REN

Results Presentation

2020

18th March 2021

AGENDA

REN

1. Overview of the period

2. Business performance

3. 2018-21 Strategic Plan execution & Outlook

4. Shaping a sustainable future

5. Closing remarks

1. Overview of the period

KEY MESSAGES

2020

EBITDA reached €470.2M, **a decrease of 3.3%** (-€16.1M) **YoY** attributed to (1) lower RAB remuneration (-€23.8M), due to **declining rates** from lower sovereign bond yields coupled with new parameters in the gas regulatory framework and a smaller RAB; (2) a reduced OPEX contribution, and (3) a one-off improvement in the Economic efficiency of investments (REI) incentive of **+€7M**.

The **performance** from the **international segment benefited EBITDA by €5.0M**, namely the **consolidation of Transemel.**

Net Profit amounted to €109.2M (€9.7M lower than in 2019), with a **positive contribution** from Financial results (increase of €5.7M to -€46.8M), mostly due to a **lower cost of debt** (from 2.1% to 1.8%), an increase in dividends received and a **lower income tax** (with a reduction of €9.9M to €44.9M and with the benefit of a tax credit of €5.6M. All of which helped bring net debt down.

REN continued to be penalized by the **special levy**, **which rose €3.7M** due to the inclusion of Portgás and stood at **€28.1M**. Since its introduction in 2014 REN has deposited **more than €180M** into the State's coffers.

COVID-19 added an additional layer of challenge to REN's operations but other than for a short period of time between mid-March and early May, when only emergency and critical activities could be performed the whole company was able to securely adapt and deliver in all fronts. The result was visible as quality of service remained at the usual very high levels.

After extensive work during the fourth quarter of 2020, last February, REN was licensed to issue "**green bonds**" rated as **B ("Prime")** by the International Shareholder Services ESG (ISS-ESG).

Service quality remained high, with **0.03min of electricity interruption time** (0.72min in 2019) and **natural gas combined availability rate** at approximately **100%**, the same rate as in 2019

Renewable energy sources reached **59%** of the total supply (51% in 2019). **Consumption of electricity and natural gas** decreased by 3.0% and 1.6% respectively, mainly due to COVID-19.

SECTOR OVERVIEW

In 2020 the Energy Transition was at the center of the Portuguese Government agenda

PNEC 2030 and EN-H2 approved

- The **PNEC 2030** (National Energy and Climate Plan) was approved **setting mandatory targets for renewable energy incorporation in electricity** (80% up to 2030, from 52% at present) and **carbon reductions until 2030**
- The **National Strategy for Hydrogen** (EN-H2) was approved, setting **targets for incorporation of hydrogen in natural gas networks** (10% to 15%) and **hydrogen consumption** (1.5% to 2% in final energy consumption)

EU Innovation fund Projects Call

- In July the **EU Innovation fund opened the first call for large-scale projects** with a budget of € 1 billion for breakthrough technologies for renewable energy, energy-intensive industries, energy storage, and carbon capture, use and storage.
- **REN submitted a project to the Innovation Fund** that will enable the use of hydrogen mixed with natural gas in the high pressure network and to prepare the underground storage at Carriço for the same purpose.

Solar projects

- **A new solar capacity auction of 670 MW was held** in August. Most of the capacity (483 MW) was sold in the storage option, and price references comparable but lower than to the previous auction were confirmed
- In 2020, the negotiation stage of the bilateral agreements for the grid connection of 14 photovoltaic solar PV energy projects, totaling 3.5 gigawatt, was finalized. The respective contracts are due to be signed in the second quarter of 2021. The bilateral agreements constitute one of the three routes available for renewable energy production plants to access the Public Service Electricity Network (RESP).

New tariffs for electricity and gas

- In June, the regulator approved the tariffs for the new gas-year of 2020-2021, and in December, the electricity tariffs for 2021.
- In electricity, as expected, the regulatory **parameters for the 2018-2020 regulatory period became exceptionally applicable in 2021** due to COVID-19 pandemic, and the system **tariff deficit is expected to remain unchanged,** at €2.757M at the end of 2021. The trajectory of the tariff deficit is referred as one of the required parameters to decrease the special levy.

COVID-19

Main financial impacts arising from the COVID-19 pandemic were felt in investment execution

Main effects of COVID-19

	Description	
1 **Delay in transfers to RAB**	Due to **the coronavirus pandemic** that led to a **temporary suspension of works in March and April,** some projects were not concluded in 2020	✓ **To be recovered in 2021**
2 **Additional costs**	There were additional costs to enable the workforce to perform their jobs **both remotely and on location**, due to the extra need of **health and safety precautions**, including personal protection equipment, as well as the adaptation of the Company's sites to the pandemic challenges. REN also made significant contributions participating in community efforts.	
3 **Increase in tariff deviations**	**Higher tariff deviations** as a result of the reduction in electricity consumption. By the end of 2020, the tariff deviations **consumption-related increased** by **33.5M** versus year-end 2019	

Impact on REN's financial performance is overall **neutral in EBITDA** with a **slight decrease in Net Debt and a delay in transfers to RAB**

2. Business performance

BUSINESS HIGHLIGHTS

Superior quality of service in Portugal, notwithstanding a higher share of renewables and some deterioration in demand

Electricity

Consumption
48.8TWh ↓ 1.5 TWh (3.0%)
2019: **50.3TWh**

Energy transmission losses
1.8% ↑ 0.1pp
2019: **1.7%**

Line length
9,036km ↑ 34km (0.4%)
2019: **9,002km**

Renewables in consumption supply
58.6% ↑ 7.5pp
2019: **51.1%**

Average interruption time
0.03min ↓ 0.69min (95.7%)
2019: **0.72min**

Gas Transmission

Consumption
66.9TWh ↓ 1.1TWh (1.6%)
2019: **67.9TWh**

Combined availability rate
100% = 0.0pp
2019: **100%**

Line length
1,375km = 0km (0.0%)
2019: **1,375km**

Gas Distribution

Gas distributed
7.3TWh ↓ 0.1TWh (0.9%)
2019: **7.3TWh**

Emergency situations with response time up to 60min
98.7% ↑ 0.1pp
2019: **98.6%**

Line length
5,897km ↑ 192km (3.4%)
2019: **5,705km**

NOTE: It doesn't consider the effect of international businesses

FINANCIAL HIGHLIGHTS

Net profit decreased despite the improvement in Financial results and due to the decline in EBITDA

EBITDA

€470.2M ↓ 16.1 (3.3%)

2019: **€486.2M**

Financial results

-€46.8M ↑ 5.7 (10.9%)

2019: **-€52.5M**

Net Profit

€109.2M ↓ 9.7 (8.1%)

2019: **€118.9M**

CAPEX

€173.3M ↓ 15.3 (8.1%)

2019: **€188.6M**

Average RAB[1]

€3,635.0M ↓ 118.3 (3.2%)

2019: **€3,753.3M**

Net Debt[2]

€2,741.9M ↓ 84.0 (3.0%)

