



ERG S.p.A.
“FY 2022 Results & Strategy update”
March 15, 2023

MODERATORS:
PAOLO MERLI, GROUP CEO
MICHELE PEDEMONTE, CFO
EMANUELA DELUCCHI, CHIEF ESG, IR & COMMUNICATION

Operator:

Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the ERG FY 2022 Results and Strategy update IR Day conference call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Ms. Emanuela Delucchi, Chief ESG, IR & Communication of ERG. Please go ahead, madam.

Emanuela Delucchi:

Good morning everybody and welcome to ERG FY 2022 results and 2022-2026 Business Plan Update Presentation. Here with me, as usual, there are our CEO Paolo Merli and our CFO Michele Pedemonte.

Now let us see the agenda of today's meeting.

Paolo will start with a brief introduction on the FY key figures and the important steps we did this year, continuing our successful journey in Renewables growth & decarbonization.

Afterwards, Michele will drive you through our FY and 4Q 2022 results, and then Paolo will show you our updated targets for the plan, following the energy crisis which took place in 2022, exacerbated by extreme volatility and regulatory uncertainties.

Then, Michele will focus on our capital structure and financial policy in the plan period.

As usual, I will focus on the updated ESG strategy, which continues to be at the core of ERG, and I will show the main ESG achievements in 2022.

Paolo will then conclude with 2023 guidance and closing remarks, focusing on key pillars of our Business Plan. As usual, there will be a Q&A session at the end of the event.

So, let us start... and now over to Paolo.

Paolo Merli:

Thank you Emanuela and welcome everyone to our Investor Day.

Before we get started on the FY 2022 Results and the updated targets for the future, let us spend a moment commenting **page no. 5**, to see what we have done so far over the last couple of years, since when we first announced the strategy to focus on Wind & Solar, also through an asset rotation program to dispose Hydro and Thermo operations. Since then, we made significant investments - about €1.6bn, €0.6bn in 2021 and almost €1bn in 2022 - through which we added almost 1GW of new capacity (the one represented here in the chart), both Wind and Solar, through either M&A and Organic, spread out in 7 different geographies.

From another prospective you can see it as the delivery of the full substitution of 1GW of conventional power (Hydro and Thermo) in less than 2 years: I think a proof of ERG's strong capability.

That was well beyond our initial expectations. That is why we are all very proud of what we have been able to achieve. That is also the platform we want to keep growing from in the future.

Now 2022 Results: I am on **page no. 6**. Numbers here are based on continuing operations, thus excluding Hydro and CCGT from the scope. Numbers are also presented here gross of windfall taxes and clawback measures, consistently with our accounting in the first 9 months of the year and our last guidance. Those items are accounted as non-recurring.

In a nutshell, I would say a solid set of results, mainly driven by the larger installed capacity. I will comment here FY while Michele will walk you through the fourth quarter results in more detail.

EBITDA: €537mn (up 34% YoY), as I said, mainly boosted by the larger installed capacity. It is worth noting that during the year we upgraded our EBITDA guidance 4 times in a row, and this was mainly attributable to the larger than expected contribution from new assets, that all in all brought in roughly €120mn of fresh EBITDA, thus basically explaining the entirety of the growth compared to 2021 results. Contribution from Italy, as you can see, was down mainly due to a negative price effect, as the reduction in the value of incentives, based on the math formula you know, was only partly off-set by higher merchant prices, limited by the hedging policies. On the other hand, the EBITDA growth from international operations was very significant, more than doubled compared to 2021. About 50% of 2022 EBITDA came from outside the border.

Those numbers are not a coincidence, they are the consequence of the huge investments done: €946mn in 2022, so a further acceleration compared to the already high level in 2021. We continued to grow through a mix of organic and M&A, relying on the financial firepower of the Group.

Adjusted Net Profit was €216mn, almost double YoY, reflecting the stronger operating results and lower financial charges. Let me repeat it: this number does not include the impact of windfall taxes and clawback measures, accounted as non-recurring items (being temporary measures), for a total of €83mn net of taxes bottom-line. Michele afterwards will explain those items, providing you with all the needed details.

Although it is not represented here, the CCGT generated an EBITDA of €56mn in FY 2022 compared to €29mn in the FY 2021, partly thanks to its renewed eligibility for white certificates as of last year and despite a tough scenario, particularly over the fourth quarter.

NFP at year-end was €1.434bn down vs. the €2.051bn at 2021 year-end, mainly reflecting the cash-in of the Hydro disposal and the strong cash-flow generation registered by the company over the period, partly absorbed by investments and

dividends paid. NFP at year-end still includes roughly €150mn related to the negative MtM of derivatives. This item will reverse in 2023.

We are increasing our proposed dividend from €0.9 to €1 per share, sustainable in the plan period.

Let me now give you a quick update on our main achievements of the year: I am on **page no. 7**.

We are moving forward with the expansion of our Renewables Portfolio in Europe. As far as organic growth, we brought in operation 320MW of Wind in UK, Poland and France. We entered in Sweden.

In 2022 we continued to leverage on our solid track record in M&A. We added 323MW, of which 151MW were Solar PV in Spain and Italy, while 172MW were Wind in Italy.

All in all, we reached a very sizable portfolio, with more than 3GW of installed capacity.

We made steps forward also in securing our revenues through PPA and CFD from auctions, in line with our objective to have 85-90% of revenues backed by stabilization mechanisms. We signed PPAs with Engie in Scotland and with Luxottica recently in Italy, some repowering projects were awarded a CFD tariff.

Finally, it is important to stress the solidity of our financial structure, with an Investment Grade rating which remains a distinctive feature in the space of pure renewable players. In addition to that, in the fourth quarter of last year we signed an ESG linked revolving credit facility for €600mn, which provides ERG with the right flexibility to manage a more volatile business environment and to keep looking for growth opportunities in a cost-efficient way.

Very quickly here - I am on **page no. 8** - as I said, 2022 was another year of strong execution.

I think these numbers are very self-explaining. In 2022 we accelerated even further our energy transition deployment. We invested 6 times more than in 2020 to boost, as shown before, our RES portfolio.

We remain committed to dispose the Thermo plant in 2023 to become a pure RES player with 100% Capital Employed in Renewables.

Now to Michele for his review on results.

Michele Pedemonte:

Thanks Paolo, and now let us have a look at our 4Q 2022 results.

Let us start with an overview of unitary revenues trend: I am on **page no. 10**.

In 4Q 2022 electricity prices have been substantially aligned to previous year, so the all-in unitary revenues are affected especially by the hedging made in line with our risk policy, or by other revenues component.

In Wind Italy, for example, unitary revenues are influenced by the value of the incentive (which declined from 109€/MWh to 43€/MWh), while on the market we caught a price in line with previous year. All in all, we have a decline in unitary revenues from 198€/MWh to 120€/MWh.

In France the large majority of our assets operate under FIT scheme, without exposure to market prices. The increase of unitary revenues refers to plants out of incentive.

In Germany the one-way tariff structure, coupled with some short-term hedging, allows us to capture part of the peak merchant prices.

