ERG S.p.A.

"FY 2024 Results & Strategy Update"

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MODERATORS:
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Operator:
Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the ERG FY 2024 Results & Strategy Update 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, everybody and welcome to our webcast.
The objective today is to review 2024 results and achievements, while providing you with a strategic update on our Business Plan and targets. Here with me, as usual, is Michele, our CFO.

Let us get started with an overview of 2024 results. I am on **page no. 5**.
The business environment over the last quarter was characterized in particular by wind availability that was well below the normal average across Europe, and particularly in fourth quarter. Here I will focus on FY results, then Michele will provide more details about the Q4.

EBITDA closed at €535mn, basically in line with last year and close to the mid-point of the guidance range. The two major effects behind this performance were, on one hand, the weaker production recorded during the period on a like-for-like basis and, on the other hand, the contribution coming from the new installed capacity, mainly the US portfolio, and the additional capacity in Europe, including our Repowering projects in Italy. The two effects had more or less the same economic magnitude - one negative and one positive – so they off-set each other, making the 2024 annual EBITDA basically in line year-on-year. As simple as that.

We invested significantly over the period: €553mn, 13% up YoY. About 2/3 of CAPEX were spent on M&A in France and US, while roughly 1/3 as organic CAPEX mainly related to the works on assets under construction.

Adjusted Net Profit was €175mn, down 22% YoY notwithstanding the flat YoY EBITDA: this is due to higher depreciation and financial charges associated to the new assets.

Net Financial Position at the end of the year was about €1.8bn, higher vs the end of 2023 but bang in line with our central case in the guidance range.
Again, Michele will elaborate more on the cash-flow over the period.

As you can see on **page no. 6**, in 2024 we kept delivering on our strategy: we proved successful in execution, adding about 580MW, with a mix of repowering, greenfield and M&A. 2024 marks our entry in the US.
Another pillar of our strategy, the route to market, was addressed I think in a positive way. In fact, in 2024/early 2025 we signed 5 long-term PPA contracts with corporates, utilities and tech companies for a total of 0.5TWh/y. Our PPA portfolio is now in excess of 3TWh/y.
As far as financing, we proved to be very competitive: we issued our 4th Green Bond, and we succeeded in obtaining our first financing from the European Investment Bank.
In ESG, we consolidated our top tier positioning in all ESG ratings, and ERG has been included for the first time in the S&P 2025 yearbook, so: ESG is fully embedded in our business model.
As far as shareholder remuneration we are going to distribute €1/sh in addition to a buyback for €23mn that has already been executed (so €0.15/sh), bringing the TSR related linked to 2024 to €1.15/sh.

Let us move on **page no. 7**: here a quick summary of ERG's journey over the last 4 years, since we announced a transformation into a pure Wind & Solar player.
Through a combination of M&A and organic growth, we managed to add 1.8GW of new installed capacity in different geographies, in Wind & Solar.
In the meantime, we have returned approximately – I mean, over the same period of time - €850mn to our shareholders.
I would say a quite strong execution.

Now on **page no. 8:** as you know, part of our growth relies - and will keep relying - on repowering, a program that we started well in advance of the industry, which is now looking at it increasingly. We believe we are pioneers in this field, with now 270MW already repowered in operation.
This chart shows some key numbers of repowering projects I think you got to know, but those are actual numbers - already executed. We managed to increase the installed capacity (2.5 times) and to more than triple the production, and all this occupying the same soil, and reducing, cutting by half the number of towers.

With an investment of roughly €360mn, we see both a Return on Capital Employed and unlevered Internal Rate of Return in excess of 11%, which is a premium vs the traditional returns in the industry. That is also because we managed to switch from CFD, awarded during past auctions at 60€/MWh, with long-term corporate PPAs at better pricing, more in line with current market conditions.

We expect the new wave of repowering projects to be eligible to be auctioned under the FERX Decree, which sets CFD tariffs within a range of between 70 and 95€/MWh. The decree was long-awaited but now seems almost ready to be implemented, with the first auction expected to take place in 2025, I would say by year-end at the latest. But we hope sooner.

Let us move on to **page no. 9**: as I said, another pillar of our strategy is the commitment to securing the route-to-market for our productions. This is becoming particularly important in a time of high volatility and uncertainty about energy prices.
In the last 4 years we have signed several major long-term PPA contracts with tier 1 corporates, tech companies and utilities for a total amount of 3.3TWh/y: so, almost or about 40% of our entire portfolio.
We have been able to attract large corporates and utilities with a value proposition to cover their needs for zero-carbon green energy.
Our PPA portfolio is made up of contracts of various durations, ranging from short term (5 years, which is usually the duration we apply for old assets) to up to 20 years, for brand new assets.
In a scenario of expected growing power demand over the next decades driven by datacenters, artificial intelligence, cryptocurrencies and all manner of new and energy intensive technologies, we believe - based on our track record- that we are very well positioned to capture this coming opportunity.

Let us comment - on **page no. 10 -** the regulatory framework evolution.
Compared to one year ago, we have seen some improvements across all the countries where we operate. In the EU there are now auctions systems and remuneration schemes in most of our countries, and in Italy the long awaited FERX decree has finally arrived.
What is still lacking is a clear framework for storage, given the growing need for flexibility to couple with RES deployment. In Italy we are waiting for the MACSE scheme, a kind of RAB - or "Regulated Asset Base" system - tailor-made for battery storage. We are keeping a close eye on this evolution but, in the meantime, we have been developing a pipeline of storage projects to be exploited, once the business environment turns favorable. Now we are monitoring it in order to be prepared to capture this opportunity, which we see is coming.

Here, on **page no. 11**, we show ERG as it is today: a solid and international platform of renewable assets, with about 3.9GW of installed capacity today.
We can count on a pipeline of projects for 5.1GW: a pipeline well spread across our geographies, based on two technologies (Wind and Solar) and with a growing share in Battery Storage. Part of our pipeline, you know, is based on co-development agreements, and this is in articular in the US and in Spain.
Although we are advancing in the permitting sphere, based on our business model, we will move those projects into the construction phase only under certain conditions,

among which a route-to-market fully secured at a level that can guarantee returns in line with our objectives.
Here we are. This is the platform we want to expand from and leverage on.

