



**ERG S.p.A.**  
**“3Q 2024 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 3Q 2024 Results conference call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Mr. Paolo Merli, CEO of ERG. Please go ahead, sir.

**Paolo Merli:**

Good afternoon, everyone and welcome to our Third Quarter and Nine Months results presentation. Here with me, as usual, is our CFO Michele Pedemonte who will run you through our business performance over the period in more detail later on.

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

I am on **page no. 4**, and I will focus my comments on the 9 Months, then Michele will elaborate more on the Third Quarter.

EBITDA closed at €390mn, slightly up, +4% YoY mainly driven by the larger installed capacity, which included the full consolidation of the US Portfolio as of April 1st. In particular in the first 9 months of the year, we benefitted from the contribution of new assets (to the tune of almost €50mn) but this was partly offset by much weaker wind conditions, in particular in the 3Q, which resulted in lower production on a like-for-like basis, in a context of generalized lower merchant prices, even exacerbated by a higher, greater profile effect. This price effect was partly mitigated by the positive value of the incentive in Italy (€42/MWh) compared to 0 value last year cause of the price mechanism which, as you know, is inversely correlated to the merchant price registered in the previous year.

All-in-all the weak wind conditions and lower merchant prices, net of a stronger profile effect, resulted in a lower margin of more than €30mn over the first 9 months. So, if you match plus €50mn minus the €30mn of negative effect you will come more or less to the EBITDA of the 9 months.

We still invested significantly over the period: €500mn, significantly up YoY. More or less 2/3 of CAPEX were related to some acquisitions in France, but in particular to the US portfolio, while roughly 1/3 of CAPEX were related to organic investments, mainly associated to assets under construction, both repowering and greenfield projects.

Adjusted Net Profit was €130mn, down 13% YoY notwithstanding the slightly better EBITDA I have already commented, and this as a result of higher depreciation and financial charges - because of the consolidation of new assets - and slightly higher tax rate, in particular following the cancellation of some fiscal benefits in Italy, known as ACE.

The Net Financial Position at the end of September was €1.9bn, higher vs the end of 2023 but in line with our budget mainly reflecting Investments, buyback executed at the beginning of the year, dividends and other cash-in and cash-out.

So, let us move to **page no. 5**: here there is a list of recent achievements. In the period we continued our journey forward in line with our Business Plan.

As far as Repowering, which remains a key pillar of our strategy, we completed the construction of Salemi-Castelvetrano, a wind farm in Sicily, 76MW of capacity which has entered the commissioning phase just over the last few days.

In France we completed the construction of two wind plants for a total capacity of 41MW, that are now up and running. In Germany we made several advancements in our permitting, with about 60MW that reached the ready-to-build status.

As far as financing, we managed to extend a revolving credit facility for €600mn to 2027 at better terms, compared to the previous ones, strengthening even more our balance-sheet.

In ESG, we received for the first time the GRESB rating with a ranking of a 98 out of 100 which puts us in the very top tier of this rating. In addition, MSCI confirmed a triple A rating on the company, and S&P improved our ESG rating by 8 points. So, still good achievements.

Let me make a reflection: we did all this in a very challenging environment, let us face it, with a growing negative sentiment towards the energy transition which, bottom line, resulted in a strong underperformance of the whole equity asset class in the equity markets. ERG was not immune from this de-rating trend, even though at a lesser extent than some other peers. Notwithstanding this, we continue to see the energy transition as an unavoidable long-term global trend. We expect power demand to pick-up tremendously over the next decades driven by datacenters, artificial intelligence, bitcoins whatever and all sort of new technologies that are all energy intensive. Our view remains that these corporate offtakers – I mean the owners of these developments and technologies - will keep relying on Renewables sources to supply their developments, and we already proved to be able to negotiate long-term PPAs with tier 1 corporates. And we have right now several discussions going on from this point of view.

With this strong view in mind, this morning the Board of Directors approved the launch of a Buyback program for about €23mn, or €0.15 per share (so the mid-point of the potential upside, envisaged in our Business Plan, of 30 eurocents per share on top of €1 per share dividend). These 15 eurocents must be seen as an advance of the Business Plan already announced remuneration policy.

Let us move on: now a quick look at the delivery on our strategy over the period. I am on **page no. 6**.

