Ana Fernandes
Hello, dear audience. I hope you're doing well under this dire circumstances. And I welcome, and thank you for joining Rodrigo Costa, Gonçalo Soares, João Conceição and myself for REN's 9 months results conference call. After this short introduction, I will move through the results presentation. And after that, 3 members of the executive team will be available to answer any questions you may have.
So without any further delay -- Rodrigo wants to do an introduction, please.

Rodrigo Costa
Thank you, Ana. Good afternoon, all. As expected, the main topic these days is COVID, the challenges and all the context -- consequences we are facing. I'm sure most of you know, we have been hit by a second wave. And like in most of the countries, the health system is under big pressure, and numbers are still very high. We hope that current confinement measures will produce results very soon. Hopefully, it will be a matter of days or 1 week at the most that we will see the numbers coming down.

We are also at the time of the year when the government discusses and eventually improves the next year state budget. And the process is close to the finish line, but still, some key topics have not been decided, and our politicians are going through that at the moment.

The government is facing some public protest against the budget strategy as well as some political unrest coming from their left wing support that is showing signs of the (inaudible) and less support. It has been reaffirmed that the special tax sales may be reduced in the same proportion of the tariff [defies] in the coming year. That should be 14% or 15%. Yet to be seen. We are not sure what's going to happen. We remain on the topic, very cautious anticipating the decisions, not anticipating any decisions that will happen. We will see. It's true that the government is sharing publicly this message, and we still have some hopes this will happen in the coming months.

Regarding our operations, we have been able to keep a good performance. Like most companies, we have, have several COVID cases. So far, our people are doing okay. Operations have never been at risk. Our response teams are doing a great
job. We have most of our support people working from home and operational people doing their field or dispatch work and the [sticky] security measures as required by authorities and following the guidelines we are setting up.

Business is okay in both Portugal and Chile. We don't have to report anything in special but Gonçalo will cover that. And we'll do that, plus he will talk about the COVID financial impact. But I can anticipate that delays that we had in terms of investments are on their way to be recovered in the coming months.

One hot topic at the moment is the hydrogen, not just in Portugal, but in several countries. And on this area, we don't have much we can disclose at this moment. Spending is insignificant at this point. Lots of work to be done regarding the strategy and planning. Media is all over the topic, but it's still too early to share since there is no concrete plans. Our objective is to perform the activities that we cover.
Operational storage, transport, system manage, nothing else. You will not see us participating in areas that are not covered by the rules we have to follow on the concession.

All in all, COVID is changing everything we do. We are all doing things differently. We know we can handle the pressure. We are convinced we are doing the right job, and we will stay like that. We count with very committed people, and we are part of a large community that needs to overcome a catastrophic situation. An enormous challenge that no one could anticipate, and we are doing our best day by day to surpass all the challenge we have.

And now Gonçalo will take the lead. And also João will talk. And then in the end, we'll be back for the Q&A.

**Gonçalo Morais Soares**
Thank you, Rodrigo. So as you can see on Slide #2, we'll go through our normal agenda, give you an overview, go a little bit into the business performance and then have some closing remarks. So if you want to move to Slide #4 with some key messages. And so what we can see is that electricity and natural gas consumption has decreased a little bit, although renewable as in way sales increased. João will guide you through this and through our service quality, which has remained high in face of this epidemic.

In terms of EBITDA, we are caught on consensus. It have decreased 4.2% to EUR 352.5 million, which is basically explained by lower remuneration rates on the asset side. And despite the fact that we have a positive, although small contribution from Chile given the Transemel was not being consolidated up until the last quarter last year.

In terms of net profit, it is coming down around EUR 10 million lower than last year, which is explained by decrease in EBITDA and the increase in the special levy, which are not compensated by some -- by the lower effective tax rate and by the lower cost of debt that we achieved. As we've been saying, COVID-19 has have on financial perspective, a limited impact in our accounts, although we still impact negatively our debt.

And finally, S&P has reaffirmed our rating at BBB with a stable outlook, which is positive news.

Moving to Slide #5. I'll ask João to go little bit briefly on the sector overview and some news. João?