So, let us move on to **page no. 13**: here a quick summary of our strategy, just an update compared with the one we presented one year ago. We are reinforcing our "Value over Volume" approach.
In a nutshell, let me touch on each point:

1) Selective Growth: focus will be more on our repowering and organic pipeline. We now aim to reach 4.2GW of installed capacity. We are adopting a more cautious stance on the US, while waiting for the right timing, just waiting for things to clear up
2) Investments/EBITDA: we are lowering 2024-2026 CAPEX plan by 20% from €1.2bn to €1bn. We are nevertheless targeting EBITDA of more than €600mn in 2026. Lower CAPEX, as said, mainly factors in the delay in the FERX roll-out, as well as a more cautious stance on the US
3) Route-to-Market: we confirm our target to have 85-90% of quasi regulated EBITDA, which means backed by CFD or PPA
4) Balance Sheet: we are committed to keeping an Investment Grade rating, as we believe the Debt Capital Market is the best option for funding. In the spirit of "Value over Volume", we are targeting an unlevered return for our projects higher than 200bps over WACC
5) As far as geographical diversification, we are more focusing on tier 1 countries where we aim to keep on growing and consolidating our presence. As far as Tier 2 countries, we will be taking a more opportunistic approach, even considering maybe some selected disposals. Let us see
6) Storage and hybridization to increase asset portfolio flexibility: we expect Storage to progressively become a new stream of growth, and we are pushing on digitalization as well, to optimize asset performance
7) ESG remains embedded into our business model
8) Last but not least, Shareholder remuneration: as far 2025, €1/sh as dividend, we have already paid €0.15/sh through buyback. Going forward, we confirm our commitment to pay €1 dividend with potential upside to be pursued through Share Buyback, based on yearly performance and prospects. So, I think still a superior yield, compared to most of our peers.

And here, on **page no. 14**, we show our pipeline and our selective approach on CAPEX.
We have already said about the lower CAPEX and the reason behind it. In the meantime, we will keep pushing on the permitting side to make our pipeline advance, in size and quality. Based on current industry trends, we switched part of our PV pipeline projects into Storage projects, utilizing basically the very same pieces of land and connections. This is particularly in Spain.

We can rely on a solid pipeline of repowering projects, mainly in Italy but also in France and Germany.

Let us move onto **page no. 15**. Here you have a list of assets currently under construction for a total amount of 130MW, greenfield, repowering and our first battery storage plant. Those assets are spread in Italy, France, UK.
In addition to that, we can now count on a fully authorized 500MW, which is basically waiting for securing route-to-market before taking the final investment decision.

At **page no. 16**, this is the Italian case for repowering. As I mentioned, repowering is one of the main drivers of ERG's future growth. This is a study conducted by an independent energy adviser on the potential for repowering in Italy: according to the study, about 45% of the Italian fleet may be suitable for repowering, bringing an additional 7.5GW wind capacity on stream from now to 2030. So, looking at the system - not only company-specific - repowering could contribute significantly to reaching the targets set out in the National Plan. And this kind of exercise could be repeated in every country in Europe.
Given our experience, accumulated know-how over time and track record, we feel we may play a major role when it comes to repowering.

And in fact, moving on to the next **page no. 17**, here you have more details on our Repowering Pipeline. Through repowering – as said million times - we will enhance the efficiency of wind assets by replacing outdated with cutting edge turbines, able to capture wind in a larger span of velocity. This translates into higher productions. Doing this, we can double the installed capacity, more than triple the productions, halving the number of towers, and then occupying the same soil. That is why we believe this development should be well accepted by the local communities.
I have already said that since 2023, we have brought into operation 4 projects. Some are still under construction, some are fully authorized, in Italy but also in France and Germany, and still waiting for the CFD auctions. All in all, we are talking about a sizeable pipeline of about 800MW, that are 400MW on a differential basis.

Here let me again underscore our "Value over Volume" approach: because I need to be clear about it, first of all we need to get the tariff and to secure the route-to-market, in order to guarantee that the returns of the projects are consistent with our target. Now that the FERX Decree is in place in Italy, we envisage a potential opportunity to bring on our projects.

Let us move onto **page no. 18**. Over the Business Plan period we expect to explore more and more the opportunity to increase the flexibility of ERG's asset portfolio by developing projects in battery storage.

In addition to our first project under construction - which will be concluded, on stream in 2025 - we can now count on 1GW of pipeline between Italy, Spain, France and UK, out of which 120MW already well advanced. But we still need the regulatory scheme and mechanism to be set out clearly.

So, let us move on to **page no. 19**: ESG. Although from the outside ESG seems to be losing centrality, we still believe it is important, as long as we look at substance over form. ESG is naturally embedded in our business model.

As far as Planet, we remain focused on net zero by 2040. We will be working on our supply chain, as we are already almost net zero on our asset portfolio. Circular economy is the way through which we are implementing our repowering projects.
As far as Engagement, we continue to support local communities and ensure the involvement of local younger generation in educational programs through our ERG Academy.
Regarding People, our top priority is the Health & Safety of our employees. In addition to that, we aim to create a more inclusive ERG.
And as for Governance, we are pursuing a continuous improvement regarding our already rated best-in-class Governance, with a focus on supply chain to align our suppliers to our key ESG priorities.

To sum up, I would say we have a clear ESG strategy, based on well-defined targets and KPIs.

Michele Pedemonte:
Thank you, Paolo. Good afternoon and thank you for attending this webcast.

As you can see at **page no. 21**, a driver of our economics is represented by the phasing-out of the incentives in the period. It is something well known. The incentive phase out relates mainly to Italy, but also to our oldest wind farms in France, Germany and Bulgaria.
We can manage and reduce the otherwise increasing merchant exposure through a combination of PPAs and repowering.
First of all, we can secure the sales of old assets through PPAs - both corporates and utilities - maybe of shorter tenor (5 years), as we recently did and announced for 200TWh with 3 different counterparties, which were closed between the end of 2024 and the first quarter of 2025.
A second option is the repowering of the assets that become again eligible for long-term CFDs, after the investments.