Eastern Europe unitary revenues decreased in 4Q 2022, mainly in Romania and Poland. Romanian Government introduced the obligation for our plants to sell electricity through a PPA at cap price (roughly 90 €/MWh) in order to reduce the impact of high energy prices in the country.

As regards as the Solar all-in unitary revenues, we see value increase in Italy thanks to the new assets at merchant prices. In Spain, where our assets have a tariff mechanism that operates as a floor to our revenues, the all-in price is aligned with the overall merchant prices.

Finally, please note that, consistently with previous quarterly results, our figures are presented gross of clawback measures, progressively implemented by various Governments during the year and accounted as non-recurring items in 2022.

And now a focus on productions, on **page no. 11**. As regards as the 4Q 2022, we have:

- in Italy 567GWh (-13% YoY), affected by the weaker average wind productions (-30%) compared to those extremely high recorded in the 4Q 2021, partly offset by the consolidation of new Wind & Solar assets
- in France: 343GWh (+17% YoY), thanks to better wind conditions in comparison with 4Q 2021, and 17GWh coming from new perimeter
- in Germany 153GWh (+3% YoY), thanks to slightly higher wind volumes
- in Eastern Europe wind volumes lower than 4Q 2021, which reflect worst wind conditions in Bulgaria and Romania; Poland recorded higher volumes thanks to the new capacity in operation.

On top of that, we have the contribution to the portfolio of 239GWh related to the assets built in Northern Ireland in 2021, or acquired in Spain in January 2022, and the first MWh from plants built in Scotland.

FY productions reached 5.0TWh, mainly due to new assets acquired or internally developed in Italy and abroad, and higher wind productions in Eastern Europe and Germany.

AS you can see on **page no. 12**, in the fourth quarter of the year we have an overall EBITDA equal to €126mn, lower than 4Q21 by €19mn, despite €28mn coming from perimeter effect, mainly due to negative price effect and lower volumes, especially in Italy and Eastern Europe.

In Italy the EBITDA is €55mn (-48%), mainly due to lower wind production in comparison with the extremely high volume recorded in 4Q 2021 and lower value of incentive, partly offset by the 2022 acquisitions.

In France the EBITDA is €26mn, benefiting from better wind conditions, higher prices for merchant assets and the consolidation of the assets entered in operation at the end of 2021.

In Germany the EBITDA grew consistently in the quarter due to a better scenario, which accounted for €14mn, and higher wind volumes.

In Eastern Europe the EBITDA is €16mn, lower than 4Q21 mainly due to lower sales price and lower volumes, partly offset by perimeter effect in Poland.

It is worth mentioning that in 4Q 2022 UK (with Scotland assets still in commissioning) and Spain have contributed to our results for €8mn.

In FY results, EBITDA reached €537mn, €138mn higher than previous year, of which about €118mn come from perimeter effect in Italy and abroad. Notwithstanding the last acquisitions in Italy, the Group EBITDA shows a significant increase in the geographical diversification: in 2022 EBITDA from Italy is just 50%.

And now a brief overview of investments in the period, as per **page no. 13**.

In FY 2022 we invested €946mn: an amount which is higher than the one invested in 2021 (€617mn).

CAPEX are composed as follows:

- about €638mn of M&A related to Wind and Solar acquisitions in Italy (of which 172MW Wind and 34MW Solar) whose closing took place in 3Q 2022, and Solar acquisition in Spain (92MW, acquired in January) and the acquisition in 4Q of a company which holds permits to build a wind farm in Northern Ireland
- about €282mn related to organic Capex in wind, referred to construction activities mainly in UK, Poland, France and Sweden. It also includes €121mn of CAPEX in Italy for the repowering projects and greenfield projects in Sicily. It is worth mentioning that we made important steps forward in our construction works, with the commissioning of further 36MW of Sandy Knowe in UK and 92MW of Creag Riabhach at the beginning of January 2023.
- about €15mn related to the revamping of solar plants in Italy
- about €11mn related to maintenance CAPEX spread across all countries.

Let us now move on to Financials, commenting on P&L on a recurring basis: I am on **page no. 15**.

We have:

- higher depreciation, which reflects the contribution of the new assets, so a perimeter effect
- Net Financial charges at €7mn, vs. €6mn in 4Q 2021, mainly influenced by the investment made in the period
- Tax rate in the quarter at 24% (against 30% in 4Q21), mainly due to the higher impact from tax benefit on the lower EBT driven by the lower EBITDA. Taxation in the quarter does not include the effects of *Contributo di Solidarietà* in Italy, as it is accounted as non-recurring items (€19mn).

As of January 2022, CCGT is consolidated in the discontinued items. In 4Q22 it recorded an EBITDA of €5mn and a net result of -€2mn.

As a result of all this, the adjusted Net Profit of the quarter amounts to €42mn vs €72mn in 4Q 2021. If we look at the FY of 2022, the Adjusted net profit is equal to €232mn, €30mn higher than FY 21.

I am on **page no. 16**: here you can find a summary of the clawback measures and windfall profit tax, that we accounted as non-recurring items in the FY 2022:

Windfall Tax Italy includes *Extra profitti* Law (€37mn), already paid during 2022, and *Contributo di solidarietà* for €19mn, that will be paid in 2023.

Windfall tax Romania at €15mn: it is still the same figure as September, because Romanian Government in 4Q introduced the obligation for our plants to sell electricity through a PPA at the cap price (roughly 90€/MWh)

Clawback includes all the measures introduced by European Governments during the year: the major impact is in Italy (€7mn) and France (roughly €7mn).

We do believe these measures are unfair, unjustified and ungrounded. For this reason, ERG has taken all required actions in order to protect its interests in all countries where it operates, including by challenging the relevant regulation before the competent courts.

Finally, let us take a look at the Cash Flow Statement and the Net Financial Position for 2022, as per **page no. 17**.

The Net Financial Debt closed at € 1.4bn, €617mn lower than at the end of 2021.

Following the cash-in from Hydro disposal, we invested in the period €946mn, in a year of solid cash generation (EBITDA €537mn), notwithstanding the extraordinary windfall taxes.

The net financial position includes €153mn due to the mark-to-market of derivatives on commodities. This is a short-term effect, that will have a positive reversal in 2023.

I think I have touched all the relevant items. Thank you for your attention. I will now hand over to Paolo.

Paolo Merli:

Thanks Michele, and now let me take you through our vision of the future and our targets.

I am on **page no. 19**. I always like to start from here: what we are today.

We have 3GW of installed capacity (on the left side), well balanced between Italy and abroad, based on 2 technologies, Wind and Solar.

We have a pipeline of projects of 3.8GW (on the right side of the chart), which keeps improving over time in size and quality. A pipeline well spread across Europe, both in Wind and Solar, based on Greenfield, Repowering and co-development agreements. We are present in 9 countries.

That is what we are today: this is the platform we want to expand from.

As you can see on **page no. 20**, our pipeline is growing over time as the outflow – so, the 321MW which were commissioned over the last 12 months - was more than replaced by new additions.

