ERG S.p.A.

"2Q 2025 Results"

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MODERATORS:
PAOLO MERLI, GROUP CEO
MICHELE PEDEMONTE, CFO

Operator:
Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the ERG 2Q 2025 Results conference call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Mr. Paolo Merli, CEO of ERG. Please go ahead, sir.

Paolo Merli:
Good afternoon, everyone and welcome to our quarterly results presentation. Here with me, as usual, is our CFO Michele Pedemonte.
So, let us get started with an overview of results over the period.

I am on **page no. 4**: first of all, let me put the results into context. The First Half of the year, including the second quarter, was characterized by much lower wind speeds than last year and historical average. I will soon share the results of a historical wind analysis conducted by our experts.
Against this backdrop, in the First Half our EBITDA closed at €274mn, slightly down (-3%) year-on-year. While looking at Q2, results got back to positive with EBITDA at €128mn, +11% YoY.
There were two major effects behind this performance, and this is true for both the semester and the second quarter: on one hand, the much weaker production on a like-for-like basis, partially offset - this is the second effect - by the contribution from new installed capacity, with the first repowering projects now up and running, and the full contribution of the US asset portfolio, which - I remind you - is being consolidated as of April 1, 2024. Despite the higher prices on screens, all in all the price effect, on a YoY basis, was just marginally positive, as the lower production resulted in lower merchant volumes.

Investments amounted to €143mn, significantly down YoY (-68%). But I remind you that the reduction is mainly due to the fact that CAPEX in the First Half of last year included the acquisition of a Wind & Solar portfolio in the US and a smaller one in France. Out of the total invested in First Half of this year, about 50% was again related to M&A (with the acquisition of Broken Cross wind farm in the UK), and the remaining about 50% allocated to organic development, mainly greenfield and repowering in France, Germany, Italy and the UK.
Bottom-line, Adjusted Net Profit in the First Half was €83mn, down 22% YoY, due to the already mentioned decline in EBITDA, higher depreciation and financial charges linked to new assets. But again, looking at Q2, earning direction returned positive, with Net Profit at €34mn, +21% YoY.

Net Financial Position at 30 June 2025 was €1,949mn, +9% higher vs the end of 2024, also discounting not just the investments but a total distribution (dividends and buyback) of roughly €160mn, which basically fully justifies the increase.
Michele will provide more details on the cash-flow over the period.

I am now commenting on **page no. 5**.
As mentioned, the economic results of the period were significantly impacted by unfavorable wind conditions throughout Europe. The economic impact of lower volumes - I mean, on a like-for-like basis versus our budget and versus the same period last year - registered in the First Half was in the order of €50-to-60mn. I think it is important for you to understand the magnitude of this event.
The map above – this is the usual map we are posting on our webcast - shows the deviation of wind speed from its long-term average in Europe, in this case in Q2: dark blue indicates the areas where the negative deviation is greatest. It is quite unusual to see a situation like this, with weak wind virtually everywhere in the regions where we have installed capacity, but I mean: everywhere across Europe. This map in Q1 - and you can find it in the last webcast presentation - was even worse. This prolonged wind drought was caused by a persistent high-pressure system all over Europe.
Please consider that the production of a wind turbine moves proportionally to the wind speed with a multiplication factor of 2-2.5 times, which - translated in simpler words - means that if the wind speed drops by 5%, the production will drop by 10-12% on average.
According to national public data – these are data published by the national TSO - wind power production during the period, on a like-for-like basis, decreased YoY by 17% in Italy (as shown in the chart: those are the data published by Terna), and they are not here, but I tell you: in France it is the same, -15%, -20% in Germany and -25% in Poland. Those are national data, even though our own trends over the period were pretty similar.
As said, we conducted an internal analysis to understand better, also in light of the magnitude of the event. The graph below shows the average wind speed recorded over the First Half of the last 85 years in Europe, dating back to 1940. To do this analysis, we were inspired by some public studies issued by other independent institutions. The result confirmed that this semester (the First Half of 2025) was extraordinarily weak. We repeated the analysis in every European country where we operate, and the result was very similar: in each country, the wind drought over the period was among the worst ever recorded… not the worst, but among the worst. Then in Europe - as an aggregate that is shown here, in the chart - it is the lowest, because this phenomenon was all over Europe.
This analysis led us to a couple of very simple conclusions: first, wind speeds have always been erratic, and historical data show that this type of event has already occurred in the past. Now we and nations are more sensitive because of the larger installed wind

