



**ERG S.p.A.**  
**“FY 2021 Results & 2022-2026 Business Plan”**  
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**Operator:**

Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the ERG IR Day FY 2021 Results and 2022-2026 Business Plan. 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. Please go ahead, madam.

**Emanuela Delucchi:**

Good afternoon, everybody, and welcome to ERG IR Day during which, after 9 months, we will show you an update of our strategy after the asset rotation and after the important achievements in 2021.

Looking at the agenda of the day, our CEO Paolo Merli will do a brief introduction on the FY 2021 key figures, then he will leave the floor to our EVP Alessandro Garrone, who will show you the important steps we did in our successful journey in Renewables growth & decarbonization.

Afterwards, Paolo will drive you through our 2022-2026 strategy and targets.

Michele Pedemonte, CFO of the Group, will show you our Financial Strategy in the BP period.

Then I will focus as usual on the updated ESG strategy, which continues to be at the core of ERG business model.

Michele will then show a snapshot on ERG results in FY and 4Q 2021.

Then Paolo will conclude with his final remarks prior of the Q&A.

I remind you that you can send Q&A - even before the end of our presentation - through our APP ERG Investor Relations or via conference call, as usual.

So let us start, and now over to Paolo.

**Paolo Merli:**

Good afternoon, everyone and my warmest welcome to ERG's Investor Relations Day.

We are living through extraordinary times. Russia's invasion of Ukraine is a defining moment and is having, among other consequences, a huge impact on energy markets which were already under pressure in December. In fact, before the war broke out, we saw spikes in prices that had never ever been seen before, driven by gas shortages and geopolitical tensions. The war has exacerbated this even further.

Because of this situation, the energy industry and the Renewables one in particular, is being called upon to reduce our dependency on gas to address this unprecedented energy crisis.

ERG, with this Business Plan, wants to play a role in all this.

But do not forget why we are doing this as well: to combat Climate Change.

Our Business Plan will go in that direction. We have raised all our targets and the bar of the challenge. But before we get started on the Business Plan, which looks to the future, let us see our results for 2021.

So let us move on, going to **page no. 5**: 2021 Results are extremely strong and positive from all angles. We closed with €580mn of EBITDA, up 21% year-on-year, above the top end of our guidance range. We had significantly stronger volumes in Wind and Hydro, particularly Wind in the fourth quarter of the year, against a backdrop of a very strong price scenario, albeit consider that we benefited from the scenario in a limited way, because of our hedging policies. Solar was solid, but basically in line year-on-year, while the CCGT was significantly down, because of the expiring of the White Certificates and of the prolonged general shutdown of the plant to refurbish it and make it eligible once again for White Certificates in 2022.

We invested about €650mn, so more than four times what we invested in 2020. CAPEX were basically related to the 309MW that entered on stream during the year plus all the investments associated to the projects we have right now under construction in several geographies. Net profit was €202mn, almost double year-on-year driven up by all the great job done over the last few years to minimize the cost of debt and non-cash cost, respectively, through liability management and lifetime extension programs. Based on this very solid set of results, the Board proposed a dividend of €0.9 per share.

Net financial position closed at €2.051bn, slightly above the top end of our latest guidance. It includes – that is important to say - more than €300mn related to the negative mark-to-market of derivatives to hedge productions. So, part of it has already undergone an important reversal at the beginning of 2022, when we cashed in all the proceeds coming from the Hydro disposal. Anyway, Michele will elaborate a little bit more on results.

And now over to Alessandro.

**Alessandro Garrone:**

Good afternoon, ladies and gentlemen, and also on my behalf welcome to ERG's Investor relations Day.

In my speech, I will show you the significant steps we have made in 2021, on both growth and asset rotation, more than in line with what we have announced last year.

Before commenting the charts, I would like to say that it seems that the change done last year in the management team have been successful so far. Commitment, skills and execution capability, together with continuity of values and leadership model, have worked very well.

As you can see on page **no. 7**, we have continued to expand our portfolio of renewable assets in Europe. Installed capacity increased by 309MW in 2021, spread throughout France, Germany and UK: about 1/3 of that capacity was Solar. Over the course of the year we also secured a further 400MW to continue our journey.

We enhanced both technological diversification with solar contributing with 170MW to the capacity added since the launch of our 2021-2025 BP, and geographical diversification as we added 3 countries to our scope, namely the UK (with the first MWs installed), Sweden (where we have 62MW under construction), and Spain with the acquisition of 92MW of Solar, which entered into our scope as of 1 January this year.

As committed, we focused on PPA, as a key route to market for our energy: we signed PPAs covering 0.7TWh in Italy, Northern Ireland and France.

As far as asset rotation, we finalized the Hydro disposal to ENEL with which we also reached an agreement for the CCGT disposal, whose signing is expected to take place in the third quarter of this year, subject to Antitrust approval.

The integration of ESG into our strategy proved to be successful, with important recognitions this year, as you can see in the chart.

2021 was a year of strong execution, shown on **page no. 8**.

We invested more than our EBITDA, as Paolo said: €648mn of CAPEX and €580mn of EBITDA. We are continuing to invest to boost our Renewables portfolio, with Wind & Solar capacity posting a strong increase on 2020: +309MW, +15% year-on-year.

Our Energy Transition is shown by the rotation of our Capital Employed, which is 98% Wind & Solar as at today. We expect to complete it in 2022 with the disposal of CCGT, for which we have reached an agreement with ENEL, as I said.

The 2021-2025 Business Plan was based on three pillars, as you probably remember: the three R. We moved forward significantly in each area.

You can find the first R on **page no. 9**: Repositioning our portfolio of assets. As I said, we added 309MW (partly through M&A and partly through organic developments: 2/3 in Wind, 1/3 in Solar), in three different countries, in line with our strategic objective to push on both technological diversification and geographical diversification.

We also secured initiatives, for a total of about 400MW, in three other different European countries, two of which are new (Sweden and Spain), to fuel our growth in the years to come, starting from this year.

We are also particularly proud of our Repowering Projects in Italy. We have been a pioneer in this respect, and finally in 2021 we started reaping the rewards, with three projects fully authorized and awarded with a tariff through auctions. We also succeeded in receiving authorization for a Greenfield project, on which we had been working hard for years. Let us move on like that.

The second pillar was Reinforcing organization and reskilling.

We can now rely on a larger organization devoted to Development, Asset Management and Energy Sales, which moved up consistently. As you can see on **page no. 10**, in 2018 in the Development area we had 20 people: today in 2021 we have 100 people with a pipeline of 3.5GW.

We have insourced know-how in all the phases of development, including engineering and construction, adapting our organization to a multi-countries business model. We also reinforced our Innovation Unit, mainly focused right now on Battery Storage, as you will see.

In reinforcing our organization - especially over the key areas of development and energy sales - we had a clear focus on fostering gender diversity, with women accounting for about 50% of new entries. The majority of new entries were outside Italy. As you can see here, all the associated KPIs are moving up. So, we are not simply reshaping our portfolio of assets, but also our organization consistently.

The third pillar is asset rotation: you already know everything and on **page no. 11** you will find all the key elements of the two transactions, with CCGT still to be closed.

Some figures now: as you already know, the total enterprise value for the Hydro was €1.265bn, and the total enterprise value for the CCGT is €188mn. Then you have to consider the total people involved in this sale will be 258: so, the figures of 2021 in terms of organization will be reduced by 258 people in 2022.

We are very pleased with the agreement with ENEL, not just because it recognizes the fair value of the two assets, but also because it represents the best industrial player to fully unlock the value of the two going concerns and all the people that are part of them. Of course, the associated cash in will be used to push further on growing our Renewables portfolio, seeking more geographical and technological diversification.

Of course, we are always aware of the mission behind all this: to combat Climate Change, which is becoming more and more evident with increasingly frequent extreme weather events.

From this prospective, our journey led us to decarbonize our portfolio of assets significantly, as you can see on **page no. 12**. The actions taken over the last Business Plan allowed us to reduce our Carbon Index further by 20% in 2021.

