



ERG S.p.A.
“2Q 2024 Results”
August 2, 2024

MODERATORS:
PAOLO MERLI, GROUP CEO
MICHELE PEDEMONTE, CFO

Operator:

Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the ERG 2Q 2024 Results 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 Mr. Paolo Merli, CEO of ERG. Please go ahead, sir.

Paolo Merli:

Good afternoon, everyone and welcome to our Second Quarter and First Half results presentation.

Here with me, as usual, is our CFO Michele Pedemonte who will run you through our business performance over the period in more detail later on.

So let us get started with the overview of results over the period.

I am on **page no. 4**, and now I will focus on First Half results; then Michele will elaborate more on Second Quarter figures.

EBITDA closed at €281mn, up 4% YoY, mainly driven by the larger installed capacity, which included the full consolidation of the US Portfolio as of April 1st. The higher production, for about 0.7GWh over the first 6 months of the year (+23%) more than offset a much weaker price scenario, which - it must be said - was particularly strong in the First Half of last year.

We experienced basically two different trends: in Italy EBITDA was up 20% YoY, thanks to the larger installed capacity entered progressively into operation as of Second Half of last year, coupled with a positive effect stemming from the value of the incentive, that was nil last year. Being inversely correlated to the merchant price, it helped mitigating the weaker price scenario.

On the opposite, outside Italy EBITDA was down 16% YoY, as the consolidation of new assets in France, Spain and US was more than offset by a particularly tough comparison in terms of price scenario basically in all the European countries where we operate, but in particular in Germany (where, as you know, we sell electricity through one way CFD) and in Spain, whose electricity market suffered the so-called “duck curve” phenomenon, or very low price in the daytime hours.

Overall, new assets contributed €28mn in the First Half on a YoY basis.

We still invested significantly over the period: €444mn, significantly up YoY. More or less 2/3 of the CAPEX were related to M&A in France and US, while roughly 1/3 as organic CAPEX is mainly associated to assets under construction, both Repowering and Greenfield projects.

Adjusted Net Profit was €106mn, down 7% YoY notwithstanding the higher EBITDA: this is a result of higher depreciation and financial charges due to the consolidation of new

assets, and a higher tax rate following the cancellation of some fiscal benefits in Italy, known as ACE.

NFP at 30th June was €1.9bn, higher vs the end of 2023, mainly reflecting Investments, buyback and dividends. It included a €35mn item paid as substitute tax to free up goodwill associated to some recent acquisitions, thus offering tax savings over the next five years.

Let us move on **page no. 5**, commenting on recent developments.

So, in the period we continued our journey forward in line with our Business Plan.

In Repowering, which remains a key pillar of our strategy, we completed another project in Sicily, the Mineo-Militello-Vizzini, for 101MW of capacity, that is now fully up & running.

As far as the US, we finalized the acquisition of a Wind and Solar portfolio. We are continuing to work on our co-development agreement to look for further opportunities in the US. We have chosen our team who will go oversea to work together with our partner.

In France we completed the construction of a Solar and a Wind plant. In the country we are carrying forward our under-construction projects, which account now for roughly further 50MW.

As far as Financing, we continue to have a very sound financial structure as Fitch confirmed our IG rating on our debt, and we successfully issued our 4th Green Bond for €500mn. But Michele will tell you more about that.

In ESG, MSCI confirmed a triple A rating on ERG. We are also very proud to have just obtained yesterday our Gender Equality Certification in Italy, which testifies our strong commitment to D&I.

So let us move on: a quick look at delivery on our strategy. I am on **page no. 6**.

We are well on track to reach the target for the year at 3.9GW of installed capacity.

As a matter of fact, as of today, we have added about 500MW to our asset base, made up of a good mix of Wind and Solar, M&A and Organic. About 100MW are now in the very final phase of construction. So, in a year we will be adding 600MW of new capacity, +18% vs. the end of 2023, well spread over different geographies. Those assets are going to fully contribute to our results as of 2025.

I would say: quite a significant growth.

Here a quick snapshot of assets currently under construction (I am on **page no. 7**): about 200MW, Wind, Solar and our first installation in battery storage. As you can see from the chart, those assets are again in Italy, France, UK and Germany, as geographical diversification remains central to our strategy.

We can also rely on a pipeline of projects for almost 500MW that are already fully authorized, spread in IT, FR, GE and UK, but still waiting for our Final Investment Decision, as we first need to define the Route-to-Market, either through CfD awarded in Auctions or PPAs, consistently with our “Value over Volume” strategy. As you know, for instance we are still waiting for the FER X decree in Italy, necessary to define the business case for all our Repowering projects.

Having said that, relying on a well-advanced pipeline of projects, we remain confident about our Business Plan targets.

And now over to Michele for his review on results.

Michele Pedemonte:

Thank you, Paolo.

As you can see on **page no. 9**, in Q2 power market prices have been significantly lower than previous year in all markets: this trend has partially influenced our all-in unitary revenues which are, in any case, mainly dependent on incentive, feed-in schemes, long term PPAs and short-term hedging.

Italy is a clear example of this: Wind all-in unitary revenues increased from 117€/MWh to 121€/MWh mainly influenced by the value of the GRIN incentive (which is 42€/MWh in 2024 and null in 2023) and partly offset by the lower market price captured in 2Q 2024, compared to last year.

In France the unitary revenues decreased because the lower market scenario impacts on assets which do not benefit anymore of the two-way tariff mechanism or by PPAs, and on our newly acquired plant awaiting to enter the tariff scheme.