capacity, but this event has always been there. So, it is difficult to say there is a clear trend related to Climate Change. These are the same conclusions other independent third-party analysis came to. And among the institutions that said that I would include the International Energy Agency.
The second consideration is that in this specific case, geographic diversification across Europe proved less effective because - as I have already said - the wind drought was well distributed all over the continent.
The good news is that over the last couple of months wind speeds have gone back to normal, and this makes us confident about our full-year guidance which, I anticipate, will be confirmed.

I move to **page no. 6**. Over the period we continued to deliver on our strategy.
We are very pleased with the completion of our first battery storage plant in Vicari (Sicily, 13MW), as flexibility is becoming increasingly important. We also completed construction of the Corlacky wind farm in Northern Ireland. The 47MW plant is now operational and in its ramp-up phase, and we expect it to reach its full potential over the next few months. We are also advancing our project pipeline, with 50MW of greenfield and repowering projects in France, Germany and Italy, fully authorized.

I am also pleased to say that this morning we signed a long-term PPA “pay-as-produced" with A2A, which will cover about 90% of the expected production from the Castelvetrano-Salemi wind farm (in Sicily, again), a repowering project that has been operational since December last year. The PPA will be effective as of January 1, 2027 and will substitute the CfD tariff that was awarded in an auction held couple of years ago under the FER 2019 Decree.

In addition to that, we have been awarded the largest part of the first auction launched by FS Group (which is the State-owned railways company): this through three different PPAs with an aggregate amount of about 180GWh/Y, with a tenor of 5 to 10 years. This is an extremely important achievement, as it refers to existing wind projects, already out of the incentive scheme.

Overall, in the First Half we proved once again successful in securing at attractive conditions both new capacity and existing one, leveraging on our expertise in the PPA market.

Regarding ESG, we have once again confirmed our position among the top-tier companies in all aspects of our sustainability strategy: we ranked first in the Identity Corporate Index, we were confirmed on the CDP A list, and renewed our Gender Equality Certification in Italy, clearly recognizing our strong commitment to this topic.
And now, to Michele for his review of results in more detail.

Michele Pedemonte:
Thank you, Paolo.
In 2Q 2025 power market prices have been slightly higher than in 2Q 2024 across all the countries where ERG operates. However, as you know, this trend had only a limited effect on our all-in unitary revenues, due to the quasi-regulated nature of our business model.

- In Italy, the Wind all-in unitary revenue stood at 120€/MWh, in line with 2Q24. Despite the increase of the GRIN incentive value (rising to 55€/MWh in 2025 against 42€/MWh in 2024) and the higher power market price, overall the all-in unitary revenues remained stable. This was mainly due to short-term hedging strategies, executed at lower prices compared to the previous year
- in France, the increase in unitary revenues was driven by higher short-term hedging prices, combined with a more favorable market environment captured by few merchant assets
- in Germany captured prices in 2Q25 are aligned to 2Q24, at 94€/MWh
- in Poland unitary revenues increased during the 2Q, primarily driven by the short-term hedging
- in the UK, the captured price is around 74€/MWh, higher than 2Q24, thanks to higher short-term hedging. Note that this figure, as usual, does not include revenues from balancing services.

As for solar all-in unitary revenues, we recorded a decrease in Q2 in Italy, mainly due to lower hedging prices. In Spain, captured prices were impacted by the current market environment, with a significant profile effect during daylight hours. In France, solar revenues are sold at FIT prices, compared against a 2024 when the energy, produced by assets acquired in 2024 itself, was sold at merchant prices.
ERG plants in the United States have a unitary revenue that reflects the PPA prices, so very stable.