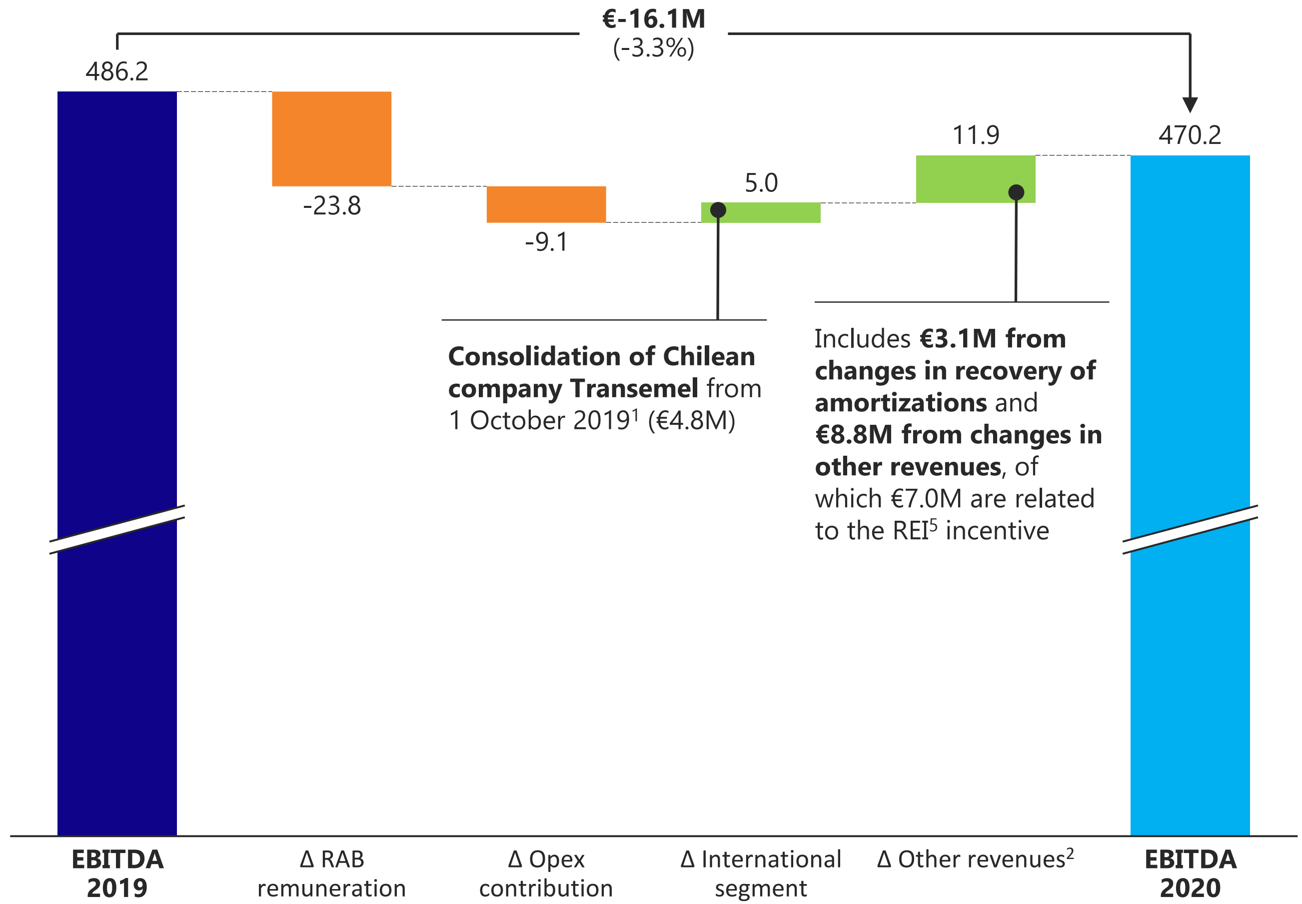
2019: **€2,826.0M**

1 Refers only to Domestic RAB | 2 Transemel was incorporated in the 4Q19

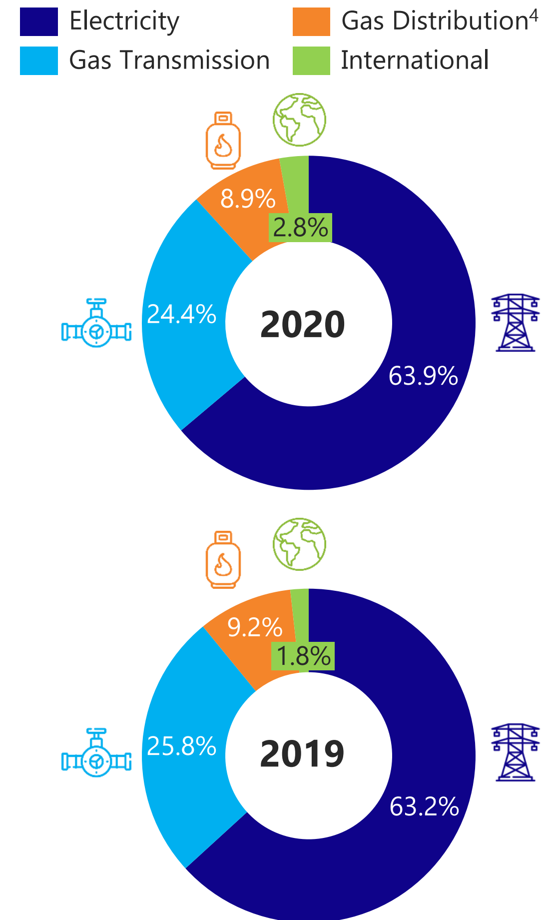
CONSOLIDATED VIEW

Decline in EBITDA mostly due to lower remuneration rates and greater OPEX costs, partially offset by REN's international exposure

