

# Results Presentation

REN 1H22

28<sup>th</sup> July 2022

# AGENDA

- 1.** Overview of the period
- 2.** Business performance
- 3.** Shaping a sustainable future
- 4.** Closing remarks

# 1. Overview of the period



# KEY MESSAGES



## 1H22



**EBITDA increased 4.6% YoY to €238.4M**, partly due to the **Domestic EBITDA** performance (+€6.8M) which reflects **higher assets and opex remuneration** (+€9.3M), partly offset by higher core opex (+€2.3M), due to higher electricity costs (+€5.3M).

Positive contribution from international business, which **EBITDA increased +€3.7M**, with Transemel representing +€1.8M.



**Net Profit grew to €45.9M** (an increase of 16.0% versus 1H21), mostly due to **increase in EBIT** (+€6.5M) and **better Financial Results** (+€3.0M), partially offset by higher taxes (+€2.2M) and heavier levy (+€0.9M), following the increase in RAB.



**Capex** decreased €0.6M to €78.8M, remaining in line with 1H21 (€79.3M). **Transfers to RAB** increased €5.2M to €22.0M vs 1H21, mostly attributed to the electricity transmission business (which grew €4.7M), partially offset by the decrease in Natural Gas transmission (-€1.0M).



**Renewable energy sources (RES)** amounted to **47.5%** of total supply (approx.-20.9pp than in 1H21), due to lower availability of renewable energy, as a result of current environment conditions. Electricity **consumption increased 2.9%** whilst **natural gas fell** by 1.2%.



**Quality of Service remains our priority**, as highlighted by the lower **level of energy transmission losses in electricity**, the higher **combined availability rate for both electricity and gas** and better **response time in emergency situations** in Natural Gas Distribution.

# SECTOR OVERVIEW

## Commitment to hydrogen infrastructure and energy transition



### Hydrogen Readiness

- Relevant national gas infrastructures must become hydrogen ready according to the Portuguese law, to allow H<sub>2</sub> and natural gas blends up 5% in 2025 and 10-15% in 2030. Considering this REN intends to award the main infrastructure adequacy studies (transmission, distribution and underground storage) until September 2022.



### Decree-Law n.º 30-A/2022 (Renewables and Hydrogen)

+

### Decree-Law n.º 33/2022 & Directive n.º 13-A/2022 (exceptional adjustment of electricity production costs)

- Publication of Decree-Law n.º 30-A/2022, approves exceptional measures aimed at ensuring the simplification of procedures for producing energy from renewable sources in Portugal. This new Decree-Law proposes to increase the production of biomethane and renewable hydrogen, the deployment of solar and wind energy, the deployment of innovative solutions based on hydrogen and electricity from renewable sources at competitive costs in industrial sectors, as well as the simplification and reduction of the deadlines of the permitting procedures, which is a pre-condition for the acceleration of renewable energy projects.
- The Portuguese and Spanish Governments created a temporary adjustment mechanism for electricity production costs with impact on the final MIBEL electricity prices. This is an exceptional and temporary mechanism for MIBEL prices, by setting a reference price of natural gas for electricity production, in order to reduce the final electricity prices. This mechanism entered in force on 15<sup>th</sup> of June 22.



### PDIRD 2022

### Gas Development Plan 2023-2027

- ERSE submitted for public consultation the proposals for a five-year plan for the development and investment of gas distribution networks on period 2023-2027 (PDIRD 2022), prepared by the DSOs. The total amount to be implemented over the five-year horizon reaches €468.4 million which represents an increase of 28% vs PDIRD 2020. The public consultation will end on 22<sup>nd</sup> of July and then ERSE will have 22 days to publish the final opinion report.



### Energy Transition and renewable gas

- The “H<sub>2</sub> Green Valley” project, that REN submitted to the Portuguese Recovery and Resilience Plan (PRR), was selected for the negotiation phase with IAPMEI. The financing agreement with Portuguese government can be signed in the upcoming weeks.

## 2. Business performance



REN

# OPERATIONAL HIGHLIGHTS

Solid quality of service, with a reduction in transmissions losses despite increase in electricity consumption



## Electricity

### Consumption

**25.3TWh** ↑ 0.7 TWh (2.9%)

1H21: 24.6TWh

### Renewables in consumption supply

**47.5%** ↓ 20.9pp

1H21: 68.4%

### Energy transmission losses

**1.8%** ↓ 0.3pp

1H21: 2.1%

### Average interruption time

**0.07min** ↑ 0.07min

1H21: 0.00min

### Line length

**9,373km** ↑ 335km (3.7%)

1H21: 9,038km

### Combined availability rate

**98.7%** ↓ 0.3pp

1H21: 99.0%



## Gas Transmission

### Consumption

**31.2TWh** ↓ 0.4TWh (1.2%)

1H21: 31.6TWh

### Combined availability rate

**100.0%** ↑ 0.1pp

1H21: 99.9%

### Line length

**1,375km** = 0km (0.0%)

1H21: 1,375km



## Gas Distribution

### Gas distributed

**3.4TWh** ↓ 0.7TWh (17.1%)

1H21: 4.1TWh

### Emergency situations with response time up to 60min

**98.5%** ↑ 0.3pp

1H21: 98.2%

### Line length

**6,210km** ↑ 233km (3.9%)

1H21: 5,977km

# FINANCIAL HIGHLIGHTS

Net Profit grew 16% driven by an EBIT increase and positive impact from Financial Results

## EBITDA

**€238.4M**

↑ 10.5  
(4.6%)

1H21: €227.9M

## Financial results

**-€15.1M**

↑ 3.0  
(16.5%)

1H21: -€18.0M

## Net Profit

**€45.9M**

↑ 6.3  
(16.0%)

1H21: €39.5M

## CAPEX

**€78.8M**

↓ 0.6  
(0.7%)

1H21: €79.3M

## Average RAB<sup>1</sup>

**€3,602.6M**

↑ 87.4  
(2.5%)

1H21: €3,515.2M

## Net Debt

**€2,099.4M**

↓ 440.5  
(17.3%)

