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Corporate participants

- **Rodrigo Costa** – Chairman and CEO
- **Gonçalo Morais Soares** – CFO & Executive Director
- **João Faria Conceição** – COO & Executive Director
- **Madalena Garrido –** Head of Investor Relations

Participants

- **Flora Trindade** – Analyst; Caixa Bank BPI
- **Fernando Garcia** – Analyst; RBC Capital Markets
- **Ignacio Doménech** – Analyst; JB Capital Markets
- **Alessandro Di Vito** – Analyst; MedioBanca

Madalena Garrido

Good morning, ladies and gentlemen. Thank you for attending REN's 2024 Results Conference Call. We have today with us our Executive Committee, Rodrigo Costa, our CEO; Gonçalo Morais Soares, our CFO; and João Faria Conceicao, our COO.

Rodrigo will start with his opening remarks and Gonçalo and João will guide you through the main operational and financial highlights of the year. We will then open up for Q&A where we will take in your questions. Thank you.

Rodrigo Costa

Thank you, Madalena. Good morning, all. We had -- as you know, we had a good set of results. Yesterday, I was reading my notes from the same period last year and I thought about delivering the same comments. It was a good template. A year ago, we mentioned the word elections a few times, the wars, and the need to make progress on the licensing front.

Today, we have the same concerns and challenges. And if we go back another year to 2023, we had almost the same concern plus a very serious drought. One year before, we had all that plus COVID, and I think the future will keep being very challenging.

On the positive side, we can share a bit of good news regarding CESE. We will go through that during the presentation and the Q&A. Plus, the fact that 2024 was a good year.

As always, some setbacks, but plenty of successful infrastructure developments and the usual service, high quality and efficiency. We are very resilient and focused on the operational front and on financial management also. And we remain cautiously optimistic also, as always.

We will be keep -- we will be able to keep moving and delivering on multiple fronts. We don't have many doubts on that. Both in Portugal and Chile, we achieved good operational and financial results, and we keep moving on our energy transition journey, where we see plenty of projects that will keep us very busy in the coming years.

The energy transition is a catalyst for our internal transformation, creating opportunities for our teams, as well as attracting new talent to the company, and also that is very positive.

Also, we made very good progress on the ESG front, and we will also share the results. And you will easily be able to see that. Before we take your questions, we'll go through the presentation, sharing with you all the main events and results. Gonçalo?

Gonçalo Morais Soares

Thank you, Rodrigo. Good morning to you all, and welcome to our presentation. We think that we have a very good set of results as we are delivering and even outperforming versus the business plan that we presented last year.

You see our EBITDA at EUR 506 million, coming down around 1.5%. This was clearly expected and even slightly better than expected, given some pressure both on the domestic front and also through it, due to coral frags, also on the international front, given some non-recurrence that we had last year.

On net income, you saw strong performance, EUR 252.5 million, a growth of slightly above 2%. This is an evolution despite higher financial costs, lower financial results, which were expected, but was mainly driven by positive tax impacts.

There are two stories here. One is related to sales, to the special levy, and other two -- and some other tax impacts. I will go through this with a little bit more detail, as these are materials in the account.

As you see, the net debt is also coming down around 1.4%. This is mostly driven by tariff deviations, but this number, the 1.4%, is excluding those. So even without this, net debt is coming down, and this is in the context, as you see, of a strong increase in CapEx.

So CapEx, almost EUR 370 million last year, and increased above 20%, so clearly delivering what we said, mostly, and as we also have focused on the business plan, mostly coming from the electricity sector, and flowing through R&D, as you saw, so transfers throughout, outpacing in terms of growth, the growth of CapEx, and growing around 33%. Let me now give the floor to João, that will go through the operational messages that we have. João?

João Faria Conceição

Thanks, Gonçalo. My name is João. And on slide -- on the following slide, you have an overview of the key message from the operational side. One of the most important of these is the fact that we keep increasing the renewable share in the total consumption of Portugal.

We finished 2024 with a level of 70%, which is almost 10% above what we did the previous year. In terms of consumption, there was a slight increase in the electricity consumption, and the flip point on the natural gas consumption, but I will go through that.