EBITDA evolution breakdown €M



EBITDA contribution by business segment[3] %

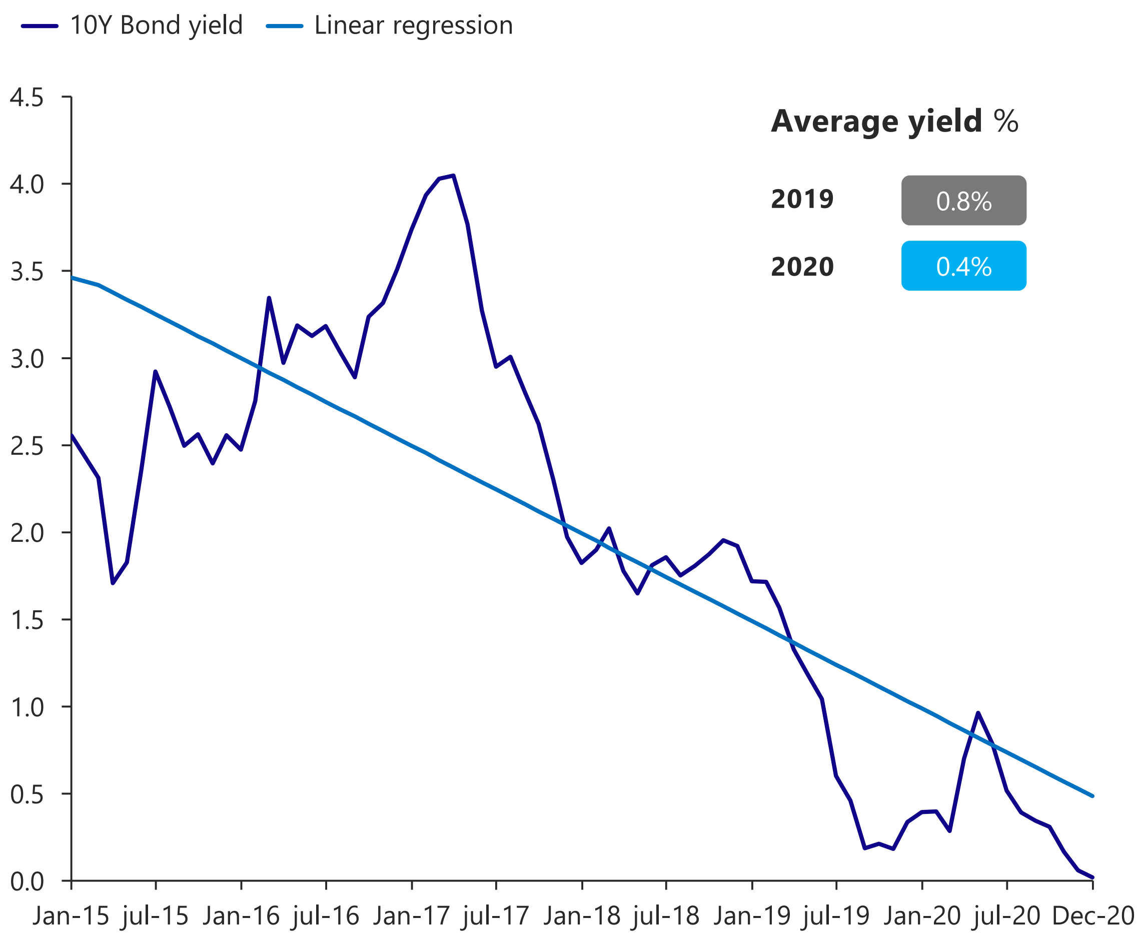


1 Includes Apolo SpA costs | 2 Includes amortizations recovery, subsidies amortization, REN Trading incentives, telecommunication sales and services rendered, interest on tariff deviation, consultancy revenues and other services provided, OMIP and Nester results | 3 Excludes the segment "Other", which includes REN SGPS, REN Serviços, REN Telecom, REN Trading, REN PRO and REN Finance B.V. | 4 Refers to Portgás | 5 REI: Economic efficiency of investments

DOMESTIC BUSINESS

Return on RAB negatively influenced by the downward trend in the Portuguese bond yields

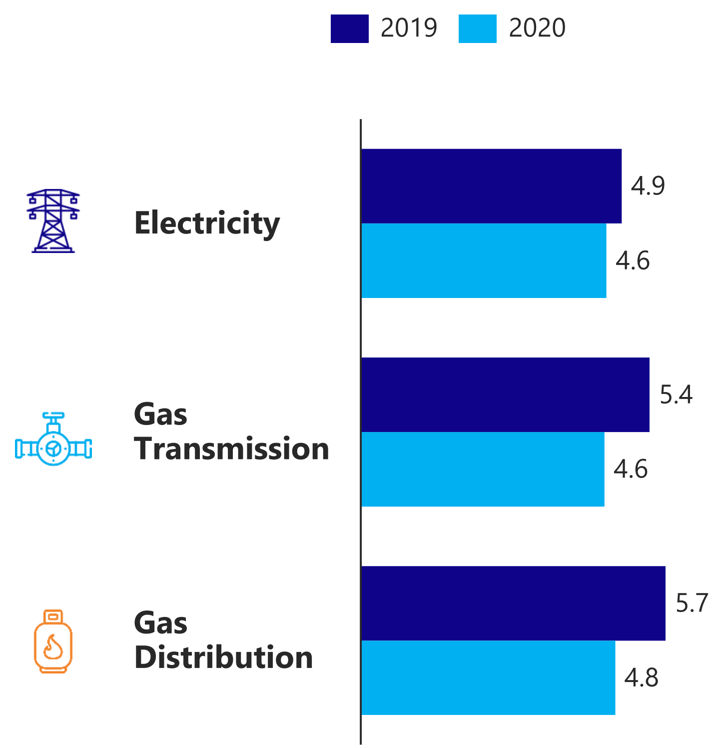
Portuguese 10Y Treasury Bond Yields %



Average yield %

2019	0.8%
2020	0.4%

Base Return on RAB (RoR)* %

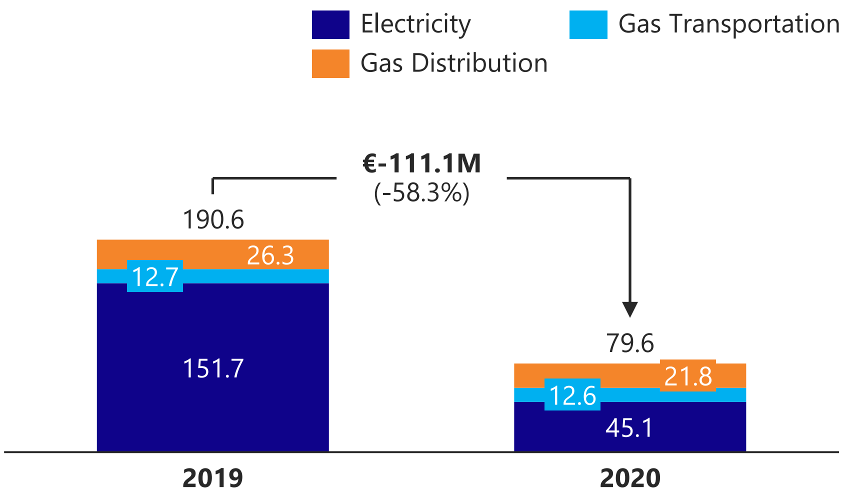


SOURCE: Bloomberg; REN
* Electricity regulatory period: from Oct-19 to Sep-20, Gas regulatory period: from Jan-20 to Dec-20

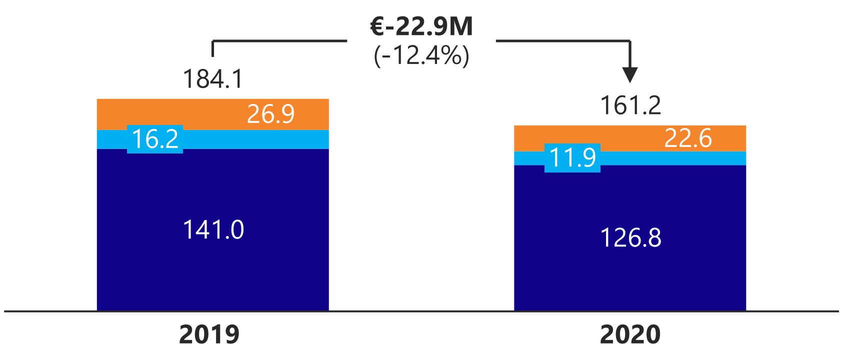
DOMESTIC BUSINESS

Transfers to RAB and CAPEX dropped YoY, driven by COVID-19 hurdles

Transfers to RAB €M



Capex €M



Key highlights

Electricity

- **Main investment projects**:
  - New 400 kV Castelo Branco-Fundão line, where a new 400/200 kV substation is also under construction
  - New connection between the Ponte de Lima area and the Vila Nova de Famalicão substation
  - New Ribeira de Pena substation and power line Feira-Ribeira de Pena

Gas Transmission

- **Main investment projects concluded**:
  - Carriço Storage: the first phase of the Water Firefighting System upgrade
  - Pipeline Network and Sines Terminal: replacement and upgrade of equipment and systems at the end-of-life