Now a focus on production, as per **page no. 9**. In the second quarter of 2025, the Group's overall production was in line with the previous year; this stability was mainly driven by perimeter effects, which offset the persistently low wind conditions across Europe.

- In Italy: 654GWh (+2% YoY), mainly due to perimeter effect coming from repowered and revamped assets both in Wind and Solar, offset by low windiness
- in France: 266GWh, thanks to new greenfield assets entered in operation during 2024 and second quarter 2025, and a solar plant acquired in 2024, again offset by low wind conditions
- in Germany: 107GWh (-6%), due to lower wind conditions
- In the UK & Nordics: 137GWh in line with last year, mainly thanks to the new asset acquired in January in Scotland, partially offset by low windiness in the UK

- in Spain: 149GWh (-11% YoY), due to lower irradiation
- in the US: 248GWh (-6% YoY) due to lower wind conditions
- Eastern Europe was the only region where we recorded improved wind conditions, with production reaching 160GWh (up 15% YoY).

In the 1H 2025 production has been 3.7TWh, aligned with 1H 2024, mainly due to perimeter effect (+0.6TWh, of which +0.3TWh in the US), partially offset by extremely low wind conditions in Europe. Please note that we have begun to consolidate the US assets in the 2Q 2024.

Now I am on **page no. 10**. In the second quarter of the year, EBITDA reached €128mn, €12mn more than 2Q24. This growth was mainly due to perimeter effect (€9mn) linked to newly acquired assets and organic development, as well as higher captured prices. These positive drivers were partially offset by the already mentioned weak wind conditions across Europe.

- In Italy, EBITDA reached €85mn, an increase of €5mn YoY, primarily driven by new investments in both Wind and Solar. This was partially offset by unfavorable wind conditions and lower captured prices on solar assets
- in France the EBITDA is €5mn higher than last year, supported by higher captured price in wind assets, and perimeter growth, partially offset by low wind availability, again
- in Germany the EBITDA is €5mn, €2mn lower than the previous year, mainly due to persistently weak wind conditions
- in East Europe the EBITDA is €11mn, €3mn higher than the previous year mainly driven by higher wind resource
- in the UK & Nordics the EBITDA is €7mn, up €5mn, thanks to the contribution from the newly acquired assets in Scotland
- in Spain the EBITDA is €2mn, lower than last year, impacted by reduced production and lower captured prices. This was due to both intraday profile effects and short-term hedging at less favorable price levels, compared to the previous year
- in the US the EBITDA is €10mn, €2mn lower than the previous year, mainly due to lower production in the quarter.

In 1H 2025 the EBITDA is €274mn, lower than previous year by €7mn, mainly driven by the persistent low wind condition in Europe, partially offset by perimeter effect. The second quarter allows us to partially recover the underperformance of the first quarter, heavily affected by poor windiness across Europe.

Let us comment now on the investments: I am on **page no. 11**.
In 2Q25 we invested €28mn, mainly due to ongoing construction in the UK, France and Italy. In particular we spent organic CAPEX for €10mn in the UK (mainly for the

construction of the Corlacky 47MW wind farm), €12mn in Italy mainly referred to our first Storage Project and some Revamping and Repowering activities, and €4mn for the beginning of our first repowering project in France.
2Q24 included €235mn for the acquisition in the US.
In 1H 2025 investments amount to €143mn, of which €72mn of acquisition in the UK vs €444mn of 1H 2024, which included the acquisitions in France and in the US for a total amount of €319mn.