**João Faria Conceição**
Thanks, Gonçalo, and good afternoon to you all. In what concerns to the sector overview, we are clear under the energy transition priority.
And there, you have 2 major pillars. The first one is the Portuguese National Energy and Climate Plan, which has been approved by the Portuguese government last July. And clearly, start to move into the renewable world, furthermore than what we are so far. Basically, this plan forecast an increase in the installed capacity for electricity generation from 20 gigawatts currently in 2020 to almost 30 gigawatts in 2030. All that increase based on an increase on major winds and solar and with the shutdown of the cold power plant. So this increase will be represented by doubling -- almost doubling the capacity of wind generation with repowering of the existing power plants and a big jump on solar, which will move from 2 gigawatt to more than 9 gigawatts of installed capacity by the end of the decade.

The second pillar is hydrogen. We are also giving the first steps also after the public consultation of the national hydrogen strategy, The government has issued a call for interest parties to candidature for the project of common European interest. REN participated in this call. We are one of the 34 proposals that was accepted for the next phase in this call. In parallel, we are also putting forward some candidatures to the innovation funds, EU innovation funds.

Solar, as you know, there has been a second auction in solar, which was launched during the months of August. And with about 600 megawatts of installed capacity given to -- with very aggressive pricing from the generators.

And with that, I move to -- back to Gonçalo.

Gonçalo Morais Soares
Thanks, João. Moving to Slide #6, we can see in here to recap also the impact of the COVID pandemic on REN, as we've told you, this has had a limited impact on us financially wise. This slide is basically the same as it was in the middle of the year. So what we are seeing is some delays on the investment front, but much more on the transfers to RAB at the end of the year rather than on CapEx. I think that the delays on CapEx versus our own internal targets are going to be small.

We saw that we have -- versus our expectation, a small impact on the rate of return, which compensates the delays in CapEx. The additional costs, if we take out the donations that we made, are basically neutral or slightly positive. And then we do have an impact in terms of tariff deviation. Tariff deviations are growing at around EUR 54 million at this point in time. We gave you a guidance of around EUR 60 million to EUR 70 million for the full year. So we are within kind of that prediction, okay?

So if you want we will move now into the business performance and into Slide #8, where João will take us through the operating indicators. João?

João Faria Conceição
Thanks, Gonçalo. In what concerns to the indicators we have from the consumption side, as expected, a decrease due to this COVID-19 situation. The electricity consumption decreased about 3.5% comparing to the same period in 2019. Whereas the natural gas, the decrease was roughly 1.5%. In natural gas, by [reality], there was a combined effect with a sharp decrease on conventional consumption, namely for industrial purposes, but it was compensated in part by the increase of consumption for the electricity generator, which in the end gave this 1.5% decrease overall consumption in Portugal.

In terms of renewable share. Until now, this has been [worked] here. So the hydro generation increase versus 2019 and that had a reflect on the share of renewables in supply of electricity, which increased from 45% to almost 56% in 2020.

In terms of quality of service, we continue to have good indicators in terms of quality of service. We decreased significantly the
interruption time on the electricity transmission. On the natural gas side, the availability rate on transmission was 100% as it was in 2019. And finally, on the Portgás, our distribution company, we managed to increase significantly the capacity of response to emerging situations up to 60 minutes from 98.7% to 99.1%.

In what concerns to the length of our infrastructure, we increased slightly in the length of the transmission infrastructure. In terms of natural gas transmission, it was kept the same. And in gas distribution, again, a slight increase with the CapEx we have done through the year.

Gonçalo, back to you.

**Gonçalo Morais Soares**

Thank you.

Going to Slide #9 and looking at the financial highlights. What we can see is that we are pretty much spot on, as I said, on consensus. EBITDA came down this 4.2% on the back, as I said, of remuneration, namely RoRs and slightly higher CapEx, namely forest cleaning, despite the small but nice positive impact from Chile. Financial results are still better. The cost of -- average cost of (inaudible) continue to go down. But that has not enabled for net profit to be stable. And so net profit came down on the back of EBITDA evolution and some higher special levy.

On the CapEx front, we are, I'd say, mostly in line with our expectations. Average RAB, as of now is not very meaningful to comment but looking forward, we know that will be a little bit off but all of that will be compensated in 2021. And net debt has declined since the end of the year. And this is also, I'd say, in line with expectations, if not for a effect of those higher tariff deviation.