As you can see in this chart, most of our 2025 production is hedged through short-term hedging, green certificates, long-term PPAs, and CFDs.
A limited portion of our production is still exposed to merchant volatility; that is unavoidable, also considering the intermittent nature of our sources, and the structure of the Italian GRIN. Overall, the revenue structure is well-secured, which is an important factor for delivering stable results, a distinctive feature in our business model.

Also our debt structure contributes to the stabilization of our results. I am on **page no. 22.**
Indeed, you can see that the interest rates on our gross sustainable debt are entirely fixed. These rates are extremely competitive, since we have shifted from non-recourse project financing to green bonds in 2019 and 2021, during an ultra-low rate environment.
Aside from our ample cash availability, our liquidity position is further strengthened by a fully undrawn €600mn revolving credit facility, whose terms and conditions have been even improved in 2024, together with its extension to 2027.
Fixed and competitive interest rates, together with the non-subordinated nature of our gross debt, allow us to have the cash generated by the Group at full disposal.
It is also on the basis of this balance sheet strength that our rating has been affirmed at investment-grade level in 2024 by Fitch; a renewed affirmation from the rating agency is expected in next months.

As you can see at **page no. 23**, in the Business Plan period we forecast to reach a Net Financial Position in the area of €1.9bn, maintaining our leverage ratios well inside our rating corridor.
Material growth CAPEX occurred during 2024 and not contributing EBITDA for a full 12-month period, together with lower-than average wind availability in Q4 last year and first months of 2025, have temporarily shrunk the FFO-net leverage headroom, which is nonetheless expected to recover in the near term.

We confirm our strong commitment to the Investment Grade rating: the flexibility in our CAPEX plan, that is in large portion discretional, and the full ownership of our European assets give us powerful tools to sustain our rating also in case of material deterioration of the market scenario.

In figures, here at **page no. 24** we rank in terms of cost of debt, both compared to an average of Investment Grade higher-rated European utilities and to a panel of pure RES players.
We project a cost of gross debt that remains moderate in the Business Plan period, thanks to the Group DCM funding structure.

The cash-generating nature of our business together with balance sheet solidity and financial charges competitiveness have been, are, and will remain the main driver of our superior dividend yield compared to the sector.

And now let us move on, to comment on 4Q 2024 Results, starting at **page no. 26**.

First of all, I would like to focus on the extreme wind drought which affected Europe since October, and which persisted even during the first months of 2025. There is a name to describe this peculiarity: "DunkelFlaute", and namely periods with very low wind and solar generation. As you can see in this chart, and ranging from all different sources at international level, these periods of wind droughts already took place in the past but are quite rare.

The map above shows the deviation of wind speed in Q4 in Europe against the long-term average: in dark blue the regions where the negative deviation is larger. It is clearly evident that all the regions where we have our wind farms have been affected by extremely low wind. In Italy, according to Terna, wind production on a like-for-like basis was down 26%.

In the chart below, we show what happened at an historical level to our Italian portfolio: as you can see, these extremely poor wind conditions, which took place in 2024, were already experienced ten years ago.

So, this was a generalized and exceptionally negative trend in Europe in the last quarter of 2024, and this is continuing in the first two months of this year.

Following the premises on wind availability, the comment on the fourth quarter is quite obvious. I am on **page no. 27**.

In 4Q24 we have EBITDA at €145mn, lower than 4Q last year, mainly due to the extremely low wind production recorded in Europe, as just commented, only partially offset by production from new capacity in operation.

In Italy EBITDA is higher than 4Q23 by €5mn, mainly thanks to higher captured prices driven by higher hedging prices and GRIN incentive (which is 42€/MWh, while it was null in 4Q23), and by the contribution from repowering assets and a new greenfield plant entered into operation during 2024. Results were mostly offset by the extremely low production of the quarter, that reached only 708GWh (-17% YoY), despite the perimeter effect (+109GWh).

EBITDA abroad set at €64mn in 4Q24, lower than 4Q23 by €18mn, mainly driven by wind production below historical trends in Europe, and negative price effect, in particular in Spain. Both effects are partially offset by the new asset contribution in France, Spain and United States.

Production abroad in 4Q24 reached 1.1TWh (+6% YoY), mainly due to perimeter effect of 294GWh, of which 240GWh in the United States, partially offset by the already commented low windiness in the period.

Let us comment now on the investments, as per **page no. 28**.
In 2024 we invested €553mn, mainly due to the acquisition of Wind and Solar plants in US and France. In addition, we completed about €234mn of organic CAPEX, out of which €135mn in Italy for Repowering and Greenfield Wind assets, and our first Storage plant in Sicily. The remaining amount refers to the construction of new wind parks in France, UK and the repowering of a small wind farm in Germany.
In the last two years we invested more than €1bn, substantially in line with the cumulated EBITDA in the same period.

Let us now move on to the financials as per **page no. 29**, commenting on other items of P&L. In the last quarter of 2024:

- Amortization and depreciation are €70mn, higher than 4Q 2023, mainly due to the new capacity installed
- Net Financial charges are €9mn, vs. €2mn in 4Q 2023: financial charges versus banks and bond-holders net of liquidity remuneration stand to €4.6mn (+€2.9mn vs 4Q23). The complement to €9mn (€4.4mn) are non-cash accounting items, such as effects coming from Tax Equity partnership in US portfolio, figurative lease interest expenses according to IFRS 16, or capitalized interest
- Tax rate in the quarter is 31%, higher than 24% of 4Q 2023, which included ACE benefit in Italy
- the adjusted Net profit of the quarter amounts to €45mn, lower than last year (€77mn), mainly driven by the already commented extremely low windiness in Europe.