Another significant step will be taken with the completion of the asset rotation, which will be zeroing direct emissions. The decarbonization of our portfolio was at the center of our strategy.

At the heart of ERG's successful transformation story is a best-in-class governance model (shown on **page no. 13**), which allowed us to grow in accordance with our values, our strategic objectives and financial discipline with strict control of all investments, through

both our Investment and Management Committees and Strategic Committee, which I have the privilege of chairing.

Our governance is subject to continuous improvement, and the recent Board Performance Review yielded very solid results, which gave us confidence that this new mandate has started in the best way possible.

Strong corporate governance, financial soundness, strict investment criteria, commitment to ESG issues, our values, are the hallmark of our business model.

On **page no. 14**, let me now focus on ESG achievements, which I am particularly proud of:

1. we entered the S&P Global Clean Energy Index, among the approximately 80 most green listed companies worldwide.
2. for the first time in ERG's history, our emissions reduction Plan was approved by Science Based Targets, a well-known and recognized entity.
3. ERG entered the newly created MIB ESG Index, which includes the best 40 blue chips for ESG performance in the Italian Stock Exchange
4. then we once again won the "Oscar di Bilancio" for the transparency of our financial and non-financial reporting
5. we have been confirmed in the Leadership Score for CDP, recognising our commitment and efforts towards contrasting Climate Change
6. for the first time ERG entered the Bloomberg Gender Equality Index, with the recognition of a clear commitment to foster gender equality
7. last but not least, ERG entered the Suppliers Engagement Leaderboard, recognizing the crucial role of our Sustainable Procurement Business Model.

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

So, thank you for your attention so far, and now over to Paolo who will take you through that journey, our 2022-2026 Business Plan.

**Paolo Merli:**

Thanks, Alessandro. And now let me take you through our vision of the future and our objectives. Let me start here on **page no. 16** with what ERG is today. We have 2.5GW of installed capacity, well balanced between Italy and abroad based on 2 technologies, Wind and Solar. We have a pipeline of projects of 3.5GW. Since last May, we managed to add to our portfolio in excess of 600MW, about 400MW of early-stage Solar PV, both in Italy and France.

On top of that, we had also about 150MW of Battery Storage, following the launch of a specific project in 2021 called "Re-Charge", plus some new Wind Greenfield projects in

Italy and abroad. That was made possible thanks to having strengthened our business development teams across the organization. Our pipeline now is well spread across Europe, both in Wind and Solar, based on Greenfield, Repowering and Co-development. We are present in 9 countries.

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

Let us move forward to **page no. 17**. Here, the message is we continue to believe that having a solid capital structure and easy access to the debt capital market - which means having an investment grade profile - is a hedge for our business model. We have been working this way for several years now. Last year, we issued our third green bond with a yield lower than 1% and a duration of 10 years, the longest ever since we entered the debt capital market. Thanks to this, our cost of debt will go down further in 2022.

Let me point out for you some features of our balance sheet. Our net financial position is today - today, I mean, while I am speaking - below €0.8bn, with gross debt basically 90% based on green bonds. We can rely on cash at hand for investments in excess of €1.3bn, following the proceeds that came from the Hydro disposal. Being investment graded is and will remain a hallmark of our business model.

Let us move on to **page no. 19**, to see now the main trends we see around us. It goes without saying that we are leaving dramatic times: because of the war and geopolitical tensions, energy markets are under pressure. Volatility is something we have to live with, and higher prices are likely to remain long-term, at least higher than those we could predict just a few months ago. This geopolitical situation is now increasing pressure on States to accelerate their energy transitions: institutions, regulators, governments are all called upon to facilitate permitting and debottlenecking of grid connections. Solar will play a major role, especially in the south of Europe.

PPAs keep gaining ground, and we expect this trend to continue. Somewhere, PPAs are already more appealing than CfD in auctions. ESG is still on its upward trend: decarbonization, energy transition, circular economy and also D&I are under the spotlight.

We tried to design a Business Plan, which factors in all these trends.

Let us move to **page no. 20**. As always happen during hard times, some States - among which Spain (which was the first), Romania and unfortunately Italy - reacted to this situation by looking for quick fixing to long-term trend. Though we acknowledge the complexity of the situation, we think that was wrong: it is a way against the toolbox, the European guidelines.

About Italy, we have definitely to wait and see if the decree will be finally converted into law and, if so, how the application will be ruled by the Energy Authority. For the sake of

clarity, our guidance for 2022 we will see later does not include anything with respect to this “*Decreto Bollette*”. First of all, because we do not know it yet, secondly because - having our merchant productions fully hedged either through PPAs or financial derivatives - we would not expect any significant impact. What we do believe is that RES could be the solution, and not the problem.

Let us move to **page no. 21**. Here it is clearly shown that potential for RES is big, and targets here speak for themselves, I think. The takeaway is quite straightforward: there is plenty of room for growth. And this is true basically in every geography we are targeting: stabilization mechanisms, such as auctions, are basically available in all countries where we operate. Our plan is to rely either on these mechanisms or PPAs, picking whichever one offers the best conditions.

As you see on **page no. 22**, in 2021, the PPA market gained further ground across Europe. Corporate PPAs are also on the rise, and prices are increasing, driven by surging wholesale prices and also reflecting the inflation in raw materials, which are driving LCOE higher. ERG did not lag behind, and it took part in this acceleration with PPAs signed for 0.7TWh per year in 2021 in different geographies. We are ready to sign others in order to keep on securing our revenues.

Let us move on to **page no. 23**: permitting is still one of the biggest hurdles for development. This is true all across the geographies where we are present, and in particular in Italy. We have been seeing some advancement even recently, but there is more to do. We remain confident as we now see the right amount of awareness on the issue. Everyone knows what needs to be done. The points are well underlined here in the chart, but I think you know them very well, and there is no need to comment further.

Let us move on to **page no. 25**, to have a look at how we see our future. Here we summarize the strategic guidelines and the targets for the next Business Plan: basically, the strategic guidelines are more or less in line with those presented in May last year, while targets have all been revised upwards. Growth: we expect to increase our installed capacity by 2.2GW over the period, which means about 450MW per year on average. We will do this through the right mix of Greenfield, Repowering, Co-development and M&A, with 60% of the target backed by projects under construction or at an advanced stage of development.

Route-to-market: we are targeting 85%-90% of quasi-regulated EBITDA, which means backed by incentives, tariffs or PPAs. This is consistent with an investment grade profile and a financial policy with a 4-times net debt/EBITDA ratio.

We want to increase geographical diversification: this to de-risk our portfolio. More technological diversification: about 1/3 of growth will come from Solar. Innovation is

becoming a reality. We said in May we wanted to do something here, and we did it: we launched the “Re-Charge” Project, which led us to participate in the last capacity market auction in Italy with several projects, out of which 2 were awarded. Our target is to install at least 50MW of storage by 2026.

Asset rotation: you know all, we expect to conclude this over the course of the year. We expect to sell the CCGT plant during the third quarter of this year, after having concluded the antitrust process. In all this, ESG - last but not least, I would say - is and will be at the core of our strategy. And Emanuela will elaborate a little bit more on that.

The last point is just a consequence of the solidity of our Business Plan. We feel time was mature to raise our dividend from €0.75 to €0.90 per share, because this is sustainable over the Business Plan period.

Now, let us see on **page no. 26** how the 2.2GW target is broken down. We have roughly 500MW under construction right now, which also include more than 100MW of our repowering projects in Italy, so the first megawatts coming from this large project we launched in 2018. Other 500MW will come from our Greenfield pipeline, Wind and Solar, and a further 200MW will come from Repowering, which on a gross basis means roughly 400MW, but we see a little bit more on Repowering later on.

Let us move on, we have also 92MW already in service in 2022 that are associated to the Solar acquisition in Spain, and 900MW will come from M&A. So, this is frankly speaking the unknown part of our target, even though – as we will see later - we are working on several opportunities right now.

What is important to stress here is that we will keep seeking for geographical and technological diversification. 60% of our assets will be outside Italy in 2026.