In Germany captured prices in 2Q24 are strongly lower than last year, because previous year was influenced by short-term hedging at high prices, while in 2024 they are aligned to one-way CfD floor.

East Europe unitary revenues decreased in 2Q, mainly due to decrease in energy prices in Poland and Bulgaria. Also in Romania, starting from 2Q 2024, the Government set the clawback cap price at 400 lei/MWh (roughly 80€/MWh), lower than 450 lei/MWh of last year.

In UK, captured price is around 55€/MWh and not including balancing services revenues, lower than 2Q 2023, which still benefited from one plant at merchant price.

As regards as the Solar all-in unitary revenues, there is an increase of value in Q2 in Italy thanks to a higher hedging price YoY. In Spain, the captured price suffers the current market scenario, and compares with a 2Q 2023 which benefited of higher hedging prices. In France the all-in unitary revenue is influenced by the newly acquired assets, that have a tariff at lower prices than other plants.

ERG plants in the United States have a unitary revenue that reflects the PPA prices and the production tax credit for our wind assets.

And now a focus on productions, I am on **page no. 10**. As regards the 2Q, we have:

- in Italy: 641GWh, +14% YoY, thanks to new asset contribution related to Repowering plants and a new Greenfield plant entered in operation at the beginning of 2024.
- in France: 262GWh (+3%), thanks to new assets acquired in January 2024, partially offset by lower wind conditions compared to a particularly windy 2Q 2023.
- in Germany: 113GWh (+10%) thanks to better wind conditions
- in Eastern Europe: 5%, volumes slightly lower than 2Q last year, mainly driven by Romania
- In UK & Nordics: 137GWh (+60%) compared to last year, when our assets were still in Commissioning phase. Production in UK are also influenced by remunerated balancing services market in Scotland and grid curtailment (not remunerated) in Northern Ireland
- in Spain: 167GWh more than doubled YoY thanks to the production of the newly acquired plants, that entered in operation between July and December 2023.
- the contribution related to the new plants in the US is equal to 263GWh in the 2Q 2024, out of which 213GWh come from Wind and 50GWh from Solar.

As regards the 1H, the production reached 3.7TWh, +23% YoY, mainly driven by the perimeter effect.

Now on **page no. 11**: in the second quarter of the year, we have an overall EBITDA equal to €116mn, €9mn higher than the 2Q23, thanks to the new assets' contribution, partially offset by lower market scenario.

In Italy the EBITDA is €81mn, higher than last year by €12mn, thanks to new asset contribution, coupled with a better price effect driven by the GRIN incentive, as already commented.

In France the EBITDA is €8mn, lower than PY, due to lower market scenario coupled up with worse wind conditions, compared to a particularly windy 2Q 2023.

In Germany the EBITDA is €7mn, lower than previous year, which was influenced by short term hedging at higher prices, while actual results reflect the CfD floor.

In Eastern Europe the EBITDA is €8mn, lower than PY which benefitted from higher captured prices and higher production.

In UK & Nordics the EBITDA is slightly lower than 2Q 2023, mainly due to the lower captured prices, partially offset by higher production in the period.

In Spain the EBITDA is €4mn, lower than last year because of lower captured prices, partially offset by perimeter effect, coming from the capacity entered into operation in 2023.

The contribution coming from US is €12mn, and includes the Production Tax Credit, calculated on actual production, equal to €6mn in the 2Q 2024.

As regards the 1H 2024, the EBITDA is €281mn, €10mn higher than 1H 2023, mainly due to perimeter effect and better wind conditions in Italy, UK & Nordics, partially offset by lower market scenario.

Let us comment now on the investments in the period. I am on **page no. 12**.

In 1H 2024 we invested €444mn: an amount which is higher than the one invested in 1H 2023, mainly due to the acquisition of Wind and Solar plants in US (€235mn) and France, while 1H 2023 included M&A in Spain.

In addition, we made about €118mn of organic CAPEX, out of which €60mn in Italy for Repowering and Greenfield Wind assets, and the remaining parts in France and UK.

Let us now move on to the financials on **page no. 14**, commenting on other items of P&L. In 2Q 2024:

- Amortization and depreciation are at €68mn, higher than 2Q last year, mainly due to new assets acquired and entered into operation.
- Net Financial charges are at €7mn, vs. €3mn in 2Q 2023: the increase is mainly influenced by the accounting mechanism of the Tax Equity partner of the US portfolio, so not a cash item. In addition, please note that in 2Q, €2.6mn are figurative lease interest expenses according to IFRS 16. The sum of these two accounting items is €5.5mn out of overall €7mn of net financial charges.
- Tax rate in the quarter is 30%, higher than 24% of 2Q last year, due to the cancellation of ACE benefit in Italy.

As a result of all this, the adjusted Net profit of the quarter amounts to €28mn, lower than last year (€36mn). The adjusted Net profit of 1H 2024 amounts to €106mn vs €114mn in 1H 2023.

Finally, on **page no. 15** let us take a look at the Cash Flow Statement and the Net Financial Position for the 1H 2024.

The Net Financial Debt closed at €1.9bn, €0.5bn higher than the end of 2023, mainly driven by a solid cash generation from EBITDA netted by the already commented investment in the period, the dividends distribution for €148mn, the last part of the buyback operation for €37mn and €53mn of tax cash-out. A part of this tax cash-out

(€35mn) is related to one-off taxes on goodwill release to attribute tax relevance to the goodwill arising from the mergers of the Siena and Donatello projects. This payment allows future tax benefits through the tax amortization of the value of the goodwill, starting from fiscal year 2025.