In terms of quality of service, we kept the high levels of quality of service within our grid. At the same time, we keep reinforcing our sustainability commitment, and the most evident ones are the improvements on Scope 1 and Scope 2, together with Scope 3 emissions targets. Regulation highlights, besides of the fact that what we have -- you have in the slide, I would highlight the fact that we got the decision from the European Union regarding our self-application for grants related to the studies of the new hydrogen infrastructure.

The decision was taken in the beginning of this year, so we got about EUR 6 million for studies, for this new interconnection with Spain, as well as the retrofitting of our internal grid, natural gas grid to be hydrogen -- 100% hydrogen ready. This represents a commitment from the EU versus our project by giving us 50% of the total budget of these studies. This is also applicable to the whole corridor from Portugal, Spain, France, to Germany.

Also in this regulation highlights, I would reinforce the fact that we just finished the public consultation that the regulator did for our investment plan on electricity. Our investment went from 2025 to 2034. As you may know, this is an important plan that envisage something like EUR 1.7 billion in investments on electricity grids for the next 10 years.

Moving to slide seven, so you have a little bit more detail on the operational indicators. Again, the 7.2% of renewable integration. This is mainly driven by an important increase in the hydro production.

We went from 23% in 2023 to 28% last year. A slight increase also in wind and solar, and altogether we managed to increase the 10% of renewable sources versus 2023. In terms of consumption, we saw the national consumption slightly increase, 1.3%.

And If you could do the correction for these working days and the temperature, this is even a little bit above this 2% increase, which it’s a trend that we are expecting to be kept through 2025 and not considering the expected increase -- sharp increase on consumption related to new industrial sites and data centers that we are envisaging to be connected to our grid.

The flip point of that is the natural gas consumption, which decrease mainly driven by a big drop on the electricity generated. The more renewables means less needs for gas for electricity generation, and this is something that is reflected by this almost 20% decrease on natural gas consumption.

In terms of quality of service, on the electricity side, we improved the average interruption time, and we kept the high level of combined availability rates. These are the important indicators that the regulator follows in our IMDT incentive, whereas in the natural gas no big news, we kept the 100% availability rates in the transmission grids and high levels of response on the distribution grid. With that, Gonçalo, get back to you.

Gonçalo Morais Soares

Thank you, João. So, I'll jump to slide 8, which is the main financial highlights, and so let's go to slide number 9 with the EBITDA. So here what you see is pressure on the assets in OpEx, which is expected.

We had some non-recurrence in 2023. We had the new gas regulation that not only you saw rates coming down because of markets, but also you had new gas regulation with less costs being accepted. You had less of that impact of electricity that we had last year in the terminal, so we knew that last year we had some also unusually high contributions to EBITDA here, and that's what is being corrected on a year-on-year. There is nothing, I would say, out of the expected.

In the other revenues, there is an increase because we also had a lot of extra costs last year that were some of them non-recurrent, some costs that we specialize as non-recurrent, but we also have this year some higher onwards because as we increase CapEx, we are increasing our onwards. Okay. In terms of core OpEx, this is mainly driven by high personnel costs, and I'll go through it because the rest is actually coming down around 2% versus last year.

Internationally, it's mostly because of that big non-recurrent impact positive that we had last year. We also had some small exchange rate impacts. Sometimes there are 1 million positives. Sometimes there are 1 million negatives. This year, they were slightly negative, so that's why its kind of also contributes to this negative trend, but I'll go through it.

So, in slide 10, in terms of ROR evolution, it's what you already know. So, in terms of electricity, a slight decrease given rate evolution in the market in gas. Not only that, but also the review of regulation pushed rates a little bit down, and that had impacts on our remuneration.

Going to CapEx on slide 11, I think that here there is good news, so you are clearly seeing that we are delivering on the plan that we presented to you last year. You are already seeing the start of the solar agreements as we have told you. So, in terms of EBITDA, we have close to EUR 7 million in EBITDA that relates already to solar agreements, fully in line with what we expected.

Yes, we still have challenges with licensing and things like this, but the operating teams are delivering, and that is good news. This is mostly focused on electricity. Most of the CapEx was focused on electricity.

