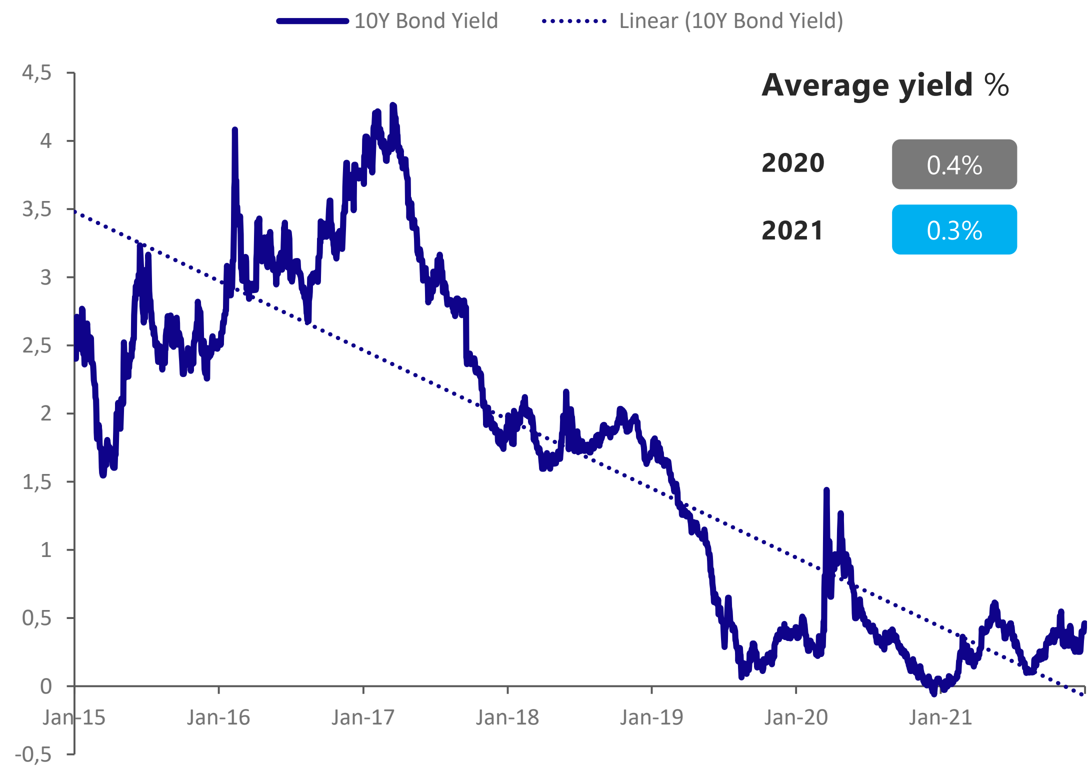


1 Includes Apolo SpA and Aerio Chile SpA costs | 2 Includes Incentive for the economic rationalization of investments, amortizations recovery, subsidies amortization, REN Trading incentives, telecommunication sales and services rendered, interest on tariff deviation, consultancy revenues and other services 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

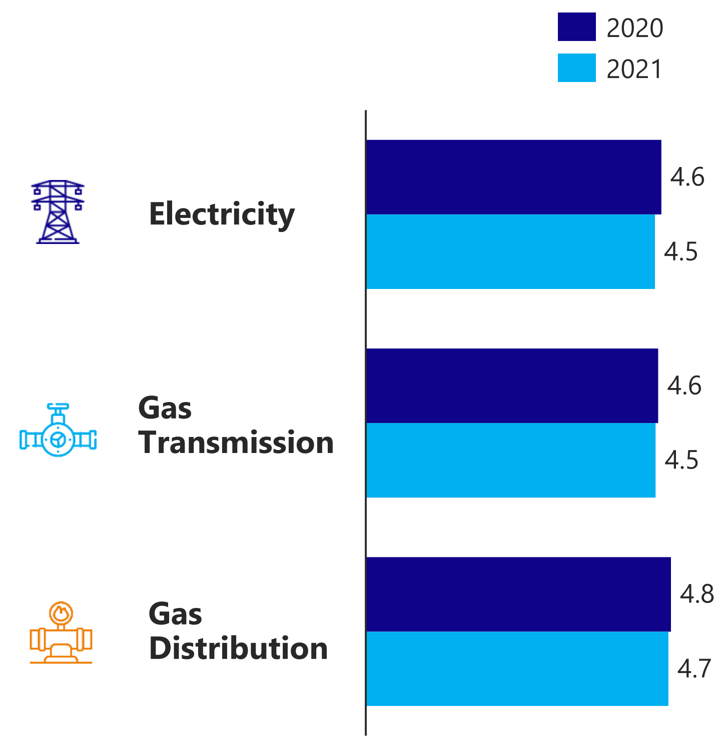
DOMESTIC BUSINESS

Slight reduction of Base Return on RAB, driven by the descendent trend in the Portuguese bond yields

Portuguese 10Y Treasury Bond Yields %



Base Return on RAB (RoR)* %

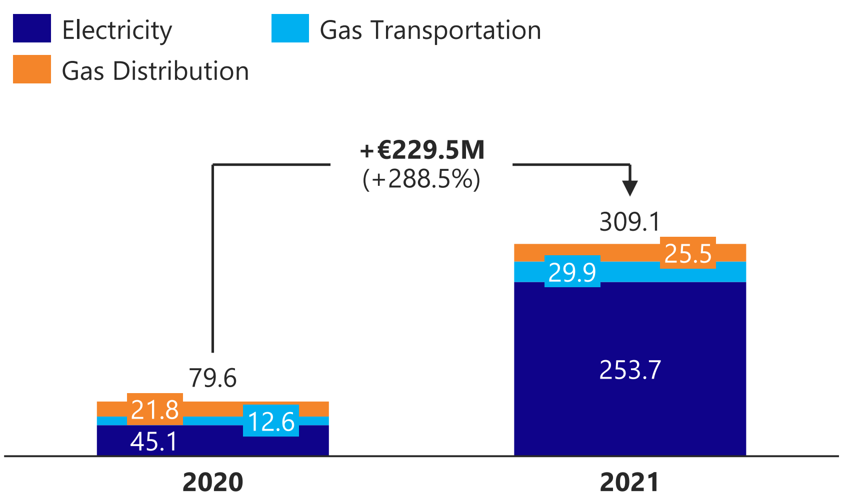


SOURCE: Bloomberg; REN
* Electricity data collected from Oct-20 to Sep-21. Gas data collected from Jan-21 to Dec-21

