

ERG S.p.A.
“2Q 2019 Results”
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MODERATORS:

LUCA BETTONTE, GROUP CEO

PAOLO MERLI, CORPORATE GENERAL MANAGER & CFO

Operator:

Good morning. This is the Chorus Call conference operator. Welcome, and thank you for joining the ERG 2Q 2019 Results Conference Call. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Mr. Luca Bettonte, CEO of ERG. Please go ahead, Sir.

Luca Bettonte:

Good afternoon everybody and thanks for coming to this Conference Call on our 2Q 2019 results. As usual, here with me there is Paolo Merli, who acts from today in his new wider role of Corporate General Manager and Chief Financial Officer.

We start from the **page no. 4** showing you the highlights of the 2Q 2019, where we posted higher results in each technology of our generation portfolio but for Hydropower. Let me give you a general overview about the main business drivers and trends in our industry that affected the performance of this second quarter, while Paolo will take you through a deeper and thorough analysis of the figures, also for the first half of this year.

Talking about Ebitda, it is worth focusing on energy prices, that on average were lower year on year in Italy in all the different zones; just in Sicily they were higher. It was due mainly to the drop of natural gas prices, that began in January and became even stronger in the 2Q 2019, and despite the 75% growth of the CO2 costs per ton. Electricity demand in the Country was stable.

These trends on one side have penalized the results in Wind in Italy, although - thanks to higher production and hedging transaction - they have been pretty in line with last year; but, on the other hand, they have underpinned the good performance in Thermal generation: +54% year on year. It has to be brought up that in Wind just 2MW phased out from the incentivized scheme in this quarter.

On the contrary, energy prices abroad were higher than last year. This trend associated with an overall higher production - also boosted by a larger perimeter of 90MW in France and 22MW in Germany - allowed us to post in Wind Abroad very good and higher results: +36% year on year.

In Hydro generation the performance was very low year on year: -53%, because - on top of the mentioned lower energy prices - we had lower price volatility, and above all a very low water availability, also versus the last ten-year average. The low resource availability has also reduced the modulation and flexibility of the Hydropower plant to take part in the Dispatching Market Services. 2019 seems to be a so-called dry year for Central Italy, as in 2017, while it is fair to remind you that 2018 was an extraordinary wet year.

Let me conclude with Solar generation, whose results have been very high as they doubled, thanks both to the better performance of the existing 90MW plant and to the larger perimeter from the 51MW acquired in January.

Net profit was lower year on year: €68m vs €76m... I am looking at 1H 2019, now. This was as a result of lower gross margins just commented, higher depreciation from the larger asset perimeter, all of that partly offset by the quite lower financial charges, thanks to the positive outcome from the efficient Liability Management program carried out over the last several quarters, coupled with the successful issue of our first €500mn Green Bond: as a result, the average cost of gross debt declined from 3.1% to 2.4%.

As for the Net Debt, it grew to €1.66bn as expected at half year, and it includes €307mn Capex, €112mn dividends distribution and some €43mn costs related to the reversal effect of the fair value - booked at the purchase price allocation date of ERG Wind in 2013 - of the Project Financing loans, early repaid. Operating cash flow was at €195mn, by far higher than €133mn of the first half of last year.

As usual, every 6 months we share with you a quick update of the Business Plan deployment. On **page no. 5** we start from the organic growth abroad, by making a comparison of the work in progress in March 2018 and in July 2019: as you see, we keep developing our projects at the right pace.

In France, on top of 55MW in operation, we have obtained the authorization from the Prefect and started the process to get the grid connection consent for 15MW of Limousine 1 wind farm, while we succeeded in taking part to competitive auctions, getting the right to develop 18MW pertaining to Picardie 1.

In the UK the Engineering Development Department has taken over handling the grid connection process of 4 wind factories for about 200MW, so as to begin building them soon afterwards.

In Germany - after building 22MW of the project Linda - we bought a pipeline of some 224MW at different stage of development and finalized a co-development agreement to bring forward their relevant permitting phases.

In the end, as of today we have almost secured 317MW out of the 350MW to be built by 2022, that corresponds to almost 90% of the Business Plan projection.

Now on **page no. 6** about Repowering and Reblading, for a snapshot of the status of the different projects.

