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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

- **Enrico Bartoli** – Analyst; MedioBanca
- **Ignacio Doménech** – Analyst; JB Capital Markets
- **Guilherme Domingos** – Analyst; InvestGA
- **Flora Trindade** – Head of Research; CaixaBank
- **Fernando Lafuente** – Analyst; Alantra Equities

Madalena Garrido

Hello, good morning, ladies and gentlemen, and welcome to REN's Third Quarter 2025 Results Conference Call. We appreciate your presence here today. Joining us this morning, we have the members of REN's Executive Committee, Rodrigo Costa, our CEO, Gonçalo Morais Soares, our CFO, and João Faria Conceicao, our COO.

Rodrigo will begin with his opening remarks, and this will be followed by a detailed overview on REN's operational and financial performance for the third quarter. Following the presentation, we will open the floor to your questions. Thank you again for your attention and continued interest on REN.

Rodrigo Costa

Thank you, Madalena. Good morning all. As you were able to read, our results for the quarter didn't bring surprises, and we are very, very busy in all fronts, on infrastructure construction, on new developments on the licensing phase, and more to come as new industrial and data center projects are surfacing the news.

We will see what happens, but we for the moment, we are already super busy preparing those plans. We keep working close with the government to facilitate the planning of all these projects. The ENSO report was published and came out as expected and basically confirmed that we did our job, and we all need to learn from the experience.

More reports will follow in the beginning of the next year, and I'm sure they will help our industry. Our regulator shared their comments on the natural gas investment plans. They are public, and more recently on the electricity transmission and distribution regulation with final terms to be published in December.

Our Chilean projects are progressing well. We just announced a small acquisition of transmission assets that will increase our critical mass in the operation of Trans-ML. On the special tax front, CEV for natural gas will be over soon, and the same applies for the electricity new projects. Both very good news. And this is it.

And now Gonalo will take us through the details.

Gonalo Morais Soares

Thank you, Rodrigo. Good morning to you all. So, as was said, I'd say that overall the main thing is that the third quarter was basically in line with our expectations. And the second thing I'd say is that the draft regulation that came seems to be a constructive step in terms of evolution. And third, we think that the news that came from the draft budget on the tax front were also positive. Generically, the main financial numbers at almost EUR 384 million.

The EBITDA, small decrease, so that this decrease will be more stable towards the full year end of results. Net income of close to EUR 104 million, a strong increase. But this is, as I said in the previous quarter, impacted by the way we are accounting for the tax incentives. Net debt coming down still. So, I'd say stability. And we are clearly building flexibility to accommodate further growth in the coming years. And CapEx is picking up, although there are some delays. And I'll go into that. It's clearly picking up and accelerating a little bit.

But for now, I'll pass it to Joo that will make you a quick update on the operating side. Joo?

João Faria Conceição

Thanks, Gonçalo. Good morning to you all. From the operational side, I would like to say that the renewable share kept approximately the same value year on year. We are about 70% of our electricity consumption supplied from renewable sources. The difference, I would say, is the fact that after the blackout, the consumption of natural gas increases. And it upsets the share of imports of electricity from Spain.

In terms of electricity consumption, over the past nine months, we reached the highest value in the last 15 years with an increase of 2.6% year on year. And the natural gas consumption is a reflection of what I've just said as a consequence of a higher usage of combined cycle plants to generate electricity from natural gas sites. From the other points of the operational perspective, Gonçalo has already mentioned, the most important one is the proposal of the new regulation, which we'll speak a little bit further on.

Moving to slide number 7, you have the figures. Part of it I've just mentioned. I would compliment only with the fact that we kept, and I have levels of quality of service clearly above the target set by the regulator, and which are used to calculate the efficiency incentives that we have today.

With this, Gonçalo, I will move back to you.

Gonçalo Morais Soares

OK, thank you, João. Slide number eight is just the main numbers. I think I've already spoken about them. If you move to slide number nine, we see this small decrease on the quarter. And there is, I'd say, still a conservative estimate that we are doing on our current incentives for the year. And so, that kind of depresses a little bit the numbers. We think that full year, this will probably be recuperated. There's some, on other avenues, there's the disappearance of rent raising and its incentives. On OPEX, we'll go into that, but it's mostly personnel and O&M. But I'd say that full year, we should expect a more stable EBITDA on a year-on-year kind of logic.