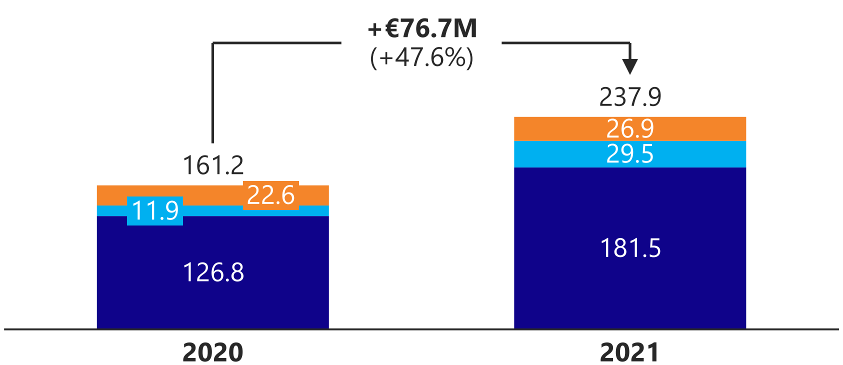
DOMESTIC BUSINESS

Strong consolidation of Transfers to RAB and Capex YoY

Transfers to RAB €M



Capex €M



Key highlights

Electricity

Main investment projects

- 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;
- Passage at 400 kV of the Falagueira - Estremoz - Divor - Pegões axis, allowing, among others, the supply of electricity to the railway line between Évora and Elvas / Caia;
- 400 kV axis between Vieira do Minho - Ribeira de Pena-Feira: new axis will allow the connection and reception of capacity of Alto Tâmega hydroelectric power plant;

Gas Transmission

Main investment projects

- Carriço Storage: Water Firefighting System upgrade;
- Pipeline Network and Sines Terminal: replacement and upgrade of equipment and systems at the end-of-life;

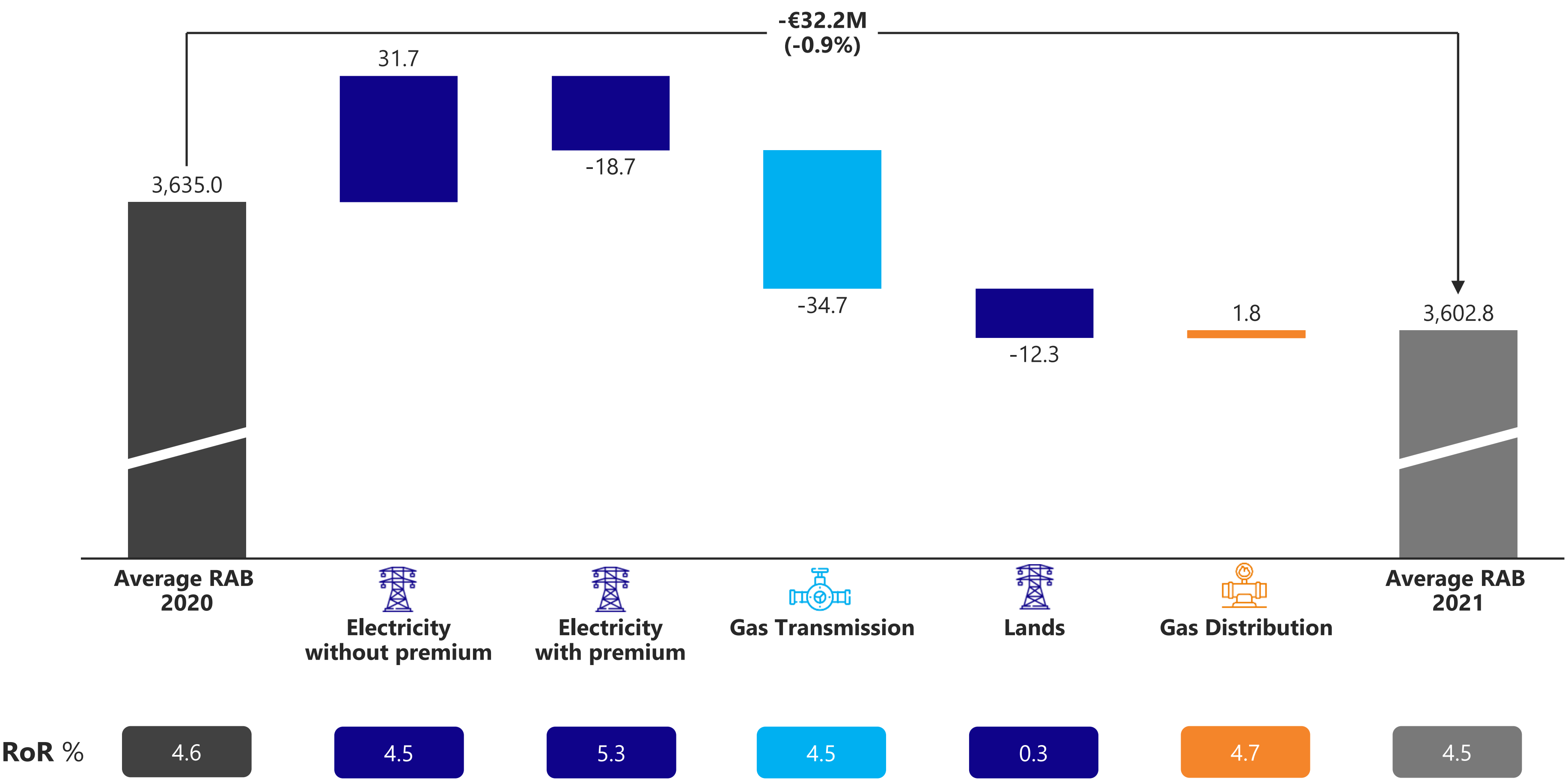
Gas Distribution

- Investments in network expansion and densification, mostly for B2C, with new prospects for B2B investments continuing to be monitored, counting with 60 more clients connected in 2021;
- Licensing of one big project with Capex execution in 2022 (Paredes de Coura).