As you see on **page no. 27**, we have right now 562MW under construction. Construction sites are spread out in several geographies: Scotland, Poland, France, Sweden and Italy. Most of those projects - the one in France, Poland and Italy - have their route-to-market secured with tariffs awarded by auctions. In Scotland and Sweden, we are right now negotiating long term PPAs in accordance with our risk policies. All these projects are well on track.

And now, on **page no. 28**, a little bit more on Repowering: you know, we were pioneers in launching this large repowering plant in Italy. Since then, through up and downs, we have made important steps forward with its deployment. Three projects are now under construction, after being granted the “*Autorizzazione Unica*” and being awarded a CfD tariff in auctions. Further, about 300MW have got the VIA, the environmental permits. New projects enter into the Business Plan.

Repowering will allow us to rejuvenate our assets, leveraging on superior wind locations and forefront technologies, with wind turbines - that is an important point - already secured through the framework agreements signed with Vestas and Enercon. I think you got to know the 3 magic numbers for Repowering: halve the numbers of towers, more than double the capacity and triple the production. Here, you have the numbers we put in our Business Plan, which have been revised upwards significantly compared to the previous one, and we are working on a larger portfolio of projects.

Let us move to **page no. 29**. Everything is going on in a context of high volatility and uncertainty around the value chain, with prices on their way up. We are satisfied to have about 1GW of our organic growth fully secured in terms of wind turbines supply, and therefore we expect limited impact on our CAPEX, thanks to that. This is another point that gives visibility to our Business Plan.

Let us move on to **page no. 30**, for few words on our pipeline... a larger pipeline, both for Repowering and Greenfield. We have been working hard to expand it, and we will continue to do so. We increased it to 3.5GW by including fresh Solar Greenfield projects in Italy and France, projects that were brought forward by exploiting our current asset base and by securing lands and real estate nearby. The Repowering pipeline is going on well and is gaining visibility. We also, as said, added about 150MW of Battery Storage with projects located nearby our Wind and Solar assets already existing or under construction.

A few words on M&A, as per **page no. 31**. We do believe M&A will continue to deliver. Our track record, expertise and reputation in the market were confirmed in 2021. We closed almost 400MW through M&A in France, Germany, Sweden, Spain, both in Wind and Solar. We are currently working on several opportunities with the same approach, based on flexibility to cherry-pick assets that can add and create industrial synergies and value.

Let us move on to **page no. 32**. Here just a figure to imagine how we can become in a few years' time. We are seeking more geographical diversification, as we do believe it is key to reduce volume volatility to our asset portfolio. We want to keep investing for sure in our legacy geographies, but at the same time we cannot roll out other geographies. Flexibility is our approach. Our focus is and will remain Europe. We aim to play - that is the rule of thumb - an industrial role in the medium and long-term, wherever we are, to create synergy by leveraging on our industrial know-how and expertise.

So let us move to **page no. 34**. Our model is confirmed, it wants to be a quasi-regulated infrastructural model. In 2021, we closed PPAs for a total amount of 0.7TWh; most importantly, those PPAs were spread out in different countries with outstanding

counterparties. Our objective, I remind you, is to cover productions as long as new megawatts are coming on stream. As such, we are now in advanced talks with an off-taker for our Scottish assets, as their CODs are approaching. I could summarize our strategy on PPAs like this: we seek to from 5 to 10 years duration (depending on existing or new assets), outstanding counterparties with solid credit profile and a fair pricing even through sometimes flexible mechanisms. All this thanks to our energy management and sales capabilities and organization.

Let us move further to **page no. 35**: here the main message is we are and will continue to be an industrial operator. And as such, we are committed to continuously optimizing our asset base. In addition to Repowering, another industrial project where ERG has been a pioneer, is Reblading, which means replacing the old blades with innovative ones, more aerodynamic and more efficient.

In 2021 we completed another project, the reblading of Lacedonia wind farm of 40MW, and we did this by recycling 100% of the blades, in line with our ESG plan. Some other wind reblading are included in our Business Plan. And in 2022, we will also be working on revamping 30MW of solar PV by replacing existing modules with new ones (again more performing and more efficient), and all this by recycling all the modules at least at a 90% ratio. All the related CAPEX, though not much, are included in our Business Plan.

Let us see now on **page no. 36** our approach to operation and maintenance. You know that we have here, once again, a flexible model and a global approach. We can go from a full internalized model (like in Italy) to mix models (like in France and Germany), to a full scope as in UK, Spain, Eastern Europe and Sweden. We think that our operation and maintenance capabilities and know-how will remain a key of our business model.

Let us move on to **page no. 37**, where I want to touch the innovation space. Nine months ago, when we presented the previous plan, we said we were working to explore opportunities for both Storage and Hydrogen: Storage, in particular, given the strong industrial fit with intermittent technologies. And now, we can tell that Storage is a concrete action in the Business Plan.

As said, just after the presentation of last year plan we launched an internal project called “Re-charge”. We scrutinized all the potential projects along our asset base, and we identified a pipeline in excess of 150MW (both in Italy and abroad), and we target to install at least 50MW in the plan: it may appear a little bit conservative and probably it is, but this is the number we included in our plan.

We are also exploring opportunities in other innovative areas, like floating offshore wind, hydrogen and circularity for dismantled WTGs. But, as usual, we do not have any specific targets when we feel we are just at a very early and preliminary stage. Let us see what the future brings in this respect, and we want to be ready when and if any opportunity may arise in this respect.

Okay, let us move on, and now finally let us see the targets of our Business Plan. On **page no. 39** you find the installed capacity evolution: of course, everything is presented net of Hydro and CCGT, because this is our new perimeter. After deploying the 2.2GW of expected growth over the plan, our installed capacity will reach 4.6GW by the end of 2026: 80% Wind, 20% Solar, with an initial position in Battery Storage.

As far as CAPEX (see **page no. 40**), we will be investing €2.9bn, more than €2.8bn devoted to RES development, 80% Wind and 20% Solar. Here, you find the breakdown per stream of our investments. In terms of geographical breakdown, roughly 40% will be invested in Italy (mainly through our repowering projects), while the remainder abroad. Please keep in mind that our maintenance CAPEX is more or less in the region of €10mn per year, based on our new perimeter just Wind and Solar.

Before going through the economics of the plan, particularly given the huge volatility in energy markets, we thought that providing you with our assumptions on price scenario was more important than in the past. As you can see here on **page no. 41**, our price projections (which were defined at the end of last year, according to our planning process) are quite cautious *vis-à-vis* current and forward market prices. But we still believe they are more linked to the real fundamentals of the industry. That said, when doing your own assumption, please do not forget a large part of our production is already covered by long term CfD or PPA.

Let us move on to **page no. 42**. Based on our assumptions, we expect EBITDA to reach €560mn in 2026. Out of the total, we expect 20% to come from Solar, with a more or less 50:50 split between Italy and abroad. We also expect 85%-90% of our EBITDA to remain backed by price stabilization mechanism, which is at the base of our investment grade profile... as simple as that.

Here on **page no. 43**, you find the usual bridge between a restated 2021 and 2026 EBITDA. Compared to 2021, we expect prices to cool a little bit off versus the high levels registered last year; the phasing out of wind incentives will continue for about €60mn, but we expect to more than offset these 2 effects with about €270mn of fresh EBITDA, deriving from the new installed capacity. A part of it is already in service in 2022, coming from the full contribution of the assets entered into our scope in 2021 and early in 2022: I am referring to the acquisition in Spain, and I am talking about the light blue bit. Some contribution will come from our assets under construction (which is the blue bit), some from our pipeline net of success rates (which is the green bit) and the rest - the least predictable bit, to be honest - through co-developments, agreements and M&A, where we can rely on our expertise and track record.

And now to Michele, for his review of the financial strategy.

**Michele Pedemonte:**

Thanks Paolo and good afternoon, everybody.

As already shown last year, we have now completed the transition from a traditional project financing debt structure to a green debt capital market financial strategy. Now we have a solid investment grade financial profile, which we are committed to maintain in the whole BP period.