1H21: €2,539.9M

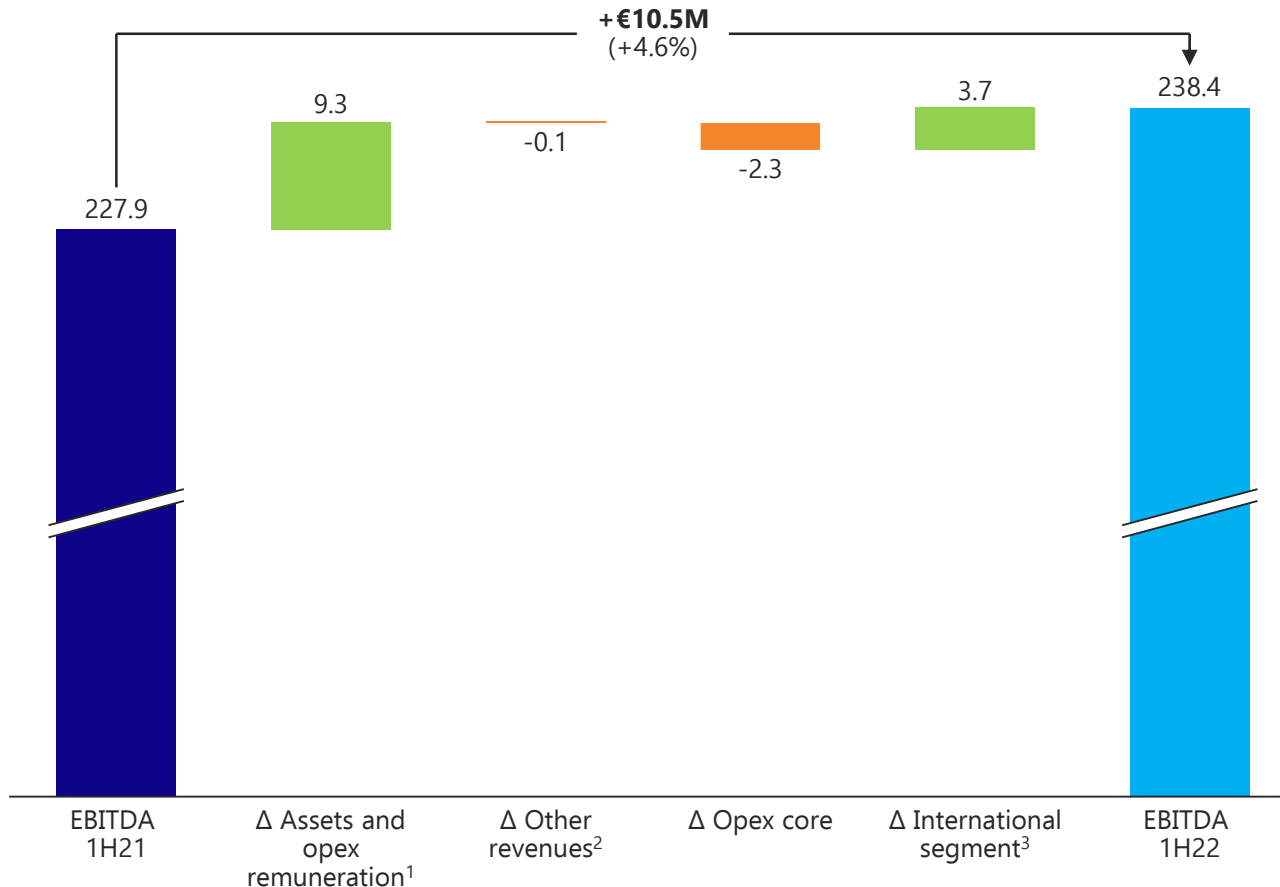


# CONSOLIDATED VIEW



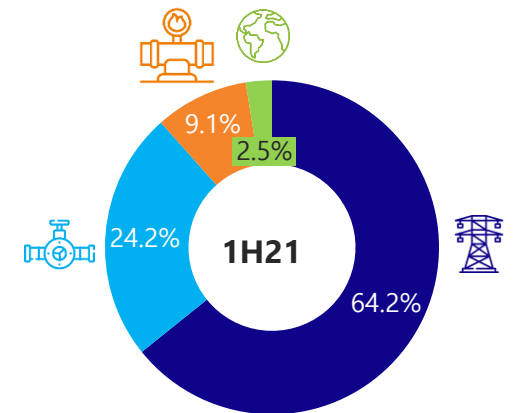
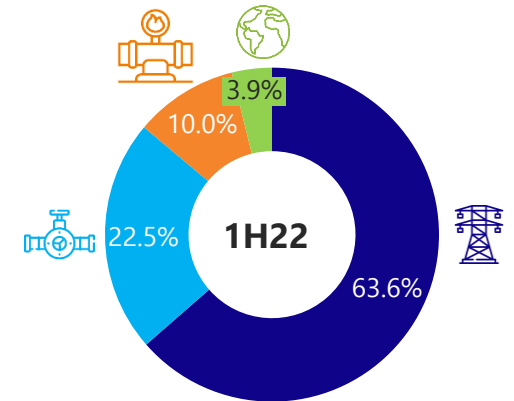
Increase in EBITDA driven by higher assets and opex remuneration in domestic business and positive contribution from Chile

EBITDA evolution breakdown €M



EBITDA contribution by business segment<sup>4</sup> %

- Electricity
- Gas Distribution<sup>5</sup>
- Gas Transmission
- International



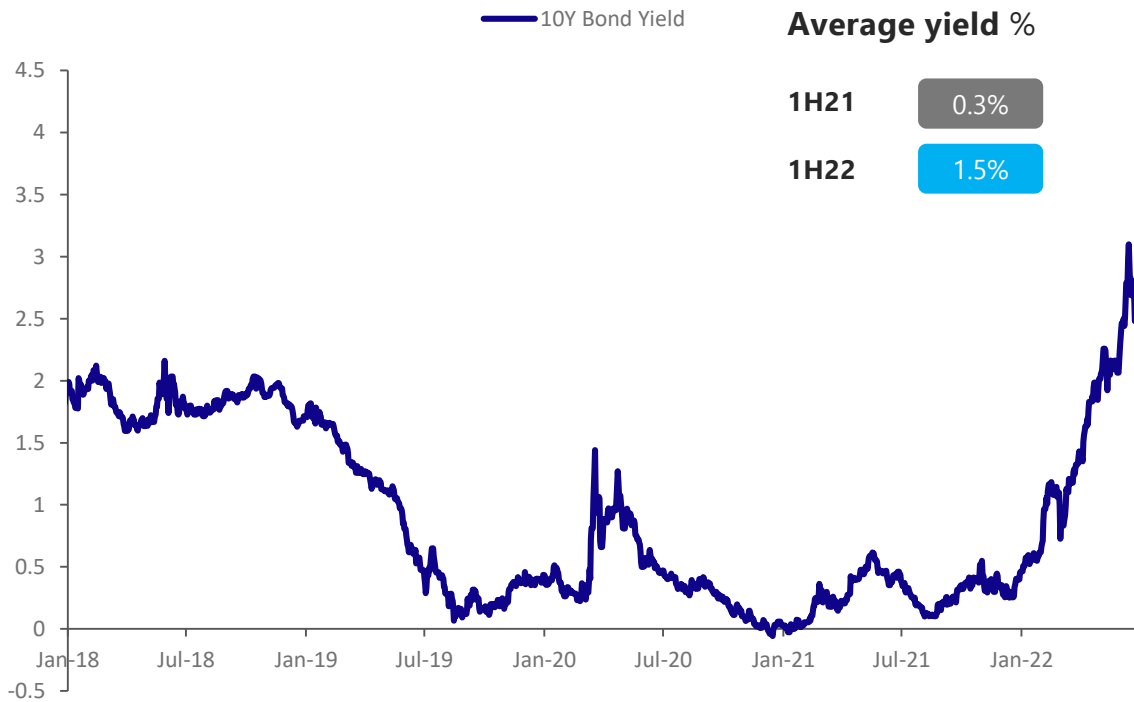
1 Includes electricity regulatory incentives (in 1H21 €13.4M from the Incentive for the Rationalization of Economic Investments, and in 1H22 €3.8M from the Incentive to the Improvement of the TSO Technical Performance) and excludes Opex remuneration related to pass-through costs | 2. Includes REN Trading incentives, telecommunication sales and services rendered, interest on tariff deviation, consultancy revenues and other services provided, OMIP and Nester results | 3. Includes Apolo SpA and Aerio Chile SpA costs | 4 Excludes the segment "Other", which includes REN SGPS, REN Serviços, REN Telecom, REN Trading, REN PRO and REN Finance B.V. | 5 Refers to Portgás