DOMESTIC BUSINESS

Slight decrease in RAB, partially offset by the improvement in Electricity

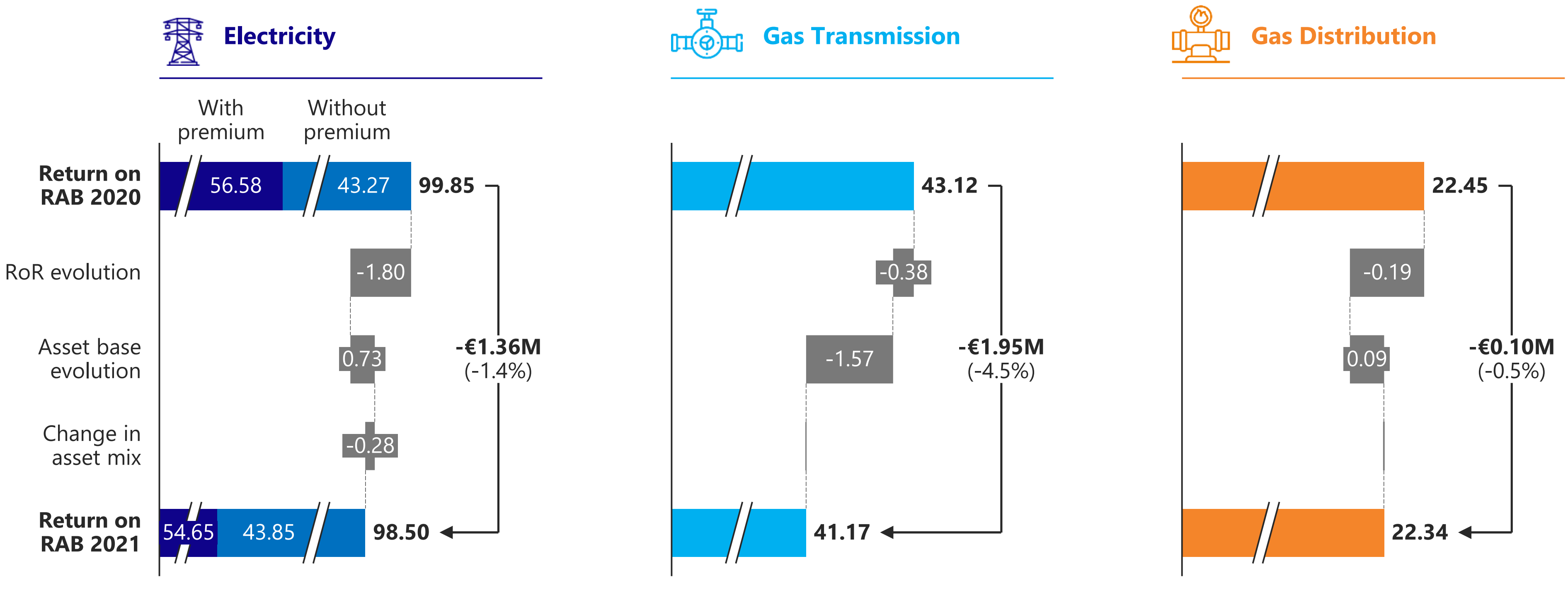
Average RAB evolution €M



DOMESTIC BUSINESS

RAB remuneration decreased across all businesses driven by a lower RoR

Return on RAB evolution breakdown €M



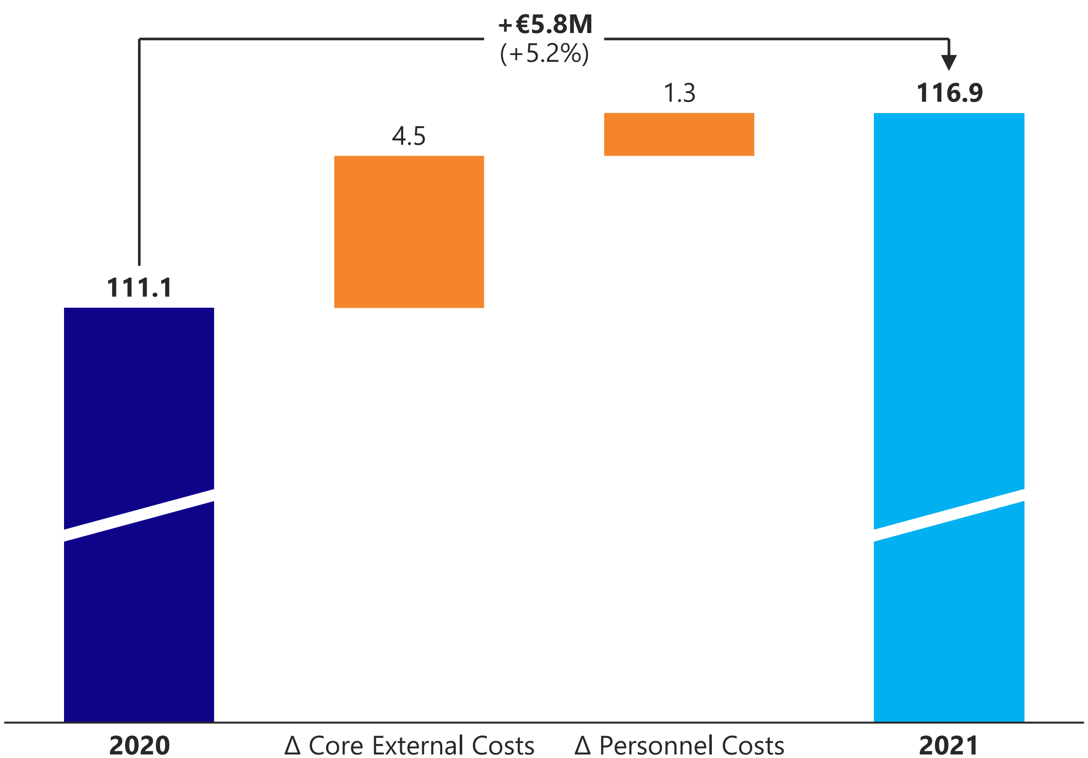
- Return on RAB drop caused by a **lower rate of return on assets** with and without premium[1] **despite a higher asset base** (increased by €13.0M to €2,013.0M)
- Decline in Return on RAB justified by a **smaller asset base** (by €34.7M to a total of €910.8M) and a **lower RoR** of 4.52% (-4bps)
- Return on RAB reduction attributed to a **lower rate of return** (from 4.76% to 4.72%) despite a **higher asset base** (+€1.8M to a total of €473.4M)

1 From 5.35% to 5.26% for assets with premium, and from 4.60% to 4.51% for assets without premium

DOMESTIC BUSINESS

OPEX increased by 10.4% YoY, with core OPEX rising 5.2%

Core OPEX[1] evolution €M



OPEX €M

142.4 → +€14.8M (+10.4%) → 157.1

Key highlights

Core external costs

- Electricity costs in LNG terminal (+€5.0M)
- Insurance costs (+€1.8M)

Non-core costs

- Pass-through costs (costs accepted in the tariff) **increased by €9.0M**, of which €5.8M correspond to the **acquisition of necessary gas** attached to the launch of the organized gas market in Iberia **(Mibgás)**, and €2.3M in **costs with cross-border and system services costs**

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

INTERNATIONAL BUSINESS

Improvement in Transemel's contribution to EBITDA off-setting Electrogas slight decline

Contribution to EBITDA 2021 €M

	2021 €M	Share in REN total %	2020 contribution €M
REN International	14.1	3.1	14.0
Transemel (100%)	8.2	1.8	6.8
Electrogas (42.5%)	5.9	1.3	7.2

Contribution to Capex 2021 €M

	2021 €M	Share in REN total %	2020 contribution €M
REN International	9.2	3.7	12.1
Transemel (100%)	9.2	3.7	12.1
Electrogas (42.5%)	N/A	0.0	N/A

Key highlights

Transemel, Chile

- **Revenues increased YoY** reflecting the conclusion of expansion projects in 2020 and 2021

Revenues

€12.1M ↑ €2.0M (19.8%)

2020: **€10.1M**

EBITDA

€8.2M ↑ €1.4M (20.7%)

2020: **€6.8M**

Electrogas, Chile

- **EBITDA decreased YoY,** due to lower revenues (lower tariff and lower transported volume)

Revenues

€28.2M ↓ €3.1M (10.0%)

2020: **€31.3M**

EBITDA

€24.5M ↓ €3.0M (10.8%)

2020: **€27.5M**

CONSOLIDATED VIEW

Solid Financial Results, reflecting the downward trend in cost of debt

Depreciation & Amortization

€241.9 €0.8M (0.3%)

2020: **€241.2M**

- Increase of €0.8M versus 2020, along the evolution of gross assets.