The investment grade rating is the pillar of our financial strategy and on this base we can lever our growth in the Renewables, maintaining a competitive cost of capital which, as you can see on **page no. 45**, is very low and marks an additional distinctive point vs. our peers.

We see our current rating consistent with a leverage in terms of Net Debt/EBITDA of up to 4X, which has been raised *vis-à-vis* the previous BP after asset rotation, and due to the increase of the quasi-regulated component of our revenues.

In the BP horizon we are planning a significant releverage to boost our Wind & Solar portfolio, as shown on **page no. 46**.

Of course the journey is possible thanks to the cash in for roughly €1.5bn related to the asset rotation, which will be re-invested in the RES development.

Our net debt will increase up to €2.1bn after:

- CAPEX for €2.9bn to add 2.2GW to our portfolio
- Working capital and taxes, at €0.3bn
- Financial charges at €0.2bn: we are benefitting from a competitive cost of debt, thanks to the liability management exercises brought forward in the past years
- Dividends for €0.7bn, which implies a DPS increase at €0.9 vs. €0.75 per share
- Cumulated EBITDA in the area of €2.4bn

So a strong releverage, keeping the Investment Grade rating, and an improved dividend policy.

On **page no. 47** you find a picture of our financial structure: a solid base for our 5 years business plan.

It is worth mentioning, particularly in this volatile period, that 95% of our debt is fixed rate, so we fully offset interest rate risk. We have a limited corporate repayment in 2023 that - in case of refinancing - is covered by a pre-hedge at very interesting condition.

Together with the evolution in our Business model we have been able to evolve our financial structure, shifting from Project Finance to green debt capital market tools: with the 3 green bonds issued in 2019, 2020 and in 2021, the portion of green bonds is now almost 70%.

In September 2021 we issued our first 10 years bond, very well received by the market: thanks to a good timing we were successful in fixing a 0.9% yield, securing a competitive long-term cost of funding.

And now over to Emanuela for ESG strategy.

**Emanuela Delucchi:**

Thanks Michele, and now I will drive you in a deep dive in our ESG strategy, which has been updated to take into account the asset rotation and also in an optic of continuous improvement of our business model.

Before looking at our ESG strategy, it is worth focusing on the global trends (see **page no. 49**) affecting all our behaviors.

Cop 21 before, the European Green Deal, and COP 26 today, have emphasized more than ever the urgency in zeroing the carbon emission, in order to limit to 1.5° the increase of global temperatures. Climate Change is still an urgency for us.

The pandemic showed with clear evidence that social inequality is running at an alarming speed. What can we do? All of us must create a real and inclusive environment, where everybody can play his role.

Demand for green investments is growing fast, marking a strong capital allocation towards ESG funds and towards those companies which are engaged in the energy transition and in the sustainable development.

Of course, we must avoid the so-called Green Washing, and therefore EU Commission introduced clear regulation - like the EU green Taxonomy and the SFDR (Sustainable Financial Disclosure Regulation) - to provide a clear picture of what is really green and sustainable.

We tried to design our ESG strategy to factor in all these trends.

So, going on to **page no. 50**, this is our ESG plan, and I think you are quite familiar with this chart. Here is a snapshot of the new ESG Plan: we have now 16 targets, which are perfectly aligned to 14 out of 17 SDGs. We have now identified 8 ESG priorities, which will be the bulk of our ESG strategy, and other 8 objectives with the logic of a continuous improvement.

As far as Planet, our commitment has been strengthened as we are evolving from carbon neutrality to be fully Net Zero by 2040, 10 years in advance vs. European targets. But I will say more about our Net Zero strategy in the next chart.

For Circular Economy, we enlarged the scope of it: now we are keeping the 98% circular wind, referred to the dismantling of wind turbines (as Paolo already mentioned), with the goal to reduce to a maximum of 2% the waste in landfills. In Solar, we are now

targeting to recover at least 90% of the dismantled panels part of the Solar revamping projects. In addition to that, we are working to try to reutilize part of the dismantled modules for social purposes.

As far as Engagement, we will continue to support local communities where we operate, with a contribution of at least 1% of our revenues.

We are also laying the foundations for an ERG Academy to involve the younger generations in educational activities on sustainability and renewable energy, with a target of at least 20,000 students by 2026. The ERG Academy will also provide for training activities to all our people, and it will be the basis to define plans for the development of our employees.

As far as People, of course we are reiterating our commitment in the D&I to create a more international and also a more inclusive ERG. I will explain more in detail our D&I strategy in a specific chart.

As far as Governance, we want to maintain a best-in-class governance, and our commitment to ESG is well embedded in the short-term and long-term management remuneration. As Michele explained before, our financing is now mostly green and in our plan we are committed to keep it green, with at least 90% of our loans classified as "Green Funding."

To sum up, I would say a solid ESG strategy, based on well-defined KPIs that will be monitored throughout the Plan period.

So let us go on to **page no. 51**, about Net zero. In a few words: we are evolving from carbon neutrality to Net Zero by 2040. How can we reach this target? First of all, with asset rotation. The closing for CCGT disposal, expected in Q3 2022, will accelerate our decarbonization path, bringing our Scope 1 & 2 emissions near zero.

Secondly, we will have 100% of our production renewable: we will naturally produce 100% green energy after the asset rotation, and therefore our electricity sales will be 100% green by 2023.

Then there is Green consumption: our plants and offices' energy consumption will be entirely green

A big effort will be on Supply chain: thanks to our Sustainable Procurement, we will lead our suppliers to reduce their emissions over time. We now aim to have at least 75% of our main suppliers with emission reduction targets certified by Science Based Targets initiative by 2030, and 90% by 2040.

All this will make ERG fully Net Zero 10 years before EU requirements.

Now, going on to **page no. 52**, a focus on our approach to D&I, which is still at the core of our business model. In 2021 we took significant steps to create a more international

and inclusive ERG. As anticipated before, we approved the D&I Policy, which is the basis of our way of doing business, and we have been included for the first time in the Bloomberg Gender Equality Index. So, we want to continue our journey.

As part of the ESG Plan, we have three main targets to foster gender equality and to promote greater internationalization of our company.

- 1) Last year we said that we wanted to increase the number of women amongst the key leaders, and that is what we did: we went from 9% to 14%, and now we want to continue this path, targeting to reach at least 20% in 2026.
- 2) As far as our internationalization, here we reinforced the target we had in our last BP: our aim is to bring key leaders abroad from the current 8% to at least 20% after asset rotation. So, we are now an international company, and our organization is evolving to enhance all the structures we have outside Italy.
- 3) This year we added another target to foster gender equality: we intend to reach at least 25% of women amongst the entire group, and in this field we already made big efforts in 2021, with 60% of net female additions during the year. We will join Women Empowerment Principles in 2022 to promote gender equality in our workplace, our business and the entire community.

So, all of us are strongly committed to create an inclusive ERG, where all the talents can express also by leveraging on an inclusive culture, which is at the basis of a sustainable development.

Going on to **page no. 53**, here a focus on green taxonomy and the impact on ERG. Very simple: after asset rotation we will have 100% green Revenues, green Opex and green Capex.

As far as CAPEX, we believe it is worth mentioning that all of them are in line with the UN SDGs, with a clear focus on the no. 7 (Clean energy) and on no. 13 (Climate Action).

And now over to Michele, for his comment on FY and 4Q 2021 results.

**Michele Pedemonte:**

Thanks, Emanuela. And now let us have a look at our FY 2021 results

As you can see on **page no. 55**, power demand in Italy in Q4 2021 was up 4% YoY: Q4 2020 was still negatively impacted by the pandemic situation. Wind and Gas contributed positively to demand, whilst there was a drop in Hydro production due to poor rainfalls in the period.

Looking at ERG, our Wind productions in Italy were up 28% (a bit lower than country average), Solar production was 7% down YoY. As far as conventional generation, Hydro in the quarter was slightly lower YoY (so, better than average national figure), and CCGT

was down 42% due to a tough environment coupled with extraordinary maintenance in the period.

