



**ERG S.p.A.**  
**“1Q 2024 Results and 2024-2026 BP”**  
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**Operator:**

Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the ERG 1Q 2024 Results and 2024-2026 Business Plan presentation. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Ms. Emanuela Delucchi, Chief ESG, IR & Communication Officer of ERG. Please go ahead, madam.

**Emanuela Delucchi:**

Good afternoon, everybody and welcome to ERG 1Q 2024 results and 2024-2026 Business Plan Presentation. Here with me, as usual, there are our Executive Vice President Alessandro Garrone, our CEO Paolo Merli and our CFO Michele Pedemonte.

Now let's see the agenda of today's meeting, which is shown on **page no. 3**.

Paolo will start with a brief introduction on the 1Q key figures; then Michele will drive you through the analysis of the full set of results.

Afterwards, Alessandro will show all the important steps we did in the latest 3 years, having completed the energy transition into a pure renewable player. Paolo will show our Strategy, putting it into the current context, and then he will show even our key figures and our targets for the coming years.

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

As usual, I will focus on the ESG strategy, which continues to be at the core of ERG.

Paolo will then conclude with 2024 guidance and his closing remarks, focusing on the key pillars of our Business Plan. As usual there will be a Q&A session at the end of the event.

So, let's start... and now over to Paolo.

**Paolo Merli:**

Good afternoon, everybody and my warmest welcome to our Investor Day.

I'll start by looking at the 1Q Results, as per **page no. 5**. EBITDA closed at €165mn, in line with our budget, slightly up YoY mainly driven by the larger installed capacity and better wind conditions that offset the lower captured prices.

As you know, we finalized the acquisition of the US asset portfolio in April: as such those figures do not include any contribution from it. But given that the Sale Purchase Agreement was based on a Lock Box Date at 30 June 2023, we are owners of any cash flow and economics generated by the portfolio ever since, including Q1 2024 Results. So, as such we indicate here what our EBITDA would have been in case of a retroactive consolidation as of 1 January 2024: €177mn, that would have been up 8% YoY.

CAPEX in the period amounted to €154mn, more than two times the amount of the same period of last year: let us consider that in the quarter we spent roughly €84mn related to the recent acquisition of a wind & solar portfolio in France as an M&A. The

other organic CAPEX over the period is mainly related to the works for assets under construction, both repowering and greenfield projects.

Adjusted Net Profit was €78mn, in line YoY, reflecting the operating results, lower financial charges but higher taxes, due to the cancellation of some fiscal benefits in Italy, known as ACE.

NFP at the end of Q1 was €1.5bn, just slightly higher YoY, mainly influenced by the strong cashflow generation over the quarter, absorbed by investments and the conclusion of the buyback programme.

And now over to Michele for his comment on results.

**Michele Pedemonte:**

Thank you, Paolo.

As you can see on **page no. 7**, in Q1 electricity 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.

In Italy wind all-in unitary revenues increase from 116€/MWh to 120€/MWh, mainly influenced by the value of the GRIN incentive (which is 42€/MWh this year against zero in 2023) and partly offset by the lower market price captured in 1Q 2024, compared to 1Q 2023.

In France the unitary revenues decrease because of the lower market scenario, that impacts on assets which do not benefit anymore of the two-way tariff mechanism.

In Germany captured prices in 1Q24 are strongly lower than previous year, because in the previous year we had high short-term hedging prices, while 2024 prices are aligned to one-way CFD floor.

East Europe unitary revenues decreased in 1Q, driven by Bulgaria and Poland, mainly due to lower merchant prices and lower prices of GRIN certificate in Poland. Romania is in line with PY because the Government set a compulsory PPA mechanism at the cap price (around 90€/MWh).

In UK, captured prices mainly reflects our PPA prices, and close at 85€/MWh, in line with previous year.

In Sweden the all-in all unitary revenues reflect lower energy market prices.

As regards as the Solar all-in unitary revenues, there is an increase of value in Italy, thanks to a higher hedging price YoY. In Spain, the captured price suffers the current market scenario and compares with a 1Q 2023 which benefited from higher hedging prices.

And now a focus on productions, I am on **page no 8**. As regards as the 1Q, we have:

- in Italy: 875GWh, +12% YoY, thanks to better wind condition compared to 1Q 2023, coupled up with new asset contribution related to Repowering plants entered into operation in the second half 2023, and a new Greenfield plant entered in operation at the beginning of this year
- in France: 391GWh (-1%), due to lower wind condition versus a particularly windy previous year, partly offset by a perimeter effect, coming from a new wind and solar portfolio acquired at the beginning of 2024
- in Germany: 202GWh in line with previous year. And also
- in Eastern Europe: volumes in line with previous year
- In UK & Nordics: 166GWh (+26%) thanks to production of assets which were in commissioning or ramp-up phase in the beginning of 2023. Production in UK are also influenced also by the remunerated balancing services market in Scotland and no remunerated grid curtailment in Northern Ireland
- in Spain: 80GWh, more than doubled YoY, thanks to the production of the newly acquired plants, that entered in operation between July and December 2023.

In the first quarter of the year (I am on **page no. 9**), we have an overall EBITDA net of clawback equal to €165mn, €1mn higher than the 1Q 2023, thanks to better wind condition and the new assets contribution, partly offset by lower market scenario.

In Italy the EBITDA is €101mn, higher than 1Q 2023 by €18mn, thanks to the impact of GRIN incentive which is 42€/MWh in this year and null in 2023, coupled with new asset contribution, as already commented.

In France the EBITDA is €22mn, lower than PY, because of worse wind conditions and lower captured prices due to lower market scenario.

In Germany the EBITDA is €13mn, lower than previous year which was influenced by higher hedging prices.

In Eastern Europe the EBITDA is €18mn, slightly lower than PY, with lower sales prices that are partially offset by better wind conditions in the area.

In UK & Nordics the EBITDA is higher than previous year by €7mn, mainly due to the productions of the new Scotland assets.

In Spain the EBITDA is €2mn, lower than previous year because of lower captured prices, partly offset by perimeter effect coming from new acquisitions.

Now I will comment now on the investments in the period, as per **page no. 10**.

In 1Q 2024 we invested €154mn: an amount which is higher than the one invested in 1Q 2023, mainly due to the acquisition of Wind and Solar plants in France for €84mn.

In 1Q 2024 we made about €67mn of organic CAPEX, of which €48mn in Italy for repowering of Wind assets, €7mn related to our first storage plant in Sicily, and €8mn in France for greenfield projects (3 wind farms for 60MW under construction).

Let us now move on to the financials, commenting on other items of P&L, on **page no. 12**.

Amortization and depreciation are at €59mn in line with previous year as an effect of lifetime extension program on French and German assets offset by higher depreciation for new plants in operation.

Net Financial charges are at €2mn, vs. €5mn in 1Q 2023, mainly influenced by increased liquidity remuneration in a scenario of higher interest rate, with a debt structure almost completely at very competitive fixed rate (we have a gross debt cost of around 1.5%).

Tax rate in the quarter is 25%, higher than 22% of 1Q23, due to the cancellation of ACE benefit in Italy.

As a result, the adjusted Net Profit of the quarter amounts to €78mn, in line with 1Q 2023.

Finally, let us take a look on **page no. 13** at the Cash Flow Statement and the Net Financial Position.

The Net Financial Debt closed at €1.5bn, €55mn higher than the end of 2023, mainly driven by a solid cash generation netted by the already commented investment of the period, and the last part of the share buyback for €37mn, that ended in February.

Thank you for your attention.

**Alessandro Garrone:**

Thank you, Michele and good afternoon, everybody. I am very happy to share with you the significant steps we made since end of 2020. A very remarkable path! First of all, in 2023 we finally completed our energy transition (as you can see on **page no. 15**), and we became an independent pure renewable and international player.

Further, for the very first time in our history, we made our entry into the US renewable energy market - with a Wind & Solar portfolio - thanks to the partnership with Apex Clean Energy.