Financial results

-€42.6M €4.2M (8.9%)

2020: **-€46.8M**

- **Positive change in financial results** (+€4.2M) reflecting **the decrease in the average cost of debt** of 0.25 p.p. to 1.6%, lower net debt and greater dividends from HCB (€1.5M), despite reduced dividends from REE (-€0.3M).

Taxes

€79.1M €6.2M (8.5%)

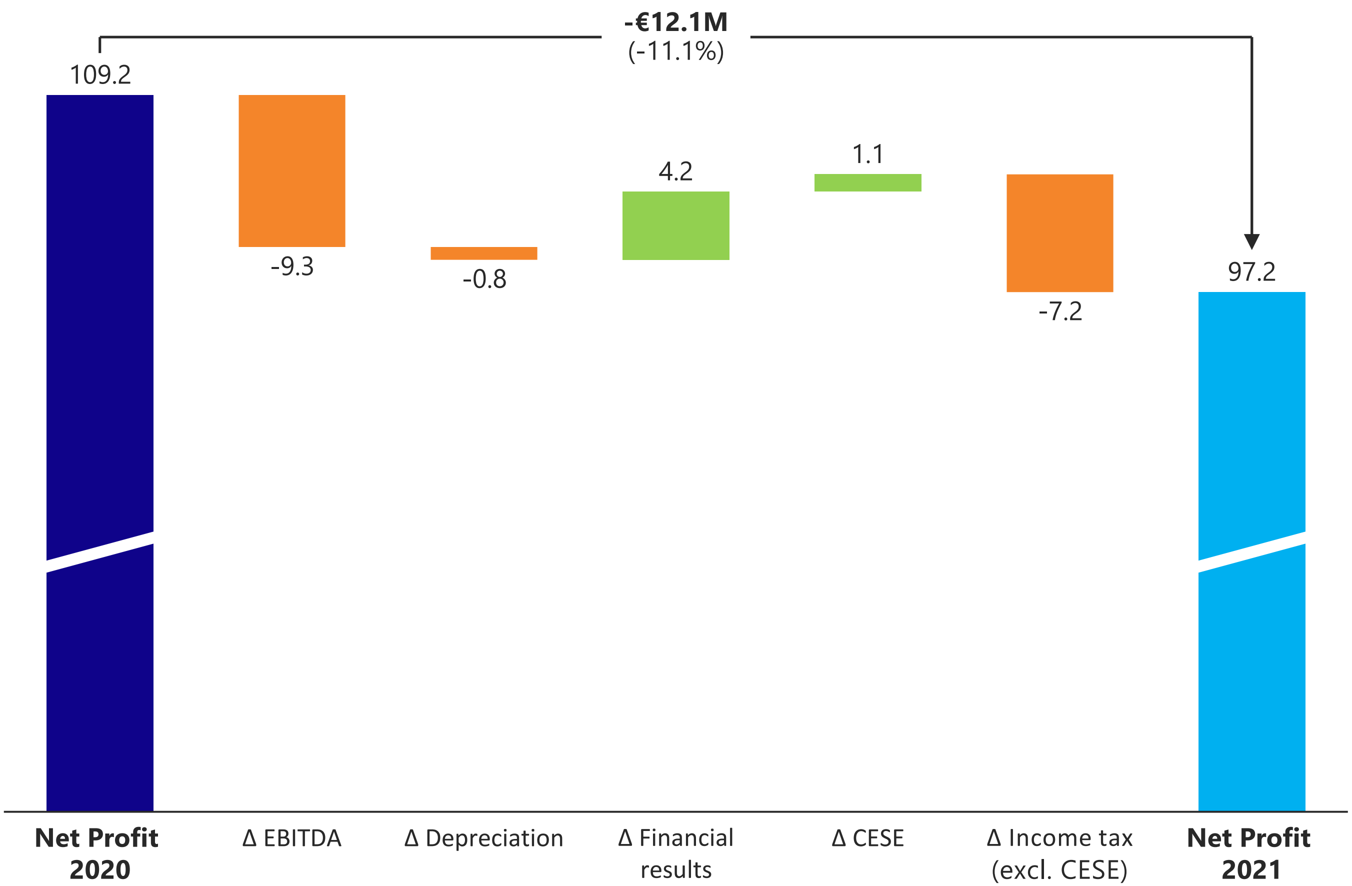
2020: **€73.0M**

- Total taxes include the **extraordinary levy of €27.0M** (€28.1M in 2020) and **income tax which grew by** €7.2M to €52.1M.
- **Effective tax rate reached 44.9%,** a 4.9 p.p. increment relatively to 2020 (including the levy).
- **Increase in the effective tax rate vs 2020** reflecting the different recovery of previous years taxes (€5.6M) versus 2021 (€2.4M).

CONSOLIDATED VIEW

Net Profit declined mostly due to a lower EBITDA and an increase in Income Tax, partially compensated by higher financial results and lower CESE

Net profit evolution breakdown €M



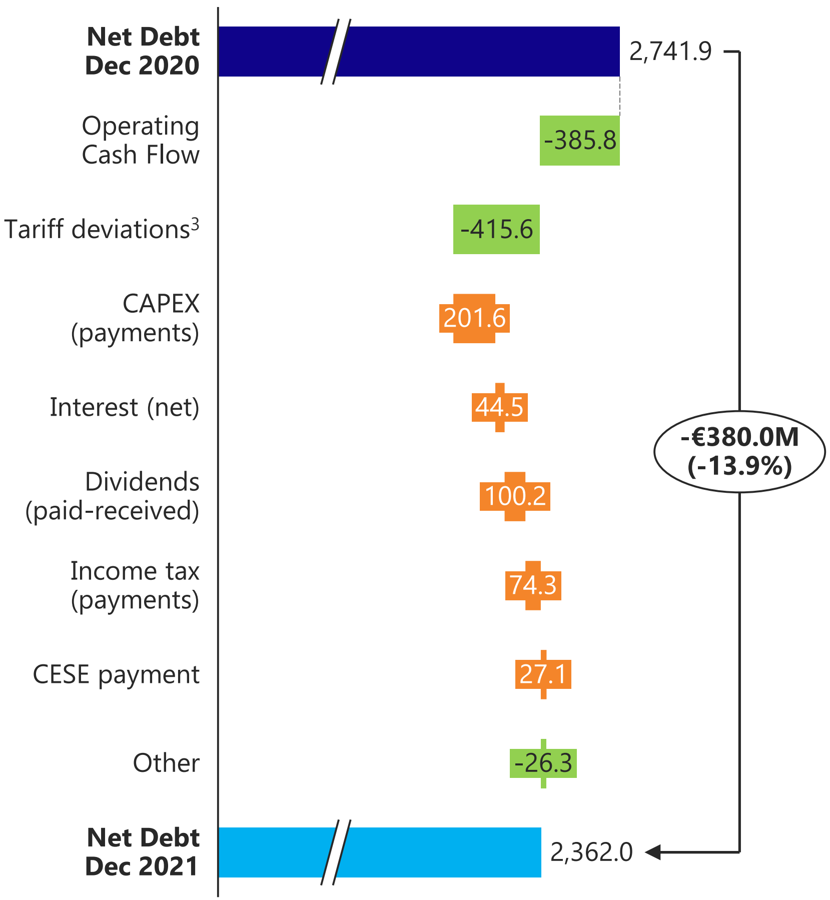
Key highlights

- The **Positive effect** of €4.2M from **Financial Results** as a consequence of better financial conditions and higher dividends from associates (Δ€1.2M)
- **Lower charge by CESE** (Δ€-1.1M), reflecting the asset base reduction
- Decrease in **tax recovery** from previous years (Δ€-3.2M)