We had a very large project, the Alentejo axis that was concluded this year, and that was a very important project to be concluded this year, so I think that this is mostly electricity. We are also doing other things in gas. We are, as Jaoa said, doing small investments relating to hydrogen and launching the hydrogen and adapting the infrastructure, but this is mostly driven by electricity.

Looking forward, just making a small mention, we also expect strong CapEx this year, so we expect that there is some growth in CapEx this year in line with our business plan, and even if there are, in any given year, in ‘25, ‘26 or ‘27, some delays, which may be possible because some constructions are a little bit more challenging than others, what we are seeing is that there is also signs of higher for longer CapEx. So, as Jaoa said, there are these new high-consumption areas or zones, namely the one in Sines where we also already got the approval for CapEx last year of EUR 500 million.

All of this was not in our initial business plan CapEx, so although there is, as I said, potential for, in a single year, a little bit of delay, which you cannot control, what we see is actually a positive development in terms of investment as we go along. So, we will keep monitoring and give you feedback on this.

In terms of RAB returns on slide 12, I’d say that we went through this, so mostly strong negative ROR evolutions on the gas assets. What you see there also is a positive evolution in electricity given the asset-based evolution. We think that as CapEx keeps going up and as we reinforce transfer through RAB, you will continue to see a positive impact here on the RAB returns of electricity.

In terms of OpEx, on slide number 13, as I said, these were mostly driven by personal costs. We are increasing people to support the CapEx deployment. We still have to increase a little bit salaries given the high inflation that we had in previous years, so this was kind of trending in terms of increases of salaries, so that kind of still reflected in 2024. Bear in mind that at the same time, the own works are increasing, so part of these costs are capitalized because they are dedicated to investment activities, so there is an increase here, but there is also an increase.

The net increase is actually not as large in terms of OpEx. Okay. We should start to see it in ‘25 or ‘26, a kind of slowdown in the evolution of this cost, but it is -- we are still seeing a strong evolution in terms of investment, and so we have to reinforce our people. The other costs are coming down, namely maintenance costs and consultation costs came down, so I think here is where we tried also to compensate and accommodate costs given the increase that we have in personnel.

In Chile, Chile I think is continuing its growth trajectory, but 2024 was a little bit affected by some non-recurrence when we compared to 2023. As I said, we had that 4 million positive impact in ‘23. We had this EUR 1.3 million impact in exchange rate impact from one year to the other, so it can have impact but on -- under that and after you look at that, I think things are going okay. In terms of the electricity side, we just won some months ago four new options in Chile, so four new constructions in terms of green fields.

I think this is exactly what we are aiming to do. So, we are concluding also and we concluded in early ‘25 one of the constructions had been delayed and the other one should be concluded in the next month or so.

So, we are also kind of catching up on some of the things that were delayed. So, we expect to kind of regain the growth momentum and we are continuing to be happy to promote growth on the electricity side in Chile.

As you know, while maintaining this smaller business unit within our group as we dedicate most of our capital to portion. In electrogas, there is some decrease, but this is because we are coming from record years in ['22] and '23, but again, it's also performing well and I'd say even above plan.

Let's now go [a little] bit to slide number 15. In terms of financial results, and I'll come back to that a little bit later, but it's coming down. In terms of costs, they are clearly stabilizing at a lower value than we have in the business plan and this is given the fact that rates also inverted versus what we had expected. As we had said before, we had guided you that we should go up to around 3%.

We have now stabilized this year, we have 2.75. We think this is where we are going to stay moving onwards. So if nothing changes in the rates now, we should be between 2.7 and 2.75 around that, which is clearly below what we have in the business plan, okay?

Bear in mind that this was achieved while increasing maturity to about five years. So, we have maturity around four years. We reinforced the resilience here. We increased maturity to around five years.

And at the same time, we were able to maintain costs a little bit below what we had expected. Now, let's talk about taxes because we have two good news here. And so, I want to spend some time even to, I'd say, preempt some of the questions that you could never naturally have.

So first, on the special levy, Rodrigo already mentioned. So, last year we won three court cases, all of them related in gas, two in Portgas and one in one of the other concessions. And these have allowed us to recuperate EUR 5.6 million.