# DOMESTIC BUSINESS

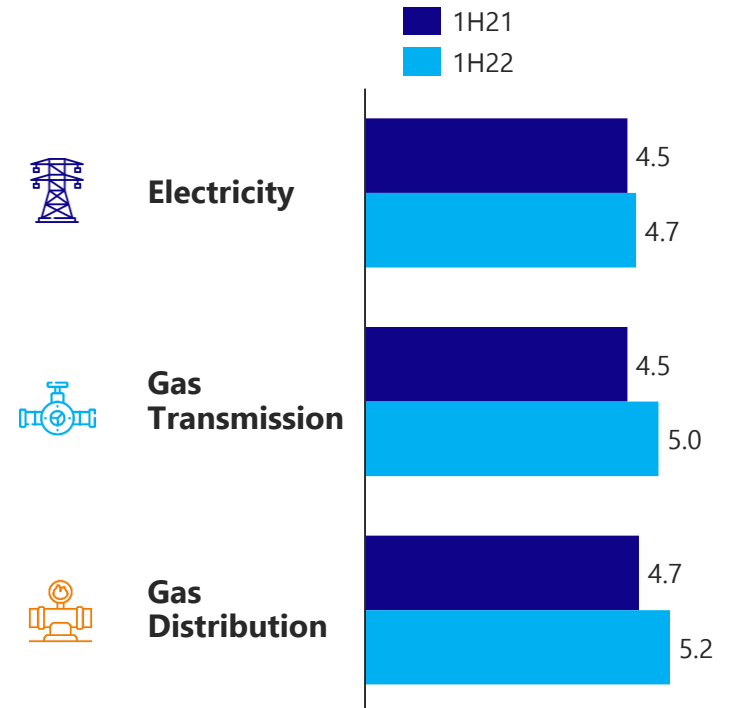


Bond yields presented an increase in 2022 as consequence of current macro environment

## Portuguese 10Y Treasury Bond Yields %



## Base Rate of Return on RAB (RoR)\* %



SOURCE: Bloomberg; REN

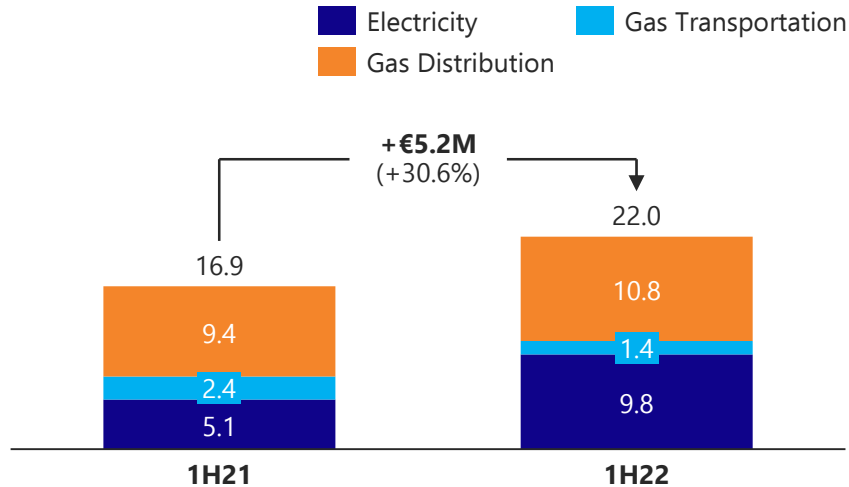
\* Electricity data collected from Oct-21 to Sep-22; Gas data collected from Jan-22 to Dec-22

# DOMESTIC BUSINESS

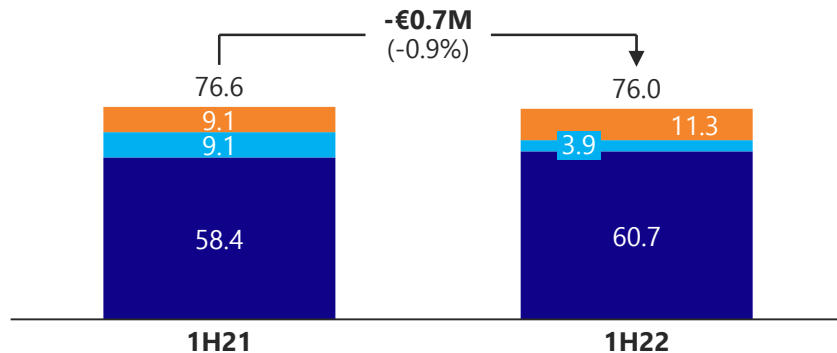


## Transfers to RAB grew 30.6% and Capex remained mostly in line with 1H21

### Transfers to RAB €M



### Capex €M



### Main investment projects



#### Electricity

- 220 kV connection between Rio Maior and Carvoeira substations
- Refurbishing of the 220 kV Gas Insulated substation at Carriche
- Rehabilitation and stabilization of the slope at the Carvoeira substation
- 400 kV Line Panel at Sines substation to connect to a photovoltaic solar plant (Cercal Power)