Finally, let us take a look at the Cash Flow Statement and the Net Financial Position, as per **page no. 30**. The Net Financial Debt closed at €1.8bn, €0.3bn higher than the end of 2023, mainly driven by a solid cash generation from EBITDA, netted by the already commented investments of the period, the cash financial charges for €17mn, the tax cash-out for €39mn and the Net Working Capital & Other items for €75mn, out of which €35mn related to one-off taxes on goodwill release, already commented in previous quarters. Finally, we remunerated our shareholders for almost €200mn, through dividends distribution of €152mn and share buybacks for €47mn.

And now I will leave the floor to Paolo for his final comments on Guidance and the Business Plan.

Paolo Merli:
Thank you, Michele. Now let us see our guidance for 2025 and then I will wrap up with my final remarks, summarizing what we have presented so far.

As you can see at **page no. 32**, EBITDA for 2025 is expected within the range of €540-600mn. This guidance is factoring the first two months of the year, with persisting exceptional wind drought across Europe. If we had had either the same wind conditions as last year in January and February, or in line with the historical levels, EBITDA guidance would have been around €30-40mn higher than the one we are proposing today. We cannot rule out there could be some kind of recovery in the months to come but, when setting out the budget with our Board of Directors, we preferred to be cautious and to assume the P50 wind assumptions for the remaining ten months of the year.

CAPEX is expected to be in the range of €190-240mn as already explained. In 2025 CAPEX will be focused on assets currently under construction.

Net Financial Position at year-end expected in the range of €1.85-1.95bn.

And then, coming to the conclusion at **page no. 33**, let me summarize the main key targets:

- selective growth: Value over Volume approach confirmed and reinforced, with 20% capex cut in 2024-2026 mainly driven, as said, by delays of FERX, and to a more cautious stance on US
- quasi regulated business model: confirmed an EBITDA higher than €600mn, of which 85-90% secured through CFD and PPA
- strong balance-sheet: we are committed to maintaining an Investment Grade rating and a competitive cost of financing. This will give us further room to re-leverage and accelerate growth, whenever the business environment conditions will be there
- dividend policy: we are providing a flexible annual shareholder remuneration with a floor of €1.0 dividend and flexibility to allocate extra-cash on buyback, based on yearly performance and perspectives.

Thank you very much for listening, and we are now 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.
The first question is from Paul Chabran of Kempen.

Paul Chabran:
Yes, hello everyone. Good afternoon and thank you for taking my question. I have a few of them. First, I noticed the small change in your value creation targets. I think last year

you were targeting 200 to 400 basis points, and now you are mentioning more than 200 basis points. So, have you become more prudent, or on the contrary do you think there is upside above 400 basis points?

And then, looking at the share buyback, I think you used to have a cap of €0.30/sh for the share buyback: I see no more mention of this cap. So, does this mean that you are willing to return to shareholders anything that is not invested, and that we could see maybe share buyback of around €0.40-€0.50?

And last question: your main shareholder, SQ Renewables, owns I think 77% of voting rights, which I think is enough to initiate a delisting. So, considering where the share price stands today, it would be much cheaper to do so than actually building new megawatts. So, is it fair to assume that the option of delisting is on the table? Thank you.

Paolo Merli:
Okay. Thank you for your questions. As for the first one, if you look carefully at the webcast presentation, you will notice that the value creation is 200 bps plus on WACC: that means 200 basis points is the floor at which we set our hurdle rate for investments. Last year - yes, you are right - we said a range of 200-400 bps, considering a spectrum of investments ranging from fully secured (then you have to see the floor, 200 bps), to fully merchant, taking the risk of covering the production after the investments. But this is not the case anymore. So, we are just looking at assets in particular with a route-to-market already secured. That is the case also for our repowering, for instance. We have, I do not know, 400-500MW of projects already authorized, but we did not start - or we have not started yet - the construction, because we are waiting to secure the route-to-market.
So, the final investment decision on the project – that is our business model - will be taken after being awarded a CFD or having closed a PPA to secure the production. That is one of the reasons why we had to slow down the CAPEX and the deployment of CAPEX and megawatts, because we were and we are still waiting for the first auction of FERX in Italy, plus the outcome of other auctions in other countries in Europe, apart from the more cautious stance on the US. So, that was the answer to your first question: 200 bps should be seen as a floor.

The share buyback: yes, last year we specified, or we identified a collar for shareholder distribution in the region of €1-1.30: €1 as a dividend, and the potential upside through a share buyback. So, you are right. You have to see the fact that we have not mentioned a cap as the desire to keep full flexibility in deciding when and how much share buyback to do, in case. Yes, so it could be even more than €0.30/sh.

The third question is about delisting. I think this question should be addressed to our shareholders and not to the management, because honestly there is a kind of a Chinese wall, at least on these issues, as it is fair and right to be. For sure, the current price is not something that makes us happy, because we have the perception the stock now trades at a huge discount versus the operational assets, not the whole company, just 25% or 30% discount to the existing operational assets. That is our view, based on internal analysis. That is what I can say about that.

Paul Chabran:
Fair enough. Thank you very much.

Paolo Merli:
You are welcome.

Operator:
The next question is from Enrico Bartoli, Mediobanca. Please go ahead.

Enrico Bartoli:
Good afternoon and thanks for taking my question. The first one is relating to the evolution of capacity addition of the plants in 2026. You have 130MW that you highlighted are under construction, and you acquired also some assets in the UK. I was wondering what you think would be the most likely evolution for the remaining assets in order to reach the target in terms of geographies, and if you can provide some comment on the pipeline that you have in the US, considering the current situation on the regulatory side.

The second question is related to batteries. You highlighted that, actually, you are now definitely considering, you are more open to investments in this technology, and actually this could be - if I understand well - mostly connected with the existing Wind and Solar assets. I was wondering what kind of returns you have in mind in order to take final investment decisions related to those assets. And if you can comment a bit about the regulatory frameworks, particularly the upcoming MACSE market in Italy, and what could be the opportunity also in markets like Spain and Germany?

The last one is on asset rotation. It seems that, if I am right, this is the first time that you mentioned this potential. Can you provide some details in terms of the geographies that you think could apply in terms of disposal assets, and do you have any discussions ongoing on this matter? Thank you.