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

As a matter of fact, as of today, we have added roughly 530MW to our asset base, made up of a good mix of Wind and Solar, M&A and organic. As we said previously, we have just completed the construction of Salemi Castelvetro repowering project, which has now entered its commissioning phase. We are also finalizing the construction of 6MW repowering project in Germany and the repowering of some solar plants.

So, in a year we will be adding about 600MW of new capacity, +18% vs. the end of 2023, well spread over different geographies, both technologies, so we are quite satisfied with these achievements. Those assets are going to fully contribute to our results as of 2025. I would say this is a quite significant growth.

Now over to Michele for his review on quarterly results.

**Michele Pedemonte:**

Thank you, Paolo.

As you see on **page no. 8**, in 3Q 2024 power market prices followed two different trends: Italy, Romania and Bulgaria recorded higher prices than previous year, while in other countries (such as France, Germany and Spain) they have been significantly lower than 3Q 2023. These trends have only 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 the Wind all-in unitary revenues increased from 97€/MWh to 132€/MWh mainly influenced by the value of the GRIN incentive (which is 42€/MWh in 2024, and it was null in 2023) and only partially by the higher market price captured in 3Q 2024.

In France the unitary revenues decreased, because the significantly lower market scenario impacts on some merchant assets, which do not benefit anymore of the two-way tariff mechanism or long-term PPAs.

In Germany captured prices in 3Q24 are strongly lower than last year, because the previous year was influenced by short-term hedging, while in 2024 they are aligned to one-way CfD floor.

In Poland unitary revenues increased in 3Q, mainly driven by higher short-term hedging compared to 3Q 2023, a quarter that was also heavily impacted by a lower certificate price and the relative write off of Certificates of Origin not sold. Romania caught a lower price than previous year, because the Government set the clawback cap price at 400 lei/MWh, while during 3Q 2023 the cap was at 450 lei/MWh.

In UK, captured price is around 56€/MWh and does not include balancing services revenues, that are in any case lower than 3Q 2023 which, in addition, still benefitted from one plant in Scotland at higher merchant price. The plant is now covered by a PPA.

As regards as the Solar all-in unitary revenues, there is an increase of value in 3Q in Italy thanks to a higher hedging price YoY, while in Spain, the captured price suffers the current market scenario with significant profile effect during daily hours, and compares with a 3Q 2023, which benefitted of higher hedging prices. In France the all-in unitary revenue is influenced by the newly acquired assets, whose energy is temporarily sold at merchant prices.

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

And now a focus on productions, I am on **page no. 9**. As regards the 3Q 2024, we have:

- in Italy: 495GWh (-15% YoY), mainly due to worse wind conditions versus 3Q last year, only partially compensated by new assets contribution related to Repowering plants and a new Greenfield plant entered into operation between the second half of 2023 and the beginning of 2024
- in France: 235GWh (+3%), thanks to new assets acquired in January this year, partially offset by lower wind conditions compared to a particularly windy 3Q 2023.
- in Germany: 100GWh (-8%) due to lower wind conditions
- in Eastern Europe: 144GWh (+10%), thanks to better wind conditions, mainly driven by Poland and Romania
- In UK & Nordics: 118GWh (+8%) compared to last year, when our assets were still in commissioning or ramp-up phase. Production in UK are also influenced by remunerated balancing services market in Scotland and not remunerated grid curtailment in Northern Ireland
- in Spain: 169GWh, more than doubled YoY, thanks to the production of the newly acquired plants, that entered in operation between July and December 2023
- the contribution related to the newly acquired plants in the US is 180GWh, out of which 134GWh from Wind and the complement from Solar.

As regards the 9M, the production reached 5.1TWh, +21% YoY, mainly driven by the perimeter effect due to the new assets, offset by the lower wind production in Italy and France compared to 2023.

As you see now on **page no. 10**, in the third quarter of the year we have an overall EBITDA of €109mn, €5mn higher than the 3Q 2023, thanks to the new assets contribution, partially offset by lower productions.

In Italy the EBITDA is €71mn, higher than last year by €5mn, thanks to new assets contribution, coupled with a better price effect and by the GRIN incentive, as already commented, partially offset by lower wind conditions and lower solar irradiations.