#### Gas Transmission

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



#### Gas Distribution

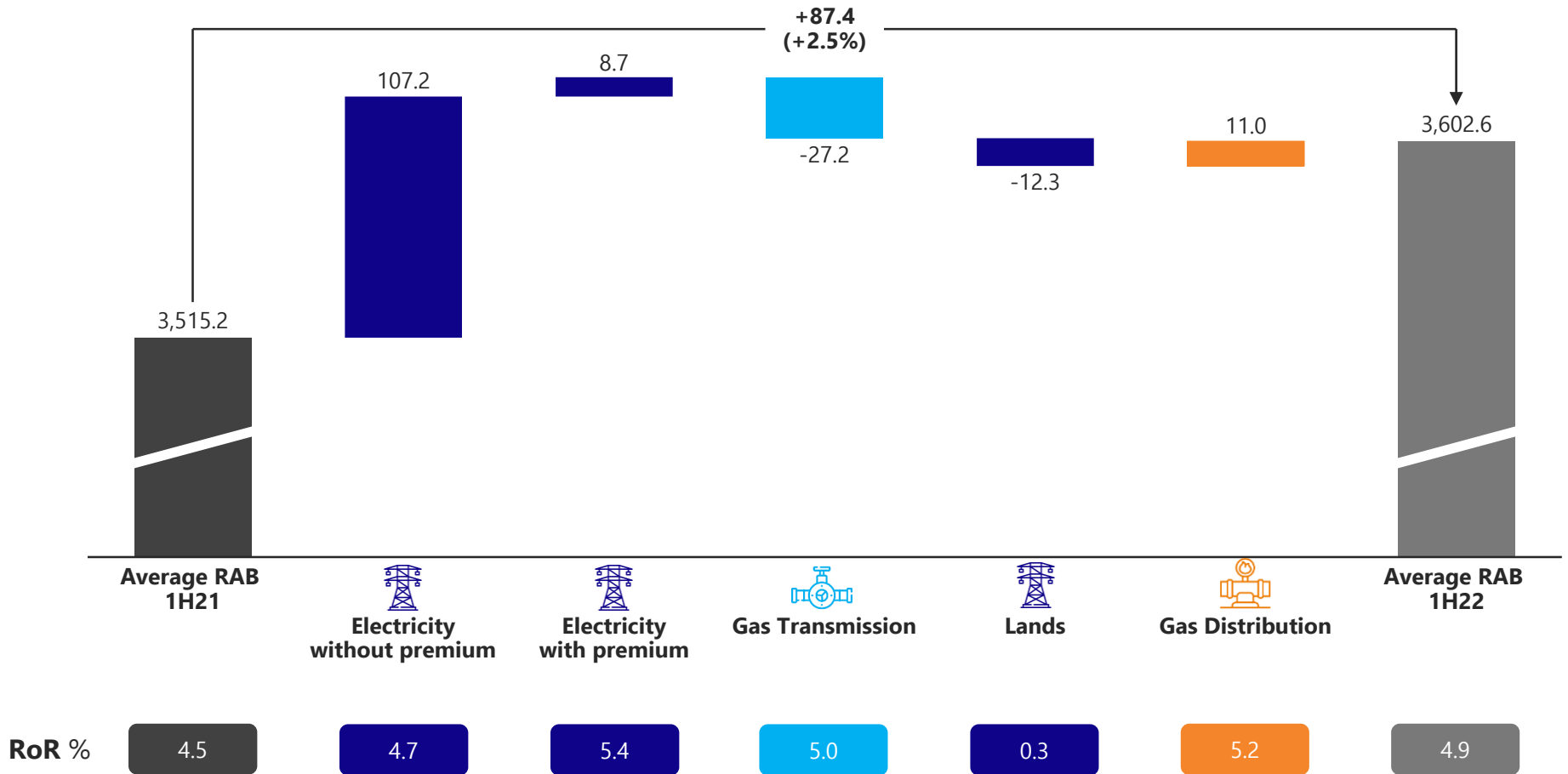
- Investments for **network expansion and densification**, mostly for B2C
- New prospects for B2B investments closely monitored in order to provide client comfort regarding network costs
- Decarbonizing and digitalization plan on the move
- **New investment plan 23-27 delivered to DGEG and ERSE (April 2022), now under discussion**
- Expansion to new industrial zones under preparation

# DOMESTIC BUSINESS



Average RAB increased 2.5% in 1H22 due to impact of transfers to RAB from 2021

Average RAB evolution €M



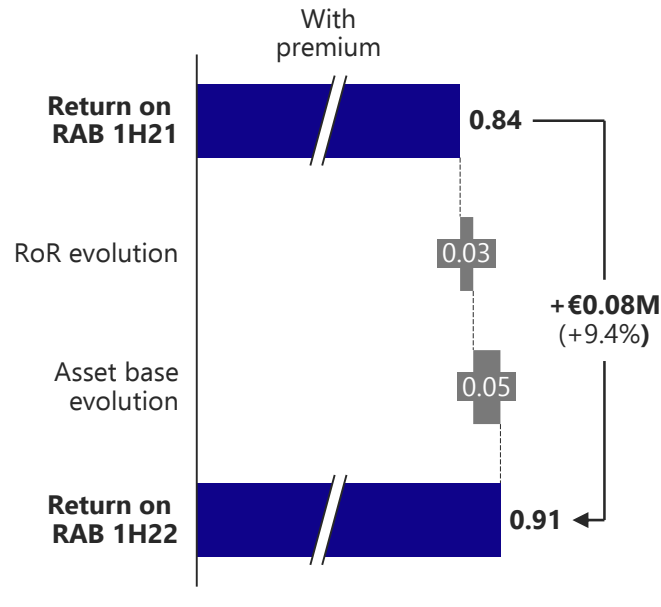
# DOMESTIC BUSINESS

## RAB remuneration increased as a result of the higher rate of return



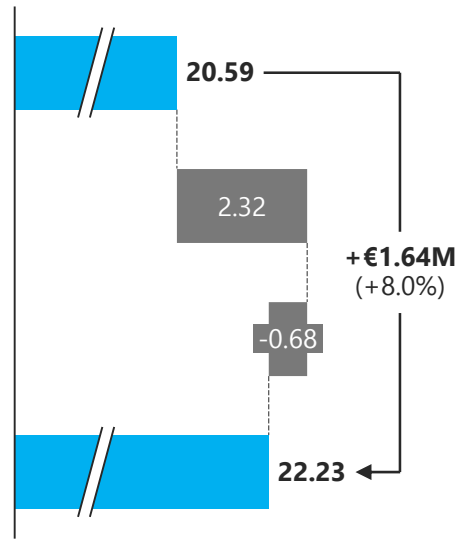
### Return on RAB evolution breakdown €M

#### Electricity (GGSS<sup>1</sup>)



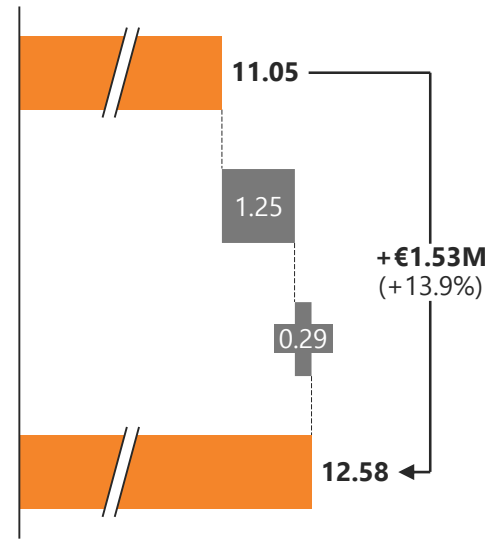
Increase in the **average RAB** by **€2.3M**, to €39.3M and **increase in RoR** (from 4.51% to 4.65%)