New additions were in Spain (all solar PV projects through co-development agreements) and Italy, where we have enlarged the number of projects eligible for repowering, including some multi-MW turbines.

Our pipeline is technologically well balanced between Solar and Wind and well spread out in different geographies, consistently with our objectives. In particular, Solar PV projects are mainly located in the south of Italy, Spain and France.

It is worth noting that our pipeline refers only to projects which may have a COD by 2027, so we are not including for the time being very early-stage projects with longer-term deployment. That has always been our practice. So, we see it as solid and highly visible pipeline of projects.

To pursue our growth ambitions, we kept strengthening our Business Development teams in 2022, in Italy and in Europe. I am commenting **page no. 21**.

We can now rely on a larger organization dedicated to Development and construction, which moved up consistently with our growing pipeline. We have insourced know-how

in all the phases of development, from real estate to construction, adapting our organization to a multi-countries business model.

Despite this, the Group workforce narrowed as a consequence of asset rotation: so, let me say, a lighter, more international and focused organization. So, we are not simply reshaping our portfolio of assets, but also our organization consistently.

Now let me comment a bit on the price environment, which is very highly volatile, let me say: I am on **page no. 23**. Since we presented our Business Plan one year ago, the energy markets have been upended by the war in Ukraine and all its consequences.

The geopolitical tensions resulted into an unprecedented energy crisis, with security of energy supply and the need to free up Europe from Russian gas dependence at the center of any European country's agenda.

Notwithstanding this very high volatility, we still believe the market, sooner or later, will find an equilibrium but at a higher level compared to the prices we were used to see in the past. Based on our internal outlook, energy prices will in fact remain higher for longer, as well as volatility will remain stronger.

On the right side of the chart anyway we reported our updated price outlook our Business Plan is based on.

Let me now comment this chart at **page no. 24**.

I do not want to enter into details, but I think it is fair to underline that the regulatory landscape remains uncertain. As I said, I do not want to elaborate on each State here: I will just provide you with the right sensitivity on what is going on in the different member States.

Michele already commented the impact so far on ERG, but here I would like to share with you the complexity we are facing and likely we continue to face all over 2023.

All the countries introduced different set of clawbacks or windfall taxes, often with revenues cap not aligned with the one set out by the European Regulation (I am referring to the 180€/MWh), and this chaos of different rules is increasing the regulatory risk perception on all the sector. As a matter of fact, I repeat, we have different price caps in any country we operate.

But, as for the price scenario, we remain quite confident that Europe will find, sooner or later (and we think soon), an equilibrium, easing all these measures in order to unleash the growth of RES in Europe as needed to meet the targets to tackle climate change and to provide for energy security.

There are not quick solutions to this long-term trend, and we still believe RES is part of the solution going forward.

Let us now move onto **page no. 25**. Here you have the installations across the different countries in Europe. Despite it seems common view that RES will have to grow, they are not yet growing as fast as they should be.

In particular, new wind installations in many countries are still lagging behind and well below expectations: Italy is an example.

Solar PV grew faster across Europe than onshore Wind, but mainly boosted by residential and commercial installations, instead of large utility-scale plants, as it should be. The bottleneck for new large-scale installations, both Wind and Solar, is always the same: permitting is still an issue and it is causing delays to the decarbonization process.

But again, we should expect that 2023 will be the year where Europe will concretely work on simplifying permitting, instead of hitting the sector with extraordinary measures and the like. We remain confident about that.

But let me elaborate a little bit on the supply chain. When looking at the supply chain I am on **page no. 26** - it seems a completely different world compared to just a few years ago, when everybody expected LCOE to trend down forever.

In reality, European manufacturers were heavily affected by cost inflation and supply chain disruption. This translated into generalized capex increase to the tune of +30% in Wind and 25% in Solar, at least according to those third providers.

Even though in our case the Framework Agreements we have in place partially protected our investments by these trends, we expect pression on supply chain to remain strong in the plan period, and it has been factored into our updated CAPEX plan.

At the very same time, when looking at Investment Return, we also expect this higher capital intensity as well as the higher cost of capital to be offset - or more than offset - by higher CFDs and PPAs.

We can tell you that, as far as PPAs, we are already experiencing higher prices to reflect this trend while, for the time being, we cannot yet say the same for CFDs, which are still lagging behind.

In fact, if I turn to **page no. 27**, awarded capacity through auctions in 2022 across Europe has been significantly lower than the one available, partly for the lack of authorized projects but partly because of CFDs level, not consistent with recent inflation trends. In other words, CFD levels awarded through auctions must be adapted in order to be able to attract the investments needed. Only France and Germany have amended a little bit the auction rules, increasing the caps, providing for more windows of time under merchant prices, but still not enough as recent results demonstrated.

Again, we expect 2023 to be the year where member States will work on adjusting and adapting those mechanisms to boost RES growth.

In the meanwhile, PPA will remain our main tool.

And in fact – I am on **page no. 28** - the positive news here is that PPA market is globally taking on more and more a crucial role, as an effective alternative route-to-market for new renewable projects.

Despite the recent high volatility of energy prices - coupled with uncertainty about regulatory evolution - has slowed down PPA deployment in Europe, we nevertheless see this growing trend to continue in the forthcoming years.

Let me now update you on our targets for 2026.

The strategy is still there, basically unchanged. But, given the market context we have been talking about so far, we thought an update on main KPIs was needed.

So here we are, on **page no. 30**:

1. Growth: we confirm our target to reach 4.6GW of installed capacity by 2026, that will become about 5GW in 2027.
2. Investments and EBITDA: but to do so we would need higher CAPEX from €2.9bn to €3.5bn, but at the very same time we see higher EBITDA in 2026: from the previous €560mn to >€650mn.
3. Route-to-Market: we are also confirming our target to have 85-90% of quasi regulated EBITDA, so backed by incentives, tariffs or PPAs. This is consistent with an IG Profile and a Financial Policy with a 4X Net Debt/Ebitda ratio.
4. We are confirming our geographical diversification, to de-risk the portfolio.
5. We want to push more on Solar PV. in 2026 in fact we expect basically 25% of our portfolio to be made by this technology.
6. As far as Innovation is concerned, we are working on a pipeline of projects in battery storage, and we are exploring some opportunities in other business lines, such as floating offshore, though it is too early to say anything, and there is no MW and no CAPEX whatsoever in the Business Plan.
7. Asset Rotation: we are relaunching the CCGT disposal process, as part of our transformation into a pure RES player. We remain committed to, and we want to close it down by 2023.
8. ESG remains at the core of our strategy: we improved some targets leveraging also on the strong ESG results we reached in 2022.
9. Last but not least, Dividend policy was raised to 1 € per share from €0.90, and we deem it sustainable during the BP period.

Now moving to **page no. 31**, here we have provided you with the same breakdown of the 2.2GW needed to reach 2026 installed capacity target. I think this number gives quite high visibility to our target for 2026, because 0.6GW have already entered into operation in 2022. Remember, this is a comparison on the very same years (2022-2026)

but 2022 is already actual, and in 2022 and at the beginning of 2023 we have installed roughly 600MW.