Finally, on **page no. 16** a brief overview of our last Green Bond issue, the fourth. First of all, please note that the settlement happened on 3rd July, so the NFP at the end of quarter is not affected by the issue.

It was really well received by the international debt capital market, with a demand peaking 5x the bond size, and it allows us to extend the average debt duration at over 5 years and to show a BP period without any further refinancing need.

The Green Bond benefits by a €250mn pre-hedge at 0.4%, that leads the bond cost to 3% per year. After this last issue, we can confirm a very competitive cost of gross debt in current interest rate environment in the range of 1.5%-1.7%.

The success of our fourth bond demonstrates the benefits of the investment grade rating financial policy, that allows the Group to access to the Debt Capital Market at very attractive terms, delivering a financially sustainable Net Profit also in the long term.

Thank you for your attention. And now I will hand over to Paolo for his comments on the guidance.

Paolo Merli:

Thanks Michele and now let us see our 2024 guidance. I will keep it short: we are confirming all our guidance.

Full Year EBITDA is expected within a range of €520-580mn which includes the US consolidation as of April 1, 2024, and the progressive contribution of the assets under construction.

CAPEX is within a range of €550-600mn including the cash-out for the acquisitions in US and France, as well as the CAPEX associated to assets under construction.

NFP at year-end expected in the range of €1.75-1.85bn. This guidance has remained unchanged despite a cash-out of €35mn not estimated at the time of the original guidance, as we just recently decided to invest that amount to pay the substitute tax, at 16%, to free up the goodwill associated to some assets in order to benefit from cash tax savings to the order of €13mn per year over the next five years.

In a nutshell, I would say so far so good, more or less everything is in line with our Budget.

And now we are ready to take your questions.

Questions & Answers

Operator:

Thank you. This is the Chorus Call conference operator. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchstone telephone. To remove yourself from the question queue, please press "*" and "2." We kindly ask you to use handsets when asking questions. Anyone who has a question, may press "*" and "1" at this time.

The first question is from Enrico Bartoli, Mediobanca. Please go ahead.

Enrico Bartoli:

Hi, good afternoon, everybody. A few questions from my side. First of all, a question regarding your slide no. 7, where you highlight these 500MW of projects fully authorized. I was wondering, what are the conditions that would trigger a final investment decision on those projects, and particularly can you provide some details on the Repowering, and if the price that had been anticipated regarding the FER X of around 85€/MWh would be consistent with your expectations in terms of returns for those projects?

The second question is related to 2025: I know it is early for a guidance, but can you provide some qualitative indications of what a reasonable evolution could be, particularly considering that maybe green certificate in Italy will be higher in terms of price than this year? There will be the contribution from the additional capacity and the forward curves indicate higher prices for next year compared to this year, in particular, can you update us on the level of hedging and the price there? And I see that the consensus is around €590mn, or below €600mn: do you think this could be a reasonable number?

The last one, just about the details on results: can you provide the breakdown of EBITDA for Italy and France between Wind and Solar? Thank you.

Paolo Merli:

Okay, Enrico, thanks for your questions. As regards the first one: yes, it is the first time we are providing this kind of figure, 500MW, which are the assets already fully authorized. Consider that out of this amount more than 300MW are Italian projects, Italian repowering projects. So, that is why we have not yet taken the final investment decision, because here we are waiting for the FER X issuance.

Honestly, we have been waiting for it for almost 2 years. Now, the conditions are closed to the issuance, we hope by the end of the year to have more clarity on this because, for sure, the easiest path forward is to participate to the auction and get a 20-year CfD. That

is the base of the structure for the new tariffs in Italy, and this is already defined, and a draft decree has been circulating in the sector, but we are still waiting for the officiality of the price. The range in the draft is between €70 and €95, with a full link to indexation to the CPI. So, this is very positive. But yet, we need to wait for the official decree and, above all, the first auction in order to participate. So, our process would entail first to participate to the auction. And once we got a CfD, then we will take our final investment decision, and not *viceversa*.

And in other countries, such as in France or in Germany where we have other projects fully authorized, we are in these days trying to participate to the next auctions. I cannot disclose the price at which we want to participate. But in case they will go through, for sure, we will take accordingly the final investment decision. But, let me say, the key message here is that - based on the amount of the pipeline, fully authorized – we are quite confident that we are going to meet our objectives in the Business Plan.

Let me elaborate a little bit more on one specific project, something that touched me. We have that very great project of Repowering, which is one of the best in our pipeline in Sardinia. And, as you know, there has been a regional law that is preventing from constructing new assets in the island until the Region defines over the next 18 months - that is the deadline they said in the law - the go/no-go areas, but we are quite confident about this project because, being a repowering, we think this is a go-area by law. But just to say and elaborate a little bit more about your questions, sometimes you have fully authorized assets, but you cannot go on because there are constraints like this in Sardinia. But anyway, we have a constructive dialogue with the Region, and we are, let me say, confident that we will go through this project.