#### Gas Transmission



Increase in Return on RAB justified by a **higher RoR** of 5.03% (vs 4.52%), despite the **smaller asset base** (decrease of €27.2M to a total of €884.0M)

#### Gas Distribution



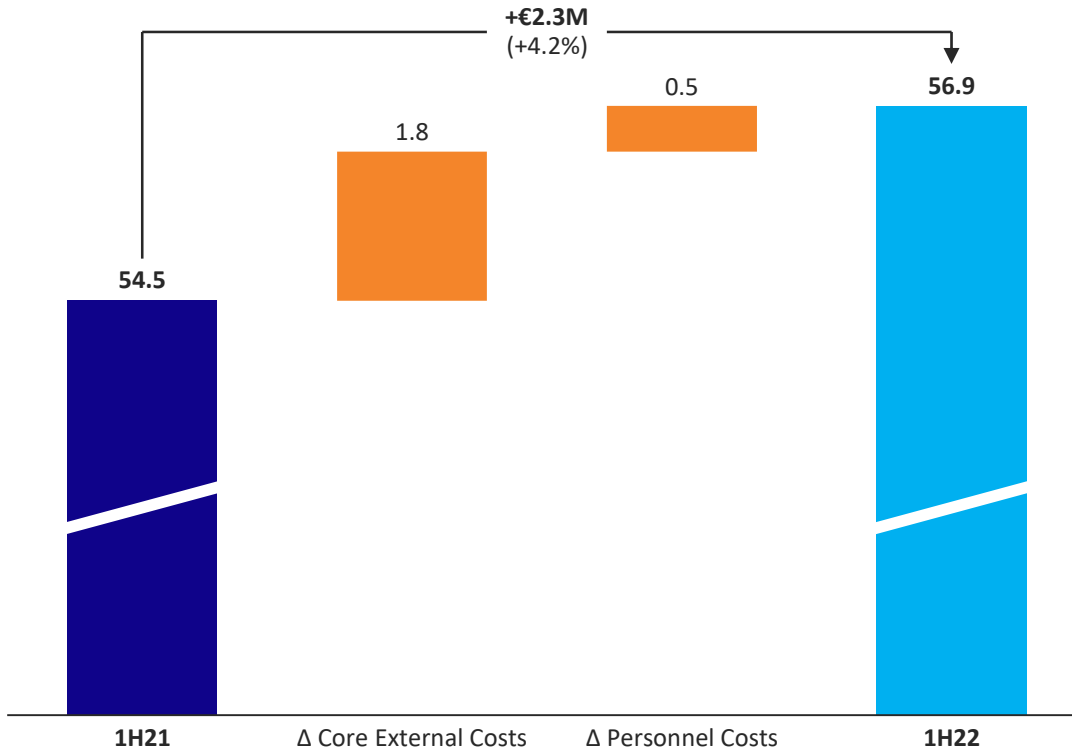
Higher Return on RAB as a result of a **higher rate of return** (from 4.72% to 5.23%) and higher **asset base** (+€11.0M to a total of €481.1M)

# DOMESTIC BUSINESS

OPEX decreased by 0.7% YoY, while core OPEX grew 4.2%



## Core OPEX<sup>1</sup> evolution €M



## Key highlights

### Core external costs

- Electricity costs in LNG terminal (+€5.3M)

### Non-core costs

- Pass-through costs (costs accepted in the tariff) **decreased by €2.8M**, of which -€1.5M in **costs with cross-border and system services costs**, -€1.6M in costs with ERSE and +€0.5M in subsoil occupation levies

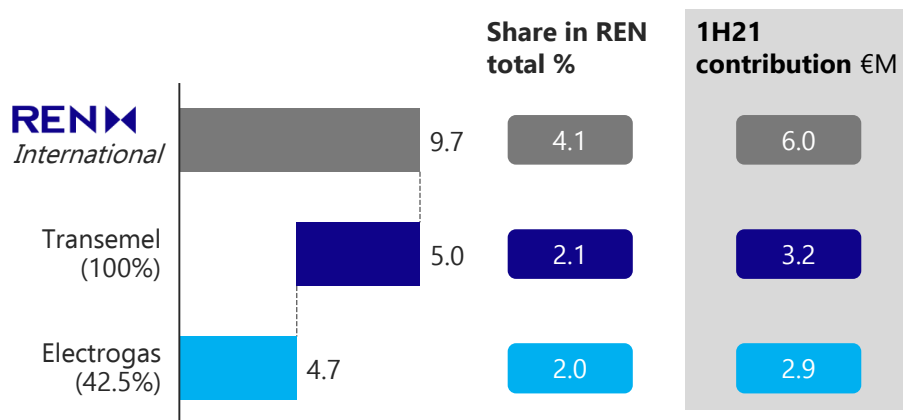
<sup>1</sup> Calculated as OPEX minus pass-through costs (e.g., ITC mechanism, NG transportation costs, ERSE costs and subsoil occupation levies)

# INTERNATIONAL BUSINESS

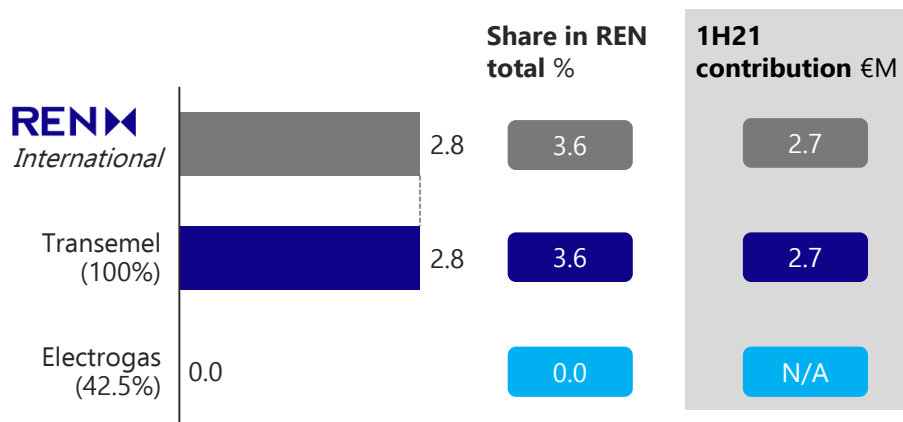
## Solid performance from the Chilean businesses