On top of that:

- we are bringing forward roughly 0.3GW under-construction right now
- 0.4GW will come from our proprietary Greenfield pipeline, Wind and Solar
- 0.1GW from Repowering projects already in a very advanced phase of authorization
- 0.8GW – so slightly lower than the number contained in the previous plan - we expect to come from M&A and co-development.
- Another stream will come from battery storage, though limited.
- Geographical and technological diversification will be pursued: we expect to have almost 60% of our asset base outside Italy in 2026, when about 25% will be Solar PV.

Let us move onto **page no. 32**: here a little bit more visibility on what we have under construction right now: 422MW (on a gross basis), which is basically the same number I have just mentioned in the chart before, roughly 300MW if we consider it on a differential basis, so including the MW we are going to switch off from repowering.

It is important to highlight that we have right now an important stream of repowering under construction, meaning that we are finally realizing our idea to rejuvenate the assets, while significantly increasing the energy production.

Current Construction sites are spread-out in Italy, UK and in France. All these projects are well on track, and you can find all the details in the chart.

Now on **page no. 33** let me elaborate a little bit more on CAPEX, that has moved from €2.9bn to €3.5bn over the same period of time, i.e. 2022-2026.

Basically, half of the increase, say the first two histograms, are fully justified by a higher quality. As regards M&A, we paid in 2022 – it is not a secret: we have already publicly announced it - higher multiples on an EV per MW basis but with a better cash generation and EBITDA profile, thus reflected in our improved EBITDA over the plan period.

We also have €0.1bn CAPEX more, associated to new repowering projects with COD in 2027, which were not included in the old plan, while the remaining €0.3bn are basically overruns related to the greeninflation we explain earlier and which is impacting all the sector.

Please also consider that out of the €3.5bn – that is quite important - about €1bn were already invested and expensed in 2022.

Now a few words on EBITDA evolution: I am on **page no. 34**. Here we show the trend from 2022 EBITDA, net of clawback, to 2026. So, we prefer here to present the number for 2022 net of clawback in order to give you a like-for like comparison. At the end of the

plan, we expect an EBITDA in excess of €650mn compared to €560mn, that was the number of the old plan.

Out of the total, we expect 25% to come from Solar, with a more or less 50-50 split between Italy and abroad.

We also expect 85-90% of our EBITDA to remain backed by price stabilization mechanisms.

As simple as that.

Now to Michele again for some details on our Capital Structure.

Michele Pedemonte:

Here - on **page no. 36** - you find a picture of our financial structure: a solid base for our Business Plan.

In the last part of 2022 we signed a €600mn ESG linked revolving Credit facility to enhance the liquidity profile of our group to cover any short-term needs and to be ready to catch in the short term any opportunity that may arise to accelerate our growth.

We are currently refinancing €0.3bn corporate loans expiring in 2023, at very competitive conditions, thanks to the pre-hedge executed few years ago that allow us to benefit of a 5-year IRS near to zero.

We do not have any further refinancing needs until 2025. And this is a very distinctive point of our financial structure.

Now on **page no. 37**. Our financial structure we saw before translates into a solid investment grade financial profile, which we are committed to maintain in the whole Business Plan period.

The investment grade rating is the pillar of our financial strategy and on this base we can lever our growth, maintaining a competitive cost of capital which, as you can see, we expect to remain low, in particular in the first part of the Business Plan.

We see our current rating consistent with a leverage in terms of Net Debt/EBITDA of up to 4X, which already include a dividend payment of €1/share, sustainable in the plan period.

And now I hand over to Emanuela for her part.

Emanuela Delucchi:

Thanks Michele and now let us focus on ESG.

I am on **page no.39**. So here you find our updated ESG plan, and I show here a snapshot of it: we have now 18 targets, which are perfectly aligned to 14 out of 17 Social Development Goals.

As far as Planet, we are confirming the net zero target at 2040 and we are still working on circular economy, as far as our wind repowering and solar revamping are concerned.

In Engagement, we will continue to support local communities where we operate, with a contribution of at least 1% of our revenues. In 2023 we will also launch the ERG Academy to involve the younger generations in educational activities on sustainability and renewable energy, with a target of at least twenty thousand students by 2026, which could be even higher in 2027, with 25k students in Italy and abroad. The ERG Academy will also provide for training activities to all our people, and it will be the basis to define plans for development of our employees.

As far as People, we are reinforcing our commitment in the D&I in order to create a more international and inclusive ERG. I will explain more in detail our D&I strategy in a specific chart.

As far as Governance, we want to maintain a best-in-class governance, and our commitment to ESG is still well embedded in the short-term and long-term management remuneration. As Michele explained before, our financing is now mostly green, and in our plan we are committed to keep it green, with at least 90% of our loans classified as "Green Funding".

To sum up, I would say a solid ESG strategy based on well-defined KPIs that will be monitored throughout the Plan period, even recognized by the significant step up we did in 2022 in all the ESG ratings.

And here, I am on **page no. 40**, I will share with you the main ESG achievements in 2022 I was mentioning before.

As far as ESG, we are continuing to receive important external recognition.

We improved our ESG ratings and we are amongst the top tier in ESG practices, thus recognizing the strong commitment towards ESG, which is well embedded in our strategy. So, we are well rated in all the pillars of our ESG plan, from the Planet (with the inclusion in the A list of CDP for our commitment towards decarbonization and action towards climate change), and from our supply chain, as we have been welcomed in the CDP Suppliers Engagement Leaderboard, recognizing the value of our sustainable procurement. Even in the area of People we have been included - and we also improved our rating during the year - in the Bloomberg Gender Equality Index, thanks to our commitments in the D&I and to the full disclosure we are providing for as referred to this issue. In Governance, Moody's included ERG in the Top 2% of the world ranking with a score of 65/100.

So, our ESG approach has been valued even by external recognitions.

Now decarbonization: I am on **page no. 41**. One of our priorities remains the action towards Climate Change, which is becoming more and more evident, with increasingly frequent extreme weather events. From this prospective, our journey led us to decarbonize our portfolio of assets significantly. The actions taken over the last Business Plan allowed us to reduce our Carbon Index further by 11% in 2022.

Another significant step will be taken with the completion of the asset rotation – as Paolo was explaining you earlier - which will be zeroing direct emissions. The decarbonization of our portfolio remains at the center of our strategy.

Net Zero: I am on **page no. 42**.

It is evident that climate change is becoming one of the main risks the entire system is facing. Temperatures in Europe have increased at more than twice the global average over the past 30 years: the highest of any continent in the world. As the warming trend continues, exceptional heat, wildfires, floods and other extreme climate change impacts will affect society, economies and ecosystems.

In this context, our commitment towards decarbonization and net zero remains a key priority for ERG.