As far as electricity prices, in Italy in Q4 2021 there was an extraordinary rise in electricity prices, with the national price at 242€/MWh, 6X vs Q4 2020. The all-in price, from 141 to €351€/MWh, benefited from the increase of electricity prices coupled with the higher value for incentive which, you know, is calculated on the basis of last year's average national electricity price, that recorded very low levels due to the Covid-19 lockdown. The trend in electricity prices, as you know, mainly reflects the strong rise in gas prices, influenced in the Q4 2021 by the geopolitical tensions and by the excessive dependence on Russian gas. Of course, the incentive being inversely correlated with last year electricity price, implies that incentive for 2022 will be extremely low (43 vs 109€/MWh).

As a consequence, our CCGT's Clean Spark spread declined to -3€/MWh, with rising gas and CO2 prices only partially offset by a recovery of prices in Sicily.

As far as abroad, at the bottom-right of the chart you can see the average reference selling prices for our productions, country by country. Even abroad, it is worth noting the generalized rise in prices in Q4, in particular in countries where we have green certificate-type mechanisms, such as in Romania.

On **page no. 56**, you find as usual a picture of the main drivers per business of our EBITDA evolution in FY 2021.

As we have said before, Wind was up €76mn mainly due to rising volumes coupled with a better scenario in comparison to the depressed Covid-19 environment of 2020, whilst Wind abroad was hinted by a decline in production vs an extraordinary 2020, offset by the contribution of the newly consolidated assets.

Solar EBITDA is almost flat YoY, confirming its solidity.

Hydro is up €70mn, thanks mainly to a strong rise in volumes compared to a particularly dry 2020.

CCGT was down €46mn, mainly due to the white certificates phase-out and the squeezing of spark spreads in the period. Let me also add that in Q4 2021 we did the extraordinary maintenance works for the refurbishment of the plant to revamp the steam turbine and to entitle it to receive white certificates for the next 10 years.

On **page no. 57** there is now a focus on production, and here I am focusing on Q4 2021. Wind production is at 1,221GWh (+19% YoY), due to better wind conditions in Italy. Wind abroad was up 10%, which reflects worse wind conditions in France and Germany offset by the consolidation of the assets acquired during 2021, coupled with better wind production in Eastern Europe.

Solar production at 45GWh is +39% YoY, mainly thanks to the contribution of our first solar assets in France, acquired during the year, and which contributed with 15GWh. Production in Italy was slightly down.

As opposed to FY which posted a strong rise in hydro volumes, in Q4 Hydro production was down 2%, due to poor hydro conditions in the period.

CCGT production was at 360GWh, strongly down YoY due to the general maintenance at the module 1.

And now on **page 58** a focus on Q4 2021 EBITDA per business.

Starting from Wind, EBITDA was €145mn, strongly up YoY (+96%), mainly due to the contribution of Italy (€98mn vs. €41mn in 4Q 2020) as a result of higher volumes, higher value for incentive and a generalized improved price scenario if compared to 4Q 2020, which has been negatively impacted by Covid-19. EBITDA abroad was €47mn (+38% YoY), mainly as a result of the newly consolidated assets in France and Germany, coupled with rising volumes in Eastern Europe.

Solar EBITDA was at €9mn (+12.5% YoY), with the new assets in France to offset the decline in Italy due to lower volumes.

Hydro EBITDA was at €34mn (+48% YoY), with a favorable scenario which more than offset poor water availability.

CCGT EBITDA is negative at €2mn due to the end of white certificates, a particularly tough scenario with negative spark spreads coupled with the shutdown of module 1, as commented before.

And now of **page no. 59** for a brief overview of investments in the period. Here it is worth focusing on FY.

We invested €648mn versus €156mn over the same period last year: an impressive number, meaning that we invested more than our EBITDA.

CAPEX are composed as follows:

- about €389mn of M&A in Wind and Solar abroad: I am speaking about an acquisition of a 62MW RTB project (now in construction) in Sweden for €41mn, the acquisition done in June 2021 of 80MW of Wind and Solar installed capacity in France for €147mn, and the acquisition done in October 2021 of 152MW of Wind and Solar capacity in Germany and in France for €202mn
- about €215mn related to organic Capex in Wind, referred to construction activities mainly in UK, Poland, France and Sweden. It also includes the CAPEX for the Repowering and Reblading done in the period
- about €24mn related to the refurbishment of Module 1 of the CCGT plant, to renew its eligibility for another 10-years period of White Certificates
- finally about €19mn of maintenance Capex, spread across all our technologies.

Let us now move on to Financials on page **no. 60**, commenting on P&L on a recurring basis.

I have already commented on EBITDA. So, going down the P&L and looking at the Q4 of the year, in particular we have lower depreciation (-€2mn) that reflects the reduction in depreciation of some Wind and Hydro assets, partially offset by the consolidation of the new assets acquired in France and in Germany.

Net Financial expenses were at €6mn (vs. €9mn in Q4 2020), thanks to a lower cost of gross debt, mainly following the issuance of our third Green Bond in September 2021.

Tax rate in the quarter was 29% against 25% in Q4 2020. Taxation in the quarter included the effects of the windfall tax in Romania, introduced to face the electricity spikes in the period.

As a result of all this, adjusted Net Profit amounted to €72mn in Q4 2021 (vs €27mn in Q4 2020), and €202mn in FY 2021.

Finally, on **page no. 61** let us take a look at the Cash Flow Statement and the Net Financial Position for the FY 2021.

Net Financial Debt closed at €2.051bn, up by €612mn from the end of 2020.

Starting from the left, we have our EBITDA (€580mn), the Investments made over the period (€648mn), change in working capital, Financial charges, dividends of €114mn and change in MTM hedging future derivatives (€321mn), that reflects the strong increase of future commodity prices at the end of 2021.

Please note that as of January 3, 2022, €226mn of MTM of future derivatives have been transferred to ENEL as a price adjustment for the Hydro disposal, so absorbing part of the rise in our NFP at the end of the year.

I think I have touched on all the relevant items. Thank you for your attention.

I will now hand over to Paolo for his final remarks

**Paolo Merli:**

Thanks, Michele. Here we are, on **page no. 63**, with our guidance for 2022. We expect EBITDA to be in the range of €400-430mn.

On the positive side, we have more installed capacity at full service: all the one that entered progressively over the course of 2021, plus the one we acquired in Spain at the beginning of 2022.

On the negative side, please do not forget the value of incentive in Italy will be much lower than in 2021, as it is inversely correlated to merchant price recorded in the previous year: that is the mathematical formula I think you got to know.

Let me repeat it loudly for the sake of clarity. We are not factoring at the moment, any particular impact from the undergoing "*Decreto Bollette*". First, because we still do not

know what form it will take; secondly (and most importantly) because, even if approved - at least according to the last draft we have in our hand - we should reasonably expect a limited impact, given that merchant productions are more or less fully hedged.

As far as CAPEX, we expect to invest in the range of €420-480mn. Those amounts are mainly related to assets under construction right now, and to the acquisition already closed in Spain at the beginning of the year. Net financial position is expected to fall down in the range of €750-850mn, discounting the guidance I already gave you for EBITDA and CAPEX and, of course, all the proceeds coming from the conventional assets disposal on top of the dividend, which has been raised to €0.9 per share.

Let us conclude the presentation with this **page no. 64** that summarizes all the key targets for our Business Plan. First of all, the capacity: we expect to add 2.2GW and to reach at the end of the plan 4.6GW of installed capacity, which is more or less in line with the previous plan, but without Hydro and CCGT.

EBITDA will reach €560mn and, very important, 85%-90% will be secured through incentives, CFD, PPAs with a higher geographical and technological diversification. We are going to invest €2.9bn, 98% devoted to development of our Wind and Solar assets. I remind you we are going to invest roughly €10mn for maintenance every year.

Net debt, after the releverage through the large investment plan, will be reaching €2.1bn at the end of the plan. If you simply divide the net financial position with EBITDA, you will realize that is completely consistent with our investment policy.