If we go to Slide #10 and look at EBITDA. As I said, there's an almost EUR 16 million impact that comes from RAB remuneration. Close to EUR 7 million negative impact that comes from higher costs. International segment is compensating with EUR 5.4 million, and then some other revenues, mainly from amortization that will also increase and in this decline of EUR 15.5 million.

Can see on the right-hand side how the different segment shift. So international goes up a lot, but it's still very small as we wanted it. So it's only 3% this year from 1.4% last year. And you can see also that gas transmission is the (inaudible) that comes down a little bit more in terms of proportion of EBITDA overall 1 year to the asset.

Moving to the domestic business and moving to Slide #11. Looking at these familiar graph, you can see the never-ending trend in terms of bond yield, so although they have been staying pretty much very low but more stable in the past few months. Nevertheless, we can see that our remuneration rates have come down in all of the segments. Not so much in terms of electricity, where they came from 4.9 to 4.6 in terms of full year to now. But in terms of gas, because also of the change in terms of regulation, but they have come down quite a bit.

But this was mostly expected and anticipated. It is, as I said, slightly better even than expectations.

Slide #12 and looking at how investments are going. You can see on the bottom hand side, there the CapEx is almost stable. Again, although at this time of the year, sometimes this is not meaningful. It actually means that we are recuperating well, some of the delays in terms of CapEx. And I actually -- we actually feel that there is going to be a good stability in terms of CapEx on a full year kind of horizon looking back to 2019. So I'd say that no major changes here.
In terms of transfers to RAB, again, although this is not indicative of what the year could be, it would probably be because there's going to be, I'd say, material decrease given this dynamic of the delayed in -- that COVID brought. But again, all of those will be compensated in 2021. And if actually, you take out an average for all of those 3 years, we'll probably would get to a pretty similar value for all of those years, okay?

Chile has increased, but it is also being impacted by the COVID crisis. It has also been delaying some of the investments there, although it is a much smaller amount, and it has a marginal impact in our results.

In Slide #13, and you see that the electricity base is almost stable, not completely, but almost stable. Gas transmission is coming down quite a bit and gas distribution is also stable, actually growing slightly.

On number -- Slide #14, still on the domestic business. Here is where you can see that basically almost all of the impact in terms of remuneration come from the evolution of the rate of return, either in electricity or in gas transmission, okay. In terms of asset base, you see that the impact in electricity is very, very small, but a little bit larger in gas transmission.

Moving to Slide #15, into the cost, (inaudible) costs go up around 2.8%, core OpEx costs, so around EUR 2 million. So what can give you a little bit more detail and looking first at external costs, you can -- as we told you, the main impact is forest cleaning. So this is a cost that we were already expecting, and it was already much higher in the middle of the year. We are actually anticipating part of these costs, and we continue to make a big a effort this year in terms of this cost, and it -- and it still is the main explanation. The second one is the COVID-related costs, although on a net basis, it's much smaller overall here on this part.

And direct cost is around EUR 1 million, have been other savings in terms of personnel or in terms of travel, okay? You have lower electricity cost on the LNG terminal. This is basically on the back of the price, not the amount. To give you an idea, last year, at this time, we had 49 unloads. Now we have 48. So we are basically at the same level. So it's more an issue of pricing than anything else. And then you have several of the costs that come down, for instance, IT comes down still on the back of some savings that we have from the Portgás integration of EDP. So this is the dynamic, I'd say, behind the core external costs.

Personnel costs are coming down a little bit. It's many small impacts, nothing in particular, okay? In terms of noncore costs, and these are basically going up because of an increase in cross bordering system services costs, but they are completely passed through and completely irrelevant for our kind of accounts, okay?

Looking at the international business. What we can comment is that Electrogas, the gas business is basically flat. And so it's coming down 1%, but it's basically the same. Although there was a little bit more consumption from Argentina, this was compensated by -- in terms of gas, and the revenues were compensated by other take-or-pay revenues. So it's very stable business. Nothing is changing a lot.