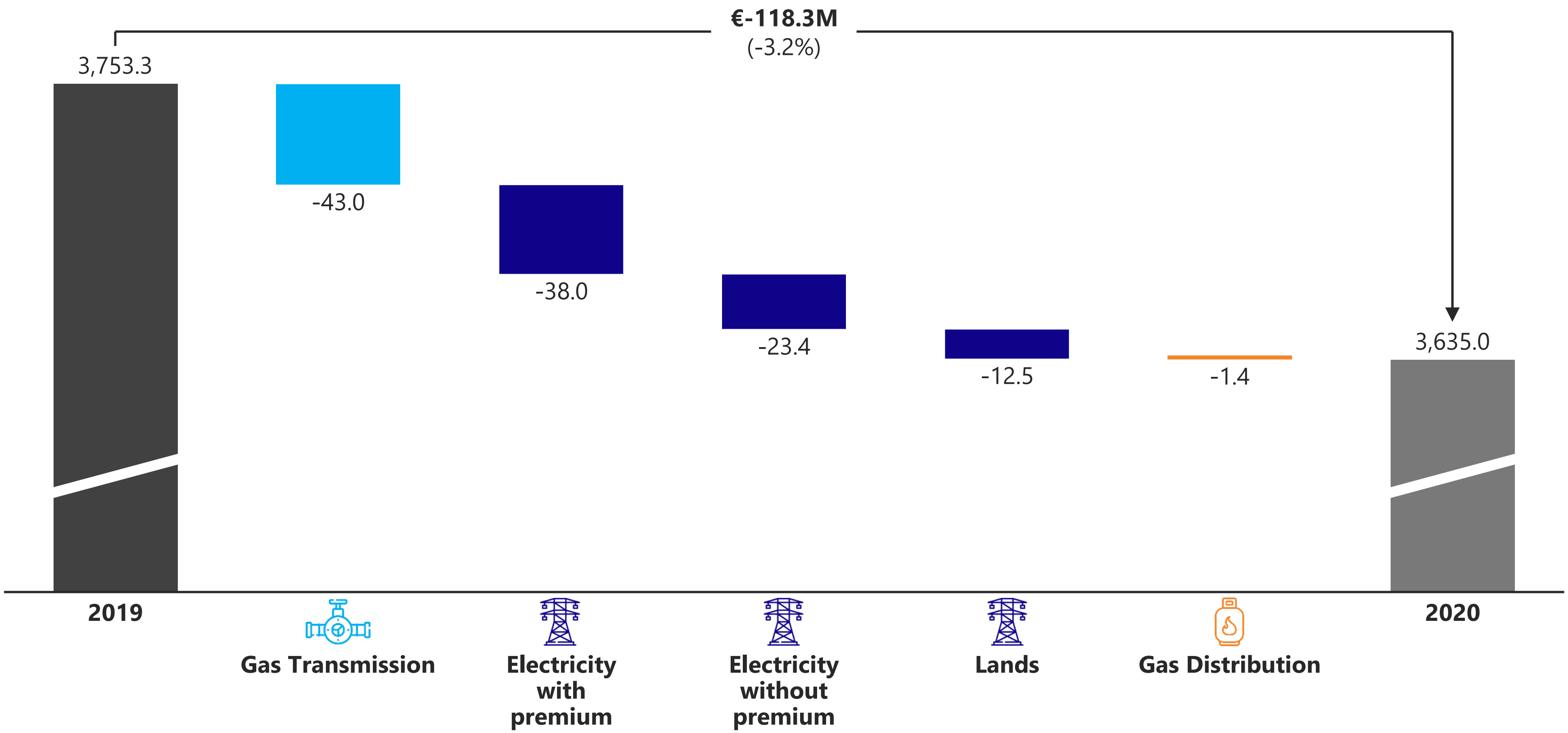
Gas Distribution

- Investments for **network expansion and densification**, mostly for B2C, with new prospects for B2B investments continuing to be monitored, alongside with firm contracts
- **Network decarbonization process** on the move

DOMESTIC BUSINESS

Decrease in the RAB over all asset categories

Average RAB evolution €M

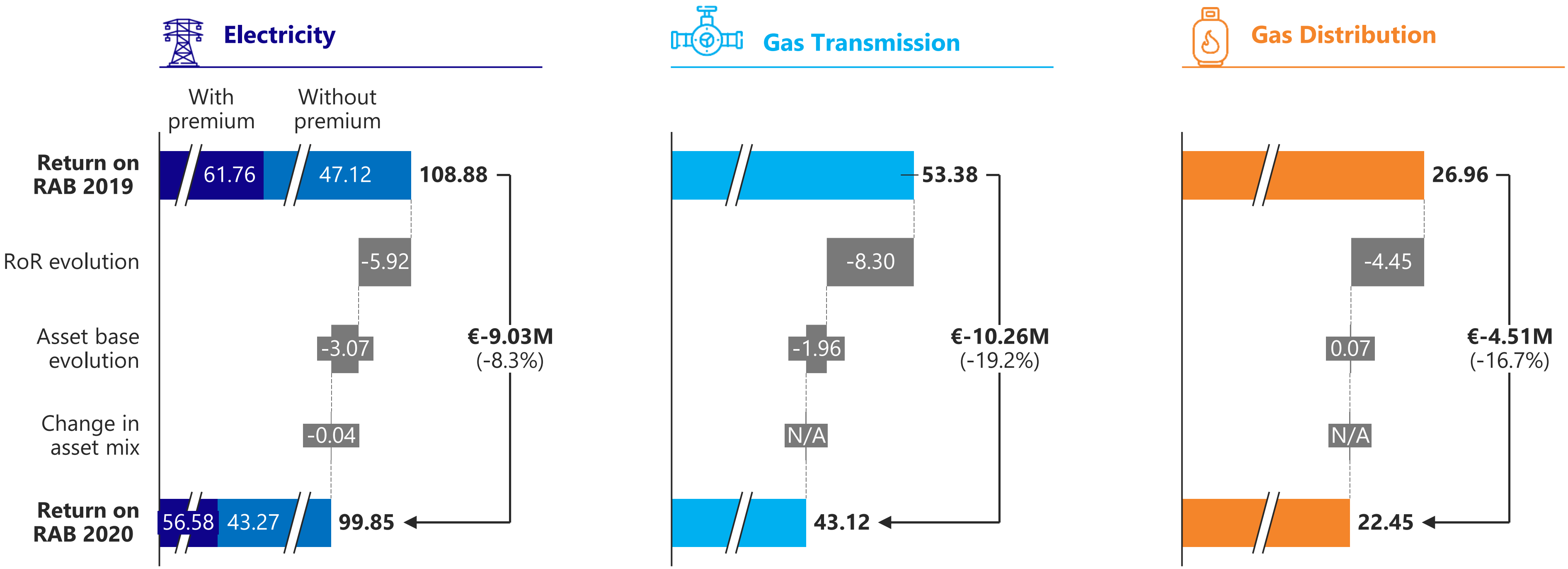


RoR %	2019	Gas Transmission	Electricity with premium	Electricity without premium	Lands	Gas Distribution	2020
	5.1	4.6	5.3	4.6	0.3	4.8	4.6

DOMESTIC BUSINESS

RAB remuneration decreased across all businesses, but especially in the gas business, where RoR fell 80bps YoY, with new regulatory parameters

Return on RAB evolution breakdown €M



Return on RAB drop caused by a **lower rate of return on assets** with and without premium[1], a **smaller asset base** (by €61.5M to €2,000.0M) and a reduction in weight of assets with premium[2]

Decline in Return on RAB justified by a **lower RoR** of 4.56% (-0.80bps), and a **smaller asset base** (by €43.0M to a total of €945.5M)