The second question was about 2025: yes, still early to say a guidance for 2025, but you are right. So, we should expect the full contribution from the assets that progressively enter into the scope of consolidation, last but not least, the US that are going to contribute for the full year next in 2025, whilst just for 9 months in 2024. But on top of this, there are all the other assets that have already entered into operation during the first part of 2024 and the ones that are going to enter in the second part of the year. And please consider that even the assets that were started up in the first half, they are not fully up and running since the zero time: they need time to reach the full potential. For 2025, we have covered roughly 1TWh production at a price above 100€/MWh. So, I think quite good pricing. And as you said, the value of the GRIN is expected to be higher because, as you know, it is worked out from a mathematical formula that considers the actual price in 2024. So, according to the best estimates, the calendar for the full year, we should expect this GRIN to be - I do not know - €60, instead of €40-€42 this year.

Michele Pedemonte:

So, maybe your last question is the split between Wind and Solar on EBITDA. So, in Italy it was €50mn Wind and €30mn Solar. In France, €6mn Wind and €2mn Solar.

Enrico Bartoli:

Sorry, just a comment on your first question. If I understand well, if you get the right conditions for taking the final investment decision for the projects you highlighted are already authorized in the pipeline, actually those projects would likely contribute starting from 2026. So, on 2025, most of the capacity addition is the one that is currently under construction. I think it is right, isn't it?

Paolo Merli:

Yes, it is absolutely right. For sure, the projects I mentioned in the pipeline, even though already authorized, even in case of a final investment decision by year-end, considering the construction time, for sure, are going to contribute beyond 2025. In 2025, we expect the contribution of the assets already entered into operation plus the 3 Wind farms that are going to enter in the second half of the year.

And as you know, we have a preferential right agreement, a kind of co-development agreement in US. We are working on some projects in the area, but yet we do not know if we can find an agreement. But in case, yes: we could expect also a contribution from these projects, consistently with our Business Plan that entails a significant development in the US. But it is still too early to say if there should be further assets in 2025, on top of the one you already know.

Enrico Bartoli:

Perfect. Thank you very much.

Operator:

The next question is from Alexandre Roncier, Bank of America. Please go ahead.

Alexandre Roncier:

Hi, good afternoon, and thanks for taking my questions. I have got 3 questions, please. I would just like to follow-up on the previous question and some of your remarks about FER X. And I know there has been a draft circulating, and you have commented on that as well. But I think in the past and with other stakeholders, there were always some issues regarding no specific pricing depending on the technology. I think you have been quite vocal about the need to increase the prices for Wind compared to Solar. Have you had any more discussion about that? Has there been as well any more discussion or comments about the discount for repowered assets, as well as on zonal pricing, specifically?

The second question is about batteries. You just commented about the US and a preferential right to buy assets there. And we have seen, obviously, the market moving more and more in storage. You have had a first move ... or you are the first to move actually in storage in Italy for 2025. Would you be actually considering storage assets as well in the States with your partnership with Apex?

And then last question, if I may, which is more about the numbers for the French and the US assets. I can see from the disclosure that you have consolidated the full quarter EBITDA for both, despite the closing at kind of mid-quarter for each Q1 and Q2. Should we assume also a full quarter cash contribution for those assets? Or is there any kind of working capital movements there, i.e., to get the full EBITDA, or will the cash impact actually be just pro forma from the date of closing? Thank you.

Paolo Merli:

Thank you for your questions, Alexandre. So, I will say the first one about the FER X, I would try to elaborate a little bit more. Yes, we think the final decree and the draft are in this direction: there will be separated and independent auctions between the different technologies, Wind and Solar.

The range of prices are more or less the same, between €70 and €95. And we think the competitive auction for the PV, the Solar, will end up with a price, not probably at a cap while, when talking about Wind, we would expect the price awarded should be nearer the top of the range because, as you are aware, Wind industry has got a higher capital intensity. And I think the OEM results, at least so far, are demonstrating that the value chain in the Wind is a little bit more under pressure. But yes: we think if the flexibility is there, and then we can get the higher part of the range, at least some investments should be appealing, and then we expect to go on.

You mentioned another point, which is very important for us, and it is distinguished from the FER X, the discount at which the Repowering projects are asked to bid. But basically, it is a penalization more than a discount, in the sense that the SPV, the company that own the asset that is going to be repowered, did not participate or did not adhere to the "*Spalma Incentivi*" plan, that was a plan to smooth the value of incentives, extending the duration of them, that was submitted to operators in 2013, so many, many years ago. But the law at that time implied that the decision was free for operators: so, it was on a voluntary basis. But if the operators would have not applied, then they were not allowed to participate to any kind of public system, public mechanism.

And then this prohibition was converted into this 5% discount, which does not make any sense. It is against the development of Repowering which, as you know, has got some additional costs compared to a Greenfield, because we have to dismantle the assets. So, we are working with the Ministry in order to abolish this norm, which is totally nonsense, and - even though it is not all under our management - we hope to have this

situation solved by the first auction of FER X, which is expected to be probably in January 2025. So, at least we are working in this direction.

About battery storage, I think the awareness around the world - not just in Europe, not just in Italy, but around the world - is the battery storage, the flexibility is becoming more and more important given the phenomenon of negative prices, zero hour, 'Duck Curve' whatever. So, operators should become smarter from this point of view, and we are working in this direction: we set a Technical and Performance Committee within the Company in order to kind of addressing all this kind of situations.

Definitely, the Vicari project is the first one, but we have been analyzing a larger, much larger pipeline of battery storage projects, and in particular in some specific European countries where the value of battery is even more important. I can easily mention Spain (where the volatility between peak and low prices during the daily hours is very big and massive), or even the Northern Ireland where we are suffering stronger curtailments, because the infrastructures there are not as they should be to sustain the penetration of Renewables.