In terms of Transemel, on the accounts, we see it growing. You don't see the account of 2019 because we did not consolidate. If you saw them, you'd actually see it declining because in the accounts of the [debt here], it had several nonrecurring -- nonrecurrent impact. But I'd say that it is apart from the fact that investments are delayed. And the fact that there was also some small impact in terms of remuneration rate reviews. There was a little bit of a negative impact, but nothing material. I'd say that the biggest impact is the delay in terms of construction deriving from the COVID crisis.
Looking at below EBITDA, and going to Slide #17. In terms of depreciation, it goes up. It's a little bit more than revenues because you are also consolidating the depreciation of Transemel. Financial results coming down on the back, not only of -- but mainly of lower financial costs. Cost of debt has continued to come down. It is now at around 1.9%, but also slightly higher dividend.

On the tax part, on the tax side. What you see is what you saw more or less at the middle of the year also, which is a higher levy, which was already accounted and paid -- and not paid because it was only paid now at the end of October, but was already accounted for. But you also saw a lot of recuperation from other items from 2019 and years before in Portugal and in Chile, that amounted to this EUR 5.6 million and allowed us to have actually a lower effective income tax rate.

So the full picture in terms of net income is this decline of EUR 10 million. So basically, what you see is EBITDA and special levy increase, impacting negatively and not being compensated by high better financial results and lower income tax.

On the debt side, and moving to Slide #19, you are seeing a decrease of around 3% in the amount of debt to around EUR 2.7 billion. Everything I'd say is more or less normal. We isolate it because I think it gives you a little bit more visibility. The amount of tariff deviation variability. So in this year, it's around EUR 54 million. And most of it is deriving from the electricity part in terms of tariff deviations, not only, but most of it comes from there.

You see the cost of debt coming down from 2.1 to 1.9. I'd say that this 1.9, give or take, something is what you should expect also on a full year consol basis. But I think we are and continue to be in a comfortable financial position. We have very high liquidity of EUR 857 million as of this day. And we are also not contemplating doing any bond is that we do not need to do so this year. We'll probably do something next year in the first half of the year. Somewhere between the first and the second quarter. This is also given that we are in and we started to be present in the euro commercial paper market. It is a very competitive market in terms of pricing, and it has allowed us to continue to optimize and push the average cost of debt down.

Slide #20 just gives you an overview of how we are doing in stock exchange. So you can see that apart from our own specific dynamics, there is a very specific evolution regarding the Portuguese market that is also impacting us.

So in terms of final remarks and moving to Slide #22. So just find that, I'd say that this is, as always, the true [utility]. It weathered very well the COVID crisis with no major impacts. EBITDA is maintaining, I'd say, the expectations that we have being impacted negatively by the rates positively by the international business as of now. And net profit continues to be finalized by the special levy. But apart from that, it's also I'd say within our expectations.

So thank you very much for your attention. And now we'll wait for your questions that we'll be happy to answer. Thank you.

Q&A

Sara Piccinini - Mediobanca - Analyst
The first question is on your strategy. I know that you couldn't have much more details on the hydrogen. But just if you can give a sense of how important would be this project for you, how -- if this could be an opportunity to accelerate on CapEx? And so to provide an upside on your CapEx plan. And eventually, this could lead to RAB growth. Together with hydrogen, I would like also to ask if the new solar coming online will be also an opportunity to accelerate on CapEx. And both for you, but
also in general for the electricity system, how do you see the impacts of the -- impact of all these solar coming online? Do you expect any pressure on power prices and any difficult to integrate the -- this electricity into the system? So any view on how you see the evolution of the electricity system.

Then a question on the special energy levy. You say that the budget has confirmed this tax, but you expect going forward this tax to decrease, correct? So can you update on the legal processes around that? We saw that EDP has abandoned the legal process. Do you think if the government finally commits and realize this reduction, do you expect to abandon the legal process? Or you will continue to go ahead and try to recover these taxes?

And finally, on the net debt impact from COVID, if I'm not wrong, in the first half, you indicated an increase in net debt for the year-end of around EUR 60 million to EUR 70 million. So is this confirmed? And just finally, if you can -- when will you expect to present a next strategy update? Sorry for the many questions.

Rodrigo Costa
Okay. Thank you, Sara. I will start here, Rodrigo, and then I will ask for some contributions from João, and then we move back to Gonçalo.