Our execution was impressive, having added to our portfolio 1.2GW. Capital employed is now 100% renewables.

It is worth mentioning that, after the disposal of our CCGT plant we basically became zero carbon for scope 1 and 2, so our roadmap towards Net Zero in 2040, certified by SBTi, will lever on the supply chain which constitutes scope 3 emissions. And our ESG plan will cover this issue, as we will see afterwards with Emanuela.

Let us now have a look at our new shareholding structure, as per **page no. 16**.

In April, following the completion of the Sale and Purchase Agreement executed among San Quirico and IFM, IFM itself increased its stake in San Quirico Renewables from 35% to 49%, and so San Quirico stake went from 65% to 51%. This was part of the original agreement signed in 2022. The role of IFM into ERG shareholding is positive, due to the strong track record of IFM in the industry, its long-term perspective, and the possible insights in new geographies, coupled with its commitments towards a Net Zero target. Further, the Ordinary Shareholders' Meeting appointed the new 12-member Board of Directors, based on the new shareholding structure, for the next three-year period. We believe the new Board of Directors gathers new skills which are very useful to face the challenges of the current environment. In addition, we enhanced gender diversity at the Board of Directors level, with the entry of four women and reaching gender equality. We even strengthened our best-in-class governance with all the internal Committees made up by internal managers to oversee all the areas of our strategy. We added a new Committee focused on assets performance, as our primary objective will be on optimizing our asset base and maximizing production.

Here on **page no. 17** a quick – and, I would add, really impressive - summary of what ERG has done over the last three years, since we announced our unprecedented transformation into a pure Wind & Solar player. And here we are now.

Since the end of 2020 we have managed to add 1.2GW of new Installed capacity in Wind & Solar, in different geographies, through a good mix of organic (repowering and greenfield) and M&A. Over the same period, we disposed of more than 1GW of conventional assets, and namely our hydro and gas fired plants.

Definitely a strong, very strong execution.

As you can see on **page no. 18**, since we integrated the ESG strategy into the Business Plan and reorganized the ESG area reporting to the CEO, all the ratings have gradually improved, outperforming the sector average, confirming our positioning in the top tiers in all the leading international ESG rating agencies. Amongst them, let me spend a few words on some examples:

- we received an "Advanced" rating from Moody's, the most used rating for the Second-Party Opinion on sustainable finance
- we also achieved the triple-A on MSCI, the most used rating by institutional investors
- moreover, CDP - the international agency focused on evaluating companies' Climate Change performance and strategies - recognized ERG in the Leadership List.

ESG is not just about appearance in ERG, but it is a genuine substance, driven by our belief in its importance. We are really implementing our ESG strategy through a concrete action plan in all the items of ESG, ranging from environment, engagement, people and governance.

All these recognitions, coupled with the results achieved so far, make us confident that we can successfully continue our journey.

Thank you for your attention so far. Now, it is over to Paolo, who will go over our 2024-2026 Business Plan.

**Paolo Merli:**

Thanks Alessandro.

Before analyzing our strategy and goals for the future, I think it is worth putting everything into context. The current price scenario and the regulatory framework are both significantly different from what we, or anyone else, would have expected one year ago, or even a few months ago.

As far as price scenario, we have never seen such volatility. Over the last few months European electricity markets have experienced very low prices, which we believe should be - at least partially - a temporary effect.

As far as the regulatory framework, the roll-out of the green policy is not as fast as needed. Just to give you an example, we are still waiting for the FER X Decree in Italy, that should set CFD auctions for the 2024-2028 period: in other words, it means that we still do not know at what prices we can sell energy from either our new greenfield or repowering projects.

Also given this uncertainty we opted to focus our Business Plan on the next three years, 2024-2026, with just a few projections on 2028.

Let us get started by showing what ERG is today, as per **page no. 21**.

ERG is an Independent Power Producer of clean energy from wind and solar sources with about 3.7GW of installed capacity right now. For the very first time, we are officially in the US with a quite sizable asset portfolio and the ambition to further develop it.

We can rely on a pipeline of projects for around 5GW, which keeps improving in size and quality: a pipeline well spread across Europe and US, made of Wind, Solar, Battery Storage and Hybridization Projects. Repowering represents a significant part of this, as well as co-development agreements, in Spain and US.

When talking about the pipeline, the key message is we are definitely advancing in the permitting of projects, but we will move them into the construction phase just under certain conditions, among which returns should be in line with our new objectives to create value.

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

So, we have seen what we have done over 2021-2023: an impressive growth.

Now, on **page no. 21**, looking forward and for a moment just considering fully secured projects - I mean the ones where we already took a Final Investment Decision, we expect to reach about 4GW of installed capacity in 2025, so about 700MW of fresh capacity. or +20% compared to 2023.

I repeat it this projection only includes fully secured assets, either already operational - because we bought them through M&A transactions - or currently under construction.

So, let us see them. Here, on **page no. 23**, you have a list of assets currently under construction for a total amount in excess of 300MW: greenfield, repowering and also our first installation in battery storage. Those assets are in Italy, France, UK, Germany, as geographical diversification remains central in our strategy.

Still, as you can see, we can count on a visible growth and projects in the short term.

Let us move on...

As you can see on **page no. 24**, another pillar of our strategy is our commitment to securing the route-to-market for our productions. This is especially important at a time of high volatility and unprecedented uncertainty around energy prices.

Since 2021, we have signed several Long-Term Contracts or PPAs with major corporate counterparts, and we did this in different geographies, proving our capacity to deliver successfully on our commercial strategy.

As of today, almost 3TWh of production are secured through PPAs, which means about, or even more than 30% of our entire portfolio.

We think this is one of our strengths. Looking at the future we expect to expand the PPA portfolio by leveraging on our expertise and track-record so-far.

So, let us move on...

In preparing our Business Plan, we analyzed the cost base and operating model with the ambition of reaching a level of operational excellence. We came to the conclusion that ERG is already quite efficient from a cost point of view, especially in the Operation & Maintenance field, as shown on **page no. 25**.

We found a little room to extract some synergies on G&A costs.

But with regard to O&M, as you know ERG has mostly adopted an internalized model that allows us to minimize costs and enhance asset performance. 50% of our fleet is fully

internalized, 5% is based on a hybrid model and 45% is externalized with Full Service Agreements, and in particular the new assets.

Given that our asset portfolio has grown rapidly over the last 2-3 years, we need now to increase focus and effort in particular on the new platform of WTGs that are operated through “Full Service” Agreements. So, we believe a pro-active approach can lead to better technical availability and load factors, allowing us to extract additional value.

And because TCM (so, the Technical and Commercial activities and management) of all our assets is internalized, we can leverage on a full set of data.

With this in mind, we recently created an internal Technical Management Committee to oversee the performance of wind and solar farms, with the goal to reach the full technical potential of our asset portfolio.

And now let us have a look at the business environment we operate in: I am on **page no. 27**.

The renewables market remains one of the pillars of the energy transition, growing double-digit in the EU and US, with positive growth prospects in the coming years.

So still a promising outlook.

Given that we believe for sure in those trends, and as we believe wind and solar technologies will play - and will keep playing - a major role in the energy transition we also believe - let us face it - that regulatory frameworks and electricity market mechanisms, especially in Europe, are not yet where they need to be, and they must be adapted and evolved to attract all the investments needed to reach those targets.

But I will comment in a moment on our Policy Asks, let us first focus on electricity markets.

As I said - I am on **page no. 28** - although Renewables is a growing market, it undoubtedly faces several challenges. One is the increased volatility in energy prices as RES penetration rises, as well as increased hours with negative prices.

In the last few years, we have grown accustomed to dealing with this uncertainty. Recent months have been no exception. As shown in the chart, over the last six-seven months there has been a strong downward trend for both gas and CO<sub>2</sub>, which are basically setting out the price for electricity in the European markets. As a consequence, electricity prices in recent months have dropped significantly.