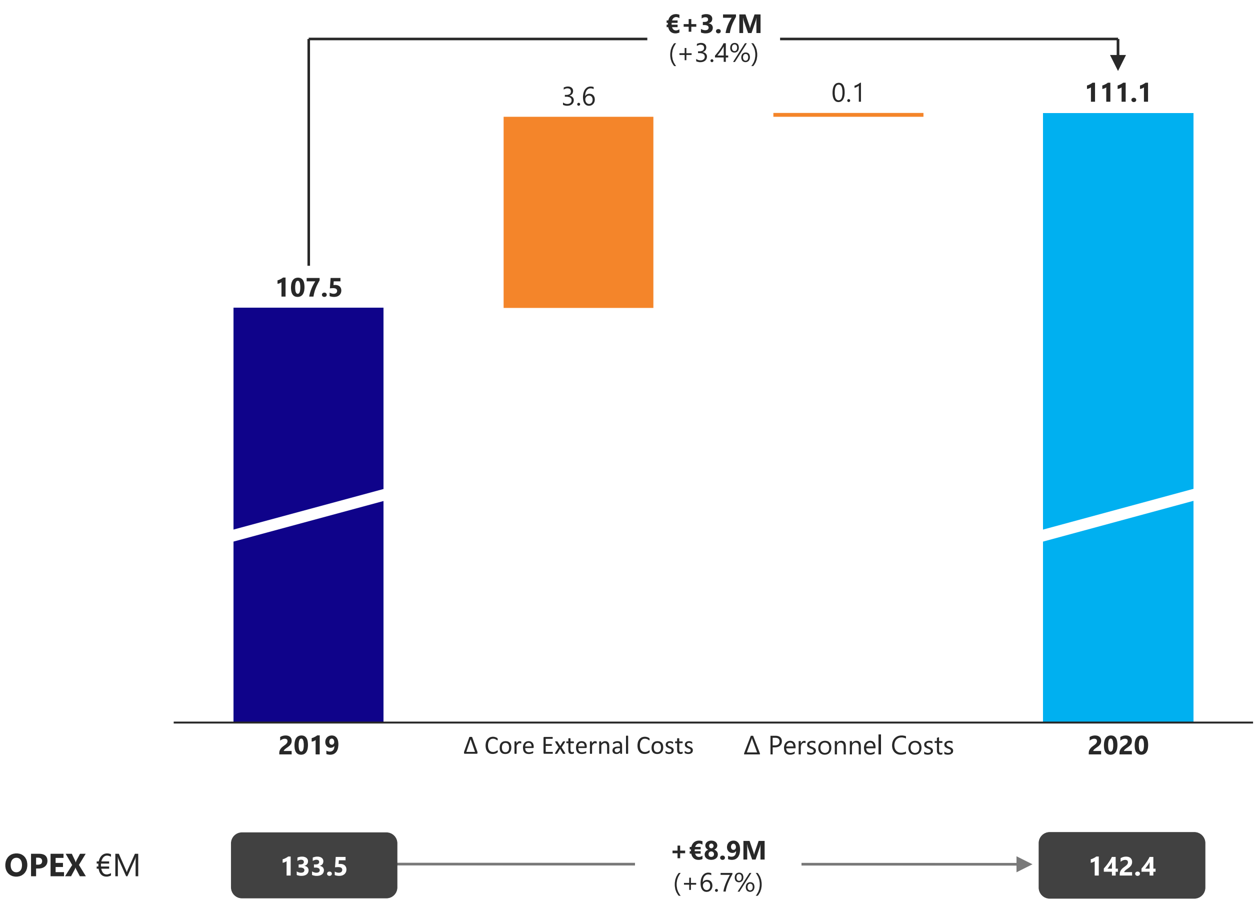
Return on RAB reduction attributed to a **lower rate of return** (from 5.70% to 4.76%) and a smaller **asset base (**by €1.4M to a total of €471.6M)

1 From 5.63% to 5.35% for assets with premium, and from 4.88% to 4.60% for assets without premium | 2 From 53.2% to 52.9%

DOMESTIC BUSINESS

OPEX increased by 6.7% YoY, mainly in pass-through costs, with core OPEX rising only 3.4%

Core OPEX[1] evolution €M



Key highlights

Core external costs

- Maintenance costs (+€2.9M), mostly related to **forest clearing** (+€3.6M), as a result of more vegetation area managed (9,587ha in 2020 vs 7,873ha in 2019);
- **COVID-19** related costs[2] (+€1.1M)
- Lower **electricity costs in the LNG Terminal** (-€1.3M)
- Other (e.g., travel & transport, IT, 3rd party services)

Personnel costs

- Reflects essentially the **increase in wages**, partially offset by **lower overtime costs and travel allowances**

Non-core costs

- Pass-through costs (costs accepted in the tariff) **increased by €5.2M**, of which €3.7M correspond to **costs with cross-border and system services costs** and €0.3M to **costs with NG transportation**

1 Calculated as OPEX minus pass-through costs (e.g., ITC mechanism, NG transportation costs, ERSE costs and subsoil occupation levies)
2 Includes donations of masks to the health authorities and to a ventilators' scientific project, individual protection equipment for employees

INTERNATIONAL BUSINESS

Solid performance from the Chilean businesses

Contribution to EBITDA 2020 €M

	EBITDA 2020 €M	Share in REN total %	2019 contribution €M
REN International	14.0	3.0	9.0
Transemel (100%)	6.8	1.4	2.0[1]
Electrogas (42.5%)	7.2[2]	1.5	6.9

Contribution to Capex 2020 €M

	Capex 2020 €M	Share in REN total %	2019 contribution €M
REN International	12.1	7.0	4.5
Transemel (100%)	12.1	7.0	4.5[1]
Electrogas (42.5%)	N/A	0.0	N/A

Key highlights

Transemel, Chile

- **Revenues decreased YoY** mainly driven by extraordinary items in 2019 while **National revenues increased** despite being offset by exchange rate effects (peso depreciation)

Revenues

€10.1M ↓ €3.1M (23.3%)

2019: **€13.2M**

EBITDA

€6.8M ↓ €4.2M (38.1%)

2019: **€11.0M**

Electrogas, Chile

- **EBITDA decreased YoY,** driven by **lower revenues from services provided to clients,** despite the slight take-or-pay revenues growth

Revenues

€31.3M ↓ €1.1M (3.5%)

2019: **€32.4M**

EBITDA

€27.5M ↓ €0.8M (3.0%)

2019: **€28.3M**

1 Consolidation of Transemel from 1 October 2019 | 2 Positivelly affected by exchange rates effects

CONSOLIDATED VIEW

Positive development from items below EBITDA, with better financial results, as the cost of debt decreased and with lower tax contributions

Depreciation & Amortization

€241.2M ↑ €5.5M (2.4%)

2019: **€235.6M**

Increase of Depreciation and amortization includes **€1.1M reflecting the incorporation of Transemel**

Financial results

-€46.8M ↑ €5.7M (10.9%)

2019: **-€52.5M**

Decrease in the average cost of debt of 0.27p.p. to 1.8%

Higher dividends recognized from REE (Δ€0.4M) and HCB (Δ€0.1M)

Taxes

€73.0M ↓ €6.2M (7.9%)

2019: **€79.2M**

Total taxes include the **extraordinary levy of €28.1M** (€24.4M in 2019) and **income tax which reduced** €9.9M to €44.9M

From 2020 onwards, the extraordinary levy also **includes the Gas Distribution segment** – Portgás (Δ€4.1M)