Paolo Merli:
Okay. Thank you, Enrico. So, the first question is about the megawatts. Yes, you are right that the new target for 2026 is 4.2GW and we have already secured, basically we have roughly 130MW right now under construction that - coupled with the 43MW we just acquired in Scotland - cover half of the target. Honestly speaking, the pipeline already authorized has got a time-to-market (I mean: the time needed to bring these projects into operation) that is in the range of 18-24 months. So, all these projects, even in case they are awarded a CFD in the next auction in Italy or France or Germany, will need time to be built, and they will be probably in 2027. So, the remaining part in our objective is covered by the co-development agreement in US, because we still would like to increase our portfolio. It is true that the new Administration does not seem very supportive on Renewables, but please consider that our business model in the area, in the country is, let me say, de-risked because under the preferential right we have in place with Apex, ERG buys assets - or is going to buy assets - just under 3 condition precedents. The first one, the most important, is that the asset should be already operative. So, we are going to pay the asset in case we find the agreement at the commercial operation date, and the asset has already secured the sales or production under a PPA Agreement, and a tax equity scheme is already in place.

So, we do not expect - let me say in other words - in the US retroactive measures to change the economic case of already existing assets. That is the way we want to grow there in the country, and we are just waiting for the right moment. So, just to summarize the answer: half is secured and already under construction in 2025 and 2026, the remaining part should come - at least in our objectives - from the co-development agreement in the US, or other very selective M&A in Europe.

And this gives me the opportunity to answer also to the last question because, as I said during the presentation, we are going to focus on Tier 1 countries - I mean countries where we have already an important industrial positioning (like Italy, France, UK, Germany) - while in other countries we have a position like "wait and see", as in Spain. So, for the time being in Spain we are very cautious, because we want to understand how the market is going to evolve in terms of pricing, because last year (2024) was characterized by this phenomenon of duck curve and many, many hours of zero or very low €/MWh price. So, we are monitoring the market in order to understand the potential of it. But in particular, when we are referring to potential asset rotation, we are looking at those countries where we have basically almost a financial presence, with just one single asset, like in Bulgaria or Romania or Sweden, or this kind of country. For the time being, we are not in a hurry to do that, because we still have a headroom in our balance sheet, and so on. But for sure, if there are opportunities to strengthen our position in the countries I classified as Tier 1, we would take into consideration also the asset rotation.

So, I hope I… ah, now on batteries: in general, even beyond our expectations, we think that the battery storage development would be essential for the system and to allow the penetration of Renewables in the grids and in the system and to smooth the duck curve, the profile effect we are seeing in some countries, as I mentioned Spain. So, we are looking at it with very high interest. We have been building up quite a solid pipeline for battery storage, because right now we have roughly 1GW of projects under scrutiny. In particular, you could have seen in our chart that Spain represents a quite significant portion of battery storage because we simply switched some solar and PV projects into battery storage projects, maybe utilizing or leveraging on the same piece of land, on the same connections. But for the time being, and given the market condition in Spain, we think battery storage can be a good match with PV projects, and the same in Italy, because all the projects we have are nearby our already existing installations. But still, we lack the regulatory framework. That is why we are waiting for the issuance in Italy, for instance, of the MACSE scheme. And the return we are looking at is exactly the same as the one we are looking at for other projects: so, WACC plus 200 bps is our hurdle rate.

Enrico Bartoli:
Thank you very much.

Paolo Merli:
You are welcome.

Operator:
The next question is from Alex Roncier with Bank of America. Please, go ahead.

Alex Roncier:
Good afternoon, everyone, and thanks for taking the questions: I have 2 to 3, please. The first one is on spread. I remember there was already a question about that, but I would just like maybe to deep dive a little bit more. What kind of spread are you expecting for batteries? Again, as previously mentioned, you had a 200-400 spread guidance before, it is 200+ now. Do you think ultimately batteries are committing a higher spread? And then on those investments, again, as you have got kind of like an M&A/turnkey approach, I suppose CAPEX for those batteries should come slightly higher. So, again, perhaps supporting a higher spread that is required for those assets in particular?

And then following up on capacity markets, you know, and the MACSE in Italy, and any other market that are coming: would you be looking then to deploy assets on a 2-hour or perhaps I think even 4-hour duration in general compared to your megawatts target, just to give us a broad sense of the megawatt-hour pipeline that you have got there? And, you know, again, just on spread, just to elaborate on that: I think everyone across the state has kind of, you know, reduced ambition or the pipeline, and has been a little bit more constrained over the last few years. People and your peers have been reducing targets, but in general, everyone has been increasing spread. So, that is why, it is a little bit perhaps different from what you have just announced today with your new strategy of moving from 200-400 to 200+, while other people were more “oh, we have got 200, and now we are going to move to 250+ or even 300”, you know. So, is that because ultimately you are seeing the market is a little bit more constrained or busy with people trying to figure out the best project with the highest return, instead of deploying as much capacity as they can, and therefore, you need to reduce to a certain degree your value creation spread expectation? Or is that just because your pipeline has moved? So, that would be great to get some color around that. And then, sorry, because the first question on spread has many sub-questions… But the last question I have, which is a bit different, is why really wait for a route-to-market? I know you mentioned that ultimately you are waiting for FERX to come in and to deploy new capacity, or perhaps for some of your repowering projects, but are not tech players today willing to get PPAs at good level? I mean, you have signed with a number of them over the last few years, even so recently. Does that mean you expect FERX clearing price to stay at 70 to 90€/MWh ultimately compared to perhaps the opening price? And that you are getting PPAs from those tech players below that? Or is there any other reason why not actually sign with any tech player who needs to deploy data centers, *et cetera*? Thank you.

Paolo Merli:
Okay. So, I will start from the first one about the buffer we see. I repeat what I have already said: 200 bps is not different from the previous range. 200 bps is intended to be a floor to apply to our cost of capital. So, because we are now looking more fully secured projects - and then I come to your last question, because it was strictly correlated to this - because we are looking just at projects that have already secured the route-to-market (either with a CFD or with a PPA), most likely, 200bps - which represented the floor of the range - is tailor-made for fully secured assets… I mean, with already a PPA in place, or a CFD in place. That is why we said in the presentation 200 bps plus. Please look at the chart and you will see the “+” after the 200 bps, which means exactly the same. We have not changed our policy in this respect compared to last year, but thank you for the question, because it gave me the opportunity to make it clear.