### Contribution to EBITDA 1H22 €M



### Contribution to Capex 1H22 €M



### Key highlights

#### Transemel, Chile

- Revenues increased YoY reflecting the conclusion of expansion projects started in 2021

#### Revenues

**€6.5M** ↑ €1.8M (37.7%)

1H21: €4.7M

#### EBITDA

**€5.0M** ↑ €1.8M (57.1%)

1H21: €3.2M

#### Electrogas, Chile

- EBITDA increased YoY, driven by higher revenues (higher tariff and higher transported volumes)

#### Revenues

**€19.9M** ↑ €6.5M (48.8%)

1H21: €13.4M

#### EBITDA

**€18.1M** ↑ €6.4M (54.4%)

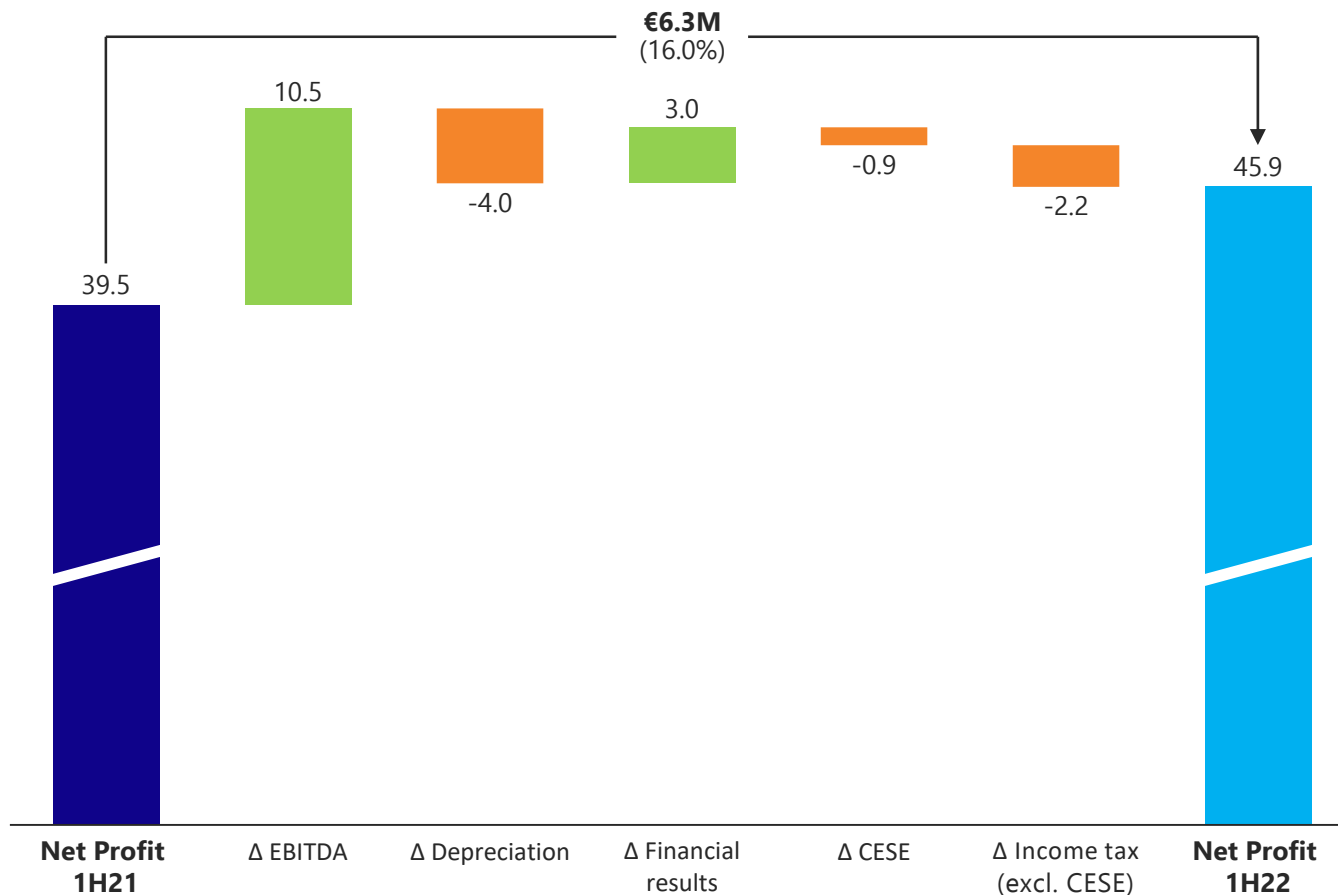
1H21: €11.7M

# CONSOLIDATED VIEW



Net Profit benefited from higher EBITDA and better financial results, despite higher depreciations, taxes and CESE

## Net profit evolution breakdown €M



## Key highlights

- The **increase in EBITDA** reflects the positive contribution from both the domestic (+€6.8M) as well as international businesses (+€3.7M)
- **Positive effect** of €3.0M from **Financial Results** as a consequence of better financial conditions, lower net debt and higher dividends from associates
- **Higher CESE** (Δ€0.9M) and **higher taxes**, reflecting the evolution of the regulated asset base