In this context it is pretty difficult to have a clear view on the scenario going forward, with volatility for sure expected to remain high. As you can see, the price scenario our Business Plan is based on falls at the bottom-end of last-years price volatility range.

We will be working on our strategy to stabilize revenues in order to have our target of 85%-90% of quasi regulated EBITDA, which means basically backed by CFDs, PPAs or other similar mechanisms.

Moving forward onto **page no. 29**, on top of price scenarios, there are other macro-challenges we are facing as an industry: the higher capital intensity and the higher cost of capital.

Heavy tensions on the supply chain have led to a quite dramatic cost inflation with a sharp increase in the full cost to install a new megawatt both for Wind and Solar. For sure Wind is under more pressure (you can see from the chart), although we now see a certain degree of stabilization and a slight reduction for Solar PV.

Cost of capital has increased quite significantly, by +400/500 bps in the last 2 years and we expect it to remain higher over the Plan period, with just partial cutbacks of interests expected in the next 12-14-24 months.

But at the same time, we think ERG is in an enviable position to face those two macro-challenges: we can rely on a diversified pipeline of projects and on a sound financial structure.

As far as asset portfolio, I have already said we have 5GW of pipeline which can be activated through a flexible approach, targeting more challenging project IRR. I will say more about this in a moment.

As for cost of capital, we have a strong and fully hedged balance sheet and an Investment Grade rating, leading to highly competitive cost of debt. Michele will elaborate more on this.

Our main commitment is to create value through a selective and cherry-picking approach and leveraging on our sound financial structure.

Now a quick outlook on the Regulatory Framework, let me talk about our Policy Asks: I am on **page no. 30**. As I said, in this context an important role should be played by Regulators. There are some challenges that in our opinion still need to be addressed.

Here we listed the four challenges we see and we expect the Regulators to fix as soon as possible.

Route to market: some countries, Italy but also Northern Ireland for example, still need to approve their multi-annual support scheme for RES investments. In Italy we have been waiting almost 2 years for the FER X Decree to be approved... and we are still waiting: this is causing uncertainty, and it is lowering visibility.

Repowering: we believe that bespoke targets in national Plans and dedicated auctions in addition to an accelerated permitting are needed. But this is not happening. In Italy, repowering is even penalized by an additional 5% mandatory discount applied to awarded CFD tariffs. The measure makes no sense, as repowering means, as you know,

dismantling an existing asset and building a new one basically from scratch, so it is an unfair disadvantage. We will be going on with our new repowering projects only if and when the right conditions arise. So, we will be waiting in Italy for instance for the issuance – for instance – of the FER X Decree.

Storage: basically, the same issue. We are still waiting for a clear regulation and mechanism to support this kind of development that we perceive as necessary to accompany the energy transition.

Grid connections represent a challenge in many countries we operate in Europe. There is a tremendous need to accelerate investment deployment on grids, again to accompany the growing penetration of renewable assets in the systems. Our side, we are developing some hybrid projects to optimize the use of our connections, in particular in Italy and France.

More in general - and the recent negative power price phenomenon across Europe is telling us this - a market re-design would be needed more than ever to adapt it to the new reality, made of higher and higher renewable penetration.

So, definitely among our objectives is most certainly the advocacy to sustain these Policy Asks, at Italian and European level, with the support of the relative National and European Associations.

So, it is now time to see how ERG has decided to respond to this changing environment. We have decided to adopt a selective and more flexible approach to seize market opportunities.

Having completed the transformation of the Group into a pure renewable player we have now evolved our strategy by shifting the focus from “Volume” to “Value”. And later on I will explain and elaborate more on this concept.

So, let us move on to the next **page no. 32**. Here our strategy for 2024–2026 is summarized.

- Growth: we aim to reach 4.5GW of installed capacity by 2026, with a projection of about 5GW in 2028 through a selective approach on our large pipeline
- Investments/EBITDA: we expect to invest €1.2bn in the period and we target an EBITDA range of €600-650mn in 2026
- Route-to-Market: we confirm our target to have 85%-90% of quasi regulated EBITDA, which means - I repeat it - backed by CFD, PPA or other price mechanisms. This is consistent with an Investment Grade Profile and a Financial Policy with a 4 times Net Debt EBITDA ratio
- Value creation: in the spirit of “Value over Volume” we are targeting an unlevered return for our projects of 200-400bps over the cost of capital

- As far as geographical diversification, we are prioritizing key core countries and US in order to maximize our value creation. In US we are targeting 0.5-0.7GW of capacity by the end of 2026. Asset rotation can be an opportunity to be captured in the BP period
- Storage and Hybridization to increase asset portfolio flexibility: we are pushing on digitalization as well, to optimize asset performance.
- ESG remains at the core of our strategy. But Emanuela will elaborate about this
- And last but not least, enhanced shareholder remuneration. So, a new distribution policy within a floor of €1.0/per share (in the form of cash-dividend) and a cap of €1.3 with potential upside defined year-by-year based on yearly performance and perspectives. That upside could be paid even through buyback. So, a really flexible approach with a potential upside compared to the previous one, which in my opinion was already at a premium compared to most of our peers.

And now a little bit more on our targets, as per **page no. 33**.

Capacity: 4.5GW in 2026, which means adding 1.2GW in the period (which is basically what we have done in the 2021-2023 period), of which roughly 700MW already secured, basically already in operation, coming from M&A, or currently under construction. Capacity in 2028 - I have already said but this is a projection - should be expected at around 5GW.

CAPEX: we expect to invest roughly €1.2bn of investments in Italy, Europe and US, and the projection for 2024-2028 is about €2bn.

We believe those are challenging targets, but also at the same time concrete and visible. So, thanks to our sound financial structure we believe to be in a position to accelerate this, if and when opportunities arise.

Now on **page no. 34** a little more visibility on our pipeline, that could be broken down - this is the exercise we have done - into different layers, which include assets under construction, greenfield, repowering, co-development. We added the pipeline in the US, which is basically regulated by the Preferential Right Agreement we signed with our partner APEX to further develop our portfolio.

The pipeline is made up of projects at different stages of permitting, some already fully authorized, in particular in the repowering layer.

Seeking Value over Volume means having a “selective approach” in picking projects from the pipeline: they must meet some pre-defined criteria such as:

- focus on core countries with a clear regulatory framework
- already secured through a CFD or PPA route to market
- land and CAPEX well defined maybe be also through an EPC contract, and
- proven technology to optimize production.

Flexibility, selectivity, cherry picking, call it what you want, but that is the approach we want to pursue, when making our Final Investment Decisions.

The final objective is to reach our IRR project targets, as mentioned before.

This selective approach across the board will be key in our strategy, as shown on **page no. 35**.

We will keep growing internationally, consolidating key geographies, with a clear focus in the US, where we will adopt a learn & grow approach.

That is also the spirit with which we selected APEX as our partner in the continent, because we believe it is a best-in-class operator.

We will consider new opportunities to enhance our returns, also taking into account asset rotation opportunities. Nothing has been defined yet, but this is an option to be explored, as long as it will create value.

And now a couple of words more on our entry in the US. I am on **page no. 36**.

We see our agreement with Apex just as a first step in a market that offers interesting growth and return opportunities. We aim to make the US one of our largest markets abroad, counting on a favorable regulatory environment and highly attractive and qualitative resource zones.

As said, we are targeting 0.5-0.7GW of installed capacity in the Business Plan period which basically means doubling the current existing capacity. APEX has a strong track record in the US, and we are looking forward to working with them to explore further opportunities.

Let us move now to repowering (on **page no. 37**), which is a hallmark of our Pipeline.

Through repowering, we enhance the efficiency of wind assets by replacing outdated turbines with new, state-of-the-art ones that are more powerful, more efficient because they are capable of catching wind in a larger span of velocity. This facilitates an increase in energy productions. In the end, as you know, we like to summarize the Repowering in three numbers: doubling the installed capacity occupying the same soil, halving the number of wind towers and turbines, and tripling the output, so the electricity production. So, those are the usual three magic numbers that go around repowering.