The route-to-market for us is essential. So, you are right: the PPA could be a solution, and we have already proved that we are able to manage and to negotiate solid PPAs. But let me be honest: a CFD assigned through an auction backed by State is much better than a PPA. First of all, because of the duration: 20 years, it is not easy to find a 20-years duration among PPAs. Second: the CFD is fully pay as produced. There are no particular obligations you can find in PPAs. So, this is our best case: the CFD.

The second best is a PPA. Why did we make, did we sign 4 PPAs a couple of years ago on our repowering projects? Because we had already been awarded a CFD before, so when we took the final investment decision for those investments, the route-to-market was already secured, based on a CFD. Then we decided - having, I mean, the CFD in the pocket - to negotiate a PPA to substitute that CFD, because the norms gave us this opportunity: to switch from the CFD to the PPA. That is what we did. But again, even at that time when we took the final investment decision, it was based on a fully secured route-to-market. That is our business model. So, I prefer, we prefer to wait rather than, you know, taking the risk to invest €100-200mn as someone did in the past, not us. So that is our business model. So, we prefer to slow down the deployment of megawatts and CAPEX, but to do it in a way that can secure the return on our investments. That is the logics, the rationale behind this.

Divestments: I repeat, we do not have any need in this particular moment, because the balance sheet is strong. It is a kind of opportunistic possibilities. And we are looking just at those countries where we have a very small presence. But again, we are taking into consideration this option just when and if the price is there. If the discount rate the potential buyer is using is above our hurdle rate, there is no way to proceed from this point of view. We prefer to keep it and to maintain the economics and the cash flow of the asset. Probably Michele, I do not know the capacity…

Michele Pedemonte:
Yes, maybe just regarding the battery storage: the normal configuration of our battery storage project is 4 hours. This is the standard configuration, but we are waiting for the final details of the MACSE auction to define what we really need. At the moment the standard configuration is 4 hours. We are seeing the BESS as a stream of internal development, not through M&A. So, we have one small plant in construction, we have some plants already authorized (both in Italy and in the UK), and we are developing an early-stage pipeline of large battery projects.
In general terms, the business model that we have in mind for the battery storage is always in line with our quasi-regulated business model. So, we do not see battery storage as a pure merchant investment, trading just on load shifting, but we are working to make this project, let me say, bankable or through capacity mechanism or - better - through the MACSE mechanism in Italy.

Alex Roncier:
Alright. Thank you, Paolo. Thank you, Michele.

Paolo Merli:
Thank you. Thank you. You are welcome.

Operator:
The next question is from Roberto Ranieri, Stifel. Please go ahead.

Roberto Ranieri:
Yes. Thank you. Good afternoon, everyone and thank you for your presentation. Just a couple of questions on the context, and specifically on the price environment in Europe. Germany and Spain seem to suffer some volatility and some lower power prices, especially Spain. I am wondering if these lower prices could last for longer, if they are structural or just a volatility. And also, in Germany as well: I wonder if these power prices were weaker because of the lack of wind resource availability.

One more question is on targets: could you give us some indications also on 2028? And - if I may – the very last question is on the technology portfolio. I am wondering if you are considering also investing in hydro concessions, which could also give this portfolio lower volatility in terms of resource availability. Thank you very much.

Paolo Merli:
So, good afternoon, Roberto. I would say, yes: the contest is like you said. In particular in Spain, the baseload pricing at least in 2024 went very low. And in particular, what hurts the PV operators like us is the profile over the 24 hours, because on average the pricing tends to be very low during the daily hours. For the time being year-to-date, the pricing in Spain has improved quite substantially last year, probably there was a combination of factors such as strong wind, heavy rains, and nuclear running at full speed. So altogether, we started in this period of time to see prices very, very low, and now it is not the case. So, it is difficult to predict, because it depends on several factors. But, let me say, I think the game changer - not just in Spain, but in Europe in general - is the demand side. Because the systems keep adding new capacity - either solar or wind, whatever - but what we need is the electrification of consumptions, ok?
So, that is something that has not yet started with the magnitude we were expecting. But looking forward, we see the coming of - as I said - artificial intelligence, data centers all crypto currencies, all these manner of new technologies (that are very energy-intensive) to boost the demand side. And, according even to the last announcements, we should expect in the next 15-20 years an increase of at least 50% on the demand; but there are predictions that are forecasting even more than that. That is the real game changer. So, electric vehicles, heat pumps, data centers, and so on and, according to all the price scenario providers, that is the way. And honestly, we believe the direction is to go to low carbon electricity in future, for the future. So that is our view. So, we expect the pricing to remain sustained by a growing demand.

The hydro concession: we just sold a few couple of years ago the hydroelectric plant we had in Italy. So, we are not looking at it, or thinking about it, right now. But never say never: we will see. The concession announced are going to expire in 2029, that was one of the reasons we decided to divest this kind of assets, because they were surrounded by the uncertainty about the concession renewal. Let us see but, for the time being, it is not part of our objective.

Going forward, I think the webcast presentation was quite clear from this point of view: we are taking a little slowdown over 2025-2026, also to digest and to consolidate the growth we have been through over the last few years because, as seen, we doubled our capacity. And the conditions out there are a little bit uncertain. So, we want to wait for things to clear up, in particular in the US. But also in Italy, as said, we are waiting for the FERX Decree, but the time-to-market for those assets is going to be 18-24 months, so nothing before 2027 for the new assets. So, looking at 2027-2028-2029, as you said, we expect the pace of growth to become more as it was, 250-300MW per year, that is what we have in mind in our projections, when going beyond 2026.

Roberto, I hope I have covered all your questions.

Roberto Ranieri:
Yes, thank you very much. Thank you, Paolo. Thank you, everyone.