So, with a cherry-picking approach, we are trying to target some specific projects in order to enhance the value of our portfolio, also in a defensive manner. In the US, for sure, where the market is more mature, and they are more used to dealing with this kind of volatility, for the time being, we still have not had the chance, the opportunity to study. But of course, we are open to discuss with Apex any potential opportunity in this direction.

About, if I got well the third question, about the contribution of the new assets, I need to take my management report that we discussed today in the Board. And let us say, in the second quarter, we had a contribution from new assets of €12mn EBITDA... no sorry, I picked the wrong page: sorry, €22mn. This is the contribution of new assets in the second quarter of 2024, so quite a big one, and it is well spread all over the new assets. We have a contribution from Italy (so from the first repowering projects), from the acquisition in France; from the new assets in Spain and the US. So, I prefer not to give the breakdown. But, all in all, the new assets contributed €22mn during the quarter and almost €30mn over the first half of the year, against the backdrop of merchant prices well below the value of last year, so consider this.

Michele Pedemonte:

Paolo, if I may add, regarding the US answer. The closing was in the first day of April, and so we consolidate from the beginning of the month and the same for the French assets whose closing was in the first days of January. And so, we consolidated by the beginning of the first quarter. But in particular for US, it was an acquisition with a locked box date where we are entitled to the cashflow of the asset starting on the locked box date that

was in reality in mid-2023. So, the consolidation is a partial reflection of the real cash generated by these assets for the benefit of Group.

Alexandre Roncier:

Great super clear. Thank you for the answers.

Operator:

The next question is from Roberto Ranieri, Stifel. Please go ahead... Mr. Ranieri, maybe your line is on mute.

Roberto Ranieri:

Yes, thank you. Sorry for that. Thank you very much for taking my questions. I have 2 questions, please, about the perimeter effect and also on expectations for the future. The first one is on US: can you remind us basically the contribution to the EBITDA on a full-year basis? Probably I missed this figure. And as a specific on the assets that you bought in the US, just to understand that: I am asking what the contractual scheme is, related to these plants? I suppose it should be a PPA. If you could give us some more details on the duration of the PPA, that would be useful. On US as well, you mentioned during the conference about other opportunities in the US. If you can give us some granularity on how many MW you are targeting in this country, that would be also helpful.

And my last question is on the power prices in Spain, which have suffered some very high volatility in the recent past. So, I am asking which are your expectations for the remainder of the year?

Some competitors are saying that the power prices in Spain should go up even significantly, materially, versus the average prices that we have seen in the first and second quarter of this year. So, if you can share some of your expectations on these prices in Spain, it would be very helpful as well. Thank you very much.

Paolo Merli:

So, I will try to answer your questions. The number Michele presented before said that in the US, in the second quarter, we recorded an EBITDA of €12mn. So, let us say: if you take, on average, something in the region of €40mn for the full year, that would be a sound number.

I cannot say more than that. Of course, it depends on the wind, on the solar irradiation, on the prices. The prices which mean the basis, so the differential from the base load, but I do not want to enter in this complexity, because all the production is covered by a long-term purchase price agreement. But, more or less, the magnitude of the EBITDA is in the region of €40mn. But please, to be honest, consider that when we announced the transaction, \$270mn was for about 75% of the portfolio and we are consolidating 100%.

So, €40mn is the full consolidation of the portfolio, 25% is not owned by us and then it will be reverting the minority line of the P&L, just to be straightforward and transparent.

Yes, in the US - that was part of the original agreement - we have this kind of co-development agreement, which is very structured. So, it is about 5 projects, Wind and Solar, for an aggregated amount of 1GW. We are not expected to buy all of them, but the objective, just to answer your question in detail, is to double more or less the current installed capacity that we have in the US, right now, 320MW more or less. We are targeting roughly to double this amount, and we are working hard together with Apex to reach this target. It is not given. There is no obligation for them to sell, but there is a kind of framework we have to move in between, and we hope to find an agreement on some of those projects that are very valuable. The chemistry is so far, so good, let us say, because we set up the organization, our team that is going to fly overseas and to join Apex to work together on this pipeline of projects.

And the third question was about Spain. Difficult to say. So, yes, we have noticed quite huge volatility, in particular in April, May and the first part of June, with many hours with negative, not negative, but near to zero prices. In fact, we are performing an hourly analysis with our management control, and those analyses are showing that roughly 50% of the hours during the second quarter were near to zero, or even negative. This is not a very good market in this moment, in those months. In fact, when decision makers here in Italy are saying "*ah, Spain is an example*", I should not say that.

But let me say, in a positive way, that this phenomenon is now over. Today the price in Spain is 94€/MW. And if I see the hourly price, even in the central hours of the day, the prices are above €100 in some hours. So, in the very early morning or late evening, when sun is still... the solar plants are still running, and in the very central hours of the day, the prices today, but today just to give an example, are in the region of 70€/MWh. So, very positive.

So, the market is a little bit crazy, moving from zero to €70 just in a few weeks. Because now, with the hot season, the demand is getting stronger and stronger. So, we expect this phenomenon to rebalance in the next months. And honestly, this situation is scaring some investors and also the deployment of Renewables is a little bit slowing down. So, I believe in the market, and the market will adjust this weird price situation that we have lived in the first part of the year.

So, we are not getting too excited when the prices are very high, like today. And we were not depressed when we saw this phenomenon in April, because we have a medium/long-term view, and we expect this market to be a quite solid market, also because, as you can see from newspapers, major technology companies like Google, *etcetera, etcetera*, are going to massively invest in Spain because, on the opposite of

Italy, they are deploying large-scale industrial solar plants, and not rooftops that are more expensive and not so efficient.