CONSOLIDATED VIEW

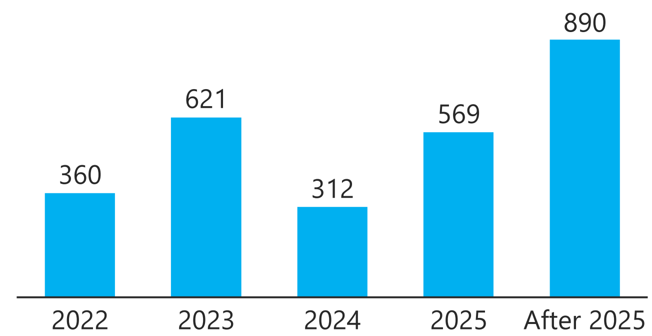
Net Debt improvement due to a higher operating cash flow and tariff deviations overtaking the outflows of investment and financing activities

Net debt evolution €M

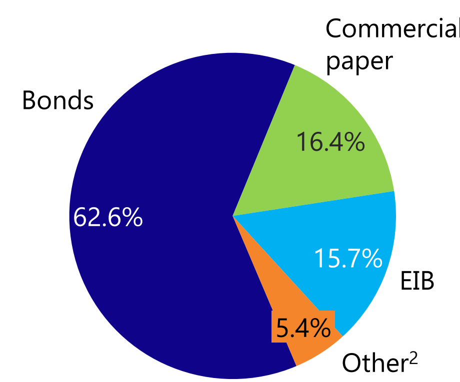


	Net Debt/ EBITDA	Cost of Debt %
Net Debt Dec 2020	5.8	1.8
Net Debt Dec 2021	5.1	1.6

Adjusted Gross Debt Maturity[1] €M



Debt sources %

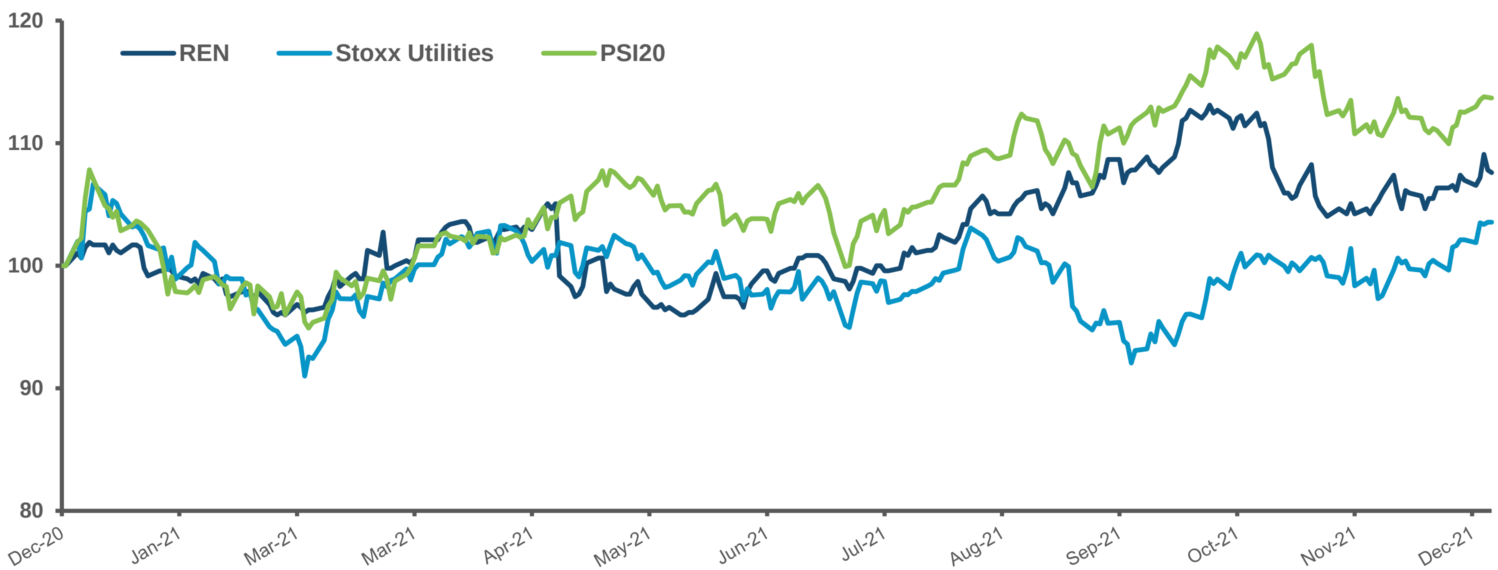


1 Calculated as Net Debt plus Cash, bank deposits and derivative financial instruments (€404M), excluding effects of hedging on yen denominated debt, accrued interest and bank overdrafts | 2 Includes loans (5.2%) and leasing (0.2%)

SHARE PRICE & SHAREHOLDER RETURN

REN's share close the year with a TSR of 15.5% remarkably above the sector

Annualized closing prices %



	% TSR 2021	% TSR 2020
PSI20	18.1	-2.7
REN	15.5	-7.0
Stoxx Utilities	7.9	14.1

Analyst recommendations[1]