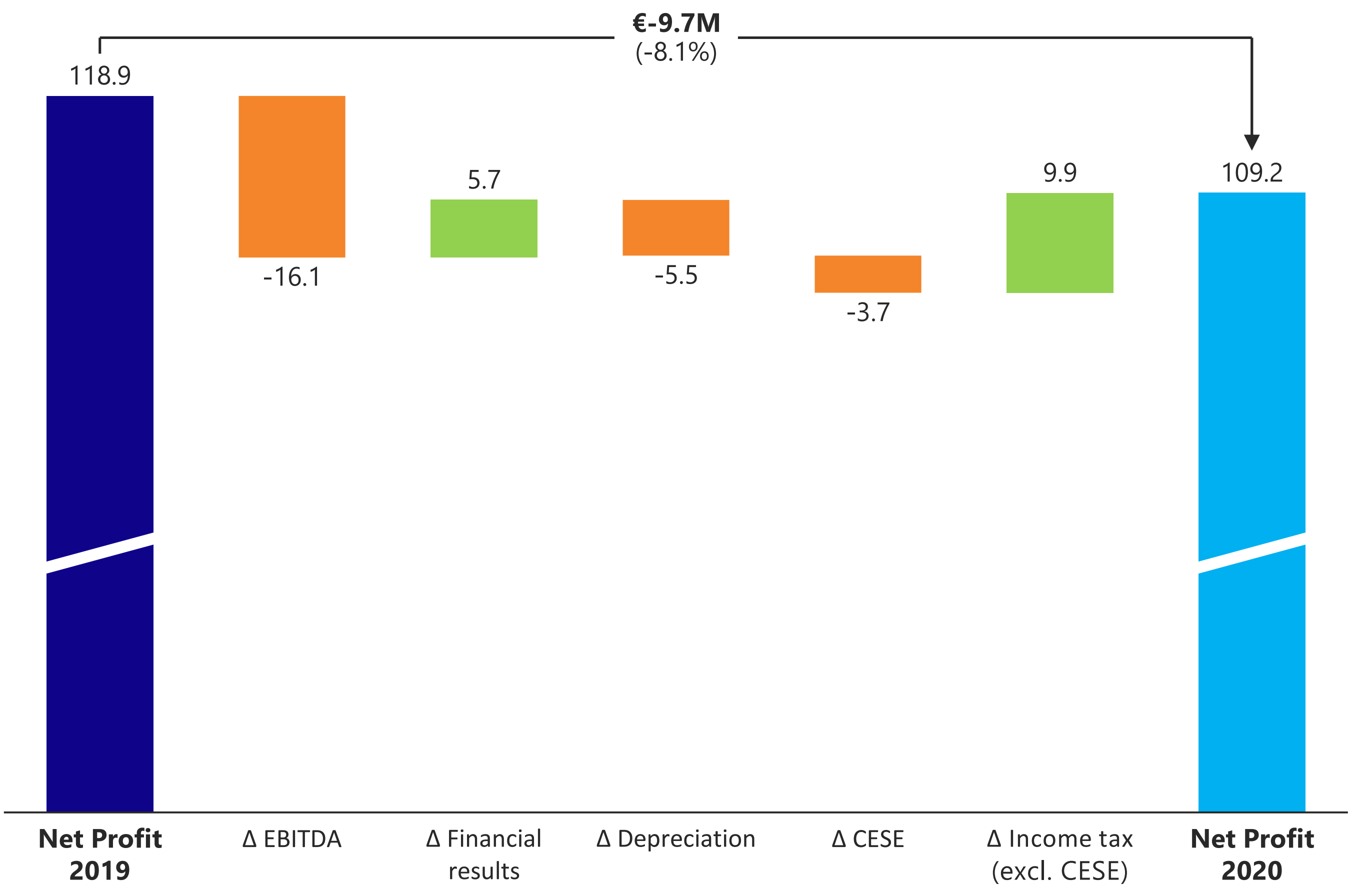
Effective tax rate reached 40.0%, the same rate than in 2019 (including the levy), with a **€5.6M one-off proceeds related to the recovery of taxes** from previous years

CONSOLIDATED VIEW

REN

Net Profit reduction as a result of a lower EBITDA and a growth in CESE but mitigated by financial results and a tax recovery

Net profit evolution breakdown €M



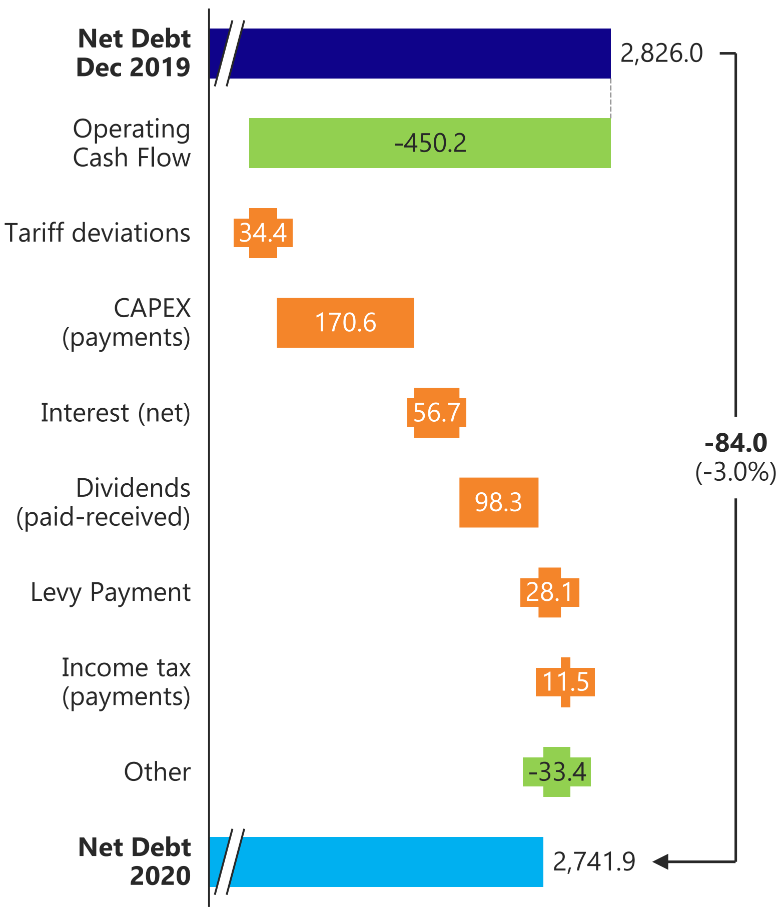
Key highlights

- The **Positive effect** of €5.7M from **Financial Results** as a consequence of better financial conditions and higher dividends from associates (Δ€0.4M)
- **The extraordinary charge by CESE penalized Net Profit** (Δ€-3.7M), now also **applicable to the gas distribution** business
- **A €5.6M tax recovery** from previous years contributed positively to the decrease of the effective tax rate
- **Impact of €4.1M** resulting from the **acquisition of 100% of Transemel** in October 2019

CONSOLIDATED VIEW

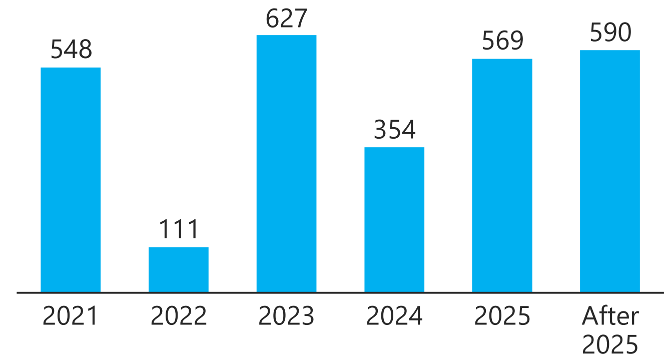
Net Debt improvement due to a higher operating cash flow overtaking the outflows of investment and financing activities