So, there, the energy costs less and is attracting demand and attracting data centers, data leads, data warehouses, and *blah, blah*, which should be the trigger for the pickup in demand going forward. So, Roberto, I hope to have added some value on this point.

Roberto Ranieri:

Yes, thank you.

Operator:

The next question is from Nash Cui from Barclays. Please go ahead.

Nash Cui:

Hey, good afternoon, everyone. Thanks for taking my questions straight, please, if that is okay. So, the first question: I just want to get a bit of help on your full-year guidance. I remember last time you said the guidance only included 6 months of the US, then having 2 quarters of the US, whilst now we are having 3 quarters. And I think, Paolo, you mentioned earlier, we have €40mn on a full-year basis. That means we are now including an average €10mn more in the EBITDA, but you are not changing the guidance. Does that mean the 2H outlook is becoming more negative? What has changed? I just wonder.

And my second question is around Wind CAPEX. We heard a few different stories around Wind industry in the last few weeks. I just wonder if you can tell us what your expectation is for Wind CAPEX evolution for the rest of the year or 2025, or beyond.

And then my third question is, now you have the US portfolio, what are the positive and negative surprises over there? Thank you.

Paolo Merli:

Thank you for your questions. Let us say the first one on the guidance: yes, you are right. To be very, very precise – I am talking to analysts, so I want to be very precise - now, in our budget the US was consolidated as of June 1st. Maybe, for telling reason, we said in the second part of the year, but there are just couple of months difference between what was included in the first guidance. We preferred considering that 6 months have already passed to consider, to maintain the same guidance, €520-580mn, because honestly, in May and June - and July was not that different - the wind conditions across Europe were not as good as expected in our budget but, notwithstanding that, let me say, over the last couple of years, we have noticed that the wind tends to be stronger than expected in the fourth quarter. Last year - we know, and all the audience know - we

changed the guidance in the second quarter to be later on surprised, because all the lower production registered in the second quarter were more than offset in the fourth quarter.

And as you know, the fourth quarter for us is the game changer for our P&L. So, we think, and we are still confident, that the fourth quarter should be good. The midpoint of the guidance is based even for the second half of the year in line with the budget, so we are not expecting any recovery compared to the lower wind production in these months, I mean, May and June. But if the second part of the year is going to be as windy as last year, we should finish in the top end of the range, so it depends on wind, I cannot control it. But I think I provided you with a comprehensive answer.

Maybe the last one because you said, of course, our pro forma results including the contribution of US in the first quarter would have been €10mn more than the current guidance. And this is, I always said that, those €10mn are in our cashflow. Because the contract we signed was based on our Lock Box Date. So, all the cash we got in the second half of 2023 - because the Lock Box Date was on 30th June - and in the first quarter of Q1 2024 is ours. In fact, in the end, the acquisition cost was lower than the \$270mn because at the closing day, we found cash in the vehicle we bought. I hope, Nash, to have answered this question.

The second one is our view about CAPEX intensity in the Wind industry. You know that I have always been cautious in this respect, because I am a former analyst like you, so I know that when companies are suffering in their P&L, reporting losses, sometimes at operational level, they have to recover this marginality, and then it is difficult to expect them to lower their selling prices. But we have already factored this CAPEX trend in our Business Plan, and I can confirm that, more or less, we are basically in line. Now, the cost of installing new MW in Wind is in the range between €1.5-1.8mn per MW.

But I missed probably the third question...

Nash Cui:

Positive and negative of US.

Paolo Merli:

So far, so good. We are happy because the numbers we have seen so far, in particular in the first half of the year, are banging in line with our analysis, with our budget and with the numbers at the days of the acquisition. So, this is not granting also the future, but we started in the right way. Let me spend a couple of words about APEX: the feeling with them is super positive. We recognized the very excellence in what they are doing and in their work in their core business. So, we are also very happy about the joint venture, the partnership and, more than before, we are confident that the way we identified to enter

in the US through this partnership was by far the best way possible, because we are learning while growing, exactly as announced and stated during the Business Plan.

Nash Cui:

Perfect. Thanks, Paolo. Can I ask a very quick follow-up question if that is okay, I am just very curious? If ERG is going to consider Siemens Gamesa, or some Chinese Wind Turbine suppliers, will you just exclude them or will you put them in your supply list?

Paolo Merli:

Let us say honestly, we have one project in Sweden that is equipped with the new platform of Siemens Gamesa. We are suffering a little bit, because it is common knowledge that this platform has something to be fixed. We are working well with them in order to fix all the issues. We have a punch list to be solved. And it is a little bit painstaking work because it is lasting more than we could have expected maybe six months ago. But step-by-step, bit-by-bit, I think we are in the right direction to solve issues and to bring the plant at its full potential. Of course, I know your question was a little bit different. Looking at the future, we want to be sure that all the technological issues we encountered with this technology is definitely solved, before buying other wind turbines.

Nash Cui:

Understand. Thanks, Paolo.

Operator:

The next question is from Stefano Gamberini, Equita. Please go ahead.

Stefano Gamberini:

Good afternoon, everybody and thanks a lot for taking my questions. I have 3 of them. The first is still regarding your pipeline. You have 500MW of full authorized projects. Could you elaborate a little bit about the different phases that you have for the other projects you have in your pipeline, which are clearly closer to the final authorization, and in which countries are these projects?