As far as dividend, I have already said: €0.9. We consider it absolutely sustainable ahead of the expectation of net profits and the balance sheet of the Group.

So, thank you very much for your attention. Now a very quick video, and then we will be ready to take your questions. Thank you very much again

[Video Presentation]

## Questions & Answers

### **Emanuela Delucchi:**

A now we are ready to take your questions. As usual, we start with the questions from Chorus Call, and afterwards we will take the questions from the APP. So now to Chorus Call, please.

### **Operator:**

Excuse me. This is the Chorus Call conference operator. We will now begin the questions and answers session. Anyone who wishes to ask a question, may press "\*" and "1" on

their touchtone telephone, to remove yourself from the question queue, please press "\*" and "2." Please pick up the receiver when asking questions. Anyone, who has a question may press "\*" and "1" at this time.

The first question is from Roberto Letizia with Equita. Please go ahead.

**Roberto Letizia:**

Yes, good evening, and thanks for taking my questions. I got some and maybe some follow-up after my colleagues' questions. The first one regards the turbines and the procurement, actually both turbines and panels for the strategy period. I am happy to see that you have 1GW turbines already contracted, but can you be more precise on the eventual risk, or which item of those contracts suffers inflationary trends? How do you expect to recover? How much of that did you account for already into the strategic plan targets?

Can you give us your view of what could be the potential short-term additional intervention (if any) from the various governments of the countries you are present in? I know this is difficult, but maybe you could just give us a picture of the trend you are expecting to materialize in the coming months.

One important question, at least for me, would be if you can give us a sort of sensitivity: considering the PPA, the CfD and the hedges that you already closed for 2022 - and I guess, partially for 2023 - what actually could be a sensitivity of the EBITDA, taking into consideration these elements for a €10€/MWh higher price versus what you indicated in the guidance?

And one last question regards the offshore. I know this is a preliminary indication on your side, but can you give us more colors on how actually you can be an active player in the floating offshore for your technology? Thanks a lot.

**Paolo Merli:**

Okay Roberto. I will try to answer your questions, and I kindly ask my colleagues to integrate, in the case. About the first question, procurement and supply chain and inflation are main themes that we are monitoring very, very carefully. Let's say, the €2.9bn of CAPEX, which refers basically to the 2.2GW of installed capacity increase we expect over the Business Plan period, are already including the latest trend of inflation and raw materials, at least as a reference to the known megawatts.

Let me explain better. We have, as you know, framework agreements with two major suppliers covering roughly 1GW out of the 2.2GW, but this framework agreements are in some way related to the cost of steel, in particular. But the increase we expect is very, very much limited compared to what it would have been without those framework

agreements. So, the order of magnitude we expect on this part of CAPEX is in the region of 5%. And this is already included in our €2.9bn.

As regards the ongoing projects - and I am referring to reblading, revamping in the Solar space, even the Battery Storage we are envisaging in our plan – they are based on the very, very last budgetary assumptions in terms of CAPEX. So, we expect they are already in line with the trends undergoing. There is a part of the pipeline, which is the early-stage pipeline, as well as the component of CAPEX related to the secondary market - so the M&A - which is based on assumptions, let me say, that are very cautious. So, they should absolutely capture the current ongoing trends in the market. Nevertheless, what you mentioned is a very key point of attention, not just for us, but for all the companies in the sector. And consider, for instance, that what we are experiencing right now is that somewhere, PPAs are becoming more convenient than tariffs awarded over auctions. And that is incredible, it is something that could not be believed just a few months ago. So, this is changing the paradigms of the sector. So, for instance, one of these was that LCOE is expected to go down forever: it is not like this, you have seen a chart showing the wind turbines trend, and it is on the rise, the same for panel.

Let me just give you an example about the panels. We have just performed a revamping project approved just couple of months ago, and we have just closed the orders of the materials. The panels have raised by roughly 20%, truckers by 10%. So, the order of magnitude is this.

So, what we hope is that the regulators will take into account these inflationary trends, for instance, inserting links to inflation in the tariffs of the CfD assigned during auctions. For instance, in Italy, the tariff is flat nominal for 20 years. But, coming to your precise question about our €2.9bn, let me end saying that this amount includes roughly €50mn of overrun costs, the assumption I have already mentioned, but this is more than offset in terms of returns, given the higher prices at which we are expected to sell productions. I hope I have addressed your first question.

**Roberto Letizia:**

That is perfect. Thanks a lot.

**Paolo Merli:**

The second question is very linked to that... I think you mentioned the “*Decreto Bollette*” and the regulatory risk that is supposed by these kind measures. First of all, for the sake of clarity, let me say that the asset we just bought in Spain in January 2022 is not affected by this kind of measures because, being regulated, is excluded from the perimeter of application of the law.

In Romania, we are subject to the windfall tax that costed us roughly €5mn, if I remember well, in 2021. It is one of the reasons you have seen the tax rate at 27%, which is slightly higher than the one we usually have.

But coming to Italy, in my opinion it is a pity - let me say like this - that a State like Italy introduced a measure like this one, which is honestly a reaction to an incredible scenario and condition. But we think it is not the right measure. I came from the market, and I know that usually these kinds of measure get little and create big problems in terms of credibility, in terms of perception of the regulatory risk, and - let me say - also in terms of complexity. Over the last few months, I have spent lots of time trying to understand the decree, but also how this decree could be applied to the various operators, among them ERG. Because we had performed over the last few years massive amounts of hedging, and the price which today covers our merchant production is in the region of 55€/MWh.

So, we would be unfairly penalized if this principle of applying this kind of extra profit measures would not follow this way. But on top of that, we think it is unfair anyway, because it touches only a sector, the Renewables one, which is the one which should support the most the energy transition. So, for instance, I had several occasions to point out that the EBITDA of the Group in 2021 is lower than the CAPEX invested by the Group.

So please, I think this is a point of reflection for everybody. If the system wants operators like us to keep investing at this pace, they have to create a reasonable and safe and attractive environment. But again, probably your question was oriented to understand the impact. I think in my answer, there is also the implicit answer to your more precise question. We have hedged everything merchant.

Our risk policy created a hierarchy, a cascading mechanism to allocate our coverage, either PPA or financial derivatives. First of all, we allocate this to fully merchant production, then to all production subject to kind of feed-in premium tariffs, such as the "*Conto Energia*", for instance, where you have a fixed incentive plus the energy which is completely decoupled with the incentive. And the remaining part - because there is a remaining part of coverage - will be applied and it is applied also to production that comes from mechanisms such as the green incentives in Italy which, as you know, calculate the incentive inversely correlated to the price of energy registered in the year before.

So, I think the logic is quite solid, and we think we are not just the only operator doing that. I think the decree should be converted into law by the end of April, but - most importantly - we are waiting for the application code which is in the hands of ARERA, the Energy Authority. And according to the memory they have already written, we hope and

we are confident that they will go down this way, recognizing the possibility to allocate all these kinds of hedging or PPA with the logic of a Group like we operate, following a portfolio logic okay? So, I think this is the answer to your second question.

The sensitivity: that is a very good question The portfolio of a group like ERG, though simple, is complex in terms of mechanisms, because we have incentives like in Italy, which are inversely correlated to the merchant price. Sometimes we have feed-in tariffs. Sometimes we have feed-in premium tariffs, sometimes we have PPAs, sometimes, we have CfD 2-ways, sometimes - like in Germany - CfD 1-way, so it depends on the distribution of prices over the various geographies.

But let us say, as a rule of the thumb, 10€/MWh - that was your question - should translate into €10-15mn more in terms of EBITDA. Of course, without considering an impact from change in regulations included in the “*Decreto Bollette*”.

And the fourth question was about offshore. When we presented the plan in May 2021, we said our clear objective as far as innovation was Storage, we did it. But we have been in the meanwhile stimulated to think about even floating offshore by the Transition Ministry, by all the stakeholders, and we did it. Because we cannot rule out that this kind of technology could become sometime in the future important in our portfolio.