In France the EBITDA is €5mn, lower than previous year, due to lower market scenario coupled up with worse wind conditions.

In Germany the EBITDA is €4mn, lower than previous year, which was influenced by short term hedging at higher prices, while actual results reflect the CfD floor.

In Eastern Europe the EBITDA is €13mn, higher than previous year, which benefitted from better wind conditions in Romania and Poland, and higher captured prices in Poland.

In UK & Nordics the EBITDA is just €6mn; 3Q 2024 is influenced by lower remunerated balancing services market in Scotland compared to 3Q 2023, and by very high curtailment in Northern Ireland.

In Spain the EBITDA is €7mn, slightly lower than last year, driven by lower captured prices, partially offset by perimeter effect coming from the capacity entered into operation in 2H 2023.

The contribution coming from US is €8mn.

As regards the 9M 2024, the EBITDA is 390mn, €15mn higher than last year, mainly thanks to perimeter effect, partially offset by lower productions in Italy and France, and lower market scenario.

Let us comment now on the investments in the period, as per **page no. 11**.

In 9M 2024 we invested €500mn: an amount which is higher than the one invested in the first 9 months of 2023, mainly due to the acquisition of Wind and Solar plants in US and France, while 9M 2023 included M&A in Spain.

In addition, we made about €181mn of organic CAPEX, out of which €87mn in Italy for Repowering and Greenfield Wind assets, €8mn related to our first Storage plant in Sicily, €8mn related to the solar plants revamping projects, and the remaining amount mainly in the construction of new wind parks in France and UK.

Let us now move on to the financials, commenting on other items of P&L on **page no. 13**. In 3Q 2024:

- Amortization and depreciation are €66mn, higher than 3Q 2023, mainly due to new assets acquired and entered into operation
- Net Financial charges are at €9mn, vs. €3mn in 3Q 2023: the increase is mainly influenced by the accounting mechanism of the Tax Equity partnership of the US portfolio, so not a cash item: we are speaking about €3mn.

In addition, please note that in 3Q, €2.9mn are figurative lease interest expenses according to IFRS 16. The sum of these two accounting items is €5.6mn out of overall €9mn of net financial charges. So, the increase of the cash financial charges is quite moderate.

- Tax rate in the quarter is 25%, lower than 27% of 3Q 2023.
- The adjusted Net profit of the quarter amounts to €25mn, lower than last year (€34mn). The adjusted Net profit for 9M 2024 is €130mn vs €149mn in 9M 2023.

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 closed at €1.9bn, €0.4bn higher than the end of 2023, mainly driven by a solid cash generation from EBITDA netted by the already commented investments of the period, the dividends distribution of €150mn, the last part of the buyback of €37mn, and €58mn of tax cash out. A significant part of this tax cash out (€35mn) is related to one-off taxes on goodwill release to attribute tax relevance to the goodwill arising from the mergers of the Siena and Donatello projects. This payment allows future tax benefits through the amortization of the value of the goodwill, starting from fiscal year 2025.

And now I will hand over to Paolo, who will comment on our 2024 guidance.

**Paolo Merli:**

Thanks Michele, and now let us see our 2024 guidance. I am on **page no. 16**.

As time passes and to take into account the 9M results - on top of a very, a little bit disappointing beginning of the 4th quarter in terms of wind presence across Europe - we are narrowing the range for our EBITDA guidance within a range of €520-560mn, so we confirm the low end of the range while reducing the cap from €580 to €560mn.

There is nothing company specific, I would like to say that: just less wind in our geographies. We cannot control the weather and cannot do anything about that. We tend to see it as a one-off item that can happen. Looking forward and based on long-term cyclicity of wind resource over time, it may happen exactly the opposite in another year of time. So, let us see what is going on next year.

As far as CAPEX, we are confirming our guidance in the range of €550-600mn including the cash-out for the acquisitions in US and France, as well as the organic CAPEX.

The Net Financial Position at year-end is expected (confirming the previous guidance) in the range of €1.75-1.85bn. Of course, with the volatility, the final number depends on working capital and so on, but likely we now see the Net Financial Position in the upper end of the range, considering the buyback program we approved today (and that is going to be executed probably during the next two months, so by year-end), and also including -as I have already said in the previous webcast - the €35mn invested to release the goodwill of some assets for future fiscal benefits, that was not included in the initial guidance, as this range has always been the same since the beginning of the year.