In terms of contributions, there's a lot of stability from the electricity side, and you start to see an increase on the Chilean contribution, although, as always, still being a small part of REN as a whole. In terms of slide 10, looking at ROI, there's no news. I'll just make a couple of comments now about the new draft regulation, and I'll leave it to them to come also on the Q&A to complement this a little bit. So, what we saw was, first of all, a stable framework, which is good news. So, apparently, no major changes. Second, we saw a 90-degree increase on the base roller, which seems to indicate that the blended rate without any OPEX gains to be around 7%, with the premiums and incentives that we have to be around 7%.

We also see a recognition from the regulators that we have been very efficient in OPEX as they reduced the OPEX efficiency factor. So, overall, we feel that there are still certain things that we should improve. The team regulation is engaging with the regulator, but we do feel that this is a constructive proposal, and let's wait for the 15th of December to have a final.

So, on the Q&A, we'll be able to clarify a little bit more, but this is more or less what we know as of now. Looking at 11 on investment, we see that there is an acceleration of investment versus last year,

clearly. That being said, and to be completely honest, it's a little bit less than we had expected. So, we are still trying to catch up. So, some of the CapEx that we had expected to this year will probably be done next year, and probably on the two-year average we will be within expectations, but there was a small delay. Most of them were not on our side, were on the solar agreement side, but that being said, I think you'll still see an acceleration and an increase, as we've said all along.

In terms of RAB returns, nothing new. So, you see electricity improving, and as you know, you should add solar to these returns, but you see electricity improvement, gas distribution more or less stable, and gas transportation coming down. Looking at OPEX, as I said, there is an increase at this stage. This is the same trend that you saw in the first and second quarter.

So, it's mostly personnel costs, although on a full year, they will probably grow a little bit less than they are growing now. There's some external costs, namely O&M and some I.T. that is increasing. O&M is increasing because, basically, there's some price increases, but we have more kilometers offline, so we have more to operate. So, it's normal that this is increasing, and then this is reflected as time goes by in the regulatory acceptance of OPEX.

Looking at Chile, things are progressing as expected this year. You saw and you know that we bought a couple of assets this year. So, this is accelerating a little bit the evolution of this. For 2025, it's now increasing a little bit below 30%.

A full year, it will probably be a little bit better, which will continue for next year as we consolidate the full-year accounts of these assets. Electro-gas is basically stable, a small decrease, small changes in gas volumes, but it's mostly a small decrease, but stable overall. And so, I'd say that Chile continues to perform well within that expectation of being a small part of REN as a whole.

Below a bit on slide 15, depreciation, no major news as usual. Financial results, so what we are seeing is clearly a lower debt, which will be the trend for the full year also. That impacts financial costs, and we also are seeing a small decrease on the average cost of debt.

And so, this is where probably full year, it will mostly likely stay closer between 2.5% and 2.6% around that. We will probably not issue this year, as we will be waiting for the final regulation to come out in December and the final state budget to come out in December also. So, we'll probably issue beginning of next year, in the first quarter, and that's when, I'd say, then the average cost of debt will, again, increase very slightly. But I would say that it is very stable at this level that we are seeing now.

On the tax side, we continue to account for the capitalization incentive that is the main driver for the increase of net income on the third quarter, of course, on a full year basis. This is going to be different, because we accounted last year on the fourth quarter, we'll probably have a smaller amount, because last year it was around EUR 36 million.

As you may remember, we've indicated around EUR 30 million for these years that will come, and so this will probably, on the year-on-year, be slightly different. But looking forward, we have good news, as you saw on the draft state budget. They are eliminating the levy for the gas assets, that EUR 10 million more of net income that will probably come next year.

They are continuing to reduce the corporate tax rate. They are eliminating the levy on the new investments that are in the electricity, so it seems to be good news. This is, as we've been fighting it, a very unfair tax for a long time, and it seems that finally it is correcting itself in the next year's budget.