The news that the court decisions were final came, I'd say, later in the year. So, there is no more appeals, nothing else to be done here. We are certain that we are going to get this money. There is now a normal process of communication between the court and the tax authorities. This is normal. There is no delay that we can see. So, it's the normal procedure that is ongoing.

And we are now expecting to receive the money. But I'd say that we want it and we should have accounted. That's why we put it in the account. So, I think this is good news to see this materializing for the first time.

Bear in mind that we have not still accounted for the interest, as we will receive interest on this, as we want to be certain of the amount that should be in the account. But this is not, I'd say, materials. It's a, I'd say, positive impact, but it's not going to be material, okay? So, it's the first time that we are seeing this. It's positive.

It's clearly more positive on the gas side. We are kind of holding on the electricity. Let's see what happens in 2025 and 2026 as the court cases move and continue to move up in the Constitutional Court. But I think clearly this shows a positive trend. Let's now talk on the other tax impacts.

So, this is a tax measure relating to the capitalization of companies. This was created in the budget for 2023, was repeated in the budget for 2024, and is now in the budget for 2025. So, this is a measure that was in the budget of two different governments for three different years and is now on its third different year.

Last year the impact was around 20 million. Given the changes in the budget of 2024, the impact this year was close to 36 million, okay? So, it was an increase versus what we had in 2023, okay?

This year, and I said and last year, we were still not very sure of how repeating this was, and so 2023 was mostly positioned as a non-recurrent. But what we are seeing, and I think you did not have in any of your models this 2024 impact. And furthermore, I think that we can say that for 2025 there is a basic certainty that this will exist.

And given outside opinions that we also collected, we feel that there is a very high probability that in '26 and '27 we will still have some impacts that will be coming from this. So, we are looking at three more years of impacts, let's say of around 30 million per year. We don't know the exact number.

But, folks, this is the material. [I think] that these four years, if you look at them, account for almost an impact of 120 million. So, this is the material, and I think it's good news. We never have absolute certainty, but we are, I'd say, confident, given these outside opinions also, that this is what is going to happen. After that period, we don't know when we'd like to be conservative in the way that we approach this, so we don't know if anything happens after 2027.

So, moving to slide number 16 in terms of net profit. So, this is kind of the summary. You see some pressure on the EBITDA side. You see the increase in financial costs that were expected already, but this was compensated by both the recuperation of the levy and by this impact in terms of income tax.

In slide 17, net debt, you can see that here we are also delivering. This was something that we said in the business plan, and perhaps it was not clear, or some people thought it was difficult to deliver, but we are increasing financial resilience while increasing investment debt rather than income tax.

So, we are seeing net debt coming down. This was mostly driven by the reduction in tariff delegations, which is good news. So, it is coming to this, stabilizing to a level. In 2035, it will do so.

That is the normal level without those larger deviations from rent raising, but even if you exclude that, it came down 1% in a year where we increased CapEx more than [20%]. Of course, that looking forward as this impact of tariff deviations has stabilized.

As we maintain high CapEx, it's normal that net debt, as we have said, may go up a little bit, but bear in mind that a lot of CapEx is driven also by the solar agreements, which we have a different, I'd say, cash flow profile.

But and overall, we think that metrics are not going to be impacted, even we perhaps think that they will be impacted positively. Again, repeating maturity going up around 5.2%, liquidity going up to 1.6 billion, clearly above the two-year commitment of liquidity that we have, or refinancing. So, again, delivering on increasing financial stability and resilience on the cost.

In terms of looking at the strategic plan, just as a reminder on slide 19, the things that we propose to you in terms of strategic plan, both in terms of sustainability, of enabling the energy transition and investment, on delivering profitable growth in terms of metrics and business indicators, I think we are delivering, and you can see that on slide 20.

You look at EBITDA, and we are delivering on what we told you. You look at the net profit, even recurrent net profit, we are delivering, and on regular net profit, we are clearly overdelivering. On net debt, we are, again, delivering on the low end of that interval. As we told you on CapEx, we are also delivering on what we told you in terms of interest.