Let us now move on to the financials (as per **page no. 13**), commenting on other items of P&L. In 2Q 2025:

- Amortization and depreciation are €69mn, in line with 2Q24
- Net Financial charges are at €12mn, vs. €7mn in 2Q last year: financial charges versus banks and bondholders, net of liquidity remuneration, stand at €8mn (+€4mn in comparison with last year) due to perimeter effect and lower remuneration on cash. The complement to €12mn (€4mn) are non-cash accounting items, such as effects coming from Tax Equity partnership in the US, or figurative lease interest expenses according to IFRS 16
- Tax rate in the quarter is 26%, lower than 30% of last year, also due to a different contribution of various countries to taxable results
- The adjusted Net profit of the quarter amounts to €34mn, higher than last year (€28mn), mainly driven by the already commented EBITDA, partially compensated by higher financial charges. The adjusted Net profit of 1H 2025 amounts to €83mn.

Finally, let us take a look at the Cash Flow Statement and the Net Financial Position, as per **page no. 14**. The Net Financial Debt at the end of 1H25 is €1.9bn (€0.2bn higher than the end of 2024), mainly driven by the dividends payment and the investment of the period, partially netted by the cash generation from EBITDA. The Net Working Capital is affected by dynamics due to payables for investments.

Thank you for your time, now I leave the floor to Paolo for his final comments.

Paolo Merli:
Thank you, Michele. Now let us see our guidance for the full year.
As you know, the EBITDA guidance given during the last webcast already took into account the low winds since April. Unfortunately, this trend continued in May, although to a lesser extent. June was almost near budget, while July is doing well: so, it seems that some sort of return to normality is taking place.
When assuming windiness in line with the historical average from now on, we are still confident that we can approach the midpoint of the guidance range. To reach the upper part of the range, however, we would need windiness above the historical average, then

assuming a recovery – or at least a partial recovery - in the second half of the year of what we have lost in the first one.

With this caveat, we confirm our EBITDA guidance within a range of €540-600mn.

CAPEX is also confirmed within the range of €190-240mn, as well as Net Financial Position at year end within the range of €1.85-1.95bn.

Thank you for listening. 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 questions and answers session. The first question comes from Enrico Bartoli of Mediobanca.

Enrico Bartoli:
Hi and good afternoon, and thanks for taking my question: I have 3 questions, actually. The first one is related to the FER X auctions that are expected to be held shortly: can you share with us your expectation, let us say the amount of capacity that you are planning to participate with in the tenders, and some comments - if possible - on the level of competition that you expect from the first auction.

The second question is related to the US. There have been several changes in the regulation, recently: can you share with us your view on the potential for ERG in this market, and the possibility to access the 1GW pipeline that you have in the country?

And the third one is related to battery storage. You highlighted that you actually had the first battery storage in operation in the past quarter. I am wondering if you think that there could be an acceleration in the investments by ERG in this technology (if I remember well, you had 0.6GW pipeline in March), and if you are planning to participate in the MACSE auctions. And maybe some comment on the level of profitability that you think can be achieved in the Italian market. Sorry for the many questions.

Paolo Merli:
Thank you. Thank you, Enrico. FER X: yes, sure, we have a few projects that are gonna take part in the auction. All in all, we think roughly 130MW (or a little bit more than that), most of them - basically 95% - wind and repowering projects. We expect a fierce competition because, based on the manifestation of interest, there are 2.9GW of wind capacity going to take part in the auction, and 17 in the PV auction, even though we are

more focused now on wind. Of course, the price at which we are going to bid is very confidential. The auction is already open, and it is going to close... the last day to submit bids is on the 12th of September, and the outcome of the results should be published by GSE within November.

Michele Pedemonte:
December.