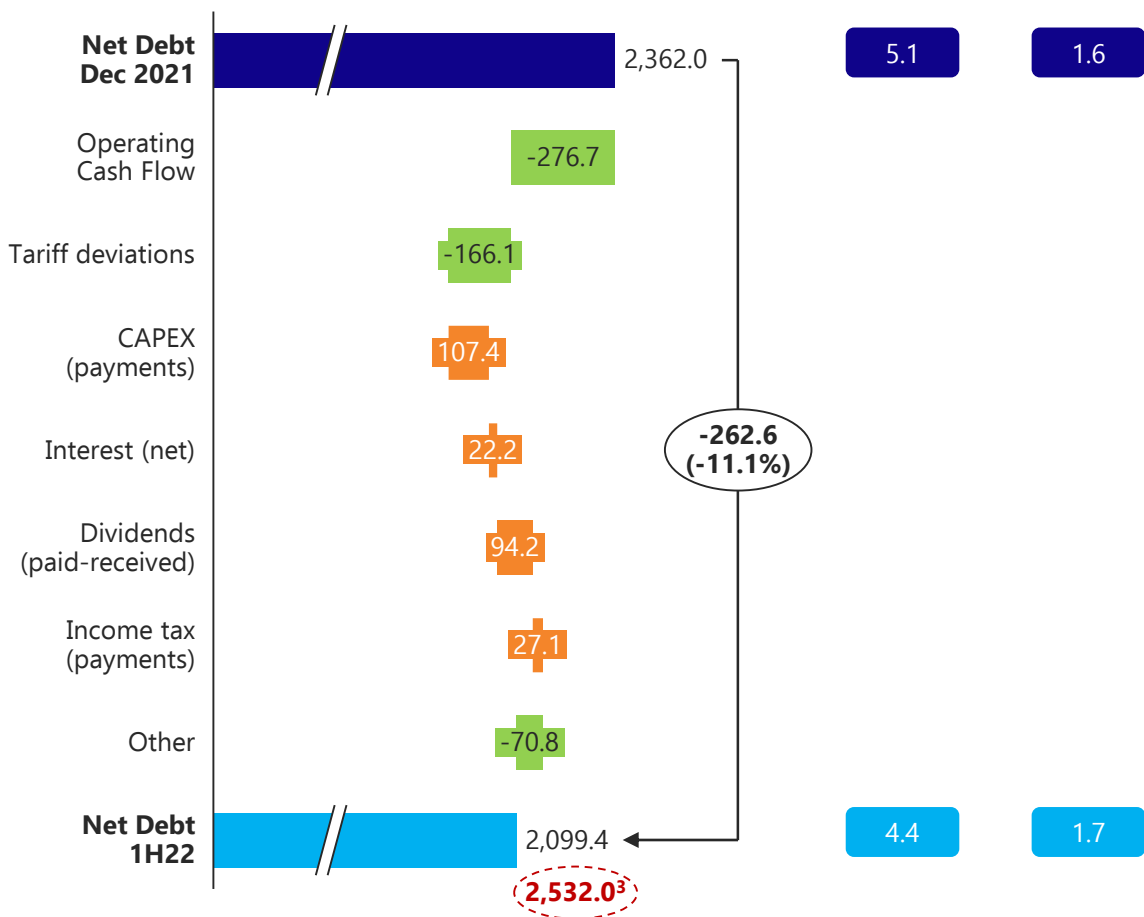


# CONSOLIDATED VIEW

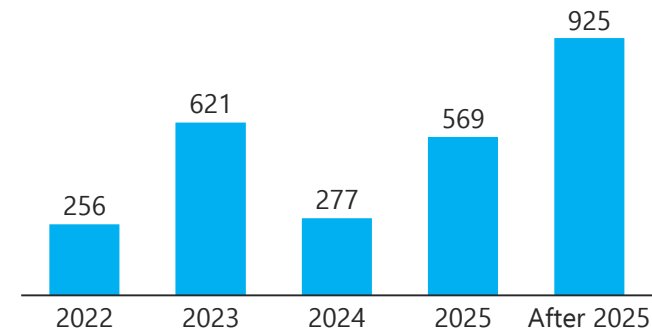


## Net Debt artificially low due to the impact of tariff deviations

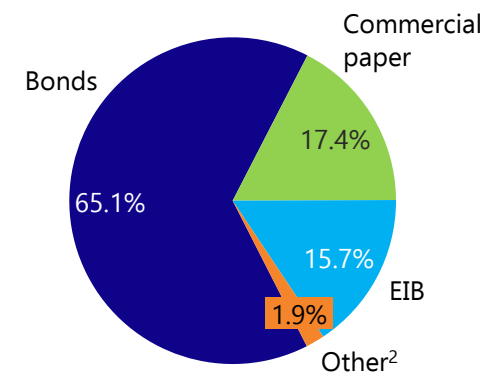
### Net Debt evolution €M



### Adjusted Gross Debt Maturity<sup>1</sup> €M



### Debt sources %



<sup>1</sup> Calculated as Net Debt plus Cash, bank deposits and derivative financial instruments (€496M), excluding effects of hedging on yen denominated debt, accrued interest and bank overdrafts | <sup>2</sup> Includes loans (1.7%) and leasing (0.2%) | <sup>3</sup> Net Debt Value without tariff deviations

# CONSOLIDATED VIEW



## Positive evolution in Financial Results, partly attributed to the progress in recognized dividends

### Depreciation & Amortization

**€124.2M**  €4.0M  
(3.3%)

1H21: **€120.2M**

- D&A increased €4.0M versus 1H21, mainly attributed to the evolution of gross assets.

### Financial results

**-€15.1M**  €3.0M  
(16.5%)

1H21: **-€18.0M**

- **Positive evolution in financial results** (+€3.0M) reflecting the decrease in **Net Debt** and **higher dividends from HCB (an increment of +€1.3M YoY)**, despite increase in the average cost of debt of 0.08 p.p. from 1.58% to 1.66%.

### Taxes

**€53.2M**  €3.2M  
(6.3%)

1H21: **€50.1M**

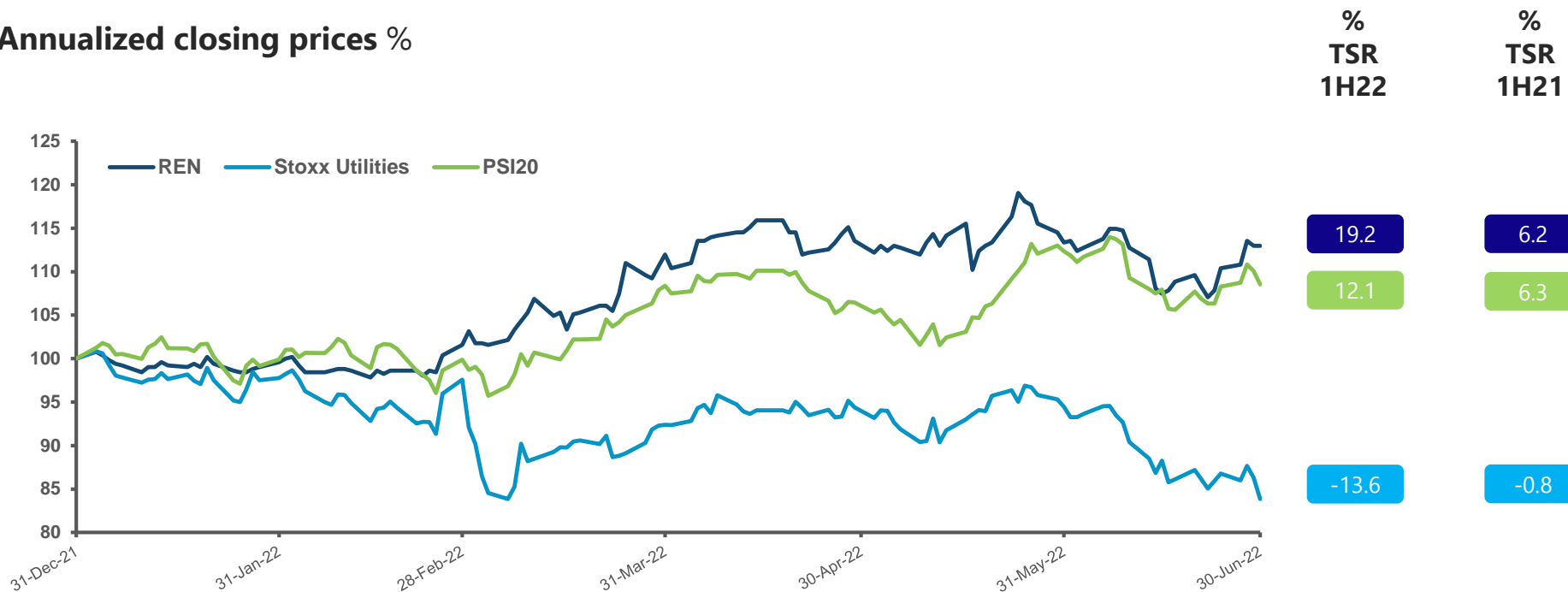
- Total taxes include the **extraordinary levy of €28.0M** (€27.1M in 1H21) and **income tax which grew by €2.2M to €25.2M**.
- **Effective tax rate reached 39.6%**, a 1.2 p.p. decrease relatively to 1H21 (including the levy).
- **Increase vs 1H21** reflecting the increase in EBT (+€9.5M).
- Taxes (1H22 and 1H21) benefited from tax recovery of previous years.