Over the last few months, we have brought into operation three repowering projects: some are still under construction, some are fully authorized but still waiting for clarity on the regulatory side. I have already said about the FER X Decree.

We are talking about a sizeable pipeline of about 750MW. Here I insist with our “Value over Volume” approach: projects will be pursued only when yielding is coherent or consistent with our target, and the risk profile of this new business environment.

As I said, over the Business Plan period we expect to explore the opportunity to increase the flexibility of our asset portfolio by developing projects both in Battery Storage and Hybridization. I am on **page no. 38**.

As for BESS, we have more than 200MW in the pipeline between Italy, Spain, France and UK. Same issue here: we are still waiting - as already said - for regulatory scheme and mechanism to be set. In the meantime, we are building our first project in Italy, in Vicari. It will be on stream in 2025.

Basically, the same idea on Hybridization. We have more than 150MW in the pipeline, mainly concentrated in Italy and France: here again, to start, we are developing a plant of 34MW in one of our existing wind farms in Italy.

So, we believe these kinds of projects will help stabilize Renewables penetration into the systems, contributing to a faster and more sustainable energy transition.

Now Route-to-Market, as per **page no. 39**. As I said, we want to leverage on our Energy Management expertise to optimize the route to market strategy. Our aim is to preserve a “quasi-regulated” business model with the objective to secure 85%-90% of our portfolio production through CFDs or PPAs.

The preferred route to market is CFD, of course in those countries where auctions are run at sustainable levels of pricing. That was not the case over the last two years.

ERG will pursue derisking of its portfolio also through PPAs, in particular for already existing assets that phased-out from incentives, that are not allowing any longer to participate into the auctions.

Although we already proved to be successful in closing PPAs, we are studying a wider commercial proposition to expand our PPA portfolio. At the same time, short-term hedging will remain part of our business model.

Now back to Michele who will walk you through our Financials.

**Michele Pedemonte:**

Thanks Paolo and now let us have a look at the main targets and KPI for the 2024-2026 Business Plan.

Here - I am on **page no. 41** - we show the trend from 2023 EBITDA to 2026. We expect an EBITDA in the range of €600-650mn. Out of the total, we expect 25% to come from

Solar, with a more or less 50-50 split between Italy and abroad. As far as our EBITDA abroad, we are expecting 15% from the US, and the remaining in EU. So, it is easy to say that a big part of our growth will be in the US.

We keep on targeting a strategy of EBITDA securitization to maintain an 85% share of quasi-regulated EBITDA thanks to price stabilization mechanisms such as CFDs and PPAs, as Paolo explained before.

And here (**page no. 42**) just a bridge on 2026 EBITDA vs 2023, first of all EBITDA will benefit from contribution of new assets addition, planned in the Business Plan.

More than a half of the expected new assets contribution can be considered as secured, as it refers to assets under construction or already acquired.

We are expecting a smooth normalization of production, but all those positives will be partly offset by a negative price scenario in the Business Plan and by the incentives phase-out.

A driver of our economics in the Business Plan period is of course represented by the phasing out of the incentives, as you can see on **page no. 43**. It is not something new: we knew we have to deal with it. The incentive phase-out relates mainly to Italy, but also to our oldest wind farms in France, Germany and Bulgaria. In the Business Plan, 640MW of incentives are phasing out.

We believe that 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 our old assets through PPAs, both corporate and utilities, maybe of shorter tenor (5 years), as we have already done in the past in France and in Italy. Or, alternatively, we can secure our top line through the repowering of the assets that, as you know, after repowering become again eligible for long term CFDs.

As you can see in this chart, most of our 2024-2026 production is hedged through short-term hedging, green certificates, long term PPAs and CFDs. Some CFDs are one-way CFDs, which basically means they are partially exposed to the market, whenever prices are above the guaranteed floor.

I think it is worth noting that a portion, though limited, of our portfolio production is still exposed to merchant volatility; that is unavoidable, also considering the intermittent nature of our sources, Wind and Solar.

Here (on **page no. 44**) you have some more details on our financial structure.

From this point of view the storytelling has not changed: we have an Investment Grade rating from Fitch, and we want to maintain it. In other words, we will keep seeking a sustainable growth also from a financial standpoint.

Our gross debt is fully hedged, and for more than 90% it relies on sustainable sources like green bonds and ESG loans.

The first refinancing need is in 2025, when our first €500mn green bond will expire. The new issue will benefit of a €250mn pre-hedge at a rate of 0.4%, well below the current market rates.

As per **page no. 45**, we are targeting a net financial position at 2026 below €2bln, in line with our financial policy and, above all, with the metrics for the Investment Grade rating, the pillar of our financial strategy.

As you can see, there is still headroom in our debt capacity that we can exploit to accelerate our growth in line with our financial discipline, but at the same time always delivering an enhanced shareholder remuneration.

We can lever on our highly competitive cost of capital, which we expect to remain under control during the Business Plan period and marks an additional distinctive point vs. our peers.

And on **page no. 46** here you can see what I mean when talking about a highly competitive financing cost: our cost of debt is the lowest if compared to our peers, and we have the highest portion of sustainable sources, which is also one of our ESG targets. This financial structure is the result of the financial transition of the Group made in the last years of low interest rates, from project finance to a green and sustainable corporate debt structure: as a result, we can deliver an enhanced net profitability for our shareholders.

And now over to Emanuela for her comments on ESG strategy.

**Emanuela Delucchi:**

Thanks, Michele, and now let us focus on ESG.

So, I will drive you through our ESG strategy which, I remember, in ERG really means a substantial choice, fully embedded in our business model. We have on **page no. 48** a snapshot of our new ESG plan: we have 18 main targets, consistent with 14 out of 17 SDGs.

As far as Planet, we are still committed to become Net Zero in 2040 and we will see more details in the following chart, where we will also see the enhanced commitment to circular economy. We also strengthened our commitment to Natural Capital, and it entails three main strategies, here: no GO in UNESCO areas, no net deforestation by 2025, and no net loss on biodiversity by 2030. So, our strategy of minimizing nature

losses and compensating (where possible) aims to achieve a non-negative impact on Nature by 2030.

In Engagement (which is the other pillar), we continue supporting local communities where we operate, sharing value for their social development, not only through economical contribution but also ensuring an involvement of local younger generation in educational programs on sustainable development through our ERG Academy, which has been launched in 2023. Regarding People, here our top priority is Health & Safety of course of our People. In addition to that, we even aim at creating a more international and inclusive ERG. I will explain our D&I strategy afterwards in a chart.

As far as Governance, we want to further enhance our best-in-class Governance, in all the areas of the business model, ranging from a strengthening of tax transparency together with the focus on supply chain and even the green financing, as Michele has just explained.

To sum up, I would say a solid ESG strategy based on well-defined KPIs, continuing the successful journey we saw as of 2021.

On **page no. 49** you find our strategy in Planet.

It is for sure evident that climate change is one of the main risks the Planet is facing, and our commitment to decarbonization remains a key priority for ERG. After the disposal of the CCGT plant, we are now Net Zero for scope 1 and 2 emissions, so of course an important achievement for ERG. As a result, the Carbon Index reduced by 88% in 2023, aligning with our Net Zero strategy, which has been approved by SBTi. We are now confirming to reach Net Zero by 2040 and in the Business Plan we will be working on the supply chain, which in 2023 was responsible for over 98% of our Emissions. Through our sustainable procurement program, we are engaging our supply chain to improve all the ESG performance, but with a clear focus on reducing their carbon footprint.

Circular Economy is another pillar of our strategy in Planet. For our Wind Repowering projects, our commitment to the Circular Economy is now enhanced and it becomes 'zero waste to landfill,' maximizing the reuse of Wind turbines. For our Solar revamping projects, we are exploring new recycling technologies. And our commitment here is to promote the reuse (if it is possible, of course), recycling, and recovery of materials, minimizing the environmental impact, and disposing less than 10% of materials in landfills.