So, we are aiming at becoming net zero by 2040, and we are waiting for the last approval by SBTi, and I hope it could come in the next couple of weeks. Let me remind you the key steps:

1. It's crystal clear that the asset rotation will be clue for getting to net zero. We are re-launching, as Paolo was saying, the CCGT disposal, which will bring scope 1 & 2 emissions to almost 0.
2. Secondly, of course we remain committed to enlarging our RES portfolio, and we will keep on covering our energy needs with green energy.
3. A key aspect of our strategy is our supply chain: with the sustainable procurement we are aligning our supply chain to our ESG targets, helping them to improve their performance with a clear focus on the reduction of their carbon footprint.

EU Green taxonomy: I am on **page no. 43**. After asset rotation, ERG will be perfectly aligned to Green Taxonomy, a clear sign of our commitment in decarbonization and climate change. So, as simple as that.

On **page no. 44** you find a focus on D&I. We want to achieve a just transition, so we do not want to leave anyone behind. We strengthened our inclusive approach as we want to keep on working to create an even more inclusive and international ERG, where everyone may play an important role in the decarbonization path.

As part of the ESG Plan, we have 3 main targets to foster gender equality and promote greater internationalization of our company:

1. Last year we said that we wanted to increase the number of women amongst the key leaders and that is what we did: we went from 14% to 18%, and now we want to continue this trend, reaching a level >25% in 2027.
2. As far as our internationalization, in 2022 we made some important advancements. Key leaders abroad went from 8% to 20%, as part of our commitment to pursue international growth. We are improving this target for 2027 to >25%.
3. As far as women in workforce, this year (without considering CCGT) we already exceeded our target of 25%, being now almost at 29% and we intend to at least keep this target in the range of 25-30% till 2027.

So all of us are strongly committed to create an inclusive ERG, where all the people can express their talent also by leveraging on an inclusive culture, which is at the basis of a sustainable development.

And now over to Paolo for his final remarks.

Paolo Merli:

Thank you Emanuela.

And now let me conclude by giving some guidance for 2023:

EBITDA: we see it in the range of €500-550mn, higher vs. 2022 EBITDA which - net of clawback, I remind you - was €502mn. Let me point out that clawback measures are still in place so, as you can see in the chart, the numbers are affecting also 2023 by an amount which is expected to be stronger than the one in 2022, being most of caps effective since December 1st 2022, even though it is difficult to estimate this number but you can imagine and figure out, looking at the figures, that the amount is higher than in 2022.

AS far as CAPEX, we expect to invest €400-500mn: those investments will be mainly related to assets that right now are under construction. Of course, we can lever on our financial soundness to accelerate the CAPEX plan, if we may find some interesting opportunities on the M&A side, and we are for sure working on that.

NFP is expected to be slightly lower than the one at the end of 2022, so in the range of €1.3-1.4bn, and this thanks to the strong cash generation that we expect in 2023, which is not given just by the EBITDA but, as said, we expect in 2023 to have all the reversal effects related to the mark-to-market derivatives, which still accounted for €150mn - or a little bit more than that - at the end of 2022.

So, those are the traditional guidance that will be updated quarter by quarter as usual.

But let me conclude - I am on **page no. 47** – by summarizing the main targets of the Business Plan. And let me go through them one by one.

Capacity: as said, 4.6GW of installed capacity in 2026, while we see 5GW in 2027.

EBITDA above €650mn of which 85-90% secured - or stabilized - through any kind of mechanism, incentives, CFD, PPA. An EBITDA that will be based on a quite a significant geographical and technological diversification.

CAPEX: we expect to invest €3.5bn over the 2022-2026 period, and I repeat it, out of which almost €1bn already done in 2022. The CAPEX we are envisaging in our Business Plan is fully compliant with UN SDGs, just to recall the importance of ESG in our Model. Very limited maintenance. As you know, you can assume a figure in the range of €10-20mn per year for maintenance.

Net Debt: we expect it to re-leverage up to €2.3bn in order to boost and to sustain the growth envisaged in the Plan, but in accordance with a sustainable IG rating.

Dividend: I repeat once more, a stable yearly dividend of 1 € per share. You know, our Dividend Policy has always been based on an absolute amount of dividend: so, this time I 1€ per share.

Thank you very much for your attention, and we are now ready to take your questions.

Questions & Answers

Operator:

Excuse me. This is the Chorus Call conference operator. We will now begin the questions and answers session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. Anyone, who has a question may press "*" and "1" at this time.

The first question is from Roberto Letizia with Equita. Please go ahead.

Roberto Letizia:

Yes, good morning and thanks for taking my question. A few questions at the beginning, then maybe some follow up, leaving space to the colleagues. First, a comment on the new directive that we saw yesterday from Europe with regards to the new market design: it seems Europe is no longer looking for a strict separation of the two markets, but just leaving current credit markets as they are, but pushing of course for a higher penetration of PPA market and long-term negotiation with CFD contracts in case of incentive. Maybe you want to give some comments on this, if this is in line with what you are expecting, if this is a potential upside to your business model...

Maybe a derivation of this question also on the price assumption that we saw in one of your slides: if I got it correctly, your Business Plan is based on prices between 70 and 90€/MWh. Is this range of level we should expect for new PPA contracts signed in the coming year, or do you expect - specifically for new PPAs - something different, also considering the new market design, as mentioned before?

A very tricky question, I do not know what you can say about this: you still have a committed new shareholder in the holding above you, which is possibly sustaining the growth of the Group in the coming years. But this is something that has not been yet talked again, and actually it is potentially affecting the strategy, and it is actually asked also by investors as a questioning on what is going to be the role of these new shareholders and how a potential new commitment may materialize in the control of ERG. And this, I would say, creates some uncertainty. I leave you as a comment in many investors which fear any potential deal of operation, which is unclear. I do not know if you can just elaborate a little bit on this. I will leave space to other colleagues and maybe some follow ups later. Thanks.

Paolo Merli:

Okay, thank you Roberto for your questions. So, I try to answer one by one in chronological order.

About the market design: let me say, I have always been saying that the only way to decouple conventional and renewables is to keep going on with CFDs and PPAs. And now Europe came to the same conclusion apparently, because there has been a lot of talking different ways to decouple the 2 markets, but it is impossible in other way. So, we remain convinced that this is the only way: it is a very easy way, it is the time just to adapt these mechanisms to the current environment. So, let us take for instance the CFDs and the auctions, let us take for instance, the last auction results in Germany. They raised the price cap at 75€/MWh, and the capacity they allocated was less than half the one available. That means that, given the higher capital intensity, the sector as a whole needs to have higher prices for a longer period of time in order to make reasonable returns that can attract investments.

So I am not scared about the market design, because I said the only way to do it and to implement it is going on the same way we have done so far. So, we see it positively instead, because we expect in 2023 Europe with a sort of jet lag - let me say like this - will realize the only way to push forward the energy transition is to adapt these price mechanisms. So, we expect all the countries to work on that, instead of introducing extraordinary measures that resulted, as you can see, not just for ERG but for all the operators, very penalizing and they are subtracting resources that would have been available for the energy transition.