Net debt evolution €M

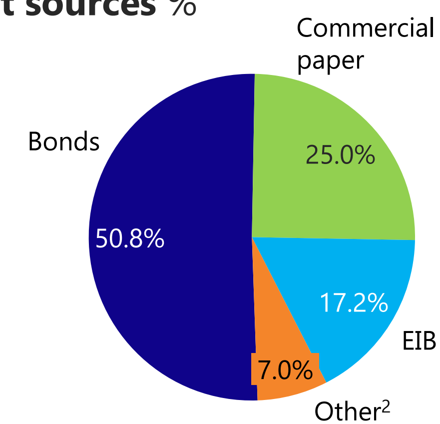


	Net Debt/ EBITDA	Cost of Debt %
Net Debt Dec 2019	5.7	2.1
Net Debt 2020	5.8	1.8

Adjusted Gross Debt Maturity[1] €M



Debt sources %

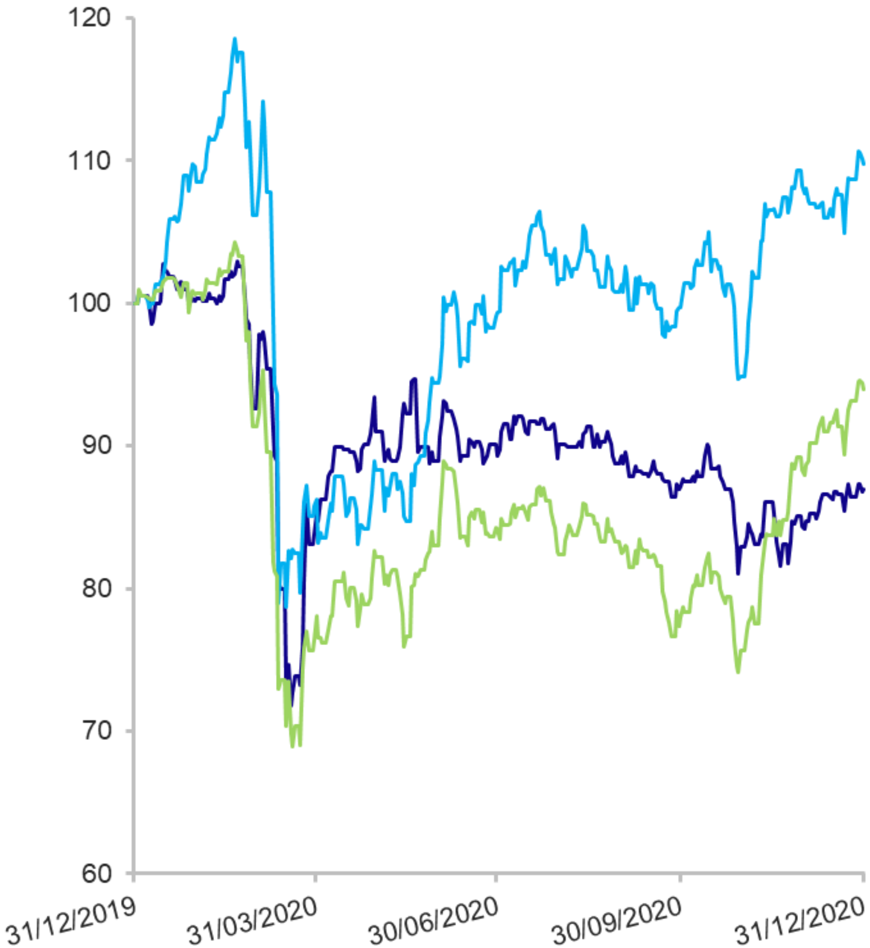


1 Calculated as Net Debt plus Cash, bank deposits and derivative financial instruments (€81M), excluding effects of hedging on yen denominated debt, accrued interest and bank overdrafts | 2 Includes loans (8.9%), Transemel's debt (0.3%) and leasing (0.2%)

SHARE PRICE & SHAREHOLDER RETURN

Share price evolution mostly in line with the performance of PSI-20

Annualized closing prices %



	TSR 2020	TSR 2019
Stoxx utilities	14.1	28.0
PSI20	-2.7	15.2
REN	-6.9	19.6

Analyst recommendations[1]

Average Price target

€2.78 ↑ €0.01 (0.4%)

2019: **€2.77**

Upside/Downside (+/-)

17.5% ↑ 15.7pp

2019: **1.8%**

Buy recommendations

60.0% ↑ 35.0pp

2019: **25.0%**

Hold recommendations

40.0% ↓ 18.3pp

2019: **58.3%**

1 End of period
SOURCE: Bloomberg, REN

3. 2018-21 Strategic Plan execution & Outlook

STRATEGIC PLAN EXECUTION

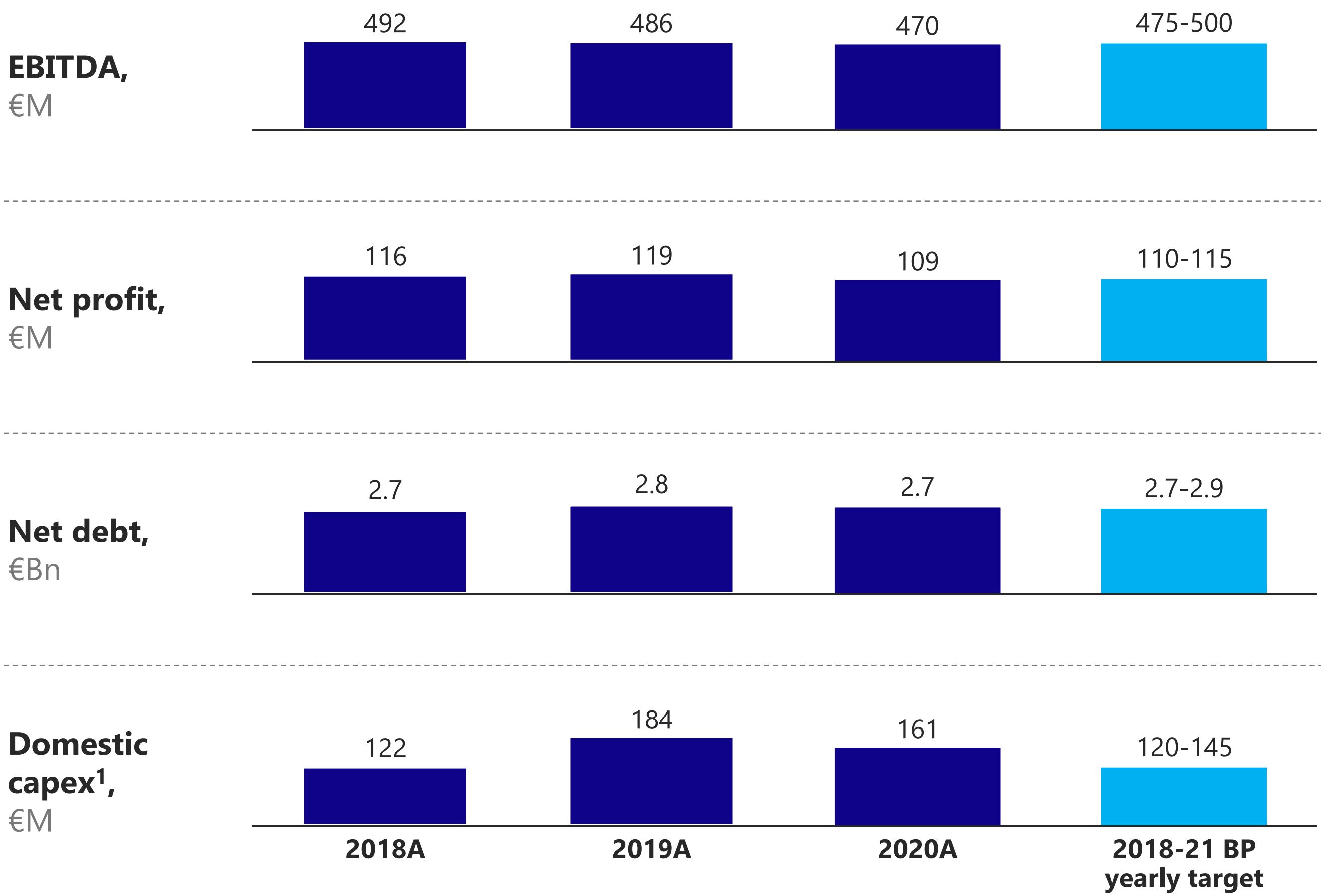
Despite a challenging context, in 2020 REN was able to deliver according to the 2018-21 strategic guidelines