Average Price target
€2.55 ↓ €0.23 (8.3%)
2020: **€2.78**

Upside/Downside (+/-)
5.4% ↓ 8.1pp
2020: **13.5%**

Buy recommendations
40.0% ↓ 20.0pp
2020: **60.0%**

Hold recommendations
30.0% ↓ 10.0pp
2020: **40.0%**

1 End of period
SOURCE: Bloomberg, REN

3. 2021-24 Strategic Plan execution & Outlook

STRATEGIC PLAN EXECUTION

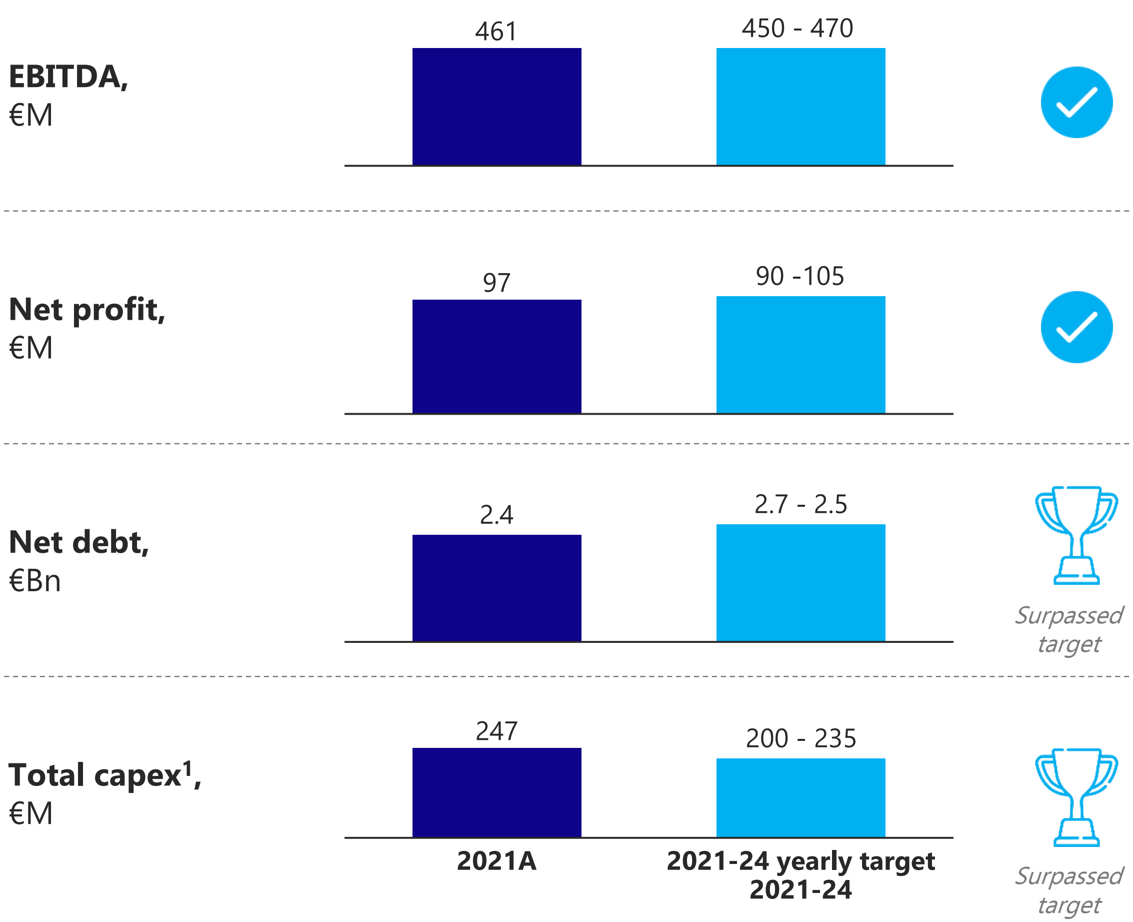
In 2021, REN was able to deliver according to the 2021-24 strategic guidelines

Strategic guidelines 2021-24	Key achievements during 2021
Investment growth story, delivering superior service quality	▪ Presentation of the **Development and Investment Plans for the Portuguese electricity and gas transmission infrastructure network** for the 2022-2031 period ▪ **Increase of REN's capex by c. 43% Vs. 2020** (from €173M to €247M), mostly driven by the domestic electricity transmission segment ▪ Maintenance of **high service quality levels**, with an average of 0.05 min of electricity interruption time and 99.9% of combined availability rate in the natural gas infrastructure
ESG highest standard	▪ Definition of **renewed and ambitious ESG targets**, with a **commitment to achieve carbon neutrality by 2040** ▪ Issuance of **REN's first green bond** ▪ **Establishment of a Sustainability Committee** within the Board of Directors
Solid financials and sustainable shareholder returns	▪ **Improvement of REN's credit rating outlook** from *Negative* to *Stable* by Fitch and from *Stable* to *Positive* by Moody's ▪ Maintenance of **credit metrics consistent with an investment grade credit rating** in all three major rating agencies – Moody's, Fitch and S&P ▪ Delivery on **all business plan targets**, **surpassing net debt and capex targets**

STRATEGIC PLAN TARGETS

During 2021, REN has successfully met its 2021-24 Business Plan targets

Comparison between Actuals and Business plan 2021-24



Key highlights

Domestic businesses **regulatory remuneration remained under pressure of low 10Y PGB yields**

Net Income benefited from the positive trend of financial costs, in a context of decreasing operational results

Strong improvement of Net Debt due to the evolution of **Tariff Deviations** in 2021. This effect could be potentially **reversed during 2022**

Capex target overachievement mostly driven by investments in the domestic electricity network

1. Capex at total costs (including capitalized own works); Includes Transemel's organic capex
A: Actuals; BP: Business Plan

4. Shaping a sustainable future

HIGHEST ESG STANDARDS

REN is strongly committed with Sustainability and has set ambitious targets

Environmental

Targets

-50% CO_2 emissions by 2030 vs. 2019

Carbon neutral by 2040

Achievements

13 CLIMATE ACTION
15 LIFE ON LAND

Climate | REN received a Gold Standard for the implementation of a program to quantify and reduce methane emissions from the OGMP 2.0

Reforestation | In 2021, reforestation of 723 ha of right of way passages with native species

Mobility | 28% of REN's fleet is electrified

CDP DISCLOSER 2021

Disclosing on CDP Climate Change **since 2010**

Social

>1/3 of women in 1st line management positions by 2030

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Gender Equality | 28% of women in management positions

Social initiatives | REN promotes the oldest scientific award in Portugal, Prémio REN, and has carried this work to the African countries with Portuguese as the Official Language

Bloomberg Gender-Equality Index 2022

Recognized commitment for 2 years in a row

Governance

Increasing ESG weight in **managers' performance metrics** already by 2022

100% of new bond emissions to be **green**

7 AFFORDABLE AND CLEAN ENERGY
17 PARTNERSHIPS FOR THE GOALS

Performance | New ambitious ESG metrics established

Green financing | In 2021, REN issued its first green bond

ISS ESG

Green bond framework **certified by ISS**

HIGHEST ESG STANDARDS

REN

Good performance in international ESG scores but with ambition to do more

MSCI ESG Rating

MSCI

- Assessment of **resilience to long-term ESG risks**, REN demonstrated **strong efforts on Biodiversity & Land use relative to peers**, and on average scoring on **Corporate Governance** relative to global peers

Sustainalytics ESG Rating

SUSTAINALYTICS

- Measurement of a **company's exposure to industry-specific material ESG risks** and how well a company is managing those risks
- REN demonstrated **low risk**, which is aligned with the ratings received by peers and above sector average

ISS ESG Rating

ISS ESG

- Assessment of **sustainability performance**, based on specific criteria for each industry. REN **ranked very high** on **transparency** level

CSA Score

S&P Global

- Evaluation of **sustainability practices**, incl. **management of ESG risks** and future **performance potential**
- **REN overall rating in line with industry peers**, but higher in selected dimensions such as **Social reporting, Climate strategy and Environmental reporting**

	MSCI ESG Rating		Sustainalytics ESG Rating		ISS ESG Rating		CSA Score	
REN's Rating 2021	BBB	= 2020: BBB	19.2	↑ 2020: 23.5	B	= 2020: B	43	↑ 2020: 42
Sector Average	A	Bellow	34.7	Above	C	Above	39	Above
Scale	CCC-AAA		100-0		D-A		1-100	

5. Closing remarks

CLOSING REMARKS

Fully committed to deliver solid results and sustainable returns

EBITDA of €460.8M a decrease of 2% YoY**,** mostly due to a lower RAB remuneration, decrease in IREI incentive and a negative contribution from OPEX, due to higher electricity costs.