And about the price assumptions, yes: we reported in some chart our expectations that are basically in line, if you see the first years, very in line with the forward market. Please consider that our revenue structure is for a major part related to CFDs, incentives, PPAs, so we have no full exposure to the price scenario. Let us say for 2023, basically 70%-80% of our revenues are already based on tariffs and hedging and whatever stabilization mechanism.

Going forward, yes, you are right: we expect prices to cool down a little bit, but still remaining higher than the expectation we had just one year ago, because the capital intensity is higher, the interest rates, then the cost of capital is higher. And I suppose the substitution of Russian gas with gas coming from other countries - and in particular LNG - is not at the same price the Russian gas was.

About the new shareholder, I can just say that one representative of the new shareholder entered into the Board and they are acting very, very proactively: they are supporting the Business Plan, yesterday they approved with us the Business Plan in the Board of Director, and we are all thrilled to carry our objectives forward, and we are confident that we have all to succeed and to reach the results we set out in the Business Plan.

Roberto Letizia:

Sorry, just a clarification on the prices, sorry for asking it back again about the €70-90 in 2026 as an exact price for the Business Plan. I was wondering if this is a price range that you consider the market is going to express for the PPA. You signed a PPA recently with an Italian Group, so maybe you can just give a little bit of more detail of what the pricing expressed by PPA contracts in this market is. Thanks.

Paolo Merli:

For obvious reasons of confidentiality, I cannot say the exact value of the pricing of our last PPAs, but let me say that they are very much consistent with the price scenario that has been reported here in the chart. So, figures that are well above the prices we could imagine just one year ago. So, they are pretty in line with the feed-in tariff we have been enjoying in the last decade: near or around 100€/MWh, let me say like this. I hope I have answered your question.

Roberto Letizia:

Yes. Thank you.

Operator:

The next question is from Enrico Bartoli of Mediobanca. Please go ahead.

Enrico Bartoli:

Hi, good morning and thanks for taking my questions. First of all, a general question on the strategy. You kept your target of 4.6GW unchanged for 2026. In the last year, since you presented the plan in March 2022, several things have been moving on, particularly in terms of political support, in terms of better pricing. You mentioned the better environment for PPAs also on the wholesale market. I was wondering actually what is preventing you from accelerating the development of capacity? So, we are expecting probably more visibility on the new price setting mechanism by the EU from the revision of the CFD mechanism. I was just wondering what could trigger a further acceleration in your CAPEX?

The second question is related to the IRRs that are implied in the new EBITDA guidance for 2026, and that highlight some inflation in the CAPEX. We are now in an environment of higher cost of capital. So I was wondering, how - compared to the previous plan - have your IRR assumptions moved, also in terms of spread between IRR and WACC?

And the last one is related to the guidance for 2023. Can you guide us a bit on the moving parts that you expect during this year, in terms of the hedging price that you have locked-in compared to 2022, the capacity additions, and on how you think that will move EBITDA in Italy and outside Italy during this year? Thank you.

Paolo Merli:

Okay. Thank you, Enrico, for your questions. Again, in chronological order, let us say the target of 4.6GW in 2026 is also consistent with the financial power of the Group, in the sense that we have still quite a big headroom from a financing point of view, but do not forget we want to keep our investment grade rating, and then we need to stay below the 4X net debt/EBITDA ratio, and we expect, based on the Business Plan we are presenting today, to re-leverage the Group from now to 2026. So, this is one constraint - let me call like this - we have to our growth. I can also say that the target we set out for 2026 is very much consistent with the pipeline we can rely on today, because if you see the portion that will come from M&A is basically the same as the previous plan, or even less than the previous plan, because part of it has been already done in 2022, but for sure we have the financial power to accelerate the deployment of the installed capacity, and that is what we will try to do. So, we will try to accelerate as much as possible, of course, pushing on M&A, the deployment of capital, and the megawatts in our portfolio.

What prevents to further accelerate is, I do not know, based on our pipeline, so we have this pipeline. We do not want to enlarge the number out of the projects where we are sure we can bring forward within a reasonable horizon of time, and the reasonable horizon of time for us is 5 years. Of course, pipeline is something that evolves over time,

as we demonstrated in these numbers, because every year we try to add new projects. We are doing a very good work on Solar PV in Italy: in France, in Spain, as you can see, a large portion of our pipeline is now based on Solar, but we prefer to remain - you know, as you said - conservative while providing our numbers. For sure the acceleration could come from M&A, but maintaining our strength in the financial structure, which is an old mark we want to maintain in our Business Plan.

About the returns, I had already the chance to touch this point during my speech, but I repeat it with a little bit more of details. For sure, the cost of capital has increased quite significantly over the last 12 months. And in our case, but I think it is a general view, the WACC has increased between 1 and 2 percentage points, even though our cost of debt has remained basically flat. But when we assess new investments, we tend to use a theoretical WACC that is much more consistent with the interest rates. You have seen that the cost of debt basically fully hedged for the next few years is 1.4%. If we use that cost of debt, we will come to a much lower WACC than the one we use for investment purposes.

And on top of the WACC, we sum a buffer that depends very much on the kind of projects we are talking about. If it is a project fully secured from a route-to-market point of view, then the spread could be in the region of 1% up to 2.5%, depending on its route-to-market and the country where the project is based on. But for the time being, I would say the key message is that the increased CAPEX and the increased cost of capital - at least for our project, I can assure you - are more than compensated by higher pricing. We see it - and we have executed it, at least for the time being -, in our PPAs.

And the third, there was a third question, right? About the guidance, okay. It is a little bit more complex. Our guidance for 2023 is net of clawback measures, which I said are different country-by-country, despite the European regulation. The 1854 regulation guided the member States to introduce a price cap of €180: that was not the case. So, in any country where we are, there are different price caps. So, let us take Italy, for instance: in Italy, we have 2 caps: one is related to the Article 15(b), which covers all the RES assets with a commercial operation date before 2010. Here, the price cap is at 60€/MWh, and should last until June 30. Then, for the other assets, there is a cap of 180€/MWh, in line with the European regulation.

For the Solar PV, under the so-called *Conto Energia*, again, Article 15 applies. So, we have a cap for the merchant portion of 60€/MWh. So, the picture is not as simple as it may seem, when looking at the European regulations. Because, in the end, every State converted it into different rules, into different price cap. I just gave you the example of Italy, but let us move to France: in France, the price cap is not 180€/MWh, it is 100€/MWh. In Germany, the price cap is 120-130€/MWh. In Spain, Poland, Romania, there are different price caps ranging from 70 to 90€/MWh. Okay. Even in the countries

where the 180€/MWh cap has been taken - for instance, Bulgaria and Sweden - they have introduced an hourly settlement that results into a much lower real price cap, because, if you measure the cap hour-by-hour, the hours where the price is higher, you give money back. Okay. But when the price is lower, nobody will give you back what you have left for the price cap. Okay? So, the picture is much more complex than the one it may seem from outside, reading the newspaper. It is much more complicated from an operational point of view.