Thank you for listening and now we are ready to take your questions.

## Questions & Answers

### **Operator:**

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

The first question is from Paul Chabran of Kempen.

### **Paul Chabran:**

Yes, good afternoon, everyone, thank you for taking my questions. First, on corporate PPAs: it seems to me that PPA prices have been under pressure recently, with some offtakers becoming more demanding in terms of price, but also in terms of risk. It seems to me that some industries are asking for baseload contract now. Can you maybe comment on the changes that you see at the moment in your markets in terms of corporate PPAs, and notably the differences that you might see between the tech industry, other energy-intensive industries, and other industries that might not be as energy intensive? That will be the first question.

And another one, a bit shorter. In the US, how do you and your partner, Apex, look at future developments in light of the potential risk on renewables tax credit under Trump? Thank you.

### **Paolo Merli:**

Okay. I would say prices have been under pressure, particularly in the first part of the year, while now they are recovering even quite quickly, because the gas price now is over €40 per standard metric cubic in the TTF market which, at the end of the day, is turning into a price near or above 100€/MWh, because you have to multiply by 2 to consider the efficiency of the gas technology while bidding in the day-ahead market, plus the cost of CO<sub>2</sub>. So, prices now are recovering: we are getting used to living in a very volatile business environment.

And coming to, I think, the core of your questions about PPAs, PPAs are in a good shape. As you know, we closed 4 very large PPAs last years with first tier offtakers. Now, even in these days, we are under discussion about other PPAs for other assets that are about to enter into operations. Of course, I cannot give you specific details on the counterpart and so on. But let me say: there are very big corporates - and you can easily imagine the names - that are seeking for important, significant volumes across Europe. And they are recognizing, I think, the fair value of the price: maybe even bigger, let us say, than what is embedded in the spot market or in the wholesale market because, in the end, they are

trying to secure for a long-term horizon energy price and decarbonizing their equity story - let me say like this - simultaneously.

So, we remain positive about PPAs, and we see PPAs as one of the major route-to-market going forward, coupled with the CfD awarded in the public auctions. And please consider that a tendency we are noticing in the market is that the CfD value awarded in the auctions are becoming even more a reference for offtakers to set the long-term price in the PPA, which is quite positive, because usually the values of the tariff awarded in auctions are more coherent and consistent with the LCOE of the technologies.

So, I would see this trend as a positive one. Of course, now I know that there are all these negative sentiments, but I tend to see it in a positive way.

I do not know if I answered totally your questions. If not, I am here to follow-up.

**Paul Chabran:**

No, that is very clear. And just about the US.

**Paolo Merli:**

About the US, of course, the equity markets reacted quite significantly after the outcome of the election. But, let me say, the same worries were there 8 years, 6, 7 years ago when Trump got the first mandate: we did not see major changes at that time. Now there are more doubts that Trump will implement more drastic rules; but from our perspective, we do not see any risk related to existing assets and existing PTC, because they are already issued., they have already been issued. So never had we seen - at least based on our analysis - retroactive measure in the US economy: this is a more European attitude, let me say.

So, we are not worried about what we already have in our portfolio. Looking forward, for sure, we are looking very carefully at the opportunity. But let me also remind you and the others in the audience that our model in the US was very clearly stated since the beginning: we are looking for a kind of de-risked growing model, in the sense that we are trying to buy assets based on, for instance, a cooperation agreement with Apex, but it is not under an exclusivity. So, we can move other ways to find assets that are already up and running, where the PPA is already there, the production tax equity is already there, and so on. So, from this point of view, we are not taking any major risk.

Also, please consider the existing federal support through the Inflation Reduction Act (IRA), a substantial bipartisan backing in many Republican-led States that benefit from these investments. So, I would be surprised if this kind of support is going to be canceled straight after. So, we are still confident that the US is a quite interesting market for Renewables.

**Paul Chabran:**

I got you. Thank you very much.

**Paolo Merli:**

You are welcome.

**Operator:**

The next question is from Enrico Bartoli of Mediobanca.