Paolo Merli:
You are welcome.

Operator:
The next question is from Emanuele Oggioni, Kepler Cheuvreux. Please go ahead.

Emanuele Oggioni:
Good afternoon, and thank you for the presentation. My first question is on the revenue structure - so basically on page no. 21 - to understand better the moving parts compared with one year ago. So, for example, starting from the short-term, hedged volumes compared with one year ago, the overall picture has improved… in the meanwhile, in the last 12 months, also the overall pricing in order to hedge for the future has been better than expected, if I am not wrong: so this could be a positive moving part. PPA and CFD are stable, the green certificates in Italy are 15€/MWh higher than 2024. So overall, it seems that the price effect in 2025 should be positive. This is the first question, if you can comment on this. And also on 2026, compared with the latest Business Plan in which, in May 2024, you projected slide on the range of the expected power price per country, *et cetera*, while nothing of this kind is in the current presentation. So, it seems that - compared with one year ago - the situation is better in terms of pricing overall, at least for 2025 and 2026.

And the second question is still linked to the price scenario, the PPA price levels: can you comment on the level, if the PPA price levels are in a good shape, what happened compared with 6 months ago, 12 months ago, *et cetera*?

And finally, a question on the US: basically, you zeroed the growth for the next two years. So, my question is: what could be the turning point to decide to invest back in the country? Thank you.

Michele Pedemonte:
Okay, regarding the revenues structure, you are essentially right. In terms of policy, we are not changing our policy. So, when we started the year, we know that we have a hedging policy that foresees to enter the year minimizing the merchant exposure. So substantially, the structure remains the same.
In terms of value, you are right. We can expect a positive price effect in terms of baseload prices. Maybe this is in part compensated - at least in our projection - by higher profile effects that in part offset this higher baseload projection with respect to what we saw last year.
You are right regarding the GRIN in 2025: if you compare GRIN in 2026, the consideration is the opposite, because if we have higher prices in 2025, the GRIN expected in 2026 will be lower than what we expected in the previous Business Plan. This could have a material effect, in particular for 2026: so not for this year, but for next year.

I do not know, Paolo, if you want to comment on PPA or…

Paolo Merli:
On PPA, the fact that we have signed the PPAs means the pricing and the conditions all around were good. We are absolutely in line with the one year-ago Business Plan. In fact, if you see, even though we are slowing down the CAPEX deployment and megawatts, the EBITDA is still expected in excess of €600 million in 2026: that means the pricing at which we think to sell our energy is basically in line, or at least in line, with the previous plan. Of course, there are different kind of PPAs: when we are talking about long-term PPAs on brand new assets, usually you can extract - or you can catch - a better pricing, because the off-taker is also keen on investing, on supporting the energy transition. And maybe sometimes they are ready – in particular the tech corporates - to pay a premium compared with the baseload on the screens, on the forward screens.

While when the counterpart is a utility or a trader, the prices are more in line with wholesales market, the forward wholesales market. But again, the last PPAs were based on a 5-years tenor. And if you look at the forwards, on average over the next 5 years, the pricing is still pretty good. So, we are satisfied with our PPAs from this point of view.

About US, let us say, surely the new Administration does not seem very supportive to Renewables, being on the newspapers and headlines that President Trump issued a barrage of executive orders trying to slow down, stop the Renewables deployments, in particular offshore, wind offshore, but we are not looking at it, absolutely: neither in US nor in Europe. But I repeat: even if Trump's approach introduces some uncertainties, as far as our operating portfolio is concerned, we do not expect - I repeat it - any retroactive measures. So, we are optimistic that the portfolio can generate and is now generating… I think there is someone not in mute… So, we are optimistic about our operating portfolio. And as for future developments, I repeat, our business model is de-risked, because we are entering just at some specific conditions. But for the time being, we prefer to be a little bit more cautious.

Emanuele Oggioni:
Thank you. Very clear.

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 also for the presentation. I also have 3. The first one is still on power prices: I was wondering if you can remind us of your assumptions under your targets in 2025-2026, meaning if you are comfortable with the current forward curves, like in Italy that sees €130 for 2025, and a little bit less than €100 for 2026. That would be the first question.

The second one is related to your mid-term capacity evolution. If I understood well, you mentioned that you want to exclude some M&A. I was wondering if there is a trade-off between M&A and organic developments, if you are going to be successful in awarding the auctions throughout Europe, and so, if you were looking to prepare the field for higher capacity and capital intensity beyond 2026. And this would exclude, basically, you from performing some M&A deals, taking advantage maybe from the brownfield, the opportunities you may have during the market, looking at the multiples we see today.

And the third one is related to the supply chain and development cost: I was wondering, if you can share your view about the potential impact coming from the trade war, and if there are “yes” or “no”, and if you see some downside or upside risk, and in general about the evolution of the cost throughout the next years. Thank you.

Paolo Merli:
Okay, so I will try to answer the second question, and I will leave to Michele the other ones.

About the medium-term expectation for installed capacity deployment, I repeat: we are taking this sort of 1-year slowdown but then, if the framework evolution is going as we expect - I mean, the FERX, the auction about FERX takes place, and other auctions in our countries take place - we have a solid pipeline that can download the projects as of 2027… new projects I mean, discounting the time-to-market to build a new installment.

So, basically, we are ready financially, industrially, in terms of know-how, and we are getting ready in terms of project pipelines to hit the ground whenever the conditions out there become favorable. That is what we are waiting for. So, you can assume, based on our financial power, balance sheet and considering the fact that we want to remain - and we are committed to remain - Investment-Grade, that means the capacity of deploy megawatts is in the region of 250-300MW per year as of 2027, something like that.

Michele Pedemonte:
Regarding power prices, our assumptions are broadly in line with the current forwards. I would say in particular that our assumptions, our projections were prepared when forwards were lower than today. So, in particular for 2025, we have based our figures on lower power price assumptions and, as already commented, also the guidance of 2025, taking into consideration in particular an extremely low production in the first two months of the year - January and February, February in particular - and only just having factored in this low production, we are coming with this guidance for 2025, not including any particular assumption on price.