And here, on **page no. 50**, the Project "Social Purpose for Solar Revamping," which has been launched and implemented in 2023 and continues to be part of our Business Plan. It is based on the fact that we have 2MW of dismantled panels (about 9,500 modules) that could be reused in projects with a high social impact, leveraging on partnerships with NGO (Non-Governmental Organizations) and other industrial players active in logistics and electrical equipment.

The 'Social Purpose' projects are one of the peculiarities of our ESG Plan, and they go beyond the circular economy: we met lot of enthusiasm amongst the NGOs and even in our partners, who helped us in developing our first projects we launched and partially implemented in 2023, 2 in Italy (already completed), plus one in Malawi (to supply an hospital, now under installation) and another one in Madagascar (to supply a school, again under installation).

We are scouting for the new Business Plan several projects in Italy and Africa and even in Ukraine to support international NGOs to ensure energy self-sufficiency for disadvantaged communities.

We are working to continue developing these projects throughout the Business Plan period and even beyond.

And here on **page no. 51**, our path towards D&I. For ERG, diversity is essential to manage complexity.

Since the end of 2020, we have taken many steps forward and have worked on D&I with a 360-degree approach. Gender equality is still crucial for us, and we have adopted a substantial and sustainable approach, that is helping us overcome biases and inequalities.

We enormously improved (as you can see in this chart) all KPIs by implementing policies, setting goals, constantly monitoring them, and also guaranteeing equity in all the parts of the HR processes. Our history and our cultural transformation demand continuous commitment to this theme, setting goals for ourselves, and here you see our new goals, and we are also pursuing training programs to evolve our corporate culture. In 2024, we are even planning to reach the gender equality certification for Italian legal entities, and in the Business Plan period, we are targeting to get an international one.

Inclusion is not only gender of course, but it covers all the diversities driving to a cultural evolution. We foster interaction among different generations – and you can see here also our target for ERG Academy - both internal and external. We are doing this in all the countries to foster an international approach and to spread over the culture of a sustainable development. We manage that people with disabilities are allowed to provide for a meaningful contribution to the Company based on their abilities, motivations, and even aspirations. For this reason, every person with a disability can continue working on their employability and skills (through Individual Development Plans for 100% of population).

Our aim is to evolve and become an international and fully inclusive Group.

And now over to Paolo for his final remarks.

**Paolo Merli:**

Thank you Emanuela, now let us see our updated guidance for 2024 and then I will wrap up with my final remarks summarizing what we have seen, said and presented so far.

So, guidance for 2024, as per **page no. 53**.

I will keep it short: the guidance is unchanged compared to last time.

EBITDA is expected in the range of €520-580mn, which would become €540-600mn including the Full Year Contribution from the US asset portfolio.

CAPEX is expected within the range of €550-600mn including the cash-out for the acquisition in US and in France in 1Q 2024, as well as the CAPEX associated to the assets currently under construction.

This translates into a NFP at year-end expected in the range of €1.75-1.85bn.

So, coming to the conclusions, on **page no. 54**: the key message – I want to repeat it - behind this Business Plan is to keep creating value despite a challenging environment. And we have summarized it with “Value over Volume”.

Here in this chart there is also a summary of the main key targets:

- we want to maintain a selective growth: targeting an additional 1.2GW, out of which 60% secured. We have a solid pipeline underpinning the target and we will be considering, as already said, potential asset rotation opportunities if this unlocks value
- then we stick to our quasi-regulated business model: EBITDA at €600-650mn expected in 2026, with 85%-90% of it secured through CFDs and PPAs, or a kind of quasi regulated mechanism
- strong balance-sheet: we want to maintain financial solidity. We are committed also to maintaining an Investment Grade rating and a competitive cost of financing. This will give us further room to re-leverage and accelerate growth
- last but not least, we want to launch an enhanced dividend policy: we are providing a flexible annual shareholder remuneration with a floor of 1.0€/share paid through a cash dividend, and a cap of up to 1.3€/share. The upside could be payable either through an extra-dividend or by buyback shares.

Thank you very much for listening. Now a quick video, then we will be ready to take your questions.

*[video]*

**Emanuela Delucchi:**

So, thank for our attention. Now we are ready to take your questions. So, over to Chorus Call for their technical assistance. Thank you.

## 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 Paul Chabran with Kempen. Please go ahead.

**Paul Chabran:**

Yes, thank you, and good afternoon, everyone. Thank you for the presentation. I have a couple of questions related to your value creation target. First of all, the spread that you are targeting, 200 to 400 basis points: I think it is among the highest in the RES space, higher than some established players like EDPR for instance, but also higher than what you were targeting before. So, what do you think... what would you say, you know, changed as compared to before, and what do you think will be the main component of this outperformance compared to peers?

And I have a second question, which is on CAPEX, so it is also related to value creation. What are your assumptions in terms of unit CAPEX for the next 2 years, considering that panels prices are still at an all-time low level and, as you said, the price of turbines are stabilized? And related to that, would you be open to use Chinese turbines instead of turbines from Vestas or Nordex? Yeah, those are my 2 questions. Thank you in advance.

**Paolo Merli:**

Okay. Thank you for your questions. So, let us start from the first one, on the hurdle rates and the target in terms of IRR return we set for our projects. We think we are not the only one, according to our benchmark. But, apart from others, we believe we are in a time where having a higher buffer is consistent with the volatility, the current volatility of the market and the other risks associated to the business (in particular, the regulatory one), and the market in the long-term. Because right now, across the board we are... not us, but the Regulator is discussing about market re-design and everything. So, we think it is very, very consistent with the current trend, and even before we had a buffer in the region of 150-200 bps.

And the range depends on different characteristics: the country where we are investing, the stage of the project: I mean, if it is already operational or ready-to-build, or even

before their ready-to-build status. So, we are quite confident that we have everything we need to reach those targets, looking at our pipeline; and, opportunistically, we will see also on the M&A market, if we can extract that kind of value.

About the second one on CAPEX: maybe you need a little bit more details in order to reconstruct the exact CAPEX per megawatt, because consider that there are roughly 200MW that are currently under construction, but roughly €200mn of CAPEX related to those constructions were spent and allocated in 2023 Profit & Loss. Then you have to add these €200mn to the amount, if you want to do this kind of division: I mean, CAPEX divided by number of megawatts. On top of that, please do not forget that the assets currently under construction (more or less 250MW) were still kind of protected by the framework agreement we signed in 2020 with Vestas, that means that they are enjoying a super-competitive pricing for wind turbines.

Last but not least, also consider the part of the CAPEX associated to our entry in the US. We publicly announced \$270mn, which means roughly €240mn: if you divide that amount for 317MW, you will reach roughly €0.7mn per megawatts. So, if you put all this together, you will arrive to reconstruct the right value of CAPEX per megawatt. For the remaining assets, on top of those already fully secured, we are assuming a cost per megawatt in the region of €1.6mn for Wind and roughly €0.8mn for Solar PV. I hope this answered your question...

Now, about the Chinese turbines. Yes, we met them - I do not like to say names - some Chinese OEM, but for the time being, we are just exploring what the market has to offer. And for the time being, we are more confident with our traditional OEMs. So, let us see what the future will bring, but for the moment our projects are covered with western technology in the Wind. While in Solar - you know, but that was not probably the question - 90% of our solar plants, the most recent ones, were equipped with Chinese manufacturers and materials.

**Paul Chabran:**

Yeah, thank you, that was very helpful. And I just have a quick follow-up, if I may. You were mentioning that for projects that are not secured yet for Solar, your assumption in terms of CAPEX will be around €0.8mn per megawatt. So, I am a bit curious here, because it is a little bit higher than what you could achieve in the past few years. And at the same time, as discussed just before, the price of panels has plummeted over the past 12 months. So, I am trying to understand what would be driving a higher CAPEX per megawatt, while the cost of the main component is decreasing?