Repowering so far is on track, as we have got the positive opinion for 3 wind factories from Commissione VIA (Environmental Impact Commission) of the Ministry of Environment. These 3 projects add to 92MW at pre-repowering out of 153MW pre-repowering included in the Business Plan.

We are also working on the other wind factories potentially eligible to be repowered: as of today, further 121MW pre-repowering are already in the Authorization Process, while only 106MW pre-repowering are still in the Engineering for Authorization Phase.

Finally, it is worth saying that we have already submitted the relevant technical applications to Terna to get the connection consent to the Grid for almost the total wind factories under repowering.

In Reblading, since May Avigliano factory is operating and performing better than expected in terms of additional production: +19% vs +16%.

As for the remaining 62MW pertaining to 3 additional wind factories, although we have already obtained the VIA Decree (Environmental Impact Decree) from the local Authorities for two of them - representing one third of the total MW - it is fair to underline that the ongoing Authorization process may take longer than expected. Then the original planned commissioning date, foreseen by the end of this year, would be postponed by some quarters, by the second half of 2020 at the latest.

Now I will hand you over to Paolo.

Paolo Merli:

Thanks Luca, good afternoon everybody.

In simple words, this second quarter was poorer than expected in terms of both price scenario and volumes: the latter driven especially by an extremely dry season in Italy, but particularly in Centre-Italy, where we operate our hydroelectric assets.

On the positive side, the new Solar assets in Italy and the additional installed Wind capacity in France contributed as much as we were expecting, against a backdrop of better wind conditions, both in Italy and abroad. This, coupled with the sound performance of our CCGT plant (which once again is proof of the value associated with having a technologically diversified asset base), helped us to mitigate the drop from Hydro which, at the end of the day, was basically the main catalyst behind the weakness of this set of results.

Let me now go into a little bit more detail about the second quarter: I am on **page no. 8**. I will start here commenting on Power Demand in Italy, that was flat YoY. You see from the chart the trends associated to different sources: lower Hydro and Solar, higher Wind and Thermal. Looking at our assets: Hydro production declined significantly YoY, more than twice the national level, as I mentioned (then you will see the numbers in more details), due to a particularly dry season where our plant is located, as opposed to the exceptionally wet season we had last year. Wind conditions were positive, although to a lesser extent than the national average, partly because there have been some capacity additions in the Country, and partly due to our exposure to regions like Puglia and Calabria, where wind conditions were weaker than the national average. Overall, our Wind productions was up 8% in Italy and +27% abroad: this is also a huge number, driven by the freshly installed capacity in France. Our Solar productions, which as well

benefited from the larger asset base, performed as expected. CCGT's one was up 12% thanks to favorable trading conditions, especially in Sicily.

Electricity Prices in Italy. I think the chart is self-explanatory: a slightly weaker price scenario in Italy, reflecting the declining gas price, only partly offset by the rising CO2 price. Price indicator for Renewables in Italy, including Feed-in-premium, was 143€/MWh, down YoY driven by the lower value of incentives (€92 vs. €99 in the same period of 2018), which - I remind you - is calculated on the basis of last year average national electricity price. In Sicily price was at a premium as usual vs. price in the Mainland by 13€/MWh, but even higher than it was in the same period last year, when it was 8€/MWh.

As a consequence of all that, our CCGT's Clean Spark Spread was up significantly YoY from 2 to 14€/MWh. And, just to remind you, the price for White Certificates – even not represented in this chart - is at 250€ per unit.

Let us now comment abroad. In the graph at the bottom-right of the chart you can see the average reference selling prices for our productions, country by country. Here it is worth noticing the significant upward trend in prices in Eastern Europe, in particular in Poland with Origin Certificate prices up consistently YoY. In Romania as well, we enjoyed a better merchant price and a lower discount on our selling prices.

Let us now move to **page no. 9**: here I will now comment on our Economics in a nutshell during the first six months, while later on I will focus on the quarter.

Ebitda was €273mn - down 1% YoY - driven by the following main effects (let me say them in order of magnitude):

1. a weaker performance from Hydro, driven down by consistently lower volumes, as already commented; and again, do not forget that the 1H 2018, instead, was an exceptionally strong period from this standpoint; then
2. higher Wind production both in Italy and abroad, coupled with a larger asset base;
3. contribution of Solar assets more than doubled, thanks to the acquisition of Andromeda (in our scope since January 1st) and to better sun availability in the period.
4. CCGT was consistently up thanks mainly to stronger and better profitability, especially in Sicily.