So, I think that we are delivering on all of the metrics. [That's what it's like]. Just taking a minute to talk about most of the ESG commitments that we had on slide 22. João already went over a bit this, but just to tell you that the commitments that we had, namely on the environment and on emissions, we are clearly doing very good progress here.

We have a commitment to reduce scope one and two emissions by 60% by 2030. By this year, given a lot of measures and the evolution of renewables, we are already at minus 57. So, we are clearly doing good progress.

In the year itself, it came down almost 32%. Scope three also coming down 9% in 2024 and reducing already 28% versus 21% when our objective is to reduce it to 30%. So, there's strong commitment. You can see the detail of that on slide 23. You have a lot of metrics there that you can see that we are delivering on them. And if you have any other questions, please reach out.

What you can also see, and that is the result on slide 24, is that this is having an impact on the ratings that we have in terms of ESG. Namely, the last one that we received and was a very good news was the CDP [1]. We have an A, and this was early this year, so in February. So, this is clearly an increase.

In S&P, we also improved in December the rating that we have. In Sustainalytics, we also improved in June last year. In MSCI, we are already at the top, so we did not improve, but we are there. In the ISS, we are doing a way and a journey to improve, but we are clearly delivering again on the business plan and executing also on the ESG side.

So as closing remarks on slide 26. So, good results, 2024. I think that there is some news that have a positive impact on the stock. We are delivering clearly on the business plan and fulfilling what we told you.

And not only that, and we announced this also yesterday in terms of dividends, I think there is a bit of good news here. As we -- last year, we had told you what we had promised was to have an increasing 2% dividend policy starting in the 2025 dividend. So, the 2024 would still be the same as the 2023.

But yesterday on the board, the board decided to present to the General Assembly an anticipation of that and already increase the 2024 dividend by 2%. So that kind of shows the commitment of the board to the shareholders, and it kind of shows also the confidence that we have on the business plan and on delivering the business plan.

So, thank you very much for listening and we now open the floor to any questions that you may have.

Q&A

Flora Trindade

Hello. Good morning. Thanks for taking my questions. I have three, if I may. The first one is on this extraordinary tax incentive. Can you provide a bit more granularity on exactly how this incentive works?

If I understood correctly, you're talking about a total of 120 million potential cash impact from this incentive. So, just wondering if you can just guide us a bit on exactly how this works. And then secondly, on the sales decision, do you believe that this increases the probability of reverting at least what you have paid for gas?

What's your expectation for 2025? Should you pay the same amount or should this be reduced at some point? And then finally, on the electricity regulation, are you holding negotiations with the regulator? Do you have any central scenario? Is just an update of the parameters or can we also see some change in the methodology? Thank you very much.

Gonçalo Morais Soares

Okay. So, on the tax incentive, so as I said, this is related to capitalization of companies in [Portugal]. So, this was created for the budget of 2023, 2022, okay? The value I gave you, so what I was telling you is that we have an impact of 36 million this year.

Okay. And we are expecting to be able to maintain an impact of around 30 million for ['25, '26 and '27]. So, if you add this four up, that's the 120 that I was giving you, okay? So, but what you should expect is this. The impact that we have this year was 36 and you can put in your model as we have a high level of confidence, a value of around 30 million for the next three years.

After that, there is still a possibility of something, but we are uncertain and would rather be conservative than tell you that there is still something else coming. So, I would say that this is where we are confident. On the set, there is no expectation that we have, but I think that Rodrigo may comment on that.

Rodrigo Costa

Yeah. On the sales, we cannot anticipate, you know, other decisions. We have these three decisions that Gonçalo mentioned. You know, we decided that the impact of those decisions should be booked in [RP&L]. That's what we did. You know, we discussed this, of course, with our editor, auditors, and --

but we, you know, we don't do any predictions for the future because we need more resolutions. For sure, it's a very positive decision that we got.

It shows that our work with our lawyers, you know, is working. You know, we had, on the first years, we did not get any positive decisions, but after 2019, of course, we have a good expectation, but this is, you know, for the future.
In terms of also, you didn't ask, but in terms of electricity, we are still waiting for decisions from the court, and we will see how it goes.

On the last one, we don't comment on the process of the regulation revision. It's a process, you know. Our regulator, they just did a very interesting event where they basically invited for the public events.