**Paolo Merli:**

This is the assumption in our plan, because from outside it is easy to simplify as you did, but it actually depends also on the kind of solar PV: it depends if it is based on a truck, or

if it is agrivoltaics, and it depends on the details of the technology. For the time being, we are quite confident that our estimate - I repeat in the region of €0.8mn, not €1mn - is a sound assumption. If it is going to be less, we will be happy for that. I do not know if Michele wants to add something...

**Michele Pedemonte:**

Yeah, if I may. You are right that there was a strong decline in the price of panels, but maybe it is not so anymore, at least for the size of the plant that we have in Italy. The main pricing factor, the more relevant one today for a plant in Italy is the EPC cost; and for example, connection costs also play a role if the size of the plant is not huge. So, it is true that the price of the panels is much lower than in the past; but at the same time, we do not see similar trend in the other component of the CAPEX structure of a solar plant. So, this is the reason why we are assuming - as a Business Plan assumption, so from a prudential point of view - the figures that Paolo was mentioning before.

**Paul Chabran:**

That is very clear. Thank you very much.

**Operator:**

The next question is from Roberto Letizia of Equita. Please go ahead.

**Roberto Letizia:**

Yes, good evening, thanks for taking my questions. I would like to remain on the previous question on the IRR of the projects, which are ramping up... well, not ramping up, you are focusing on those projects having 200-400 bps spread over the WACC, but where do you think these projects are coming from? Because you did not change significantly, you only slightly reduced from 4.6 to 4.5GW the target in 2026, but the very first part of the growth (so namely 2024, and potentially 2025) is made up of all projects for which the hurdle rate was set already in the past. So, I actually do not think that those that are entering on stream - and if I am wrong, I would like you to explain it - are getting this much higher IRR versus the older targets of 100-200 bps spread over WACC. So, where are actually the most profitable assets coming from? Is it mainly the US, which is the novelty of the plan, or what are actually the projects you are expecting to get such a high IRR return?

Then my second question is still linked to the previous one. Actually, you have the balance sheet, as you mentioned, you even have reduced the targeted net debt to EBITDA, which is now 3 times at the end of the plan, versus the old target which was 3.5 times net debt to EBITDA. But at least with your Investment Grade, you still have space for your balance sheet to do more on the assets. So, in this condition, I do not really fully understand why you are not realizing also projects that have 100-200 bps above WACC,

they will still be profitable. You have the space into your balance sheet, maybe you have some in your pipeline, but actually I do not fully understand why... if your balance sheet allows it, why are you not doing that? Because they are still profitable at a slightly lower IRR spread.

Then a clarification or explanation: basically, you have reduced the EBITDA target in 2026 roughly by 7% like-for-like adjusted for the IFRS recognition and the change in the perimeters. But you actually have increased quite significantly the assumption on power prices, because on average your previous assumptions were in the region of 60-80€/MWh. But now you are assuming some countries to be in the region of 100€/MWh. So, just looking at Italy, there is a 20€/MWh higher power price assumption in 2026 versus what the old plan was showing. So, I do not fully reconcile the new EBITDA with the higher price. So, what am I missing in the puzzle for having increased the power prices, but reduced the expected EBITDA at the end of the plan?

And one final question: in case the FER X Decree arrives in the coming months, actually - if it is approved in the way we saw it at the beginning - it still could be one of the most profitable incentive scheme out there, with inflated prices for 20 years, starting at 85€/MWh (that is for Solar), and having a 20-year lifetime with inflated and protection against volume. So, I was just wondering, if this arrives in few months, how many projects in Italy do you currently have to capture in the next 2 years with this very profitable framework, beyond the repowering projects that you already showed in the previous plan, the residual repowering projects that you have? Would you be able to capture that significant return with pipeline in the country, beyond the residual 400MW of repowering? Thanks a lot.

**Paolo Merli:**

Okay. Roberto, I would try to go through the list of your questions. As far as the first one, I do not know why you are so surprised about the buffer we set on top of the WACC, because I think this is very consistent with the volatility and the phenomenon we are looking at right now in the markets of negative hours, volatility in prices and so on, also the regulatory uncertainty. And let me say, even more, that also in the past the projects I have in mind, the recent ones that entered into our scope of consolidation (for instance, the repowering projects we activated and put on stream last year), they had all almost a double-digit return, maybe thanks to the effort the management put in switching from CFDs, awarded through the auctions a few years ago, to PPAs. So, in the end, considering that the WACC is in the region of 5%-6%, to have a project return, an unlevered return in the region of 7%-10% should not be that surprising. So...

**Roberto Letizia:**

No, no. Let me correct you: I am not surprised at all, I am with you. So, the question pertains more on which projects or where you see those projects having this higher return. So, I fully understand the level of higher return required by the market condition.

**Paolo Merli:**

Let us say, we have a lot of projects. For instance, we have a good one in the repowering layer. And as you said, we are still waiting for the FER X Decree. I do not completely share the view that the first draft of the FER X Decree was so appealing for Wind installations, because they set a price in the region of 85€/MWh, while there are other geographies where prices are much higher: for instance, in Ireland, or even in UK, but also in Germany. Because you have to consider, for instance, that in Germany they tell you the reference price, but in the end the German mechanism has got some correction factors that bring the overall CFD tariff much higher than the reference value.

So, we have currently a small wind farm under construction, and it was awarded through an auction last year. I try to remember: the reference price was €70, but the actual tariff was above €100 because of the correction factor. So, you have to compare on a like-for-like basis. But I repeat: as far as the FER X is concerned, we are still waiting the final decree, which may be different from the draft that has been circulated a few months ago. We expect it to come in force within the end of the year, but still right now, when we are presenting the plan, we have no clear visibility on the tariffs. But I agree with you: there are some aspects of the decree, which are very positive. And the one you mentioned, the linked indexation to the CPI, is a quite positive aspect of the decree.

About the balance sheet: yes, you are right. In 2026, according to our projections, there would be still room to re-leverage the balance sheet of the Group. But, as I said during my speech, M&A is still seen as a way to accelerate our deployment, even beyond the target, but just in case there are the right opportunities: so, the ones that are in line and consistent with the returns we are targeting. And also consider that we approved yesterday in the Board a remuneration policy, which entails €1 as a floor. Then, just to be clear, the projections you have seen in the chart are based on a distribution of 1€/share. Then we will see year-by-year, if there is more room based on the yearly performance of the Group to distribute a little bit more, either through cash dividend or buyback. So, we like to have this headroom and we think it is a nice issue, let me joke, to have.

Then, about the target of installed capacity: yes, there is a small difference, 4.5 versus 4.6GW, but in the end, we think it is coherent with the Value over Volume strategy, and it is still a quite challenging target to meet, because it would mean basically to install about 1.2GW, which is exactly the same we have done over the last 3 years.

If I remember well... I think I have touched all...

**Roberto Letizia:**

No, the power price: the one on the power price.

**Paolo Merli:**

Now, maybe here there is a little bit of a misunderstanding, because the numbers you mentioned are those we presented in the 2021-2025 Business Plan, but in April 2021... and at that time we had completely different numbers. So, one year ago we presented a Business Plan which was based on much higher prices, and we have revised them downwards compared to one year ago. Absolutely, I think there is also a chart in the Business Plan presented in March last year, that is showing what I am saying.

So unfortunately - I think many analysts are writing about this - we are now experiencing a period and a time of lower prices across Europe, more or less. There are some countries that are suffering a little bit more, but more or less it is a phenomenon that we are living across the board in Europe.

**Operator:**

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

**Enrico Bartoli:**

Hi, good evening and thanks for taking my questions. For the first one, I would like to go back to the target in terms of CAPEX. Out of the €1.2bn in 2024-2026, actually €600mn is going to be spent in 2024. So that means that the additional 0.6GW that you are planning to add in 2025-2026 will require more or less €600mn.