So, you can easily see from here that all our technologies performed quite well during the first six months of the year with the exception of the Hydro Plant, entirely due to the scarcity of heavy rains in the period. It happened, unfortunately, that the Hydro underperformance exceeded the outperformance of all the other segments. We think this is the takeaway message of the day.

Let me now go segment by segment, starting with Wind. I am on **page no. 10**.

Ebitda in 2Q 2019 was €56mn (up 6% YoY), mainly as a result of stronger production both in Italy and abroad. Scenario was slightly better, as the higher electricity prices - which also reflect the hedging strategies - were only partly offset by the lower value of incentives in Italy.

In the quarter we benefited from new assets in France.

A few more details on production: this was up, as I said, by 8% in Italy and 27% abroad. This is quite a significant number, also thanks to very strong wind conditions, in particular in Eastern Europe and Germany, while in France wind conditions were not so good, but there we enjoyed a larger perimeter of assets.

Let us move on **page no. 11** commenting on Solar, which includes - as you know as of January 1st - 51MW from the most recent acquisition of Andromeda portfolio.

Production in 2Q 2019 was 74GWh, almost doubling YoY thanks mainly to the contribution of the new assets.

The Unitary revenues were €306/MWh, up compared to €291/MWh in 2Q 2018, as the new assets – let me remind you - enjoy an even stronger incentive scheme.

The mix of higher production and selling prices led to an Ebitda of €21mn in the quarter, which is almost doubled compared to €11mn posted in the same period of last year.

Moving on... now Hydro: I am on **page no. 12**. Here Ebitda was €21mn: -54% YoY, driven - as many times commented - by the lower production, which was down 45% YoY. My first comment is that it was a tough comparison, as 2Q 2018 benefited from exceptionally strong conditions. We knew that, and it was already factored into our Budget. But, frankly speaking, the period turned out to be much weaker than we could have expected, with production well below the historic average, which is basically our Budget.

Unitary revenues were more or less in line: 102€/MWh, just slightly down compared to 104€/MWh last year, which mainly reflects the slightly better electricity scenario, but more than offset by the lower unitary price of incentives.

Finally, I should add that our water reservoirs at the end of the quarter were lower compared to the same period last year, but fortunately higher than the situation at the end of December 2018 and March 2019.

Let us now comment on CCGT results. I am on **page no. 13**. Ebitda in 2Q 2019 was €17mn: +50% YoY, so a huge increase. This performance is mainly explained by three factors:

1. The first and most important, higher Clean Spark Spreads, due to lower gas costs and higher price in Sicily. The Plant, in absolute terms, continues to benefit from its positioning in the island, where prices kept trading at premium compared to the Mainland, even higher than the premium registered in Q2 last year;
2. higher volumes, but this is simply a consequence of the higher spark spreads; and
3. lower fixed costs YoY, as in 2018 we had an unplanned stoppage, which affected our cost base during the period.

These positive effects, were only partly offset by the lower contribution from White Certificates due to a reduced quantity of certificates in the period, driven by the lower request for steam from the nearby Plants.

And now investments: I am on **page no. 14**. Here again I like to comment on the numbers posted in the first half of the year, which gives a better representation of what we are doing.

We invested €307mn – so, a quite big number - composed as follows:

- €220mn related to the acquisition of Andromeda's 51MW Solar plants in Italy;
- €52mn related to the acquisition of Polaris wind assets portfolio in France
- about €6mn related to the acquisition of the ready-to-build project in the UK (Craiggorr) and more or less €2mn related to the acquisition of a pipeline of roughly 200MW of projects at different stages of development in Germany, recently announced;
- €18mn invested in Wind development, of which about €14mn in Germany were spent to conclude the construction of Linda wind farm (22MW) - up and running as of June 21, 2019 - while the remaining Capex was spent for Repowering and Reblading activities in Italy. We remind you that in the period, as Luca already said, we completed the reblading at Avigliano in Basilicata (13MW), which is performing very well, and we are very proud of it;
- €6mn of maintenance Capex, spread across all our technologies.