So, we started exploring this technology, and with a specific project: so, we spotted early-stage projects in the offshore of Sicily. It is quite big in terms of megawatts: it is 200MW. But let me say: we are just studying how to get it authorized. So, it is in a very, very early stage. So please take it just as a potential opportunity: we will see in the future if it comes to something, but we are looking at it.

**Roberto Letizia:**

Alright. Thanks a lot.

**Operator:**

The next question is from Sara Piccinini with Mediobanca. Please go ahead, madam.

**Sara Piccinini:**

Hi, good afternoon, everybody. Thanks for taking my questions and congratulations for the presentation. I also have some questions. I expect - maybe from the FY 2022 guidance – that the impact on 2022 from the lower value of the green certificate should be significant. But like-for-like, we are seeing a growth in the EBITDA: is this only coming from the capacity addition that you said before, or also from better pricing, for example in other geographies, or other elements that we should consider? And also, can you clarify if the wind assets that benefit from green certificates are excluded from the

application of the “*Decreto Bollette*”? And the second question on the guidance: can you also provide a level of net income for 2022, given the expected capital gain and also the lower financial expenses? That was the first question.

The second question is on M&A: what is the multiple that you expect to see on renewables transactions? And do you expect to pay a premium, given also your financial flexibility while, on the other hand, on project returns, what is the level of IRR that you expect from projects? Last year, you indicated - if I am not wrong - a level of 4% to 5% IRR: is this still a valid reference?

The third question is on the pipeline. You usually provide a pipeline in terms of projects in which you have high visibility. But if you have to provide that pipeline in terms of aspirational pipeline, what would be the number? And do you expect to significantly revise upwards this pipeline, given the Government's commitments at EU level to accelerate on permits?

And then the final slot of questions... I am sorry for so many questions. The first one is on the level of taxation that you expect over the plan. The second is on Repowering: when do you expect to fully contribute to EBITDA? And the final question, can you provide the details on the hedging for 2022 and 2023, and the level of prices that you achieved? Thanks a lot, and sorry for the many questions.

**Paolo Merli:**

I think you cheated a little bit on the numbers of questions... In my list, there are 8 questions, I try to go through them. The first one is the guidance we gave for 2022: the major contribution will come from the investments and the megawatts that entered into our scope of consolidation in the last part of 2021, which will give full contribution in 2022. We provided you with a range of the scenario... a range because there are different prices along the different geographies where we are, but we are in the region between 110-130€/MWh, which is right now lower than the forward prices, and I already gave you a sort of rule of thumb to extrapolate and work out the right sensitivity.

Consider that all the assets we bought in 2021 and the ones that entered in Spain in 2022, they will provide roughly €40-50mn of EBITDA in 2022. That is why notwithstanding - you said correctly - the strong reduction in green incentives in Italy, (which will go down from €110 to something like €40, which means probably €90-100mn in terms of lower revenues), that will be offset by, for sure, the contribution of fresh assets, plus the higher price scenarios we are experiencing right now all over Europe.

And second, I just noted some words... the CfD, try to remind me...

**Michele Pedemonte:**

Green certificate exclusion of green certificate.

**Paolo Merli:**

Yes. I think - and I hope - that you are right. That is our understanding: the green or any kind of assets subject to mechanisms based on a difference (which - it is our understanding - should include also the wind assets, that are under green incentives) should be excluded. That is why we expect to have a limited impact from the application of this decree, because the larger part of our production - which are not completely covered - is allocated to this kind of technology. The decrees had expressed very clearly that it touches just the merchant assets with a commercial operation date before 2010, if I remember well. So yes, it is like this.

As far as the guidance of net profit, we are not providing this kind of guidance, but I think it is quite easy to go down from EBITDA to bottom line. We provide you with indications for financial charges, the tax rate should be in the region of 25% for 2022. I will anticipate an answer to your question: in 2021 it was higher (27%, if I remember well) because of 2 items. I already mentioned one: the impact in Romania of the windfall tax, but the second - even more important - was the fact that we had a fiscal dis-efficiency in the region of €10-12mn, and that is an important point, and a point that probably has not been taken into consideration by the Government when they issued the decree. We have all the hedging at the level of ERG power generation, the sub-holding, while the revenues are at the level of the SPVs. So, you have a situation where the SPVs are creating a lot of margins, while the sub-holding is creating a negative margin because of the hedging. Then, in the consolidated way, they are eliding themselves.

But from a fiscal point of view, this created a dis- efficiency in 2021, because we could not recover the IRAP tax, and this is not bringing forward. We are now fixing this problem by revising all the intercompany contracts to avoid this unfair, let me add, dis-efficiency from a fiscal point of view. But the net profit should be reasonable with the dividend - let me say like this- reasonable with the dividend we have proposed for the entire Business Plan.

M&A: yes, you have seen the plan. There is something like €800mn, which will be coming from M&A or co-development agreements, but in particular from M&A in our number, but you can simply work out this by dividing the CAPEX associated to M&A to the megawatts and to the EBITDA we expect from them. We have taken quite cautious assumptions, that is part of our DNA. So, in few words, we are assuming 14-15 times EV/EBITDA multiple, but we proved in the past that we were able to do better than that.

But I think the multiple we are assuming in the plan is consistent with the most competitive M&A environment.

The return: even after the last spike in interest rates, our cost of capital is in the range, depending on which country we are talking about, but between 4% and 5%. To this, we usually apply buffers in order to arrive to hurdle rate, which are secret, I cannot tell you, but anyway, in the region between 2-3%, depending on which kind of risk we have to discount. So, returns on an unlevered based are in the region of 7-8-9%, depending on which PPA, on which price mechanism is applied to our projects, and it depends if a project is organic, then we can aspire sometimes to a double-digit return, or even higher than that. Maybe the return is lower for M&A... and with return associated to M&A, I mean just what we are buying: we are not usually discounting a potential for Repowering terminal value, and so on. So, all the synergies are remaining to us. That is our approach, sometimes it is difficult, but it is our financial discipline.

As far as tax, I already said: 25%. Hedging for 2022: I would say, applying the cascading method I have described before, we have roughly 20-25% of productions in Italy and outside Italy, that are in some way related to merchant prices. From this, the sensitivity I gave you before.

**Alessandro Garrone:**

The aspirational pipeline...

**Paolo Merli:**

The aspirational pipeline we do not like this kind of definition. We have a different approach. We know there are other operators that call pipeline whatever is an idea of a project. We have a pipeline made of name and surname. So, I would not change this discipline, because it is the one we have shared internally and I stick on it. And what I can say is we have created our own organization from scratch, because in 2018 we had just 20 people or less than that involved in the development. Right now, we have more than 100 people spread out all over our geographies, fully devoted to developments. So, we hope to enlarge the number of megawatts in our pipeline, but I would say our pipeline is 3.5GW, the one I just represented to you.

I think, I have touched all...

**Michele Pedemonte:**

Maybe there is a question regarding Repowering... Our contribution of Repowering starts from 2023, and the contribution progressively increases up to 2024: we have a significant contribution, and the level is reached at the end of the plan.

**Paolo Merli:**

Can you please correct me on the tax?

**Michele Pedemonte:**

Yes. On the tax rate, we have some specific issues in 2021, coming back, and we expect that starting from 2022, we return to our usual tax rate that is in the region of 20-21%. At the end this is highly dependent also on the governmental measure that can be applied to our margin; in particular, Paolo has mentioned the Romanian taxation that is an extraordinary taxation and at the moment we are not figuring the continuation of this measure, considering that in our scenario the prices are expected to decrease to a more normalized level in the long term.

**Operator:**

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

**Nash Cui:**

Hi, good afternoon, everyone. Congratulations for the good results. I apologize that I lost my voice, so I will just ask two questions, and I hope you can hear me okay. So the first question is, with what happened in Ukraine in the last few weeks and the use of potential diversification away from Russia gas import, I just wonder how does this affect your CCGT asset sale or operation?

Then my second question is: with European energy security becoming a more important issue, especially in the long run, I just wonder, what is your view on the regulation trends in the long term, especially in Italy, as - relating to this - I know ERG's financials are stronger than many of your IPP peers, so why not grow your capacity at a much faster pace? That is all for me. Thanks.