I understand that there will be maybe some anticipation in this year, but I would like you to let us understand, in terms also of technology mix, what it is going to be and actually to help us to reconcile better this figure, considering that the cost of the new wind turbines that you are going to have will be definitely higher than what you had so far, because of the agreement with the wind providers.

The second question is related to 2025. You indicated that actually with the current project under execution there will be a 0.1GW increase in capacity. I was wondering if you can give us a hint of what you expect the evolution of EBITDA could be next year, considering that the capacity increase will be a bit slowing down. There will be different prices that you highlighted, and actually there will be also maybe the different price of the green certificate in Italy next year.

And a third question is mainly for the Executive Vice President. You highlighted that IFM has increased its weight in the holding controlling the Company. Can give us some

comments on actually what is the strategic approach of the Fund within the strategic decisions of the Company, and also what was their contribution to the elaboration of the current Business Plan? Thank you.

**Paolo Merli:**

Okay, Enrico. I will start by giving a little bit more details on the CAPEX. You are right: €600mn in 2024, the remaining €600mn in 2025 and 2026. I have already said that part of the megawatts, so the CAPEX for 2024 is fully crystallized, because we are talking about M&A already completed - the US one or the one in France in January - and the remaining are assets under construction, where we have basically full visibility on the CAPEX per megawatt. And all-in-all, it is very low, given the US one - I have already calculated - and the fact that the assets currently under construction are enjoying the framework agreement advantages.

Going forward - I think this is part of your questions, going forward - the new capacity is expected to be installed at a cost of €1.6mn on average per megawatt in Wind and €0.8mn in Solar PV. And I think the mix between Solar and Wind is crystal-clear for the current one, the one we are bringing to operation in 2024.

But going forward, I would say 60-40 something like that, 60% Wind and 40% Solar, also because half of the growth should come in the US, and there the pipeline under the preferential right agreement we have with Apex is more or less 50-50 between the two technologies, Wind and Solar.

2025 EBITDA: we expect throughout the period of the plan that EBITDA keeps growing to reach the range of the target in 2026. So, if you consider the range given for 2024 (€520-580mn), you should assume a growth of EBITDA in 2025 approaching the targets we gave for 2026. Please consider that – as Michele has showed in his part of the presentation - every year we have some phase-out of incentives, in particular in Italy, and that means we are losing part of EBITDA backed by this kind of incentives. So, the trick is to substitute - or more than substitute - this trend, in order to keep the Company growing steadily over time.

**Alessandro Garrone:**

Okay, it is my turn. Yes, about IFM: as I said, they grew in the participation of San Quirico Renewables from 35% to 49%. So, today San Quirico has 51%, and they have the 49% of San Quirico Renewables, which controls ERG.

The approach to decisions by IFM - I would say by San Quirico Renewables, because we work together - is really a long-term and industrial approach. And about the contribution they give - and they have given - to this Business Plan, consider that IFM has four members in the Board of Directors of ERG, and two of them are in the Strategic

Committee. So, they give a very good contribution, going inside all the Business Plan and, of course, taking all their experience in the renewable sector, to help our Business Plan and to evaluate our Business Plan.

**Enrico Bartoli:**

Thank you.

**Operator:**

The next question is from Roberto Ranieri of Banca Stifel. Please go ahead.

**Roberto Ranieri:**

Yes. Good afternoon, everyone. Thank you for the presentation. Just a couple of questions on the US market. We are seeing that in the US market there is kind of a new theme, which is supported by the data centers which are also increasing the demand in the US. My question is pretty general: do you see this theme to be disruptive in the US market, and do you see that this could be also transferred into in the European market?

My second question is on permitting. I would just like to know if the permitting process in the US is easier... and in particular, which is the process, which is the timeframe you have in order to access to the viability of the project, so basically which is the timeframe... the time-to-market of the project in US, typically?

My last question is on grids. In my opinion, US is probably not the perfect place for grids, which are not as integrated as in Italy for instance, or also in Europe. So, I am wondering if something has also changed in that place, in order to facilitate the investments in Renewables in the country. Thank you very much.

**Paolo Merli:**

Okay, Roberto. You can imagine, given the ups and downs of the electricity markets, how many analyses, how many deep dives we had around the fundamentals of the markets. So, we had a chance to share views with the main scenario providers, in Europe and US, and for sure, there is a common view that - despite the current phase of weak prices - the future prices should be driven significantly from the electrification of the world, given the energy transition but, in particular, from the growing demand driven by data warehouses, artificial intelligence and all this kind of things.

In fact, if you see the most recent PPAs that entered into our scope, both in Europe and US, you can see there are Google, Microsoft, all these companies, because they are very, very energy intensive. That is why, also during my speech, I said this current market phase should be seen - or, at least, we see it - as a temporary effect. So, the answer is absolutely yes, even though we also think that the Regulator must fix something in the regulation of the market, because the rules governing the electricity market are basically

the same as 30 years ago, more or less, while the market in the meantime has changed quite significantly.

About the permitting, for sure in the US - that is our feeling and our understanding – it is much easier than in general in Europe, and Europe can be broken down in different geographies, with different issues about the permitting. But let me also add that the way we decided to enter into the US is a little bit detached from the issues of the permitting, because we have this kind of preferential agreement with Apex, that is in charge of developing the projects and then we, as ERG, are buying them. We will find the right price together just when the project is at COD, is already in operation, basically. And that means the project has to have a long-term PPA, and to have already a tax credit scheme, and also to be fully, fully constructed. So, we are not taking any risk before the operation. That was part of the agreement.

The last question was about the grid, if I remember well, but I am not sure I have got it completely. Grids are an issue across the board, in Europe and in US: a natural issue, in the sense that the penetration of Renewables is growing very fast. Then there is a huge need of deploying capital in grids, and we are living some situations (for instance in Northern Ireland), where there is higher than expected curtailments, because the grids are not growing, the deployments of investments in the grids are not growing as fast as needed. But we also think it takes time, we expect all these bottlenecks - that are slowing down, as you said, the deployment of Renewables as well - should be addressed as soon as possible. I do not know if I answered your questions, Roberto.

**Roberto Ranieri:**

Perfectly. Yeah. That was the point. So basically, in the future it would be easier, and no issues anyway from grid structure in the US. Thank you very much.

**Operator:**

The next question is from Francesco Sala of Banca Akros. Please go ahead.

**Francesco Sala:**

Yes, good evening. Thank you for the presentation. Just 2 or 3 questions. The first one is on first quarter results. I cannot square the numbers between unit revenues, production and revenues in the UK and Nordics region. So, I wonder whether there are some elements I should consider that I cannot understand with the numbers.

The second one: I noticed some sizable cost reduction, especially in Italy in Q1. I wonder whether I should consider these efficiencies as recurring and calculate them, or take them into account for the next few quarters, at least.

And lastly, a clarification: The net debt targets for 2025-2026 include €1 of dividend per share and no improvement above this level. Is that correct? Thank you.

**Paolo Merli:**

Okay. Starting from the first one, we do not give this kind of details, but most of the EBITDA came from UK because, as you know, the assets in Sweden (which is equipped with a new platform of Siemens Gamesa) is still not performing as expected. So, the contribution is below... not in our budget, because in our budget it was already included, as it will take a little bit more of time to be fully repaired. But let me say, more than 80% of the EBITDA, the one you mentioned, came from UK.

The second one, yes, we are...

**Michele Pedemonte:**

Okay. So, if I can add, maybe you have to consider that in UK we have some balancing services revenues, that are on top of the revenues coming from the sale of electricity, and we have also some extraordinary revenues coming from some performance bonds executed in the period. So, there are some specific elements in this quarter that explain the result of UK and Nordics.

**Paolo Merli:**

Correct. The cost is under our spotlight, because we have been working to make the cost base as efficient as possible, probably it might be that on a year-on-year basis there could be some differences in geography, depending also on the expenditure related to O&M. But in general, let me say, you are right: costs in general have been a bit lower than our budget, as I showed during my presentation: especially for operating costs, we feel we are very well positioned. And I confirm the financial position, the cash flow and all the projections for 2026 are based on a hypothesis of 1€/share distribution.