The second regarding your financial flexibility. So, in the case that you find the right regulations that match your IRR requirements, or an acquisition with the same characteristics, what is the financial flexibility you have on top of your targets for 2026, your Business Plan targets really?

The third question regards the hedging. You said that you already hedged 1TWh at north of 100€/MWh on 2025. Could you give us the same figure for 2024, and what is the

remaining merchant production, both on 2024 and 2025, just to do some math of the changes in 2024 and 2025 on this metric?

Paolo Merli:

So, I am going to answer the first two questions, and I will leave Michele to provide you with the details about hedging. I would say that the 500MW pipeline already fully authorized is spread over 4 countries, including Italy. In Italy most of the pipeline - I already said 300MW, a little bit more than that - is made of repowering projects, all Wind. Then we have other projects, always Wind in France, roughly 60MW, something like that. Then we have, more or less, the same amount in Germany, which is a premium market, so, we are quite happy to have these fully authorized projects in Germany. And we have also some projects in UK on top of the one that we are already constructing: for instance, in UK, we have a new park that is currently under construction (i.e. Corlacky) that is not included in the target for 2024, as the COD, the commercial operation date, is expected to be in late 2025. And most of the pipeline is Wind. We have some quite important pipeline in solar PV in Italy, in France, especially in Spain, but it is not at the same level, at the same stage of those wind farms, so it is not yet fully authorized.

And on top of that, you know that in Italy, the *Decreto Agricoltura* - I do not know how to say, agricultural decree - has been just issued a couple of months ago, and it is not very supporting for the development of solar PV. Let us see, honestly, the last amendment before the issuance of the decree said that the projects that are already under permitting, that have already started the permitting process, are not affected by this decree. And in fact, according to our understanding, most of our pipeline in the solar PV should not be affected by this. But this is on top of the explanation to answer your question about the breakdown on the pipeline.

Michele Pedemonte:

Yes, maybe the second question was on financial flexibility as an issue. But in any case, I can answer on the hedging: just the portion of the merchant exposure in 2024 - so not covered and still open for the remaining part of the year - is roughly 1TWh. And this figure, regarding 2025, is roughly 2TWh, a bit more than 2TWh. So, consider that 2025 is a full year still open, so we are building up our short-term hedging during the second part. So, benefiting of some increase of the forward curve in these last months. These are the figures regarding our merchant exposure for 2024 and 2025. So roughly also in 2025, we have 1TWh or short-term hedging already closed, at a price closed to the price mentioned before for 2024.

Stefano Gamberini:

Sorry, I did not catch you exactly. So, 2TWh still, we can say, open on 2025. And 1TWh already hedged north of €100€/MWh. And as regards 2024, I lost...

Michele Pedemonte:

1TWh is still, and 1TWh merchant for the second part of the year.

Stefano Gamberini:

And the already hedged in 2024 at what price, more or less?

Michele Pedemonte:

Another 1TWh at a price that is higher than 100€/MWh.

Stefano Gamberini:

Thank you. And regarding leverage, if you have the answer...

Michele Pedemonte:

Regarding leverage, you know that the main thing is the maintenance of the investment grade rating, that is translated into a leverage, a maximum leverage in the region of 4 in terms of Net Debt to EBITDA. And this is our cap, we still have to grow, maintaining our financial current rating. And so, we still have room in this aspect. In addition, as already mentioned during the Business Plan presentation, we have the full ownership of all of our assets. And so, we still have the flexibility through asset rotation program to exploit further growth opportunities leveraging on the existing asset base. And asset rotation could be an opportunistic way to find financial means to grow, because we are one of the few players with the full ownership of the portfolio of the assets.

Stefano Gamberini:

Very clear. Many thanks.

Operator:

The next question is from Davide Candela, Intesa Sanpaolo. Please go ahead.

Davide Candela:

Hi, good afternoon, gentlemen. Thank you for taking my questions, and for the presentation. I have 2 questions. The first one is back to Spain: I was wondering if you can go back to the second quarter dynamics that you observed in 2024. I was wondering if this could be, more or less, a structural dynamic also for the next year, and which were the reasons for that trend in the second quarter?

My idea is that: I was wondering if there would be too much production of Renewables that more than offset the demand and the pressure on demand that you could have in the quarter. So, just to have your view on that. And the second question is on the PPA market: can you provide us some color on the evolution, and now which is the stage of the market?

And maybe considering if there is competition and some pressure on the prices that went down compared to last year. I do not know, could large scale utilities become available clients (because they have the tools for hedging themselves internally or the companies), of are the corporates still the major customers for you? Thank you.

Paolo Merli:

Okay. Thank you for your questions. About Spain, I can tell you that the selling price at which we valorized our productions over the second quarter was more or less in the region of 35-40€/MWh, €40 let us say, which is not the price we had imagined in our budget. So, it is below, but it is anyway protected by some PPAs, because on the larger asset, we have a PPA with Google that provides a floor. So, even when the prices on average are below the threshold of the floor, you are getting this amount.

But I repeat: I think this phenomenon was not temporary because it could happen again, but now it is over. So, it just happened in the second quarter, in particular in April, May and the first part of June. As I said - but I repeat, if you want - we registered in the second quarter, 900 hours of price close to zero plus 200 hours with negative price. Which means, if you sum the 2, more than 1,000 hours in a quarter with very low price: this is 50% of the entire hours in a quarter, that are a little bit 2,200 hours in a quarter.