So, looking at net profit on slide 16, you see just what I said. So, most of the impact comes from not only a decrease in net debt, but also an improvement in the income tax, which is because of that accounting issue, and this will be smoother, so do not expect a 20% increase in net income for a full year. That is not what consensus is, it is not what our expectations are.

Looking at net debt, so this is a reduction for this year. We continue the same trends as we saw in the first half of the year, so this is what we should expect for the year-end, so a decrease of net debt amount. As I said, we are now reaching the top of the interval that has failed in terms of interest on net debt. We are clearly managing the balance sheet carefully to enable us to have flexibility for additional growth in the coming years, but being careful at the same time.

Maturity is a little bit below five years because of us delaying the issuance of the bonds, but we are around five years, and this will again be above five years as we issue the bonds for next year. In terms of shareholder prices, it has been a good evolution. Prices are above these numbers that you see here already because they have picked up again in October on the back of those news that we have told you, so it seems that shareholder returns will be pretty decent for the full year of 2025.

Looking at the SG, and I'll go through this very quickly. It's more for your reference on slide 20. You see that the most interesting point is the point that emissions are increasing, or the most relevant point, I should say. This is basically due to, as João explained also, a larger use of gas generation facilities due to the blackout that occurred, and that then caused for emissions to grow in degrees, and so that's why we have more emissions ourselves, but I'd say that it was very specific, and I felt like it's interesting. OK That's the main event, I'd say, and main thing that you see here in the SG. As you read the initiatives, we continue to go and to address this in a very detailed manner. As you see in slide 22, in terms of ratings, they are either stable or improving, so this is an area that we continue to address and to give a lot of attention.

As the closing remarks, I would say good results, good stable results in terms of net income with signs of investment acceleration, OK. And the second is good new budget and constructive regulations since the outcome this year. Just to tell you, we'll have still, as usual, a board meeting at the end of November. This is the usual board that approves this intermediate dividend that we pay, the anticipated dividend, that you should expect as normal to be paid in December, as we have done in the past years.

Okay, and with this, I conclude, and I'll open the floor to any questions that you may have for us. Thank you.

Q&A

Enrico Bartoli

Hi, good afternoon. So, taking my question, the first one is on the new proposed regulation. You mentioned an expected return combined around 7%. The base one is 6.1%. If I add also the incentives to the pre-2002 asset, we get to 6.4%. If you can elaborate on how you get to that level, I guess adding incentives, also in the document published by EARTH, there is a mention of the possible upside of this return to 7.9%. So, if you can elaborate a bit on what could lead to that level and what reasonably could be achieved by REN in order to increase the blended return?

In this context, if it is possible to have a flavor on the possible impact that the new regulation, if confirmed, could have on your CapEx plan in illicit transmission, if you think that there could be the proper condition in accelerating the investment that you have in the current business plan.

The second question is on the level of debt that you indicated for the year-end. You anticipated that this is going to decline. If you can also, in this case, elaborate a bit on the moving parts, because actually CapEx is going up, then you have the acquisition of the additional assets in Chile. If you can also indicate how you expect the evolution in the fourth quarter of the tariff adjustments.

And the last one is on the outlook for investments in gas. It seems that in general, in Europe, there is some delay in the implementation of the production of hydrogen. Around 50% of your investments in gas in the current business plan are related to green gases. I was wondering if you see some, let's say, risk or some, let's say, delay in those investments, considering the current market situation. Thank you.

Gonçalo Morais Soares

Lots of questions Enrico. But so, regulations, you are asking. Actually, most of those calculations were made by the regulator himself. OK. So we don't know a lot of the details, but the 7% that I was talking is clearly those two things. One is those three old 75 basis points incentives that have some of the assets, the premium. Second is an expected value for incentives.

The regulator, in their calculations, has put 68 or 64 basis points of expectation. It's their own calculation. And I do not think this is the full amount. That's more or less what you get. If you calculate that premium on average on the blended and you put around what they estimate, you get around this figure, a little bit above or a little bit below. OK. If we are able to beat their expectations, we'll actually be higher than 7%. If we miss a little bit, we will be, but this is around the 7%. OK. So that's the calculation. The 789, we don't know. I think that their calculation has to do with some expectation of efficiency gain, but we don't know. I'd say that these around 7% is what is easier to compare with other companies. Each company has their own incentives, OPEX efficiency gains, and that's a little bit different. OK.