Paolo Merli:
December. So, let us see how it is going, but I think even today - with the PPA signed with A2A - there is a clear knowledge and capacity of the company to find other route-to-market. So, we are confident that either through CfD awarded through auctions or PPA, we will be able to carry on our projects. We would have liked to bring more capacity to the FER X, but unfortunately, we are in Italy and we have some *Autorizzazione Unica* on some projects - for instance in Sardinia - that are struggling to find the right framework to be implemented, because of the hostile behavior of the Region, that has issued the *Autorizzazione Unica* for our Nulvi Ploaghe wind farm (which is more than 100MW), but subject to several condition precedents that makes basically the project not feasible. You know that we have been fighting on this project for the last 6-7 years, because we submitted the first document for the permitting in 2018.
I make the story short, but through ups and downs, the project was authorized in 2022 by Prime Minister Mario Draghi, to find an equilibrium between the different opinions of different institutions around the project. The decision was appealed by the Sardinian Region and - avoiding saying what happened in between - the last move was the Administrative Court that ruled in our favor, forcing the Region to issue the permit and, if not, the Prefect would have issued the permit on behalf of the Region. The Region yesterday issued the *Autorizzazione Unica* but, as I said, full of tricks and preconditions.

So, the most likely scenario is that we are going to appeal or challenge this *Autorizzazione Unica* to the Supreme Court, and we are absolutely confident that we are on the right part of the reality. And we are quite confident that this *Autorizzazione Unica* was issued intentionally to be challenged, in order to prevent the Prefect to issue the *Autorizzazione Unica*: in that case, it would have been for sure clean and not subject to all these conditions. So, we are really annoyed by this situation, but we keep going on, because we are confident that, in the end, our rights and interests will be safeguarded by the appropriate authorities. But, for the time being, this project - that we thought could take part in the auction - we decided it cannot, because first we have to make clear the situation around it. It is not just a business case, it is more… it is becoming a matter of principle, now. Okay. So, this was the first question.

As far as the US, the regulation is evolving. Mr. Trump, the President… it is quite clear that he is "a little bit against" the development of renewables. In particular, there is an executive order or a law that envisages the phase-out of the tax equity schemes in a couple of years. But, based on our business model and based on our approach to the country, we do not expect direct consequences on us. I mean, we do not expect any retroactive actions, so the portfolio we are running now is not going to be affected by this new regulation. For sure, this new regulation would make it harder for developers to install new capacity, authorize new capacity. But still, you know that our model is to buy assets on a totally de-risked framework: I mean, when they have already the PPA, when they have already the COD, the commercial operation date and, in case there is no tax equity scheme, we would price this new layout and the project. So, we do not expect any particular direct consequence: for sure, even for us, it would be tougher to grow, but - also in this moment, in these days - we are elaborating some offers to submit to our partner Apex, because this was part of the agreement. Let us see if we can find an agreement. But the target we set out for our Business Plan remains the same.

BESS: yes, we are very happy and satisfied that we put into operation our first storage system, 13MW in Vicari (Sicily), near our wind farm. It is also an opportunity for us to learn how to manage this kind of asset, and its intercorrelation with the wind asset. And we are working very hard to carry on our pipeline of BESS, I would say more: we are trying to switch some solar projects into battery storage projects. This is true in Spain, for sure, but also in Italy, because we think flexibility is going to be a game changer in the market. We see every day that the duck curve in the 24-hours price profile is very much influenced by the penetration of solar plants, that are producing just on daily hours. So, as far as battery storage, we are quite sure that this is a stream that is going to be under strong growth for the years to come.

So, I hope I have answered your questions, Enrico.

Enrico Bartoli:
Yes, just a comment on the participation in the MACSE auction, and what you think the profitability could be in that auction.

Paolo Merli:
Yesterday, they published the new number for the MACSE: they set out 37,000€/MWh, which is a little bit higher than what we were expecting. So, we see… we look at it - I mean, MACSE - with high interest. We have not that much capacity to participate in this auction, but some just small projects: I am talking about some tens of MW, no more than that. But we are trying to explore also on the secondary market, if there are projects to buy - I mean, in terms of permitting - that are eligible to participate in the auction. Let us work, and we need a couple of months to understand better what we can

do at this auction. But looking forward, for sure, battery storage is a new stream of revenues, a new stream of business.

Enrico Bartoli:
Perfect. Thank you very much.

Paolo Merli:
You are welcome.

Operator:
The next question is from Emanuele Oggioni of Kepler Cheuvreux.