A few weeks ago, they invited several stakeholders. We were there. We were talking there. We -- the idea was to provide feedback before their decisions, and I think it was, you know, it was the first time they did this type of event. It was quite positive. They got a lot of feedback, and now they are working.

As you can expect, we will not make any comment on our work. You know, this is a -- this is a long process, and they are the ones who can comment, not us.

Gonçalo Morais Soares

Just to remind you on the timings of the regulation this year, because those are the typical timings, so the first version will come out in mid-October, okay? So that's the first time that any information will be made public, and the final one will come out in mid-December, so most of the engagements will be before summer, but you will not have any news from us before those dates, as I said, okay? Thank you.

Fernando Garcia

Good morning. Thank you for taking my questions. Let me say something on the constitutional court ruling and as well as the other remuneration from 2026 in electricity.

So, starting with the extraordinary tax, my understanding is that you are doing an appeal for each business and year, so can you clarify these rulings, what year they refer to? And then I am correct to think that the rationale of these rulings can apply for the remaining years. I am thinking that, for example, this ruling applies to 2029, what will be the potential amount, the amounts that you have paid until 2024 in gas?

Related as well to the extraordinary tax, do you think, I understand your position of not commenting about the constitutional court decision, but can you share your views about, you know, if the rationale of the ruling, can you use that as well in electricity, particularly since from 2019?

About the last question on the tax, can we link this gas for a ruling with increasing dividend that you are having already in 2024 of 2%? And I'm asking here as well, if there are more favorable rulings going forward, if that could have an implication in your dividend guidance, no?

Final one is about your remuneration in electricity from 2026. There, can you share your expectations about returns for next year? And at least you can share with us, do you think that this remuneration should be aligned with any improvement happening in Spain?

And if the remuneration is fair, what you have, if that could mean an increase in the level of investment that you have in the future. Thank you.

Gonçalo Morais Soares

Thank you, Fernando, for your question. So, the -- on relating on the sales, on the special levy, so the rulings that we have were relating to 2019 and 2021. So, Portgas ‘19 and ‘21, and one in the company in one of the concessions called (inaudible) in ‘19. Okay, so those are the ones that you got, okay?

As we said last year, in terms of (inaudible), the only thing that we find is that there was a shift in the court’s opinion starting in ‘19 relating to gas. That’s the only thing that we can see.

And so, that is why we are, I would say, from ‘19 onwards, a little bit more positive on what we can expect from the rulings. On the electricity side, we didn’t have any rulings yet, so we are bowling. We don’t know exactly what they will say, okay?

The gas that is paid in the special tax, the tax that is paid in special levy for gas assets is around 10 million per year, okay? So, you have still 2020, part of ‘21, ‘22, ‘23, so there is a lot of money there. I can give you the precise amount later, but so it’s more or less 10 million a year, and we only recuperated part of what we had in 19 and 21, okay? So, on the first, I think that was what you wanted to hear.

Rodrigo Costa

Yeah. Just to comment, I think, just to comment on the dividend, what we announced is what we announced. We are not going -- we never do any type of forecast or prediction in terms of dividend other than the one we did last year, as Gonçalo mentioned, which is, you know, a steady increase per year. And this is all we can share at the moment.

This is all we have to do. And somehow, this answers also to your second question about, you know, what we will be doing if the situation with CESE will keep going. As we said, we have positive expectations on the CESE side, to be honest, on the gas side and on electricity side, you know, but, you know, the key decision also comes from the government.

When they develop the next budget, we will see how they will decide. Our intention is to keep the process on the courts on both sides, electricity and gas. But to be honest, we need more decisions, and then we will act according to those decisions.

In terms of, you know, the regulation, what can we expect? Again, you know, I already answered. We do not make any comments on the process.

You know, we made public our comments to the regulation, to the future, the importance of having a fair remuneration that allow us to invest. You know, we need to make sure that, you know, future regulation takes in account the needs for innovation, the needs to make sure we have the proper investments done every year in the network.

We have multiple challenges that also the regulators need to address, and this is not just about Portugal and Spain. This is about, you know, every country. This is the feedback we gave them. I'm sure they will work.