# SHARE PRICE & SHAREHOLDER RETURN



REN's share price has been rising since March, closing 1H22 with a TSR of 19% outperforming the sector

## Annualized closing prices %



## Analyst recommendations<sup>1</sup>

### Average Price target

**€2.66** ↑ €0.06  
(2.3%)

1H21: **€2.60**

### Upside/Downside (+/-)

**-7.5%** ↓ 18.6pp

1H21: **11.1%**

### Buy recommendations

**11.1%** ↓ 38.9pp

1H21: **50.0%**

### Hold recommendations

**44.4%** ↓ 5.6pp

1H21: **50.0%**

<sup>1</sup> End of period  
SOURCE: Bloomberg, REN

### 3. Shaping a sustainable future



# HIGHEST ESG STANDARDS



## REN is taking sustainable steps towards meeting its targets



### Environmental

#### Targets

**-50% CO<sub>2</sub> emissions**  
by 2030 vs. 2019

**Carbon neutral by 2040**

#### Achievements



**Climate** | 25% reduction in our scope 1 and 2 emissions (2021 vs. 2020) | In 2022, REN concluded a supply chain's ESG maturity assessment and kicked-off of a project to calculate its scope 3 emissions' inventory

**Forest** | Innovative approach with local partners in Vieira do Minho area using Garrano horses to prevent forest fires on Cabreira Mountain, while creating conditions to protect this local endangered species

**Mobility** | REN presented at the Hannover Messe the Speed-e project, an innovative charging solution that enables electric vehicles to be charged directly from the electricity transmission grid. This solution can also be used for electricity supply to remote communities or industrial facilities



### Social

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



**Gender equality** | REN joined the Portuguese Diversity Charter, an initiative of the European Commission

**Local communities** | In June, REN delivered seven vehicles to voluntary fire brigades, reinforcing the company's commitment to the prevention and fighting rural wildfires. Since 2009, REN has donated 89 vehicles to both voluntary fire brigades and civil protection teams



### Governance

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

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



**Sustainability governance** | REN created a Sustainability Committee at Board level

**Cybersecurity** | Reinforcement of mandatory training for all employees and internal communication awareness campaign

# HIGHEST ESG STANDARDS



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

## MSCI ESG Rating



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

## Sustainalytics ESG Rating

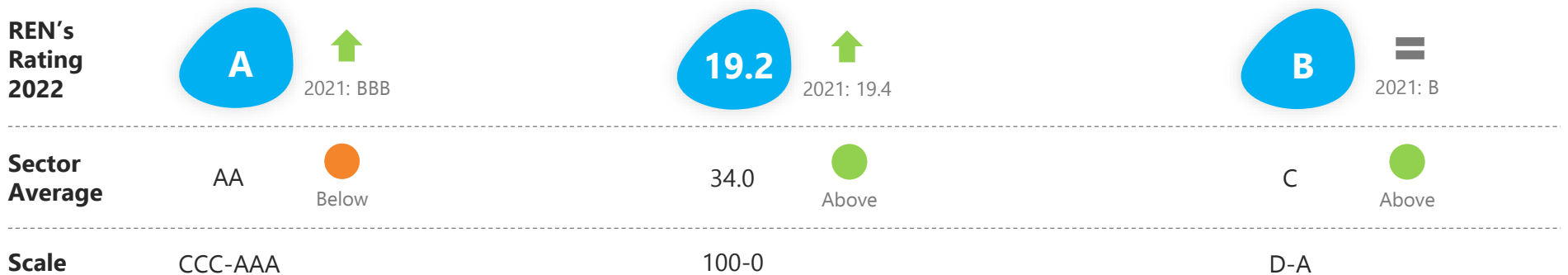


- Measurement of a **company's exposure to industry-specific material ESG risks** and how well a company is managing those risks
- REN demonstrated **low risk**, which is aligned with the ratings received by peers and above sector average

## ISS ESG Rating



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



(Scores as of 30<sup>th</sup> June 2022)

## 4. Closing remarks



## CLOSING REMARKS



### REN remains fully committed to deliver solid results and sustainable returns



**EBITDA of €238.4M**, an increase of €10.5M YoY (+4.6%), as a result of the increase in domestic and international business performances.



**Net Profit increased to €45.9M** (+€6.3M), driven by an increase in EBIT (+€6.5M) and higher Financial Results (+€3.0M), partially offset by higher levy (+€0.9M) and taxes (+€2.2M), following the evolution on regulated asset base.



**Positive consolidation in Net Debt** (-€440.5M YoY) as the operating cash flow and tariff deviations exceeded the outflows of investment and financing activities.



**Capex** remained in line with 1H21 while **transfers to RAB grew 30.6%** (+€5.2M) to **€22.0M**.



REN's share performance continues to deliver value to its shareholder, closing 1H22 with a **TSR of 19% outperforming the sector**.



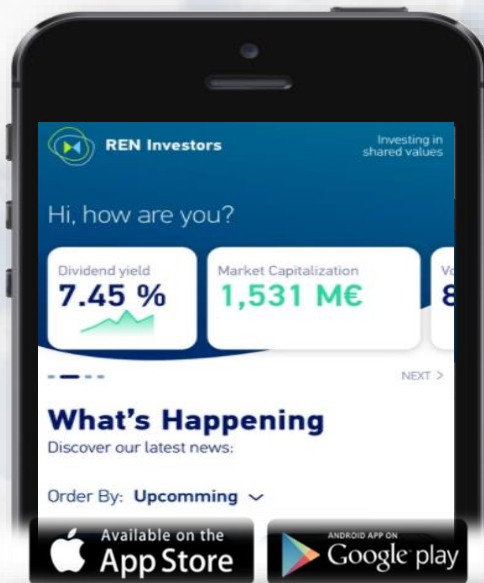
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