**Enrico Bartoli:**

Hi, good afternoon, and thanks for taking my questions. The first one is, please, on some comments on the outlook for 2025: in particular, can you update us, first of all, on the hedging prices and volumes? And also on the expected capacity that you expect to be added in 2025? In the past presentation, you indicated 0.1GW: is that still the projection? And can you give also a comment on the achieved prices that you expect next year in Italy and in the European markets, compared to the level achieved in 2024?

The second question is related to the outlook and regulatory environment in Italy. There are several moving parts, like the FER-X: can you update on the process there, and whether you think the prices that have been proposed are appropriate to make investment decision in the current environment? And what is happening in terms of political discussions at regional level for the approval of the suitable area laws?

So, do you think that the authorization situation is going to be easier, or do you see some local Governments to be actually strengthening their willingness to improve Renewables?

And overall, under which conditions do you think that you can take the final investment decisions for the 300MW of projects that you have already authorized in Italy?

The last question is a general one: you know that at European level there are many discussions on the potential from data centers. Can you give us your experience on what is happening in Italy and the potential from development of these projects in Italy, and the possible impact on electricity demand? Thank you.

**Paolo Merli:**

Okay. Thank you, Enrico. So, let me start with the outlook for 2025. Maybe you know that we are giving a comprehensive guidance in occasion of the profit and loss, the announcement of the profit and loss, so usually in March... and given the volatility, I would tend to wait for that moment to give a precise number, a precise indication. But let me just comment on the fundamentals, the main drivers that must be taken into consideration when looking at 2025.

First of all - and this should be the most material element - all the portfolio assets that entered into operation during the course of 2024 will be fully contributing to our EBITDA next year. And I am particularly referring to the US portfolio, I am referring to the asset that entered into our scope in France, and all the repowering projects here in Italy, just to mention the major ones.

Then, we are also expecting a better price environment, honestly. Just looking at the forward prices, they are on the upside right now, over the last few months, and we see this trend. Please consider that in 2024 - at least across some geographies, where we have a strong exposure (like in Italy, like in France, like in Spain) - the abundance of water (take Italy, for instance), the abundance of water made the hydroelectric production increase very substantially, also affecting the prices. Let us see what is going on, but honestly, after 2 years of dryness, it has been 2 years of very abundant water: I do not think it should be the norm.

So, then we expect prices going up. Please also consider that the GRIN, the incentive in Italy - we are still benefitting from it for some of our assets - is expected to be higher than the 42€/MWh that we have in 2024. This is because of the price mechanism, because the PUN 2024 should be lower than the PUN 2023. So, as a reversal of the calculation, we should expect a green incentive in the region of €60, something like that: so, €20 more than in 2024. So, the conclusion is: yes.

And you asked also for the hedging: yes, I confirm that we hedged a big portion, more than 70%-75% of our production in 2025, and the average price is above 90€/MWh. So, it is quite a good one. So, for all these elements, I would expect - or it is reasonable to expect - a change in the earning directions, because we suffered in 2023 and in 2024, in a price environment that has declined quite significantly, compared to the peaks reached in 2022. So, I would expect this trend to change finally in 2025, and we expect quite significant growth for our EBITDA. Of course - let me say, because there is nothing for granted - that is based on the P50 assumption for wind. So, in an environment where wind blows, let us say, more or less in line with our expectation, wind is unpredictable. And this is the reason why we narrowed the 2024 guidance, not just because of the third quarter, but because October was an incredibly low wind month, but I think there are public data showing this. If you take the Terna report, they show clearly that in the third quarter, the wind volume - especially in Italy - was down 21%. October was, let us say, in the same tune. So, that is the only reason. We are in the business: we are not getting too excited when wind blows, we are not getting too depressed when wind is not there. But let me say, statistics are telling that maybe you may have a period like this, and then, suddenly and abruptly, the wind is coming, and the forecast is that wind should come as of next week. So, let us hope that this should restore, at least partly, what we have lost in terms of windiness over the last few months.

FER-X: this is a little bit of pain in our neck, in the sense that we have been waiting: not just ERG, but all the sector has been waiting for the issuance of this decree for more than 2 years. It seems, but it always seems, that we are really near for the decree to be published, and then - which is even more important – for the first auction to be held. According to the latest news we have, we should expect the first auction to be held in March 2025. The price, the range price, particular for Wind, is between 70 and 95€/MWh, and the tariff is going to be linked over 20 years to inflation (at least for the OPEX), and to inflation (in terms of CAPEX) from the time of the auction to the COD, i.e. the commercial operation date. So, I think the structure is good, but we need to have it published, in order to bid in those auctions.