Just to comment on the VET, so that I leave the CapEx for last, and João can comment a little bit on those. I mean, we are expecting it to be around EUR 2.5 billion. That is, I'd say, stable to a small decrease of last year. OK. Of course, CapEx is a little bit stronger at the end, but that's more or less

what our expectations are. So in relation to CapEx, just to tell you before I pass it to João, yes, I think that there is room to accelerate on the electricity side. We actually have a couple of delays this year, so this is what we are expecting. João, can you comment on CapEx on both electricity and CapEx?

João Faria Conceição

Right. Starting from electricity, it is a trend that we're already following, so we have different fronts on our CapEx plan, not only to create new connections for injections, so for new solar and other sources of renewable that are foreseen in the Portuguese energy policy, but also on the demand side, because as you know, it's public. We have a long queue of requests for new connections, mainly industrial consumption, data centers, green steel, ammonia, batteries.

Now, for the moment, a little bit spread all over the country, not only in the Sinus area, but also closer to Lisbon and Estevao and several other areas of the country. So, I would say that we are not changing the CapEx, electricity CapEx perspective. Obviously, like Gonçalo said, a constructive regulation is positive for that.

In what concerns to gas, it's true what you're saying, hydrogen acceleration is decreasing a little bit, but bear in mind that our plan was always very cautious on what hydrogen is concerned. Our investment in CapEx in gas, as I would say, three pillars. The first one is maintenance and replacement CapEx, that is always needed because several equipment reach the end of their life cycle and needs to be replaced and needs to be upgraded.

Then you have a second boat, which has to do with biomethane, and we are receiving several requests from potential generators of biomethane to connect to the grid and to inject in the grid their biomethane. So, this is some importance within the gas lens. And last but not least, hydrogen, but even hydrogen, our approach was only based in the beginning with the blended of natural gas and hydrogen, and much of what we are foreseeing for the very short term, and I won't say the very short term, the time horizon that we need to final investment decisions. This has to do with the blending and not new infrastructure purely for transmission of 100% hydrogen.

Gonçalo Morais Soares

OK. Thank you, Enrico.

Ignacio Domenech

Hi, yes. Good afternoon. Thank you for the presentation and for taking my questions. I have two questions and a follow-up. The follow-up is on the CapEx side, given the acceleration we are seeing in this quarter and potentially in the coming quarters. What would be your best estimate on regulated CapEx for electricity? I don't know if for the period that either has said or any period that you can give us to have a higher visibility there. And then on my two questions, one is on returns. In your view, it's fair to assume that given that in the past, the regulated returns on gas have been higher than electricity for many different reasons.

If it's fair to assume that at least returns in the next regulatory period would be at the levels that we've seen in this graph for electricity. OK. And the second question is regarding the business plan that you presented in 2024. It does seem that most of the objectives have been surpassed. So, an apology if you mentioned something in the call, I was having some logistic issues. But if you can give us some color on what are you planning to update these objectives. How are you thinking on the framework for the next business plan. Thank you..

Gonçalo Morais Soares

Thank you, Ignacio. So, I mean, regarding the first one, we're not going to give you a quarter away. So, the only thing I can tell you is that this year was in particular in the execution of solar agreements a little bit slower than we expected. So, we're expecting to have a slightly higher growth this year than we will probably have. That being said, you'll still see a growth in CapEx. But I think that is going only to materialize next year, OK, in 2026, a higher growth. I'm not going to tell you the numbers of our budget, but this is the discussions that we are having internally and they are showing that in our internal numbers.

I can only signal you the direction and the sense. Regarding the update that you were referring to, this is something that we've commented with some of the analysts at the beginning of the year, probably at the same time with the full year end results of 2025. We may do, let's say, an update of key figures for 2026 and 2027. If some of the numbers are a little bit outside of the range in the business plan, we may revise this. So, this is something that we are working internally. We are waiting for the final regulation and budget to come out. We will discuss this then internally and we'll come to the market. But this will probably not be before we disclose the full year results for 2025, OK? Thank you.