They will listen to a few of the things. Some others, they will decide by their own. But at the moment, you know, this is the process, and we have to respect, you know, that regulators are the ones who will let us know their decisions.

Fernando Garcia

Thank you for that.

Ignacio Doménech

Hello, good morning. Thank you for the presentation. Thank you for taking my questions.

The first question is coming back to the tax incentives. Okay, I would like to understand if you sound quite optimistic, you know, with the possibility of recovering or having this impact, 30 million impact until 2027. So, I just want to understand, given the political uncertainty in Portugal, how feasible it is that this impact could be repeated in 2026 and 2027.

I understand that the budget was approved last year, so there's no risk to 2025. But just to see, to understand if there was a change in the government, if this is something that there is consensus between political parties, or we could see some risk, okay, to this tax incentive.

And my second question is related with the regulatory review. I think João mentioned 1.7 investment plan until 2034, which is quite challenging, you know, and substantial. So, I would like to get your view on what do you think is an adequate or a fair remuneration in order to ensure that the company will actually reinforce and best on the Portuguese network until this year. Thank you.

Gonçalo Morais Soares

Thank you, Nacho. So, relating to the tax incentives in your question, so first comment, one, this was created by the previous government and was repeated by the current government. So, you can see that this is a measure that has gone through different political and government.

So, there is some stability in it, and it has been present in three different budgets. That's the first comment I would make. The second one relates to the fact that even despite those changes, this relates to certain rights that when given the tax law in Portugal guarantees the people that pay taxes a certain stability in how these laws are applied.

And so those -- that gives you some rights in terms of tax law in Portugal. So these are the two things that gives us some expectation in terms of getting that money. We were aided by outside counsellors also on this.

We reviewed those opinions. So, this is not something that we only decided and analyzed on our own. Okay. On the regulatory review, João, you want to add something?

João Faria Conceição

No, just to mention that we are following what's happening in other regulatory models, namely the Spanish one. We are aware that this investment plan that we have in electricity is an ambitious one. Bear in mind that a significant part of it is related to projects that derive directly from options that is -- that are made by the national energy policy.

So, we are considering all this into the equation. And of course, the fair remuneration is a critical variable to account when we take the decisions to go ahead with these projects.

Gonçalo Morais Soares

Just to add on that, and this is repeating a little bit what we told you on the business plan, I mean, there was a clear increase in cost of capital in the past years since we left as the new electricity remuneration. And I think that it is on the back of that, that both in Spain and here, companies are arguing that, look, we need the fair remuneration given this increase in cost of capital. That's all. That's all we are asking. We are not asking anything more than that. Okay? Thank you.

Ignacio Doménech

Thank you very much. Thanks

Alessandro Di Vito

Hi, good morning all. Yes, thanks for taking my question. I have a remaining question on CapEx because you mentioned before during the presentation that you believe that this level of CapEx is sustainable for the next years. So, I want to have a confirmation on this.

And I also wanted to ask if you could provide a level of investments for gas transmission and distribution in '25 and '26. Maybe if you believe that there could be some potential upside maybe from hydrogen or from other factors. Thank you.

Gonçalo Morais Soares

So, we don't, I mean, we don't give specific guidance for any given year on any given CapEx. You have this range of CapEx that you have on the business plan of 350 to 450. I clearly signaled to you that we are expecting in 2025 an increase in CapEx versus 2024, which is in line with the trend that we are seeing.

As João's team starts to implement the solar agreements, namely, which will come this year, next year in 2027, you'll see that increase of CapEx going up. In any given year, as I said, some construction might be delayed, but that's not really the point for you. So, what you'll see is a trending upwards CapEx moving up that interval that we told you. Okay?

We also see signals, as João said, that there's other CapEx that may be sustaining this as those high consumption zones. So, I'm not going to give you specific guidance on anything specific, but this is what you will see. Increasing CapEx this year again versus 2025 and then 2026 maintaining and 2027 high levels of CapEx moving forward. Okay?

Alessandro Di Vito

Thank you.

Madalena Garrido

Thank you very much to all on the line. And as per usual, we remain available to answer any additional questions you may have. And thank you and have a good day.