So, the final investment decision you were mentioning about the projects that are already authorized will be taken just when we will have the security of the route-to-market, so it means that we prefer to wait to launch the order of the wind turbine and blah, blah, because - in the logic of value over volume - we want to approve investments just when we are sure the return is there and is coherent with our targets and our internal hurdle rates.

About the regional decree, in particular the “*Aree idonee*” (the go/no-go Area Decree) is the most important, because basically allows the Region to accept, to permit the assets and the construction. In Sardinia, where we have a very important project - I have to come clean on this - the regional law that has been proposed so far has not been yet converted into law, but it is not very encouraging, in the sense that basically they are blocking any kind of development in the island. The other regions, the Puglia Region came out with a completely different framework and set of documents, well supporting the development of Renewables. Let us wait for the other regions but, let me say, there is no discussion about the other projects we have already authorized, apart from the only one in Sardinia because - according to this law - even the projects already fully authorized should be stopped, if they are not in what they consider a go-area. But in reality, according to the regional law, there is no go-area in the island. So, of course, we expect the “*MASE*”, the Energy Transition Ministry - because I would like to call it as it used to be - should claim against the regional law. We expect the same, but let us see: we have to wait, unfortunately. We have to wait: the situation is going to clear up.

Data center: I already said in my speech. Yes, of course, we are expecting a pickup in demand quite significant over the next 30 years, let us say, because our estimates are going to 2050, till up to 2050. And both in Europe and worldwide, we expect the demand to more than double, almost between 2 and 3 times in the next 30 years, which is a quite stunning amount, incredible amount.

We discussed this trend just a few weeks ago in a CEO retreat in Paris with all other CEOs of utilities companies, and this is driven by the electrification of the system. We are now

seeing that this process is not as easy as it has been publicly announced by the European Commission, but we tend to believe this trend is going to be unavoidable.

To be more pragmatical, let me say, all the PPAs we have already announced and the PPAs we are now negotiating are with operators that are investing and looking for data centers, artificial intelligence, all this kind of things. And finally, just to close this point, given the volatility in the market, we had a confrontation with the major price scenario providers and are all very confident that this trend should materialize very soon.

**Enrico Bartoli:**

Thank you very much, Paolo.

**Paolo Merli:**

Thank you.

**Operator:**

The next question is from Roberto Letizia of Equita.

**Roberto Letizia:**

Thanks a lot for the presentation, and for taking my questions. I just want to recover one of the questions done before. With the capacity expected at least: I know you will discuss the strategic plan next year, but maybe you can just remind us how much capacity you are expecting to add next year, given your pipeline so far and the ongoing asset construction.

Then you commented on the US, but maybe you can be more precise. For example, I guess the pipeline of your partner in the US remains at least the most visible... then you have other options of course, but it is probably the most visible source of additional growth in the US. Then you can of course look at the market if conditions are not there, but at the moment, how much of the pipeline that will be developed by your partner in the US is looking to get the funds from the IRA recognition or the incentives from the US market? Just to have an idea of how much of that is dependent or independent from any crazy decision that Mr. Trump can take, going forward.

Then I am just wondering if there is now any country that you consider as no longer core in your strategy, which you may decide to divest or to look for asset rotation programs. And then one last question on Germany and, in general, the EU regulatory environment, but Germany has recently talked about potential changes in the incentives to Renewables groups. One of these relates to the incentive recognition and for example, the decision of not getting the incentive during the hours in which the price is negative, and this is in order to sustain investment in batteries, and the aim is to stabilize the grids, and to avoid too much volatility, that is potentially negative. So, I was wondering if

there is any consideration we have to make on Germany, which is an important country for you. Thanks a lot.

**Paolo Merli:**

Okay Roberto, I will try to go across the long list of questions.