So, that is: we are not expecting this to remain, because, you know, today the market should react with battery storage, flexibility. Even ourselves, we are trying to understand the opportunity to invest in flexibility tools like battery storage. And the demand is expected to pick up following the investment, the huge investment the country is having.

So, we are and remain, I repeat, confident about the future of the country. In fact, we are happy with our investments, because they are from a technical point of view performing very well. I know the market, the financial markets are a little bit hysterical sometimes, but we are not because we are valuing investment over a 30/40-years horizon. So, we are absolutely confident that those investments are very valuable.

Now, PPA: of course, the volatility in the price is not helping the negotiation of PPAs and in particular in the first part of the year they suffered low prices. So, we are negotiating some contracts, some long-term contracts, but the match between demand and offer is not there, because we have different expectation, but now the prices are reversing on the upside. They are moving up, and this has been not overnight, but it was a very quick process, so even in the blink of a month/30 days, the future and the forward prices are moving up quite significantly. The TTF gas price moved from the lowest of the year at 20, now it is 36, so almost doubled. So, we expect this should be reflected in the energy prices in the medium-long term.

Davide Candela:

Thank you.

Operator:

The next question is from Paul Chabran, Kempen. Please go ahead.

Paul Chabran:

Yes, thank you for taking my questions. I have only one, which is a follow-up on the previous comment on CAPEX, on the Wind CAPEX you mentioned that currently you are expecting a price overall of 1.5 to 1.8. I think in the Business Plan in May you have mentioned 1.6 on average in Italy. So, this is a 60% increase over the CAPEX in 2020. But during the same time, the purchased turbines only increased by 25% to 30%. So, I am trying to reconcile this gap between the increase in CAPEX of around 60% over the past 4 years, and the 25% to 30% increase in wind turbines over the past 4 years and during this period. And so, if you could help me to set up these two aspects... thank you.

Paolo Merli:

I would try to give you more factors in order to make the calculation on a like-for-like basis. Yes, it is true we moved from 1 to 1.6, but do not forget the €1mn we had in our original Business Plan for the Repowering and for other assets was based on a framework agreement we negotiated and signed with Vestas and Enercon in 2018/2019 in a completely different business environment. And this framework agreement - I remember exactly, I think we signed in 2020 - lasted 3 years, so up to the end of 2023, up to the end of last year. That is why we managed to have some projects with an overall spending of €1mn, €1.1mn per MW. That was an outstanding achievement of the Group, because we found the right moment to negotiate this framework agreement. But in these 3 years the reference was not our CAPEX per MW because the CAPEX per megawatt moved progressively from 1 to 1.2, then 1.3, 1.4 in 2023. So, that is why we had this jump from 1 to 1.5 and 1.6 which is, by the way, in line with the current dynamic of the market.

Now we are more in the region of 1.6, 1.7 and I invite you to look at other operators and to just simply divide the CAPEX per megawatts: this is the market value. So, it is a 60% increase, but compared to our super favorable framework agreement we signed in a time when market was completely different. I hope this would help you to understand it.

Paul Chabran:

No, it does not. It is very good, but I think the underlying question for me is also trying to just get the bridge between the total CAPEX and the price of turbines. I think Vestas and Nordex are reporting average selling price at €1mn or a bit less than €1mn, and it is true that most operators will build Wind capacity for much more than that, but it is usually

20% to 30% more, including all the construction cost. So, sometimes I am a bit struggling to understand. I mean, it seems to me that ERG is...

Paolo Merli:

So, I got the question, it was very clear even from the beginning. I just give you a picture of the entire price: the cost of turbine in our case - an "of which" of the 1 and 1.5 - was 0.6, when the cost of the entire MW was €1mn, of which 0.6 for the turbine. But now if you take an Investor Relation presentation of Vestas - they are listed companies - they are saying the selling price for wind turbines is €1-1.1mn per MW, at which you have to add the balance of plant CAPEX that have increased quite significantly over the last few years because electrical, civil and mechanical works now cost much more, the cost associated is much more than it used to be just 3 years ago.

All in all, that was the increase, but I understand now you wanted to reconcile the cost of turbine with the entire cost of installing a megawatt, but this is the trend. The wind turbine moved from €0.6mn in our case to now €1mn, €1.1mn per MW, but even the BOP that costed roughly €0.2-0.3mn, something like that in 2018-2019, now it is going to cost €0.5-0.6mn per MW. Then, putting together these 2 figures, you got to the number I mentioned.

Paul Chabran:

Yes. I got you, thank you very much.

Paolo Merli:

You are welcome.

Operator:

The last question is from Francesco Sala, Banca Akros. Please go ahead.

Francesco Sala:

Yes, good afternoon and thank you for taking my questions. I was just wondering about the tax scheme of the US assets in general, and more in particular in Q2 or going forward: is there going to be a tax component above the EBITDA that we should consider? Thank you.

Michele Pedemonte:

Yes, in particular one of the 2 assets of the Pinnacle portfolio, the wind assets in particular, benefit from the so-called Production Tax Credit. This kind of Production Tax Credit accounts roughly for half of our EBITDA in the second quarter of this year. So, this is the tax component that is recorded in our EBITDA for the second half of the year.

Francesco Sala:

Thank you.

Operator:

Mr. Merli, that was the last question. I turn the conference back to you for any closing remarks.

Paolo Merli:

Thank you. I would just thank the audience and all the analysts who attended the meeting today, and I hope you will have a very nice summer and see you soon in September/October for whatever it is. Thank you very much and have a nice holiday.