In the end: still significant investments in growth, consistent with our Business Plan, though lower than in 1H 2018, when – you should remember - we accounted the Capex for the acquisition of both ForVEI Solar portfolio and Epuron in France.

Let us now comment on Key Financials, on a recurring basis: I am on **page no. 16**.

Let me remind you that these figures are shown on an adjusted basis, so without including the effect of IFRS 16 and IFRS9, as we believe this gives you a representation that is more consistent with our cash items. In any case, all these effects are included in the reported figures and well explained in our P&L statements.

That said, let us comment on it. I have already mentioned adjusted Ebitda. So, going down and focusing on the quarters, higher depreciation mainly reflects the consolidation

of the new Solar plants and the new Wind capacity in France, less Brockaghboy wind farm in Northern Ireland, which was sold in the first quarter of last year.

Net Financial expenses were at €15mn: quite a big drop, 25% down YoY despite the higher Net Debt. That was possible as the new M/LT project financing debt from the new assets (in particular associated to Andromeda Solar acquisition) was more than offset by the lower cost of gross debt, as a result of the Liability Management in the period, covered up by the issue of a €500mn Green Bond at much better conditions. Average cost of gross debt was 2.4% during the quarter vs. 3.1% in 2Q 2018, while the net cost was 3.7% vs. 5.7% in the same period last year.

So, I think there are quite important numbers, because - despite we have today a higher debt - the debt capital structure is much more efficient than it used to be. And I think there is a section in the P&L Statements which will describe even in more details this shift from Project Financing to Corporate Financing.

As far as taxes, Tax rate in the quarter was 33% against 28% in 2Q 2018, mainly reflecting the abolition of the tax breaks known as ACE.

Minorities referred to the 21.5% stake in Andromeda, which is basically the only one we have in our portfolio.

As a result of all the lines of the P&L, adjusted Net Profit was €14mn in 2Q 2019 vs €19mn over the same period last year, while it was €68mn in the first half vs €76mn in 2Q 2018.

In the end, let us see the Cash Flow Statement: I am on **page no. 17**.

Net Financial Debt closed at €1,662mn, up by about €319mn from the end of 2018, with a leverage of 49% at the end of the period. This increase is mainly related to the huge amount of Investments, Net Working Capital trend - which in any case is reversing compared to Q1, and should reverse even more approaching the end of the year - financial charges (€33mn) and to some reversal effects associated with the pre-payment of ERG Wind Project financing (-€43mn) - let me underline that this item is purely a non-cash item - plus the higher negative Fair Value (again, another non-cash item) associated to IRS hedging, given the further reduction stepped down in the European interest rates curve.

I hope I was able to explain the improved quality of our Debt Structure, with less structural subordination. And I hope I have touched on all the key items as well, so I will now hand you over to Luca for his final remarks.

Luca Bettonte:

Thanks Paolo.

As for the guidance, we deem it is time to fine tune the projections for year-end.

Adding to the 1H 2019 results both the lower than expected overall performance we are seeing in July and the forecast for the remaining five months, we would narrow the actual range of €495-515mn to the new one of €495-505mn, thus adjusting only the cap by some €10mn.

Let us analyze the future trends for each of the different technologies.

In Wind in Italy, despite we expect a higher production, lower energy price level in the second half of the year (associated with lower incentive unit revenue) and higher costs of production, mainly due to one-off maintenance works, are leading to get a result slightly lower than in 2018

On the opposite, for Wind Abroad we expect higher results compared to 2018, mainly due to:

- a better performance of the existing assets, both in volumes and for the energy prices
- a larger perimeter in France of about 90MW, fully operating over the whole year
- a larger installed capacity in Germany of some 22MW
- all of that partly off-set by a lower presence in Northern Ireland, as we sold a wind factory of 48MW in March 2018.

All in all, the result in Wind will be anyway higher than last year, for the larger capacity and higher production abroad overcome the projected domestic weaker performance.

In Solar it is easy to say that the result expected for year-end will be significantly higher than those in 2018 - I would say twofold - thanks to ForVEI plant's good performance and to the contribution of the newly acquired Andromeda plant.

In Hydro at the same time it is even easier to say that we expect a quite significant lower result at year-end versus 2018, due to lower availability of water, affecting both the portion of the production remunerated merchant and the one entitled to get incentives, that was very high last year. We are having a so-called dry year, as in 2017... we hope the odd years do not begin to become traditionally bad years... there are anyway five months still to go.