Net Profit amounted to €97.2M (-11.1%) driven by the decrease in EBITDA and a higher income tax, partially offset by the increase in financial results.

Significant **Net Debt improvement** due to a higher operating cash flow and tariff deviations. **Solid Financial Results, reflecting the downward trend in cost of debt.**

Strong consolidation of Transfers to RAB and Capex versus 2020 as a result of the reduction in pandemic hurdles, focusing on the energy transition process.

The Board of Directors will propose, at the General Shareholders' Meeting on April 28, the **payment of a dividend of 15.4 cents per share**, in line with the revised dividend policy for the 2021-24 cycle.

On 15th of December, **ERSE released the Tariffs and Prices for Electricity for 2022**, as well as the parameters for the regulatory period of 2022-2025. The Electricity framework moved to a **TOTEX model and specific incentives rationale**, it was extended to 4 years from 3 years, base RoR set at 4.4% (implied 10y PGB yields of 0.302%). REN believes these regulatory changes do not compromise the targets presented at the 2021-24 Strategic Plan.

Appendix 1 - Regulation

REGULATION

The electricity segment is now mainly TOTEX based and benefits from specific incentives

REN's domestic allowed revenues breakdown

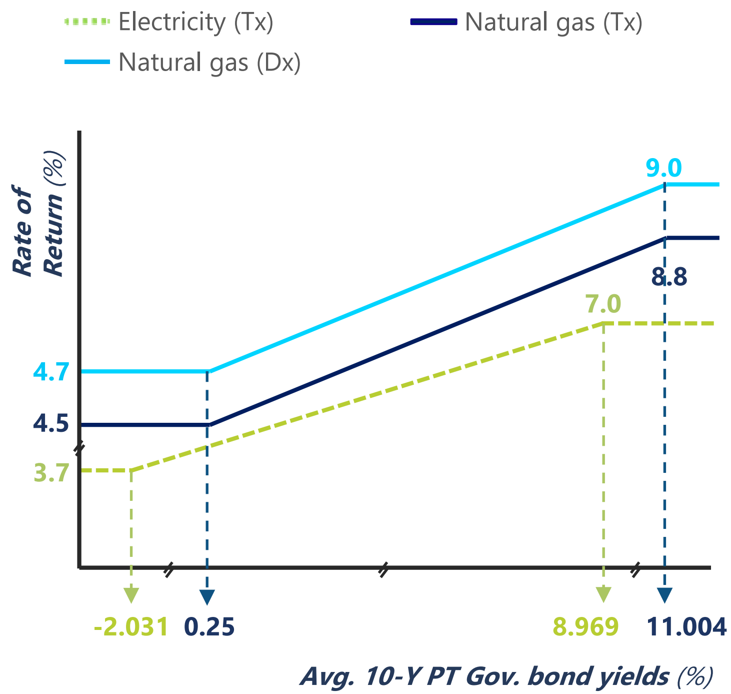
Electricity 2022-25			Natural Gas 2020-23		
Revenue Cap for TOTEX (CAPEX[3] + OPEX)	+ **Efficiency Sharing Mechanism**	+ **Incentives**	**Return on RAB** (RAB x RoR)	+ **D&A Recovery**	+ **Opex Recovery**
▪ Fixed annual amount over the regulatory period to cover Return on RAB, D&A recovery and Opex recovery ▪ RoR is indexed to 10y PGB yields + a 0.75 premium for efficient assets pre-2022 ▪ Opex recovery and D&A recovery for assets post-22 evolve with volume drivers[1] and with an efficiency factor of 1.5%	▪ Positive or negative annual spread from the defined reference return is shared / recovered from consumers at the end of the period ▪ 1.5% Efficiency factor Applies to the partial Revenue Cap TOTEX, excludes incentives and pre-2022 asset revenue	▪ Incentive based on performance metrics[2]	▪ RAB: Gas Tx and Gas Dx regulated assets. Evolves in line with capex execution ▪ RoR: defined individually for Gas Tx and Gas Dx. Evolves with 10y PGB yields	▪ Depreciation of Regulated Asset Base, net of subsidies ▪ Evolving in line with capex execution	▪ Opex is subject to efficiency targets ▪ Gas Efficiency Factors: Transportation and Storage: 3.0%; Distribution: 2.5%; LNG: 2.0%

1. €/ km of network and €/ MVA connected by producer; 2. Equivalent interruption time (*TIE: Tempo de Interrupção Equivalente*), Network and equipment availability (*TCD: Taxa combinada de disponibilidade*) and Interconnection capacity 3. Underlying RAB evolution for the period was forecasted by the regulator (ERSE) based on the approved investment plan

REGULATION

Transparent and stable return mechanism

RoR indexation mechanism



At the start

- Base RoR indexed to the average **Portuguese government 10-Y bond yields** (using CAPM as a reference)
- RoR starting point set **at the beginning of the regulatory period**

Every year

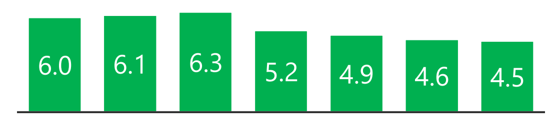
- Calculation of the **RoR** using the average bond yield

New electricity regulatory framework

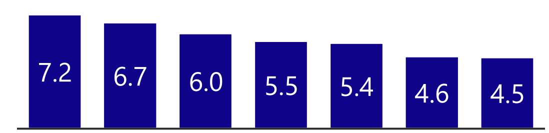
- The new regulatory period **was extended to 4** years from 3 years
- Base **RoR set at 4.4%** (implied 10y PGB yields of 0.302%)
- **RoR / 10y PGB relation of 0.3** (i.e., 1% change in RoR reflects a 3.3% change in 10y PGB)

RoR evolution, %

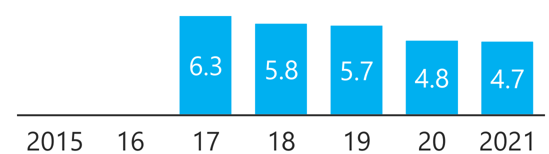
Electricity (base)



Gas Tx



Gas Dx



REGULATION - ELECTRICITY

Revenue Cap for TOTEX and additional revenues coming from incentives

Transmission Regulatory Model 2018-21

Return on Assets and D&A Recovey

- Promotion of Capex efficiency through the **Reference Costs mechanism** and the **RoR with premium**

Recovery of Opex

- Opex Revenue Cap subject to RPI evolution and **efficiency target**

IREI Incentive

- Promotion of an **adequate network performance** and an **efficient management of fully depreciated assets**

Total Revenues

- **Allowed revenue evolving w/ Capex execution** (indexed to 10y PGB yields)
  - Allowed revenue **evolving annually** in line with the **investments performed by REN** and **approved by ERSE**