And then, coming back to the guidance, we gave a guidance between €500 and €550mn, which is completely net of our best estimates of the impact and the effect of those uncoordinated measures across Europe. But the effect of those measures is expected to be significant in 2023. And, based on our best estimates, it could be in the region of €100mn, and this should not become as a surprise, because most of those measures are effective as of December 1st, 2022. So, Michele has shown you that in 2022 the total impact of these measures was €91mn before taxes and €83mn after taxes. 70% of this amount comes from Italy and is related to fiscal measures (the Article 37 and then the solidarity contribution as per the Budget Law: those are fiscal measures), plus €35mn, that is in our EBITDA, and most of it comes from the clawback measures effective as of December 1st.

So, we do not expect further windfall taxes. And I think, over the last few days, Europe was quite clear on that. Even yesterday, they repeated they do not want State members to introduce further windfall taxes, because this should result in penalizing the energy transition. But still, there is uncertainty about the duration of those measures, which on paper should last until June 30. But in reality, some States - like France, for instance - introduced the cap until the end of 2023, before waiting for the resolution of the European Commission. So let me say: it is a patchwork of different measures or - let me say it my way - it is a mess. And we hope in 2023 the European Commission will realize that those measures will turn into slowing down the deployment of investments and the deployment of the energy transition. So, we remain confident that Europe will in the end cancel those measures and will push forward the investments: if not, the targets they have always declared to the world will not be sustainable. And we do not see other solutions to the energy security and to the decarbonization to fight - do not forget - climate change, because nuclear is too long to come: it is impossible, it will be a reality in the next 10-15 years, I mean, new nuclear.

So, Renewables are the easy and at-hand solution, in our opinion for the energy transition. But let me come back to the guidance, because I am passionate about these themes. The guidance is already net of what we expect to be an impact in the region of €100mn coming from those measures. In other words, if there were not those clawback

measures, the guidance of the EBITDA would have been roughly €100mn higher than the one we just disclosed.

From an accounting point of view, this is the guidance we decided to give to the market because it is more consistent with the cash generation we expect from the company. From an accounting point of view, we will discuss with our statutory auditors the best kind of statement. But if it were for me, I would say those should be treated as temporary and extraordinary measures, because in the European regulation it is written like this. So, I hope to have clarified this point, because it is very important. So, the guidance is very much limited by all these measures. Enrico, I hope I answered your questions.

Enrico Bartoli:

Thank you very much: that was clear. If you can just add a quick comment on - net of the effect of the clawbacks - what are going to be the moving parts that are actually leading from €500mn adjusted in 2022 to 2023, so the contribution from new capacity, if you can give us a flavor on the pricing evolution that you assume in that guidance?

Paolo Merli:

The price, given those price caps, is limited, in the sense that we expect a negative price effect compared to 2021, when most of those measures were not in place, and the growth should come from new investments, because - do not forget - we installed the 560 MW in 2022, and those megawatts are basically fully up and running right now. On top of that, we expect further 300MW to enter during the course of the year, so some of them will be already in service in 2023, part of them will be contributing in 2024. But a part of these will be in service over the course of the year, so giving further contribution.

But let me say: all in all, the price effect on our guidance is significantly negative, and all the growth will come from a perimeter (so it means new installed megawatts, new installed capacity), and another important part from higher volumes, because - as you have seen - the last part of 2022 was very negative in terms of wind availability. So, in particular in the fourth quarter, we lost a lot of production compared to our budget: it is not only ourselves, but whole Italy, whole Europe was under low wind conditions, especially in November/December, when we enjoyed a 25° Christmas. So those are the 2 main contributors: the new capacity and the expectation for higher volumes, that more than offset a lower price effect in 2023.

Enrico Bartoli:

Perfect, Paolo. Thank you very much.

Paolo Merli:

Thank you.

Operator:

The next question is from Naisheng Cui of Barclays. Please go ahead.

Naisheng Cui:

Hey, good morning. Thanks for taking my questions. I have a few if that is okay. The first one is: could you please give us an update on your CCGT sale? Do you expect that to happen this year?

And the second question is: I know you have a very large solar pipeline in Spain. Some of your peers are talking about a much lower unit CAPEX costs and PPA price around 40€/MWh. I was just wondering if you can talk about the competition in Spain?

And the next question probably relates to that: I am still a bit confused by IRR. I just wonder if you can give a bit of guidance on your IRR, especially for the new projects. Do you have a hurdle rate? And the last question is probably on dividend: I just want to understand the rationale for the dividend increase, are your strategic shareholders involved in this? Thank you.

Paolo Merli:

Okay, Nash. So, about the CCGT: absolutely yes. We are re-launching the process to sell the plant; we needed first of all to close down the profit and loss for 2022, which on a bidder reference accounts for any buyer. And we are actively working with an idea to receive the offers in the next forthcoming months, and for sure to close the transaction before year-end. That is a very strong commitment that I can confirm to the financial community.

About the CAPEX, I do not know other peers but, for the time being, our projects have a CAPEX per megawatt which has been well protected by the framework agreements we had with some important OEM. Going forward, exiting the framework agreement for majority of the projects that are in the new business plan, we have to stay with the market. And the market is different than it was one year ago. If you look at the numbers reported by the main listed companies providing technologies for Wind and Solar, you could see that the pricing, the capital intensity is going up. So, we benchmarked with other parties our CAPEX per megawatts, we have tested it with our procurement department, and we are quite confident that the CAPEX we have put in the Business Plan are very much consistent with the current trends in the market, for wind turbines, for BOPs, for solar panel, for lithium, for the battery storage and so on. But let me repeat it: when it comes to returns for the investments, the last projects we have approved and concluded had a return near double-digits, or sometimes even more than double-digits.

Thanks to the fact that PPAs will cover those projects, they are well above the initial estimates for those projects, and this has much more than compensated for some overruns or the higher cost of capital.

And let me say, it is difficult to say a hurdle rate because it depends on geography, it depends on technology, it depends on the route-to-market. But let me say: in the region of 6% to 8%, sometimes even more in some geographies. For instance, in Eastern Europe, we are looking for hurdle rate well above double-digit. But if you take as an average between 7% and 9% unlevered, you are not far away. But this is a hurdle rate, then we try to optimize the value of our projects working on the PPAs, working all around 360° on the project, as I think our numbers are demonstrating.

Naisheng Cui:

I think there is one more question on dividends.

Paolo Merli:

Sorry, sorry can you repeat it, because...

Naisheng Cui:

Yeah. I just want to understand the rationale for the dividend increase, and how the strategic shareholders are involved, when making that decision. I mean, strategic investors, including IFM Infrastructure Funds.

Paolo Merli:

I would say, consider that with this trend for inflation, the fact that the net profit of the company has been much higher than the one expected in the Business Plan, considering the positive view we have for the forthcoming years, considering the fact that the company right now is underleveraged, we see this increase as absolutely sustainable. And our value proposition is always the same, and probably different from other peers: we want to have a fair mix of growth and remuneration to our shareholders. That has been, and will continue to be, our value proposition.