Moreover, low availability of water leads to lower capability to modulate the plant and to take advantage of the Dispatching Market Services, as in 2018.

As for the Thermal Generation, we expect results higher than last year, as the very low natural gas prices and higher energy prices in Sicily are more than offsetting the growing trend in Carbon dioxide prices, thus resulting in higher Clean Spark Spread. As usual, the better performance is being achieved also through costs control, larger White Certificates production, and finally the medium-term PPA with our large Sicilian industrial customers.

Overall, we expect that 2019 Ebitda be higher than last year, although it is worth saying that so far the very bad and worse performance of the Hydropower plant - also compared to its extraordinary high result of last year - is almost offsetting in full the better performance of all the other assets and Energy Management.

As for the Capex, we do not change the existing forecast that ranges between €340mn and €370mn. As of today, we have already invested some €307mn, out of which some €280mn in M&A transactions and the remaining for Greenfield Development and Repowering & Reblading (about €18mn) and Maintenance Capex (about €9mn) at half year.

Finally, we adjust slightly upward our projection for the Net Debt at year-end, moving from the existing range of €1.36-1.44bn to the new one of €1.39-1.47bn, so as to factor in the expected lowering of interest rate curve, that entails higher than expected mark to market value for the Interest Rate Swap agreements in place. So, more an accounting difference rather than a financial one.

In summary, at this stage of the year, we deem it was time to get the range for Ebitda more accurate.

And now as usual we are ready to take your questions.

Questions & Answers

Operator:

Excuse me. This is the Chorus Call conference operator. We will now begin the questions and answers session. The first question is from Roberto Letizia with Equita. Please go ahead.

Roberto Letizia:

Hi, good evening. I would like to dig a little bit into the guidance of the Company, and I would like to better understand what is the risk associated with the price level that we are seeing in the market, because - beyond the level of water, which is very low, I guess - the main issue for the month of July is the significant drop in the power prices, due to the very low gas levels. So can I ask you what is the risk on the pricing level, meaning what are actually you assuming internally as price for the second half, for example? What kind of sensitivity can we imagine on the remaining part of the year?

Staying still on the guidance, I would like you - if it is possible, of course - to provide a range or an indication for the net income level, especially considering the very low level of interest charges that you got into the first half. That will be very helpful to understand what kind of improvement or what kind of level of net income we should expect with regards to the Ebitda guidance.

If it is possible, I would like you to spend a few words on the very low prices registered in the Portuguese auctions for Solar in the past days from Iberdrola: they got the final prices at around €14MWh. I would like to understand what you think about the pricing of those technologies affecting the Renewables space in the coming years.

I would like to better understand the reason of the postponement of the authorization process for the 22MW reblading to the second half of 2020: what is actually happening there causing this postponement? While on the reblading that you already put into operation, I would like to understand how you are selling the extra production, so the 19% increase in production: what price is it actually sold? Is it fully merchant? Did you sign already a contract with someone for selling the extra capacity?

And finally, considering the high level of tax rate into the first half because of the ACE cancellation; can you please update us on the tax rate that you expect on the full year? Thanks a lot.

Luca Bettonte:

Right, as for our projection, the trend in price is linked to two main factors, going forward. One is demand, and the second is the price of natural gas. I do not have to make any specific comment, but these two elements are going to be stable the first and declining the second, and so they are affecting the price of the power in the Country.

Talking about ourselves, you know in the short term we used to pace our projection on the forward curves. And so we are talking about a target which is in the range of a bit less than €60MWh as for the second half of the year. So nothing specific, nor particular phenomenon, so I just confirm. Going back to what you said, in July the problem was mainly linked to the volumes rather than to the prices, although prices were below the level of last year.

As for the net income at year-end, our projection is within the range of €100mn, €1mn more or €1mn less: it depends on volatility, but in the end the range is going to be that.

As for the very low price at the Portuguese Solar auction, you should ask to those who took part in these auctions. In our opinion for sure technology is going down in terms of LCOE, but for sure it is quite surprising that they won with such a low level of price.

Maybe there will be biddings on even a further reduction of the cost to generate power, once the technology is in the position to install this capacity in two or three-year time, but you know I do not want to make any further comments on that.