**Francesco Sala:**

Thank you.

**Paolo Merli:**

You are welcome.

**Operator:**

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

**Emanuele Oggioni:**

Good evening, everybody, and thanks for taking my questions. First of all, about the CAPEX, compared with the previous plan: if I remember well, some half a billion of

CAPEX on cash out was for acquisitions, while in this plan, this €1.2bn is only organic, and so the potential re-leverage from 3 times in net debt to EBITDA towards 4 times is on top related to the potential possible acquisitions. So, in the current targets, there are no acquisitions, only organic growth: this is the question.

The second question is on the governance, still on IFM increasing its stake in San Quirico Renewables. If I am correct, in 2022 the implied valuation of ERG for that transaction was at least 32€/share, the implied valuation of ERG. So, I wonder if, for the second deal in April this year, the implied value was in line or even higher compared with that value.

The third question is about the change in the scenario. So, you reacted well to the new scenario, more volatile and more difficult, *et cetera*. But in case of improvement in the future - so lower CAPEX per megawatt, lower interest rates, *et cetera* - could you reconsider to be back to growth, to more additional capacity each year, so to speed up further the Greenfield projects, like in the past, I mean?

And finally, if I may, a question on the asset rotation. Just to clarify, does asset rotation include also part of the 5GW projects in the pipeline, which have lower IRR spread on WACC and are less profitable for you, or only existing capacity? Thank you.

**Paolo Merli:**

I am going answer your first, third, and fourth questions, and then I leave to Alessandro your second question about the governance and IFM.

The philosophy behind the CAPEX has changed. I will try to explain a little bit better. In the CAPEX we inserted basically all the megawatts that are already fully secured, and then we know exactly the CAPEX. As far as the further CAPEX, I do not know yet at which project it will be allocated, simply because... take for instance the repowering: we have fantastic projects, okay? They are fantastic projects, but there are also uncertainties. For instance, one of the best projects we have is in Sardinia: it was now authorized by the *Consiglio di Stato*, because we won a claim that has kept the project up in the air for a couple of years, but then the *moratoria* is there, and then we have to wait this aspect to be clarified. But also, we are still waiting for the tariffs. So, given this uncertainty, we decided to change the philosophy through which we planned our CAPEX. So, the remaining CAPEX - the €600mn - are based on an assumption for US (as I already mentioned) in line with our understanding of the preferential right, and in Europe picking just those projects from the pipeline that are yielding the right returns. But in this precise moment, I do not know which one because, for sure, a part of it is already clear, but not everything. So, this is the spirit with which we set our target for the next 2 years.

And then I come soon now with the question about the change in scenario. Yes, we changed the approach, and that is just the philosophy I am talking about behind our CAPEX and targets, but absolutely, the answer to your question is yes: if or when the scenario (and, in particular, the regulatory surrounding the scenario) is gaining visibility, and clarity - and probably the European election right now is not helping the business case, but let us wait for it - for sure, if there are the right conditions, we will be more than happy to accelerate our growth. You have seen the balance sheet, there is still room to accelerate, but we want to wait for the right moment to do it.

Asset rotation: in this flexible approach, cherry-picking approach, and with the willingness to create value for our shareholders, asset rotation could be an angle, could be a point to be explored. There is nothing already defined and decided, it can be varied, can be really different: for the operational assets, but it can be also in the pipeline. You made the right example. If a project, or a bunch of projects, is not yielding the returns we expect to extract from the projects, we can decide to sell, if there is someone else that is investing with a hurdle rate lower than ours. So, we are super-flexible. Let us work on this point, because we just launched the Business Plan, but that is the spirit behind the plan, okay?

**Alessandro Garrone:**

Yes, now my answer will be very short. I am sorry, but I cannot disclose the price of the last acquisition IFM made of San Quirico Renewables shares. The only thing I can say is that in the agreement there are no other possibilities for IFM to grow in its shares. So: 51% San Quirico and 49% IFM is the final shareholder structure of San Quirico Renewables.

**Emanuele Oggioni:**

Thank you. Very clear.

**Operator:**

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

**Davide Candela:**

Hi, good afternoon, gentlemen, and thank you for taking my questions and for the presentation. I have three questions. The first one is on M&A: I was wondering if you can share your view about the current conditions of the market. Then maybe in the market, there are more sellers now and, starting from this point, I was wondering if you can share the multiples you are willing to have in order to buy something, if there is an opportunity, of course, that this will create value for the Company.

The second question is on regulation. Of course, you are still waiting maybe for some improvement. I was wondering if you can share your expectation on the timeframe, on the timing for the change in the electricity market mechanism and also from other supports that could drive maybe a new wave, or an acceleration for investments of Renewables in Europe, and not only.

And the third question is on the cost per megawatt, and mainly it relates to the technology on wind turbines. In these last years, we assisted to a strong acceleration in innovation to increase the capacity of each single turbine. I was wondering if you expect that the consolidation of the technology maybe in the next few years could drive downward the cost per megawatt, net of course of the inflation, that could still be on the cost of the equipment. Thank you.

**Paolo Merli:**

So, about the M&A: we are still not seeing that shift, from being a seller market to being a buyer market, because the interest in the sector is still high. Maybe transactions have a little bit slowed down given the uncertainty, but you have also seen that over the last few months there have been quite important acquisitions of companies, even listed, at very premium multiples compared to the ones the renewable stocks are currently trading in the equity markets, since there is a quite large mismatch between the valuations that funds or other industrial players are putting in this asset class compared to the ones we see every day from the screens in the equity markets.

To complete the answer in the M&A, for the time being, we are very flexible. We are not under pressure to make any acquisition. Please consider that we have just completed our transformation. Maybe a couple of years ago we were a little bit more under pressure, because we needed to substitute the 1,000MW that were going out from our portfolio; but now we are quite happy with what we did over the last few years. So, the 2024 is fully covered by a quite significant growth. So, we will analyze very, very carefully any acquisition at the right conditions I have already mentioned before.

About the timeframe, yes: this is a very important point of attention, I mean the timeframe of regulations. It is difficult to make a prediction: we have been waiting for a couple of years, for instance, for the FER X Decree. We think we are now very close to it, and we should expect it by the end of the year ... I say "we should", because we are not the Minister. So, we have to wait for the Ministry to issue the decree, but we are quite confident that after the European election, this rollout of green policies should accelerate, not just at Italian level, but also at European level. And there is a lot to do: not just for Wind and Solar but also, for instance, for Battery Storage and Hybridization and whatever can simplify, accelerate the energy transition.

The cost per megawatt: I have already elaborated about it. For the time being, we are not expecting a decrease in the capital intensity for Wind, which is expected more or less in the region of €1.6mn per megawatt, all included. I mean the wind turbines, the BoP, the logistic and whatever, so the final cost for the megawatt to be installed.

In the Solar, we see a little bit of reduction, but we expect to remain in the region of €0.7-0.8mn, not for the panels that are much lower than one year ago, but because the BoP in the logistic is the part of the projects that costs more, because there is a quite shortage in the markets. Everybody wants to install them, and then the workforce able and capable of doing this kind of activities is not yet as wide as needed.

I do not know if Michele, who is in charge of Procurement in the Group, has something to add, or if instead I have already said everything...

**Michele Pedemonte:**

No Paolo, you have already said everything: I have just a quick comment on Wind. For sure, we see at least a stabilization of the cost per megawatt. So, at least we can say that the steep increase in cost is over. Maybe we can see in the future some improvement in the market. As of now, the assumption is what Paolo has commented.

**Davide Candela:**

Thank you.

**Paolo Merli:**

You are welcome.

**Operator:**

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

**Paolo Merli:**

So, thank you very much and we will keep in touch in a couple of months, for the results of the first half of the year. Thank you very much.

**Emanuela Delucchi:**

Thank you.

**Michele Pedemonte:**

Thank you.

**Alessandro Garrone:**

Thank you.