So, about the capacity for 2025: this is a number that we never give in anticipation of the guidance in March, so we prefer to stick with our habits but let me say, as already said, that we are slowing down some repowering projects in Italy, because we are waiting for the FER-X. And this is unfortunately an external force that we cannot manage, but we are not changing our way of proceeding on this project, in the sense that we do not want to launch... even if we could: the projects are fully authorized, so we could order the wind turbines, and start construction tomorrow morning.

But, given that they are repowering and they are valued on a differential basis, I want to be sure, we want to be sure the return on a differential basis is there before activating the investments. And you know, the range of the FER-X, at least in the draft Decree, is between 70 and 95€/MWh. And we expect the upper end of the range to be needed in order to justify the investments and the return. And so, we have to see the outcome of this auction. So, until we do not have the opportunity to participate to this auction, we prefer to wait and see what is going on.

Of course, we have a queue of previous investments that are already under construction, and this is in the region of 100MW, let me say. For the rest, in order to advance, 100MW are just in Europe, because in the US - and then I come to your question in the US - yes, of course, we have a co-development agreement with Apex, based on a shared pipeline, but the pipeline - we have always been clear about this - is owned by Apex. And, in order to go on with this project, we need to find an agreement on the value of those projects. And for the time being, we are, let me say, like this: we are discussing about the fair value of these assets, because the market is not easy for anyone, let me say. But again, we are very strict on our financial discipline and the returns we announced to the market: if they are not there, we prefer to wait and maybe spend some money, as we are doing now, in buyback or dividends. So, we are not throwing money out of the window from this point of view. But let me say, Roberto: we remain very confident that in the end, the right compromise between supply and demand will be found. And we are exploring very different ways in the US: the main one for sure is with Apex, but not just that. So, I think we will be in a more precise position in March, when we will update the Financial Community about the delivery on our strategy and the delivery on our Plan. Of course, in this strategy, one of the main points is the one you mentioned: so, the asset rotation is probably the likely tool to reach an optimized asset portfolio. But the point is: which is the perfect asset allocation, which is the most efficient portfolio of assets? We are posing ourselves this question. Even in these days, we are working internally to assess the best portfolio possible, and we will

be working on this point for sure over the next few months, and I hope in March to give more precise pictures and objectives about this point, which we believe could be a good value creation lever.

Germany: I should say for sure the phenomenon of negative hours is a phenomenon that we are experiencing in the market, in particular in Germany, because in Germany- if you look at the supply side - the mix of generation there is made of a large portion of Renewables and then, when the wind is not there, the price tends to go up quite significantly, as it is happening now and over the last couple of months. But when there is a lot of wind, a lot of sun *et cetera*, the price in some hours tends to go negative. And then the regulation is evolving as you said, in the sense that even in the current auctions, it is already envisaged that after few hours of negative price, the tariff is not awarded in those particular hours, even though during the life of the CfD you can recover all the negative hours at the end of the CfD period.

This is for sure to incentivize the installation of battery storage and flexibility mechanisms but also to, you know, stimulate the operators to be more live on the market. And from this point of view, we are already trying to set our portfolio, equip our portfolio in a way that we can stop the plants whenever the hours go negative, in order to avoid a negative impact on our P&L. And from this point of view, we are quite satisfied, because we did not report anything negative in the first 9 months of the year because of this phenomenon: because we were able to manage the plants in a way that there was no impact from this point of view. But for sure, I confirm that both auctions and also PPAs are going in that direction.

**Roberto Letizia:**

Thank a lot.

**Paolo Merli:**

You are welcome.

**Operator:**

The next question is from Nash Cui of Barclays.

**Nash Cui:**

Hey, good afternoon, everyone. Thanks for taking my questions, they are only two. So, the first one is on buybacks: I thought a buyback makes a lot of sense, and I wonder if you could potentially cut your CAPEX for the next year and do more buybacks just like one of your European peers has done this week. So, that is my first question.

And my second question is on 2025 consensus number, which is just around €600mn for EBITDA and Paolo, I just wonder: how do you accrue that? Because if I look at EBITDA bridge, so your 2024 midpoint guidance is around €540mn, then you will probably get

€20mn from the GRIN tariff, another €20mn from new projects, and another €20mn from normalized wind condition, then €600mn looks achievable. Do you agree? Thank you.