On the hydrogen, what I said, basically, what we said is what we -- what you can get at the moment. We are not going to anticipate any numbers because we just don't have the numbers. The good news is we believe this represents an opportunity, and we believe the hydrogen can be a great contribution to the world decarbonization on the generation side. The hydrogen brings a possibility of storage that we don't have today for electricity. And it's also the production of what we call green hydrogen, seems to be a very interesting opportunity to do a use of the extra green energy we have and not always we are able -- the countries are able to consume the electricity they generate. And I think through this production of hydrogen, we can store some of that energy that we can use when we need it. Then all in all, if you add that to the fact that we know that we can use up to 10%, 15% of hydrogen inside our natural gas pipes. And you will need almost no changes to do that. I think it creates a good opportunity.

Now how much it is going to cost, how the prices will be formulated. Are we going to use salt water or freshwater? There's so many questions. So many questions to be answered. And at this point, we don't have the answer. This is why we prefer, like we always do, to take a little bit more cautious stance when we talk about the future. We know it's positive. We know it's going to bring new life for the natural gas sector, no doubt. I trust that is going to happen. How much? That's the question. It's not answered at the moment.

And as I said, we are going to spend some time digging into this topic. We want to be there. We want to be part of the project. But for the moment, that's the only thing we can share. We cannot put a price tag or an investment plan here. And then we need a little bit more time. It can be 3 months. It can be 6 months. There is also a component of political decisions that will be necessary to be made, and we will be patient. We just know it's something we want to be part of. And personally, myself and our technical people, they believe this should work pretty well. We'll see. On the -- you also asked with all these projects. Your question was more about the solar, but there will be also incremental wind generation and the impact on the network. Maybe, João, do you want to like to comment, and then I go back to the special levy.
João Faria Conceição

Well, so on the solar question, I think you basically asked 2 questions. First, on the CapEx side, what will be the impact on the CapEx within us. Let me tell you that with the 2 alternatives for the solar increase, which are the options and the bilateral agreements between the generators and us. What concerns to the auctions, we have been giving the approval by the government of an additional roughly EUR 150 million of CapEx to accommodate both the extra generation capacity that was given by the first auction and the second auction. The auction of 2019 and the auction of 2020.

In what concerns to the bilateral agreements, we are dealing with the generators directly in order to understand, which are the ones that officially confirmed their interest in maintaining a contract with us. And only after this confirmation, we can have a clear idea of what is the CapEx.

In terms of the impact on prices, I think you asked if this will have an impact on price and wholesale price? Our expectation is, yes, it will.

For you to have an idea, until now, the average wholesale price in Iberia during 2020 was [EUR 32.4] per megawatt hour. And these auctions, they have prices around at EUR 15 or EUR 11 per megawatt hour. So if this capacity comes in at this price aggressivity, of course, it will put pressure on the wholesale price. And moreover, if you see the rules of the latest auction of 2020, you see -- you can extrapolate that the generators have the expectation that the wholesale price will be lower than the marginal cost of the (inaudible) because otherwise, they would have to pay a compensation to the system. So if they believe on this reality, it means that the price will come down.

Rodrigo, back to you.

Rodrigo Costa

Now commenting the special levy. You described well what we think at the moment, which is we are not sure what to expect. The government is repeating that they see a possibility of the sales reduction by the amount of tariff deficit. And that is around those 14% I mentioned. But we need to wait and see what they want to do.

Regarding the legal strategy. We are not going to comment on EDP's strategy. Their decisions is their decisions. We are not dropping the case. And we are not going to speculate in what happens next. We keep the course of (inaudible). Since day 1, we've been paying the tax, we're still doing so. We believe that the sales is -- it's really a big chunk of our profitability that goes away. They said it was extraordinary.

We assume it was extraordinary and temporary. It's going on for now more than 6 years, and we still believe that we should do what we are doing. And of course, we have always a good expectation that something will change in the future, and the tax will go away. But as I said also in past calls, this COVID situation is not making things easier. And -- but other companies may decide different strategies. We don't see a reason to change ours for the moment. Neither we are going to comment on what may happen in the future. We prefer to see and then go through that.

Gonçalo, do you want to comment on the net debt?