Regarding supply chain, I would say, I would repeat the same message that, quarter-after-quarter, we are repeating: we see the cost of the wind technology quite stable. We do not see any major disruption in the industry. In particular, our usual partners in this field continue to be present in the market with prices that remain substantially stable, at least for our projects. We see that new suppliers are coming in the market - in particular Chinese suppliers - and we carefully consider also this option for our development. When we see an opportunity in terms of lower CAPEX and higher production, for sure we can consider also alternative suppliers. But for the time being, you know that our fleet is entirely based on western wind manufacturers.

Davide Candela:
Thank you.

Operator:
The next question is from Roberto Letizia, Equita. Please go ahead.

Roberto Letizia:
Thanks for taking my question. I need, I am afraid, some more clarifications. The first one is on FERX decree: so hopefully we are going to get it in the next month. But, in the form the FERX is approved today, its visibility is only for one year, which is a bit of a problem because actually this does not allow operators to have enough visibility over a good 3-year time horizon to make their investment. And that is a negative point, one of the few negative points, I would say, of the FERX. But actually, do you expect in the next months to have more clarity also beyond the 1-year visibility that the current framework of the FERX gives, in order for you to make a better program? Or do you think we are going to have additional delays to have the regulatory framework for a 2–3-year time horizon? That is the first one.

The second one regards the repowering. So basically, you are highlighting your repowering opportunity, which is nice - I was one of the biggest fans of repowering opportunities, if you remember, in the past - but actually, you have a pipeline that has been included in the previous plan: 400MW of which you have already realized a part, and another part will probably come into the FERX, if it is approved. And then you have some additional 400MW that is a potential, but are these the same 400MW we saw in the previous plan? Then in this update, we are not getting any additional improvement in terms of authorization for these additional 400MW. So, can you spend a few words on this point? So, is the authorization of these additional 400MW becoming a challenge because the market has deteriorated in terms of local availability to release this authorization? Because I am sure that, if you got them already authorized, you would have included them in the plan, because you have visibility of getting at least PPAs. Basically, you did not include them, because they are not authorized, not because you lack the regulatory framework. So, can you spend a little bit of time clarifying this?

The third one is on M&A. So basically, the valuations in the markets are deteriorating: not only for you, but for all the Renewables in the market, this is an exogenous factor. But this opens up theoretically to higher opportunity for M&A, which are not included in the market, although you clarified that, in terms of how you would take it. I am just wondering if the M&A market is becoming more challenging, not letting you to be more aggressive on what you can do on external growth source at value?

Then a clarification on the DPS. So, you confirmed the DPS at €1 plus from anything that comes from the buyback. But I was wondering: for the next year, will you reduce the cash flow from dividends by having the same €1/sh and then leaving the higher remuneration of a buyback as a resource of value into ERG's balance sheet, or will you keep that same cash flow, allowing for a higher DPS on the lower amount of shares that the buyback will give you. And can you please clarify this point?

And two final very quick questions. Can you explain the guidance on that in 2026? That is very quick. And what is the cost per megawatt of the ongoing battery project? Thanks a lot, and I am sorry if I put too many questions.

Paolo Merli:
Okay. I better try to follow the order. About the FERX, yes you are right: the decree provides for a transitional period till the end of 2025. But I had a chance to speak with the Ministry: it is a technical trick they found to accelerate the approval from the European Commission, so giving time to the European Commission to go deeply through the scheme over the 5-years window of time that should have covered. But let me say: the common sense and our expectation is that, after the natural end of this year, it will be extended for the next 4 years, exactly with the same scheme. And the scheme - just to remind everyone - is a corridor of price between 70 and 95€/MWh. It is going to be a competitive auction, and two different auctions for Wind and Solar. That is a very important point because before the auctions were technologically neutral, now they are different for each technology. So, the answer is that the decree will remain for 5 years, it is just a technical reason.

The repowering: yes, basically are the same projects because in the meantime, we were waiting for the clarity on the FERX, and still we are. So, there was no point in adding further projects when we are still waiting for the first ones and the best ones. But honestly, we are working on another portion of projects - not just in Italy, but across our portfolio - but they are not included in our pipeline, because we are in a very early stage to assess the engineering layout, to secure the lands *blah-blah*. Because whatever you see in our pipeline is something that has been consolidated over time: I mean, there is a project, there is a name, a surname, there is securitization of the lands, a request and allowance for the connection, and *blah-blah*. We are not still there for the other portion of the early pipeline, that is under study. But yes, you are right: the projects you can see in the presentation are more or less the same of last year. But remember our plan was presented in May 2024, not that long away. We are working to improve the pipeline in quality and size, but let us start with the first projects.

M&A: I have not said M&A is out of screen, it is out of our plan, absolutely. M&A was something I think we are good at, and has always characterized our industrial story so far. So, definitely we are looking at all opportunities that may arise from the market, but the M&A market has changed, in the sense that the bid-ask got larger, because the market is now more a buyers' market, but the sellers do not want to sell at certain values. So, in terms of transactions, the market - not just for ERG but in general - has slowed down a bit, for sure. But, as it has always happened, we think the market will find an equilibrium sooner or later, and we think soon.

The DPS: the question was a little bit elaborated but, let me say, the answer is very straightforward. Basically, the remuneration scheme has not changed compared to last year: so, €1 dividend plus an upside that could be distributed back to shareholders through buyback. The only thing we changed is that we did not specify the cap (last year it was in a range of €1-€1.30) because, as I said before, we want to be fully flexible to decide how much, and when of course, allocate to a potential share buyback. And then Michele I think will…

Michele Pedemonte:
Yes, the guidance is in the presentation a target of € 1.9bn in 2026. And regarding CAPEX per megawatt for storage, assuming a 4-hours battery storage system, we see overall CAPEX in the region of 1mn €/MW.

Operator:
Mr. Merli, there are no more questions registered at this time.

Paolo Merli:
Okay. Thank you very much for the attention and listening, and we will speak in May for the first quarter. Thank you very much again.