Guilherme Domingos

Good morning. Thank you for the opportunity to ask the question. I would like to know what are your perspectives mid-long term regarding the availability of interconnections with Spain, given the possible spike in electricity demand with the SInS data center project. Do you plan or consider developing incremental network capacity to bring electricity from Spain? Thank you.

João Faria Conceição

Thanks for your question. As you may be aware, when we are speaking about an interconnection, there are the two parts need to be in agreement. So it's a long process that we have to interact with the Spanish side. We are working on the moment to conclude the new interconnection in the north of the country. We are expected to be completed by the end of this year, beginning of early months of 2026. And then we have to continue to do our network planning arrangements with our Spanish counterparts to see the new developments for the future. Thank you.

Flora Trindade

Hi, good morning. Thanks for taking my questions. I have two quick ones. The first one is, it's a question on regulation. So in the previous regulatory framework there was a review from the draft to the final return. Do you expect this time to see an improvement again? And then the second question is on your dividend policy. Could you assume that it could make sense to propose a higher dividend considering the strong results you are getting this year and the expectation that you will have, again, recapitalization incentives next year? Thank you.

Rodrigo Costa

Just on the regulation question, we will, we are waiting now for the final decisions of the regulator and we don't comment on, what's going to happen or not. It's now the decision, it's a process. They are getting comments from other parts and then they will do their decisions and publish by December. Regarding the dividends, same. We never make any comments on -- we today we have a clear policy and that's the one that we have. And we will not comment on decisions that will have to be taken proposal by the board, approved on the shareholder meeting. And then that's all we can say.

Fernando Lafuente

Hello. Good morning everyone, and thank you for taking the question I'm asking to please. The first one is on Texas. What are your views ahead of first, all those taxes that you have paid already, special taxes, or these extraordinary taxes that you have paid already and that you will you are suing courts.

And secondly, going forward, what are your expectations of taxes, special taxes both in the positive side on this positive taxes and also in the special one for electrician gas? And the second one, it's on potential money. I believe by your comments that you have plenty of CapEx to be done in Portugal. Hence, my question is if your let's say Redish position or ahead of new MNAs, probably not big in Chile. If you are considering doing something or if you are well with your with your current exposure to the country. Thank you so much.

Gonçalo Morais Soares

Thank you. So relative to taxes space, as we have been winning in court cases regarding gas assets. So we won some in 2024 and we've also won two this year. So we are continuing to see this. There is an amount around EUR 50 million to EUR 60 million paid taxes that we have not put into the accounts as recuperated from that time owner.

So if you account for '20, '21, '22, '23, '24, and '25, which we buy this year, it's around EUR 10 million a year. So we, it does seem that we don't want to make a lot of comments. It does seem that we have a good likelihood of winning those, but we will see have these continue to progress in court. But, so this is, I'd say, an upside with a good probability for the coming year.

OK. So we will see if this year there's already something in the account, but there is clearly a good upside. As I said, we would probably. Looking forward as we have before regarding the levy, so what we are seeing now is that when the gas is gone, that's the good news, two on the electricity side.

The new assets will not be by sales. That is also very good. So what you'll see is the levy come down progressively as time goes by. OK. We will see and we still consider that this will have to end some day, but we don't know, we don't know exactly when it is. Regarding the incentive, which is the other, positive as we said. We have a very strong expectation based on legal opinions that we have is for '25, '26, and '27. '25 is already going. It was in the budget. '26, it's still in the budget and is being proposed by the government.

So there seems to be a certain maintenance and a certain field on the tax authorities that this is an incentive to be maintained, even if it was not in the budget. As we told you, we felt that we would be entitled to it. But it's better that it's in the better results.

Regarding M&A, we don't have any idea. So these small things that we did in Chile, we almost don't even consider it M&A, the acquisition of very small. Assets. It's almost Greenfield more than M&A because it's very small. We don't have any plans to do any M&A or any acquisition. OK. Thank you, Fernando.

Madalena Garrido

So thank you everyone on the line and we remain available to take any additional questions that you may have. Thank you and have a good day.

Rodrigo Costa

Thank you very much.