Emanuele Oggioni:
Good afternoon and thank you for taking my question, as well. I have a first one on the hedging policy for 2026: can you update on next year? Because basically this year is already fully hedged…

The second question is a clarification, but basically you have already answered before about the recent PPAs with A2A, signed today, and in general your policy is based on your previous statement. Also, when you sign a PPA in Italy, basically this means that the agreed level of power price obviously is not disclosed, so I will not ask for it. So, the level of the PPA, the power price of the PPA is higher than what you expect from other auctions or other level of profitability you expected, for example, for the next auction, *et cetera*. So, could you confirm this?

And finally, I have a question about the share buyback. I know you have a dividend policy and attached also an additional share buyback plan, but I wonder if, considering the depressed level and depressed valuation, it could be the right time to think about an increase in this share buyback plan? Thank you.

Michele Pedemonte:
Okay. Regarding hedging, we are currently at a level of 70% of our hedging for 2026. We are building up our short-term hedging position in order to begin the new year - so 2026 - with a planned level in the region of 80%. So, we are progressing following our usual policy, also on short-term hedging. For sure, we take into account also the long-term hedging that we have just closed with Ferrovie dello Stato and with A2A, and we take these into consideration for our hedging percentage. So, overall, the target is to reach roughly 80% by the end of the year.

Paolo Merli:
Okay, I can just elaborate a little bit more on your second question on top of what Michele just said. Yes, we are quite happy about the PPA with A2A and also about the 3 PPAs we have been awarded through an auction system with *Gruppo Ferrovie dello Stato*, the railway corporate. This is particularly interesting for us because basically it covers production coming from old assets, so assets that have already phased out from an incentive scheme and then make their business case more sustainable for the long-term. And we think this kind of market is going to develop quite substantially, going forward. And even the Government in the last *Decreto Bollette* - I do not know how to say: Decree Bollette - was envisaging at the Article no. 3 the possibility for GSE to launch a tender for a long-term contract between private off-takers and producers. So, we think the decoupling… the so-called decoupling between the day ahead market and long-term mechanisms will develop along this way.

About the share buyback, I can just say that the last General Meeting ruled for the option to buy back own shares up to 10% of the capital, but this *delibera* should translate - when and if - into a *delibera* of our Board of Directors, that so far has not decided anything about this. By the end of the year, we will make a point on this.

Sorry, just to touch a point that you raised in your previous question about PPA, of course, I cannot say the price: I confirm that we are talking about a fixed price on a pay-as-produced formula, for the A2A contract, and the other one is more baseload, but still, we can provide this energy coming from our portfolio. But about the price do not forget that the Castelvetrano-Salemi wind farm was already awarded a tariff of 64€/MWh. So, it is easy to understand that the pricing should be better than that: if not, there would not have been a point in signing this contract.

Emanuele Oggioni:
Thank you, very clear. If I may, a follow up on the hedging as regards the pricing, the moving average: I think the rolling moving average of the hedging has improved for 2026, considering the year-to-date higher power prices, at least higher than expected for me.

Michele Pedemonte:
Yes, you are right. There is a mild increase, but consider that we build up the position week-by-week, so we tend to follow the progress of the price during the month. So, you do not have to take the punctual position today to consider our level of hedging for 2026.

Emanuele Oggioni:
Thank you.

Operator:
The next question is from Roberto Letizia of Equita.

Roberto Letizia:
Yes, good evening. Thanks a lot for taking my questions. The first question is a follow-up on the US market. I am just wondering if - without taking into consideration incentives, so just looking at market conditions, and also taking into consideration the new trends of demands based on data centers - If anyway market conditions justify building-up of plants out of your pipeline, so that you do not have to be worried about local policies and can just look into the market conditions through PPAs, as normal merchant positions. I was just wondering if the market is envisaging and is supporting this optionality.