Strategic guidelines 2018-21	Key achievements during 2020
Operational excellence and core business consolidation	▪ Maintenance of **high service quality levels**, with an average of 0.26 min of electricity interruption time and 99.83% natural gas combined availability rate during 2018-20 ▪ Ongoing support to the **execution of the energy transition targets**, particularly, **the promotion of the connection of additional renewable energy generation sources to the grid**
Disciplined growth	▪ **Focus on Transemel's integration,** a Chilean transmission company acquired in 2019 for US$ 168.6M, while ensuring the development and conclusion of **important expansion projects** (e.g., Parinacota substation 220kV and Duqueco substation 220kV)
Solid financials	▪ 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 domestic capex targets** for two consecutive years ▪ **COVID-19 with limited impact on REN's overall financial performance**, despite some delays in investment execution (expected to be recovered during 2021)

STRATEGIC PLAN TARGETS

REN has successfully met the 2018-21 Business Plan targets

Comparison Actuals vs Business plan 2018-21



At least, average results during the period met the BP targets

Key highlights

International acquisitions partially compensated the impact of the **10Y PGB yields decrease** in the regulatory remuneration

Net Income supported by the positive trend of financial costs, in a context of decreasing operational results

Net Debt increase driven by the acquisition of **Transemel** and **domestic capex increase,** fully in line with BP targets

Despite 2020 capex execution delays related to COVID-19, **targets were surpassed,** in part due to the development of the Wind float project in 2019

1. Capex at total costs (including capitalized own works)
A: Actuals; BP: Business Plan

OUTLOOK

Outlook for 2021 focused on COVID-19 recovery and Transemel integration, with more clarity to be provided by the new business plan

Domestic business

- **Delays on capex and transfers to RAB** due to the COVID-19 pandemic expected to be **reversed in 2021**
- **Electricity tariff deviations** stock increase to €33.5M driven by the pandemic expected to be **recovered by 2022** as per ERSE's tariff code

International footprint

- In the short term, focus on **Transemel's integration process**

Interests and taxes

- **Financial costs** expected to **remain relatively stable** in the following year
- Conclusion of **certification process for green bonds**, providing new financing opportunities

Strategy

- **Strategic plan** revision for 2021-24 to be **announced in the 2nd quarter**

4. Shaping a sustainable future

ESG INITIATIVES

REN

Several initiatives developed to address UN's Sustainable Development Goals, some already with major achievements

UN's Sustainable Development Goals	Initiatives/ achievements
Internal wellbeing	▪ **Gender Equality** | **27%** of women in 1st and 2nd line management positions ▪ **Training** | **25,325 hours** of training for employees (36.44 h/employee) ▪ **Bloomberg Gender Equality Index** | REN included in 2021
Environmental protection	▪ **"Reforestation program"** | Over **1M** indigenous trees planted since 2010 ▪ **UN Business Ambition -1.5º** | REN was one of the first companies in Portugal to sign this commitment
Community	▪ **AGIR Award** | **>6,500** people directly benefited from awarded projects since 2014 (editions dedicated to fighting poverty, unemployment and social exclusion) ▪ **REN Award |** **28** applications received in the 25th edition of the award distinguishing the best energy Master and Doctoral theses in Portugal ▪ **SHARE Program** | **555h** of corporate volunteering initiatives
Governance and ethics	▪ **CEO Guide to Human Rights BCSD Portugal |** Agreement in defense of human rights and improving people's living conditions ▪ **Excellent Performance |** REN code of conduct **|** APEE awards

International ESG scores

ISS ESG

B / [A+, D-]

Top quartile[1]

MSCI

BBB / [AAA+, CCC]

Average[1]

SUSTAINALYTICS a Morningstar company

60.1 / [0-100]

Strong

CDP

C / [A, D-]

Average[1]

1 When compared to industry average score

ENERGY TRANSITION includes gas

REN

Hydrogen-ready policy sets the gas network as the future national green gas backbone as set in the 62/2020 Decree-Law

Kick started with National Hydrogen Strategy

IPCEI[1] call of interest issued by the Portuguese Government selected 32 candidate projects out of 72 for a possible application. These projects cover multiple industrial areas for **hydrogen** in the energy transition covering:

- **The value chain** – renewable energy production and storage, hydrogen production, distribution, transport, storage, commercialization and export built on Portuguese solar competitive advantage, and new business models.
- **Production of value-added equipment** for hydrogen projects cost efficiency in cooperation with multiple international companies with focus on Portugal.

A collaborative laboratory is under development to support production technologies to allow gains to scale along the hydrogen value chain.

REN is developing and adapting its own infrastructure while providing technical cooperation to projects for network hydrogen injection. Pressure is building up as the Portuguese Government has launched a call for POSEUR-01-2020-19 with 40 M€ budget for renewables gases production support ending in April and schedule to start production until 2023.

REN actions

+20 companies, institutes and universities already involved in **Hylab** an hydrogen **R&D cluster** with labs in Sines Lisbon and Porto with REN as a founding member.

Innovation fund application was delivered to develop and refurbish the existing high pressure network and equipment for hydrogen capability together with and underground storage project to deliver development.

Cooperation with the major national projects as infrastructure facilitator.

1 IPCEI - Important Projects of Common European Interest

5. Closing remarks

CLOSING REMARKS

Core businesses remained resilient despite COVID-19, while gains deprivation came attached to regulatory changes and CESE increments

This past year was unarguably peculiar, the consequences caused by the pandemic both on the economy and, above all, on public health were devastating. Still, REN ensured the safety of its employees whilst it helped the community through donations. Regardless of the challenges, REN's success is visible in the high-quality services provided and commitment to its part in society.

EBITDA was positively influenced by international exposure. Namely, the inclusion of Transemel and solid performance from Electrogas. The focus and discipline that define REN remained preserved and a lower cost of debt was attained. However, its performance has deteriorated, not only due to a lower return on assets from gas, imposed by the regulatory framework of 2020-23, as well as the CESE contribution, which led the company to pay a total of €180M, in the last 7 years.

The certification to issue "**Green Bonds**" was concluded and REN will be able to tap the market in the **second quarter of 2021**. This is an important step in driving forward REN' sustainable development goals, keeping its rating and a very conservative funding structure.

The Board of Directors will propose, at the General Shareholders' Meeting on April 23, the **payment of a dividend of 17.1 cents per share**, in line with previous years and with REN's current dividend policy.

On May 14, REN will host its **Capital Markets Day,** where the Board of Directors will present the **new business plan 2021-24**. In a scenario in which the energy transition is increasingly important, REN will maintain its focus delivering a stellar quality of service as well as address the challenges coming from the changing energy environment.

DISCLAIMER

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