**Paolo Merli:**

About the buybacks, for the time being, the Board of Directors this morning approved €22.6mn to be allocated to buyback, which basically equals to €0.15 per share which must be seen in two ways. The first is: the Board, me, and the company, we are all confident that the value of the company is much more than the one expressed by the equity markets. And the equity markets are discounting and overshooting in the downside, but in our opinion the value is much more than that, at least with reference to ourselves. And I know my view is a little bit partisan, but I am telling our internal view. So, we decided to launch this buyback because we see an opportunity. Let me say in another way: if the stock had been at €30 or €27 or €28, probably this buyback would not have been launched today.

The other way to see it is from a remuneration of our shareholders' point of view, in the sense that we announced publicly a remuneration policy that envisages €1 per share dividend, as granted dividend to our shareholders, plus a potential upside from €0 to €0.30 also to be done through buyback. And that was the case: so, €22.6mn could also be seen as the midpoint of the potential upside range announced as an advance of the remuneration policy of 2024.

Coming even more in that to your questions, I do not know, never say never: we will be discussing this in March, and also depending on the closing of the profit and loss for 2024, also based on the perspective for investments for 2025, and so on. So, naturally, I would say for the time being, 23 are the millions of euros we are going to invest in buybacks. For the future, we cannot exclude we can re-launch another stream of buyback, but I would honestly prefer to find good business opportunities.

**Operator:**

As a reminder, please press...

**Paolo Merli:**

I am sorry, sorry...That was only the first question. Sorry, I forgot the second...

**Nash Cui:**

Yes. Paolo the second question is just on 2025 consensus, which right now is at €600mn for EBITDA and I wonder, if you think that it is achievable because, if I do an EBITDA break, I thought that is pretty achievable, but I just want to hear your view about that. Thank you.

**Paolo Merli:**

So, let me make a joke: in a way or in another, you want to know the guidance for 2025. I limit my comments on saying that it is a reasonable number... at least based on the current business environment of forecast, whatsoever. Yes, it is a reasonable number.

**Nash Cui:**

Brilliant. Thank you, Paolo.

**Operator:**

For any further questions, please press "\*" and "1" on your telephone. Mr. Merli, there are no more questions registered... excuse me. There is actually a question from Nathan Dubois of Sycomore.

**Nathan Dubois:**

Yes, hi. Can you hear me?

**Operator:**

Yes, sir, we hear you.

**Nathan Dubois:**

Paolo, can you hear me?

**Paolo Merli:**

Yes, absolutely.

**Nathan Dubois:**

Yes. Sorry, I joined the call a bit late. Maybe you touched already the subject, but could you give us an update about the DDA investigation and the potential impact that it can have for you? And I would like to know if you have taken any action regarding this investigation. Thank you.

**Paolo Merli:**

Okay. I would say we have already published a very summarized press release, but the story, in the end, is very simple and it is clarified in our recent press release. In 2023 ERG received a very detailed whistleblowing notice, which indicated potentially serious events for the company. I want to assure you now there was no impact on ERG, but only for this reason - as we received this detailed report - the company carried out and completed an internal investigation in the following months. And this was made totally in accordance with our whistleblowing internal policy, approved by the Board of Directors and aligned - I mean, the policy - with the very best market standards.

In carrying out this activity, ERG believes, the Board believes that the company has always acted in full compliance with the law and its corporate policies. So, let me make it even clearer that ERG, as a company, is not under investigation. It is not under investigation. I want to repeat it because, in relation to our previous press release, I take your question also as a chance to clarify that the reference in the Italian press was essentially in relation to ERG being a client of a third-party company, hired to support the internal investigation, as it is included in our policy. So, I mean our policy says that, if we need support in doing an activity that is not our core activity, we can hire a specific company. So, we remain fully confident about the correctness of the behaviors of our people, but I stop here because, being the investigation still ongoing, we cannot disclose further information at this time. We remain at full disposal of the competent Authorities but, so far, absolutely no impact: economic or financial, or whatever.

**Nathan Dubois:**

Okay, thank you.

**Paolo Merli:**

You are welcome.

**Operator:**

Mr. Merli, there are no further questions, sir.

**Paolo Merli:**

Thank you very much for listening and attending this meeting with patience, and see you next time, probably in March for the full year results. Thank you very much.

**Michele Pedemonte:**

Thank you.