The second question is more strategic: I was wondering what you would consider as the right market conditions in order to go back to a different growth rate path, so being less focused on the balance sheet, and maybe use it a bit more to follow additional optionality that may arrive, which maybe the best as well, or different technologies or different countries, that offer growth opportunities. So, if you can tell us what would be the best market condition for you to expand the balance sheet, and pursue a higher growth rate? Thanks a lot.

Paolo Merli:
Okay, about the US, it is very difficult to say how the market will come out, given the changes that are now undergoing there. But honestly, I have to say that when looking at the projects - I mean, when we are making our due diligence exercise - we have noticed that most of the projects struggle, you know, to have a fair value that is in line with the CAPEX the developers have spent to bring the assets into operation. Because the IRA, honestly with all these tax benefits and so on, paid upfront: it is like our superbonus, 110%, I mean… I think you know what I mean. This has created a big inflation, sometimes when comparing the CAPEX per megawatt - both for Solar and Wind in the US versus Europe - you see that there in the US, this ratio is much, much higher than in Europe.

So of course, if all these fiscal benefits are eliminated or progressively phased out, for sure the US market will need a rebalancing, I mean in terms of CAPEX per megawatt and so on. So, it is difficult to say, but I do not want to be, to appear too optimistic, but we are in a kind of safe haven, because we are not obliged to buy, and certainly the only point I believe is not moving is our financial discipline. So, we want to grow there: we still believe it is a great market, because consumption and the economy are very hot there. But, still at the right condition.

And that leads me to your last questions: which are the right market conditions? So, the thing that is worrying me the most is the missing electrification of consumption. I mean, in Europe - but all around the world - we keep installing renewable capacity, but we are not seeing the same growth in terms of electricity demand. So, I think we need to push on electrification: this is very important. And so far, we have not seen a sign and the right commitment also of the European Commission towards this point. So, till there, there are no other conditions to accelerate on the deployment of investments. When there is a turning point on this - and sooner or later it will happen, I am sure, because decarbonization is an unstoppable process, and speed is an important point - whenever we have a clear sign that this trend is changing, we can consider an acceleration.

Roberto Letizia:
Very clear. Thanks a lot for your help.

Paolo Merli:
Thanks to you.

Operator:
Next question, sir, is from Alex Roncier of Bank of America.

Alex Roncier:
Hi, thanks for taking my questions. I just had a simple one, if I may: it was regarding wind speed condition in July. I think – and you know, based on some data I can get - it looks like wind conditions are actually quite good and actually much better than historical average. And I know your guidance is kind of a return to normal condition for the rest of the year. But have you seen similar better wind condition trends as of July, or do you think it is just a little bit of a data phasing or perhaps sporadic data point? Thank you.

Paolo Merli:
So, I confirm that over the last couple of weeks, wind is strong, particularly in Italy. And you know that Italy is very important for us, because here prices are higher and also a portion of our production is still getting the green certificates, let me call it like this. But also in France and in Germany, the UK, and even Sweden, we are now seeing better conditions. It seems like we are getting back to normal, I mean, in terms of wind speed. It is very difficult, and we conducted an internal analysis, which is much more in-depth than the executive summary that we have shown through this webcast.
And basically, the analysis confirms that this kind of volatility in wind presence has always been there. In Italy, we had a wind drought like the current one in the 80s, in Germany in the 60s. So back in time: that means probably that climate change is not the main driver behind it. This is also the outcome of other institutions that said that it is impossible to find a clear and straightforward link between climate change and the wind

speed. In fact - not 10 years ago, but 1 year ago - in the first four months of 2024, wind was exceptionally good, so: the other way. So, I hope we have answered your question.

Alex Roncier:
That is all good. Thank you.

Paolo Merli:
Thanks to you.

Operator:
The next question is from Davide Candela of Intesa Sanpaolo.

Davide Candela:
Hi, good afternoon, everyone. Thanks for the presentation and for taking my questions. The first one is a follow-up on the answer you gave on the demand side, and on the electrification: I was wondering if you can broaden your answer, sharing your view about what is preventing electrification in your view to build up. Actually, is it the fact that the prices are high, so they are preventing more consumption, or is there energy efficiency that is going the opposite way? Your view on that will be helpful.