Gonçalo Morais Soares

Yes. On the net debt, I think it's in line with what we -- so we are expecting basically that end of the year, it should go -- come down around EUR 50 million to EUR 60 million versus end of ‘19, okay?
Rodrigo Costa
Okay on your last question about how -- if we are planning to do, what are we planning in terms of your strategy, definition. We operate in cycles of 3 years, and a new cycle will start next year. And our plan is to stick to the same process. Then I'm sure most -- well, not sure because it will be needing some decisions from the Board. But my expectation and our expectation is that by May, we will have a Strategy Day again, like we had in 2015, 2018, where we will come forward with what is the Board plans and commitment for the next years. I think we -- looking back, I think we did a very solid job. I think, of course, nobody could count -- could guess the COVID situation. But other than that, I think we did pretty well delivering in all our commitments. And we believe that we are doing an excellent operational job. And we are leasing according to the nature of our company and a very solid Board. We are happy and the feedback we get from the shareholders also is positive. And we will cover the strategy for the coming years at the right time.

Sara, I think I went through all your questions but...

Sara Piccinini - Mediobanca - Analyst
Yes. If I can just ask a very quick clarification on the special energy levy. So we are talking about today 2021 budget, right? So the final amount should be disclosed in the 2021 budget. This means that this 14% reduction should be seen in 2021 results, correct? And in 2020, we should maintain the full tax?

Rodrigo Costa
If they come forward with the decrease, you're right. When we talk about these type of situations is -- and again, we need to see what they decide and when. Again, in different occasions, live interviews, newspapers interviews, they said they even because they want to build on a better defense -- legal defense strategy, they need to decrease. And let's hope they are going to do so. We are -- we still have some hopes for sure.

Jorge Guimarães - JB Capital Markets – Analyst
I have 4 very quick one. Firstly, what is the expected impact on full year accounts of this tax effect? Should we expect more in Q4? This would be the first one. The second one, just a clarification from a reference of João in the previous answer to Sara.

I understand that the government or you could expect EUR 150 million of extra CapEx from the connections due to solar auctions? Is this correct? And the two last ones are more philosophical in nature. Firstly, if you could be interested in many assets being sold by Naturgy, which apparently is trying to sell part of its portfolio in Latam.

And the final one, is there any risk that the Portuguese regulator will try to fix the current very low remuneration levels going forward for the next regulatory period? Now that they managed to reduce significantly the remuneration of assets, could they be tempted to change the formula and do a fixed remuneration and not a variable one? So this would be my 4 questions.

Gonçalo Morais Soares
Jorge, on the first question, I'm sorry, I didn't get -- this is Gonçalo, exactly what you wanted on the tax effect?

Jorge Guimarães
I wanted to understand, you booked EUR 5.6 million of a...
Gonçalo Morais Soares
No. Yes. Yes. Those are, I would say, nonrecurring and nonrepeatable impact that occurs. And those are not going to change. We have, as you could understand, we have several things always under discussion in court or arbitration regarding to taxes. We are not actually expecting anything else to come forward until the end of the year or this year. So this, I would say, abnormal or for our nonrecurring tax impact should be this amount, okay? No change.

João Faria Conceição
For the clarification of the EUR 150 million, those are including projects that were presented in our investment plans. Like (inaudible) in the last [addition] of (inaudible), but which has have not yet been approved by the government. And now we got this direct improvement on this specific project. So this is something to be added on the level of approvals that we got so far in the [field].

Rodrigo Costa
On the third question, well, we in fact, we already bought an asset from NATO (inaudible) because Transemel was bought to (inaudible). It was -- well, of course, a small asset according to the size of our pockets. We have a lot of ambition, but we know well how much we have in the pockets. Then for the moment, you will have to wait for the May event. And I think it will not bring much surprises. But of course, we are not going to comment in whatever we will do in the future. But in fact, from the electricity assets, in Chile, I think they are -- they were all purchased by the bidder, and that's public.

João, do you want to make any comment on the regulatory?

João Faria Conceição
Well, the -- if the question is, if the regulator would frozen this low level on a fixed rate, we don't expect that to be very unlikely because I think this methodology of indexing the rate of return to the Portuguese bond yields. It's something that we always have been given the good feedback from the regulators that they like this approach so.

Ana Fernandes
Okay. If there are no further questions. Thank you, all. If you want to ask any other questions, privately you know where to find me. Thank you. Have a great day.

Rodrigo Costa
Thank you.