**Paolo Merli:**

So let me try to address your first question. The gas which is supplying our CCGT comes from a primary energy Italian company, which has got a diversified portfolio with sources that are coming all over the world. So, we are not worried about our gas, but I would say more: you know, that one of the main contracts we have for our CCGT is with ISAB, which is an Italian entity, fully controlled by LITASCO, which is a Swiss entity. But in the end, LUKOIL is the last company. But we had contacts with ISAB, and we are confident that the company is not in any way affected by restrictions. Of course, the situation is evolving and is every day probably different, but we have also a legal opinion ensuring and giving confidence that operations should continue. I have to say that the relationship with ISAB is and has always been very good. We consider them a valued partner. Do not forget that last summer we signed a very important extension and the

amendment agreement with them, extending the duration of the contract till the end of 2031. So, for the time being, operations are going on as they usually went in the past.

Yes, the measures from States and in particular, I think you are referring to Italy. I have already said, for operator like us it is disappointing to see rules and decrees like this, which we feel is unfair and discriminatory, because it touches just the renewables sector. From a material point of view, for all the reasons I have already explained, we do not expect any major impact, but we have to wait to understand better the application code, that should be issued by the Energy Authority. But I agree with you: the regulatory risk, or the perception of the regulatory risk, has increased quite importantly. Unfortunately, in a time where all the sector is called to address the energy transition because, on the other hand, all the stakeholders are asking operators like us to accelerate on the investments.

And then I come to your last question, because if I understood well, you said why you have not been more aggressive on the growth side? Let me remind you that one of key elements of our business model is maintaining an investment grade. So, all the CAPEX we are deploying and the re-leverage which follows are consistent with maintaining a ratio between debt on EBITDA of 4 times. Of course, this depends very much on the assumptions I have described before: If M&A will come at a lower price or different conditions - and in the past, it was like this - maybe we can accelerate even further on this way.

**Nash Cui:**

Very clear. Thank you, very much.

**Paolo Merli:**

Thank you to you for your questions.

**Operator:**

The next question is from Roberto Ranieri with Intesa Sanpaolo. Please go ahead, sir.

**Roberto Ranieri:**

Good afternoon, everyone, and thank you for taking my questions. And thanks for the presentation. I have 3 questions. In my first question I would like to go back to the supply chain issues. One of your major suppliers is Vestas, which had a couple of profit warnings in 2021. And so, I am wondering if there are some risks on the supply of the equipment, or if there are risks on renegotiating the contract for turbines or others. And that is my first question.

My second question is on strategy and assets and geographical repositioning: I am wondering if Romania and Bulgaria remain core areas. We have seen that the total prices in Romania and Bulgaria are extremely volatile, and I am wondering if this is perfectly fitting with your infrastructure business and the infrastructure shape of revenues?

My third question is on PPA, just a curiosity on it, on the mechanism of pricing. We have seen the chart with prices very sharply moving up, and the PPA follow the market prices. So, I am wondering if there are any adjustments during the period of duration of the PPAs, which could adjust the prices in case of power prices going down on the market? Thank you very much.

**Paolo Merli:**

Okay, Roberto: I will answer your second and third questions and, being the CFO in our organization accountable for Procurement, I will let him answer about Vestas and our framework agreements. Eastern Europe has been - and we think will be - an important part of our portfolio. In the past, over the last few years, Romania and Bulgaria were just left as sort of cash-cow anyway, assets without expectation of increasing the presence in those countries. But right now we have a very flexible approach. And for instance, we have seen in Romania things changing in the positive direction, as it was for Poland, for instance. You can remember that just few years ago, the sector in Poland seemed to be blocked and then started up again quite abruptly. And being already there, we follow the wave, and we are now building a couple of projects there, and we are trying to build our organization, our pipelines and so on. The same for Romania. We are right now looking at some opportunities, because we think prospects are positive. So, we cannot exclude any further expansions in those countries, particularly where we are already present.

PPA, it is a very complex world. There are different mechanisms depending on the geography, depending on the counterparties, if it is a utility, if it is corporate... in our portfolio, we had both: some corporate and some utilities, somewhere they will manage for us (as in Northern Ireland) also the access to the market and every aspect of dispatching the energy, sometimes (like in Italy with TIM, or with ACEA) we have all the accountability of managing the energy. And, as the PPA just regulates the pricing, we can have a fixed pricing, or sometimes we can have more complex algorithms like collars, within which the prices can float and can move. So we are, again, flexible. Why are we flexible, for instance, if compared to some institutional financial investors? Because we have our own organization, energy management and sales composed by a team of specialists in doing this. So, we want to be and remain flexible, knowing the markets, knowing the mechanism all around our energy. But in general, most of our PPAs - or at least, the most recent ones - are based on a fixed price, depending on the duration, 5, 7,

10 years. And there is no change in law that can make the contract abort, let me say. Roberto, I do not know if it was clear enough...

**Roberto Ranieri:**

Yes. Thank you very much.

**Michele Pedemonte:**

Thank you, in relation to construction, you know, we currently have several wind farms in construction with several different manufacturers. We have for sur, Vestas, we have plants in construction with Nordex, with Enercon, with Siemens. So, we rely on different supply. It is true that we have a framework agreement with Vestas and Enercon: in particular, the main one is the one with Vestas. And this is a pillar of our procurement strategy, because we secured first availability, second timing of supply, and third prices.

In terms of prices, this kind of agreement has some formula of indexation related to the steel, in particular. But this is relating only to a part of the total cost, a limited part. This is the reason why we are currently estimating a 5% increase on the construction that we expect to start in 2022 and 2023. Let me add that we also have projects that are outside of the framework agreement, like a new Greenfield project that was authorized in Italy. In this case, we are tendering the project among different suppliers. And in this case, it is true that we are experiencing a more significant increase in CAPEX, that is in the region between 10% and 15% in comparison with the value of 2020. That is to say that this is an issue in the market, that is true. But on the other side, the price of the PPA, as commented by Paolo, is allowing us to recover these extra costs in the construction phase.

**Emanuela Delucchi:**

Okay. Now we have a question from the App ERG Investor Relations. There is a message and a question from Tomaso Momoli of Anima SGR: "Hi, thanks for your presentation. I would like to ask you if you plan a new bond emission for funding your project, despite the actual rates environment. Thanks." Maybe over to Michele.

**Michele Pedemonte:**

As you can see in this specific moment, we have available cash to invest. As Paolo commented before, €1.3bn is available, so we are not planning to do any new bond emission in 2022. We have the first repayment in 2023: so maybe we can consider new green bond emission next year, depending at the end on the condition and on the speed of the capital expenditure. Having said that, in the short term, we do not expect any new bond. Let me underline the fact that we have, in any case, a pre-hedge agreement in place that covers us, at least partially, against future increase of interest rates.

**Emanuela Delucchi:**

Okay. I think there are no more questions. So, before concluding, I will leave the floor to Paolo Merli for his final greetings.

**Paolo Merli:**

Thank you, Emanuela. I just want to say a couple of words. Alessandro in his speech, at the beginning said the management (which, I remember, was appointed less than one year ago) started off very well. And let me thank him and all the shareholders - I already did last year - for the trust, and all the Board for the support I received over the last year in the role. But also, I would not forget that all these achievements truly belong to all ERG's people. They made a fantastic... really a fantastic job over the last 12 months because, do not forget, we invested €650mn and we arranged transactions for disposal for a total amount of much more than €1bn. So, you can easily understand the complexity of the works that stayed behind all this.

So, I think it is time for me to thank my team, but all ERG's employees for the great job (tireless, unyielding, unwavering... let me use all these adjectives) they put on the floor to get all this done. Thank you very much, and thank you for sure to you all. What I have just said I had the chance to say it yesterday, during the Board, during the Strategic Committee. So, what I am saying, what I said, is also on behalf of Alessandro (who is just sitting near me), Edoardo Garrone (the Chairman of the Board) and all the Board. So, thank you again, and see you for the General Meeting, in April next.