And the second question regards M&A: it looks to me that the market is unanswered a little bit, or at least the window between the buy and sell side has approached, so the parties have approached. Are you seeing that sort of evolution in the market? And if it is so, are you willing or considering some little opportunities in Europe and, just for that, un update to build up growth? Thank you.

Paolo Merli:
Okay. So, about the electrification of consumption, the streams where the electrification should come from are the heating and cooling, air conditioning through heat pumps instead of gas boilers (so, a switch that would allow a switch from gas to electricity), electric vehicles and data centers (that is the only stream that is going well), green-produced hydrogen (green means that hydrogen is produced through an electrolysis process supplied by green energy… renewable energy). So, all these streams are not growing at the speed needed to support the electrification of consumption, as initially expected by the European Commission.

Now the European Commission has allocated €100bn to sustain the electrification of consumption. You asked for my view: my view is it is not enough because €100bn for 27 countries that are part of the Union in the end is peanuts - let me use this term - compared to the €700bn they want to invest in military services, or the €300bn Ursula von der Leyen committed to Mr. Trump to buy gas from the US. So, I think we must do more, but I am sure that sooner or later it will happen, because if not, the industry will slow down very, very significantly. And then the market will become more a buyers market.

To come to your last question, yes: the M&A will become easier than it is now. For the time being, the private market, the secondary market is still tight. Supply and demand are not matching, in the sense that the expectations of sellers are still very high, while buyers are a little bit more cautious in allocating certain value. So, the M&A transactions: I am not saying that, it is not my opinion, there are public data showing that they are quite slowing down quite considerably, but this could be an opportunity for us (as we have a strong balance sheet), sooner or later. We keep scouting the market: even in these days, we have submitted several non-binding offers to see if there are good opportunities for us. Let us see. So, M&A, for sure, has always been a successful tool through which our company created value, and we still believe it is the case.

Davide Candela:
Thank you.

Paolo Merli:
You are welcome.

Operator:
The next question is from Francesco Sala of Banka Akros.

Francesco Sala:
Yes, good afternoon. And thank you for the presentation and for taking my questions. What have you seen in the last few weeks or months in terms of wind turbines and solar panel costs, and more in general construction costs?

And secondly, I wonder whether you have seen in particular some disruptions or bottlenecks from China, also in the light of the Chinese Government push to reduce capacity? Thank you.

Paolo Merli:
Maybe I will let Michele to elaborate more because he is in charge of procurement for the Group, but I am happy to say that over the last months, we have seen for the first time a change in direction in the CAPEX trend for Wind. So, European OEMs are becoming more aggressive now, because they want to place orders and they want to prevent Chinese competition to prevail on the market. So, they want to avoid what already happened in the solar field. So, for both technologies - but for solar it was more

expected - we are seeing a downward trend in the CAPEX line: I mean, the CAPEX per megawatt. Michele will be more precise on that.

Michele Pedemonte:
Yes. And I would add that we do not see any particular disruption on the supply, in particular for Wind, that is our core technology.
Regarding Wind technology, you know that we are always scounting also alternative to traditional western suppliers. So, we are open, and we consider also alternative suppliers. The key point is that we look at this opportunity from an industrial standpoint, so we do not value just the CAPEX cost at the beginning, but also the production in the long-term, the efficiency of the wind turbine in the long-term, and we put all the elements in our evaluation. And so, on a case-by-case, we try to find the right technology for each specific wind project, because every wind project is different from another in terms of characteristic of the size, characteristic of the wind, permitting constraints and so on. So, we consider all the technologies and, as said by Paolo, we have seen some improvements in the scenario in the last months, because the competition is increasing in the market. And from our standpoint, this is a positive element.

Francesco Sala:
Thank you.

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

Paolo Merli:
So, thank you all for listening, and I wish you a super summer. See you in November.