Transmission Regulatory Model 2022-25[1] (next slide)

Other CAPEX[3] (RoR, D&A)

Revenue Cap for TOTEX

- Amount to cover return on assets (RAB x RoR), D&A recovery and Opex recovery
- Based on volume drivers with a global efficiency

Efficiency sharing mechanism

- Mechanism under which positive or negative spread from the defined reference return is **shared / recovered from consumers** (only applies to the Revenue Cap for TOTEX)

IMDT incentive

The IMDT incentive may take positive or negative values

- Promotion of an **adequate network performance**

Total Revenues

- **Fixed allowed revenue** (indexed to 10y PGB yields and volume drivers)
  - **Allowed revenues, estimated for the whole regulatory period**, considering ERSE's assumptions regarding REN's capex[2]
  - The yearly allowed revenues were **converted into an annual equivalent value**

1. Only applicable to activities concerning the management and operation of the transmission network. The regulatory framework applicable to system management activities remains in line with the Regulatory Model 2018-21 (with updated parameters: eg, RoR, Revenue cap for Opex, etc). | 2. REN's yearly allowed revenues were estimated considering REN's historical asset base (for assets pre-2022) with RoR premium and REN's future investments with a favorable opinion from ERSE (for assets post-2021); 3. There is room for additional exceptional investments not included in the base TOTEX if accepted by ERSE.

REGULATION - ELECTRICITY

The revised regulatory model comprises three major building blocks: i) Revenue cap for TOTEX; ii) Incentives; and iii) Efficiency sharing mechanism

New Regulatory Model[1]

Allowed revenue evolution and drivers

Revenue Cap for TOTEX	Component	Description	Allowed revenue evolution and drivers
	Return on Assets pre-2022 (RAB x RoR)	▪ **Assets without premium:** Base RoR set at 4.4% ▪ **Assets with premium:** 0.75bp premium over RoR	▪ RoR indexed to 10Y PGB yields ▪ Asset base evolution used by the regulator to estimate REN's returns
	Return on Assets post-2021 (RAB x RoR)	▪ **Assets without premium:** Base RoR set at 4.4% ▪ Premium over RoR and RAB **no longer applicable to new investments.** However, due to TOTEX model, potential upside on capex optimization	
	D&A Recovery pre-2022	▪ **D&A from the exercise** and **gain on D&A of RAB at reference costs** recorded as revenue	▪ Fixed amount over 2022-25
	D&A recovery post-2021 **Opex recovery**	▪ **Annual D&A** for assets post-2021 **and Opex recovered as a sole component** (concept of "Revenue cap" for Opex no longer exists)	▪ 75% is fixed and 25% is variable[2] ▪ RPI –X type evolution with - 1.5% X factor

+

Incentives

- The IMDT incentive **ranges from - €20 M to + €20 M**, depending on the **value achieved by REN in each of the 3 performance indicators**: (i) Network and equipment availability, (ii) Equivalent interruption time, and (iii) Achievement of European interconnection capacity target

+

Efficiency sharing mechanism (detailed next slide)

- Sharing mechanism through which, at the end of the regulatory cycle, **deviations from the defined reference return are shared with consumers**
- The sharing mechanism is **applicable to the Revenue Cap base for TOTEX** and **excludes IMDT**

1. Only applicable to activities concerning the management and operation of the transmission network. The regulatory framework applicable to system management activities remains in line with the Regulatory Model 2018-21 (with updated parameters: eg, RoR, Revenue cap for Opex, etc).| 2. The variable component depends on €/ km of network and €/ MVA connected by producer

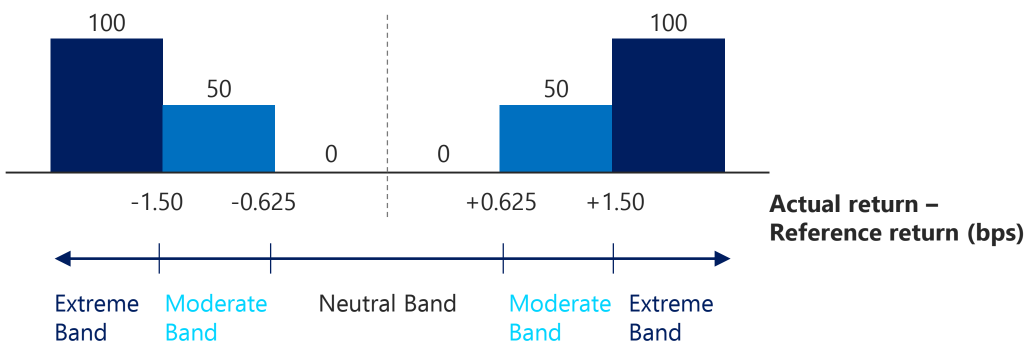
REGULATION - ELECTRICITY

Spread between efficiency performance and reference return is progressively shared with consumers

Efficiency sharing mechanism
Description

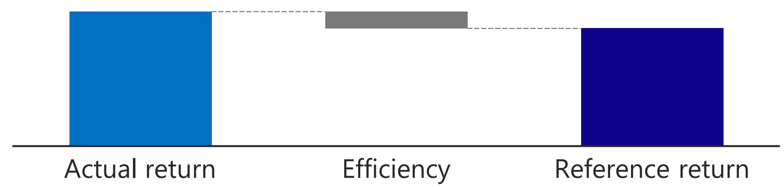
- At the end of the regulatory cycle, **REN's actual outperformance or underperformance under TOTEX is measured against a reference rate of return. The sum of the differences of the period is shared with consumers**, under certain conditions
    - **Reference return:** Set as the related asset weighted average of the yearly RoR with and without premium. Evolves with 10Y PGB yields
    - **REN's TOTEX yearly outperformance or underperformance:** Actual TOTEX yearly margin of the period divided by the actual RAB value
- Efficiencies are **calculated after the end of the regulatory period** and **shared during the next one** (recovered or paid back gradually over 2027-2029)
- Efficiencies are **shared progressively** depending on the efficiencies level band, which establishes the sharing of **0%, 50% or 100%**

Sharing mechanism band, % shared with consumers



Calculation

Illustration of efficiency calculation



Efficiency (+/-)	=	Actual Return	-	Reference return
		Period margin / Global RAB value		Reference return defined by ERSE

Sharing **excludes**:

- **IMDT incentive**
- **Reference cost mechanism incentive** (2009-21) allowances
- Additional **exceptional investments** which are not included in the base TOTEX
- **Non-controllable costs** and other costs not subject to efficiency

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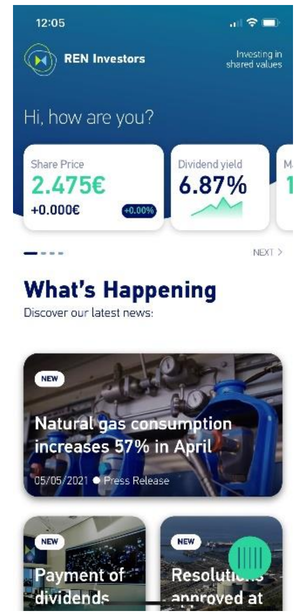

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