Naisheng Cui:

I understand. Thanks, Paolo.

Paolo Merli:

You are welcome.

Operator:

For any further questions, please press "*" and "1" on your telephone. If you wish to ask a question, please press "*" and "1" on your telephone. Mr. Merli, there are no more

questions registered at this time... Excuse me, there is actually one more question from Roberto Ranieri of Stifel. Please go ahead.

Roberto Ranieri:

Good morning, everyone. Just one question, if I may, on the supply chain issues: you were talking about supply chain issues potentially in the future, and that you are acting to reduce the supply chain issues. I am wondering if, in addition to that, there could also be grid connection issues in terms of, you know, bottlenecks, not only in Italy but all over Europe: that is my question. Then, if I may, just one more quick question on the framework agreement you have with your suppliers: I am wondering if this agreement could be revised in case of CAPEX inflation. Thank you very much.

Paolo Merli:

Okay Roberto. About the grid connection, all the projects we put in the Business Plan already include the timing of the connection availability based on the current operational plans of the various TSO, and also the costs of the grid connections are already updated, based on the offers we received when we have visibility on this.

On the more back-loaded projects in the plan, the ones with a COD in 2026-2027 for instance, among those there are 3 quite large Solar PV projects we have been working on in Spain: there we are waiting for the so-called *Concurso De Capacidad* (that should be taken in 2023) in order to gain a little bit more visibility on the timing, on the cost and so on. But we have been sufficiently cautious about this on our plan.

About the framework agreement, I will leave it to Michele, who is our CFO, who is also in charge of Procurement in the Group.

Michele Pedemonte:

Yeah, regarding framework agreement with Vestas and Enercon, all the construction currently ongoing and that will reach their commercial operation date in 2023 and 2024 are covered by the framework agreement. After this period, the framework agreement basically expires, and we stop benefitting from the prices at that time. Having said that, the framework agreement remains as a strong contractual base with these two suppliers but, in this specific moment, we do not see that is the right moment to fix in the long term the current prices of the wind turbines for a prolonged period of time.

So, the strategy for the time being for new orders that we will do in 2023-2024 for a plant that will enter in operation in 2025-2026 will be based on vendor-by-vendor projects, putting in competition the various suppliers in particular for Wind - but it is more than true also for Solar - in order to get the best conditions possible. Again, the preliminary agreement is a strong contractual protection that will remain, because it set

the standard for our relationship with the key suppliers, but we will be open again to find a new supplier that can allow us to be competitive also in term of CAPEX cost.

Roberto Ranieri:

Thank you.

Operator:

The next question is from Emanuele Oggioni of Kepler Cheuvreux. Please go ahead.

Emanuele Oggioni:

Thank you for the presentation. Good afternoon. I have only 2-3 questions left. The first one is a check basically on the acquisitions included in the investments plan and embedded in the targets. So I computed basically that some 0.4GW could be included in your target, and to get €2.5bn of capital expenditure in 2023-2026 (so excluding 2022), we can get an implied valuation of €1.5-1.6mn/MW for a total cash out of €0.6bn, if you assume the CAPEX per megawatt you disclosed on page no. 26 for Wind and Solar, for an additional capacity of 0.8GW for Wind and the delta - so basically 0.9GW - for Solar. So, could you confirm my computation? Thank you.

And still as regards to the CAPEX per megawatt, I suppose this is referred to greenfield projects mainly, but I would like you to update us on the CAPEX per megawatt for repowering in Italy: I suppose this is lower compared with a Greenfield.

And the last, the final question is on the CCGT disposal plan. So, recently this plant owned by ISAB was included among the facilities under the Italian national strategic interest. So, I wonder whether this could increase the visibility of the future cash flow on this plant, and thus speed up - or facilitate or support - your disposal process. Thank you.

Paolo Merli:

Okay, Emanuele, thank you for your question. So, the first one: yes, your computation is quite right. On average you can assume a €1.5mn/MW; please consider that the unknown or the M&A we put in the plan is in our mind more oriented to Solar PV. So, the 1.5 is an average between the EV per megawatts for Wind, which is higher (more in the region of 2) and that for Solar, more in the region of 1, just rounding the number. So, on average the number you said is not far away from the one we have in mind. But please consider that, having quite big pipeline on Wind and having today a higher stake in our portfolio of Wind versus Solar, the M&A tool will be more used to increase our stake in the solar business.

For Greenfield and repowering, the EV per megawatt for sure is lower than the one for M&A, it is obviously evident. But repowering is a new project, you know: the only thing

you save is the goodwill you may pay for buying the right to make the project, that is for sure. But the cost is absolutely in line with a new Greenfield, because you have the cost of dismantling the old towers, but this will be more than compensated by the fact that usually the repowering is being done where you have the highest wind availability, and also the connection is already there, it is already done *etcetera*.

But in our Business Plan, the cost per megawatts of our Wind is moving from €1.2mn to €1.3mn at the very beginning (the first years, when part of the construction have already been negotiated) to €1.4mn to €1.5mn in the next years, in the last part of the Business Plan. This is more or less the EV per megawatt we have in our Business Plan, but you have all the figures to extract these numbers, because we provided CAPEX, the breakdown of the CAPEX and the breakdown of megawatts.

Please consider that the returns of the projects are not just based on CAPEX, are not just based on the route-to-market, so on the price at which you sell the energy, but also on the quality of the projects, and we are repowering for instance the best assets where - changing the layout of the wind farm, changing the platform of the wind turbines - we can extract 3 or 4 times the production the plant used to generate, thus making the real return on the project. I think I have touched all the items.

Emanuele Oggioni:

Thank you for your clarifications. Indeed, there was a last question on the CCGT disposal. The plant was included among the facilities under the Italian national strategic interest: so, could this be supportive for your disposal process?

Paolo Merli:

I would say, absolutely we see the recent evolution positively for the sale of the power plant. We are waiting like you to better understand what the Government is going to do with the Golden Power: the expiration of time for taking a decision I think is in the next few weeks. And so, we will know more by the end of March. Also, the decree that makes the Priolo site a strategic site for Italy, is guaranteeing the continuity of the site, and that can help. But we are - I repeat - we are confident we will find the right solution for the asset, for our people... because, do not forget, CCGT is not just a plant, but there is a company with an organizational structure, and we care much about this as well. So, we want to sell it to the right counterparty, a counterparty that can guarantee the continuity of the business. And, as I said, we hope in the forthcoming months to gain much more visibility on the outcome of the process. So, in the next webcast I hope to be in the position to say a little bit more.

Emanuele Oggioni:

Thank you for your answer, Paolo.

Paolo Merli:

Thank you to you, Emanuele.

Operator:

Mr. Merli, there are no more questions.

Paolo Merli:

Okay. So, thank you all for the attention. Emanuela and our Investor Relations team will remain available for any clarification or follow-up you may have. I look forward to meeting you in the next occasion. So good morning everybody, and thank you very much.

Michele Pedemonte:

Thank you.

Emanuela Delucchi:

Thank you.