As far as Avigliano rebladed power plant: as you know, reblading is something that we are doing on the wind farms that are still entitled to receive incentives. So at the end of the day nothing changed but - as for what we were already doing, as for the sale of this power - we sell the power through the Energy Management, the merchant portion, and then we have incentives. That is why the internal rate of return of this project is very, very high.

With regard to tax rate, I would like Paolo to give you some comments about that. Going back to the postponement of reblading, we are talking about a couple of quarters. The problem has nothing to do with the central authorization: there are some problems that we are having in talking to some municipalities because of some specific rights on the territory that should take longer to be sort out, but at the end of the day maybe I have been conservative in telling this figure, anyhow I take note of a couple of quarters, which does not affect the return of this project as, you know, they are linked to the duration of the incentivized scheme, so the sooner the better.

Anyhow, we are talking about small activities we have to do locally, while at central level - and the situation is the same as for the repowering - we are proceeding at the right pace, at the pace projected in the Business Plan.

In terms of tax rate, it was a bit higher because of the ACE, but Paolo could be more precise.

Paolo Merli:

Following the abolition of the ACE, we are expecting a tax rate for the full year in the region of the 30%-31%, the one seen registered in the second quarter is not fully representing of the full year, because the quarter, as you know, is quite low with pretax lower than the average. So the pressure of the tax rate is a little bit higher.

Let me also add an element about the price scenario, because you rightly commented about the lower price, and Luca described how much we are already covered in terms of hedging policies, so the real risk is always associated, or more associated, to volumes and prices. But our view is that the very low price registered in this period of time is a one-off situation, very much linked to the abundance of gas in the stockage in Europe. As a matter of fact, the forward prices – this is not only in my own or ERG's view - are pointing at a much higher price for 2020, which is very, very much in line with our projections embedded in our Business Plan.

Operator:

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

Sara Piccinini:

Hi, good afternoon and thanks for taking my questions. The first question is on the repowering: if I look at the presentation of the first quarter, I see that the total potential megawatts were 420, translating into 860MW after pre-repowering. While in this slide no. 6 I see less megawatt for full potential repowering, so 380MW that translates into actually higher capacity - 880MW - after the repowering. So if you could please explain, what is the difference between this chart and the chart of the first quarter?

Then, assuming that you get the authorization for all these 380MW, how much would be the megawatts that you can realistically install, and how much will it take during the period of the Business Plan? What would be the impact we can assume, in case you get the full authorization for all the plants? This is my first question on repowering.

Then the second question is: what is the discussion related to the admission of repowering to auction, if you have any update on this side?

And finally, if you can comment on the regulation of the Dispatching Market that has been issued by the Energy Regulator, and what is your view on the possible introduction of negative prices in Italy? Thank you.

Luca Bettonte:

Right. As for the first question, let us say that, during the deployment of the repowering, you know, we analyze and we make calculation and analysis on the return on the project. And so, we keep investing on the most profitable: that is the reason why you see - and you may see also in the future - minor adjustments to the amount of megawatts under repowering starting and ending. It may also be that at the end there could be even a larger number, because we have to adjust and to adapt, we optimize the amount of megawatts at the end of the process, taking into account maybe the prescription - not yet received, so far - but it may be prescription or the authorization, it may be a different technology, in terms of type of wind turbine, and the like. So this is a small adjustment, I have referred to the fine tuning that on a monthly basis - let us say, or on a daily basis - we are doing while exploiting this project.

As far as the megawatt installed, we confirm that by the end of 2022 we are going to achieve 400MW from repowering as a result of the total installed capacity. So a MW differential of 270, i.e. 153 to 400MW: this is the amount. So we confirm both the amount of Capex and the amount of megawatts by 2022. It is difficult to say now if we

will be able to accelerate, so to install a larger capacity before the end of 2022. We are adding, and as you see, we keep working on all the projects in order to achieve such a result. But today it is too early to give you a different projection other than the one I gave you, that was embedded in the Business Plan and I am confirming you as of today.

Talking about auctions, we are - and personally I am - working, talking to Authorities, associations and the like, in order to push forward the situation whereby the repowered plant could take part in the auction. So far in the new regulation this is not foreseen, it is not envisaged and so: wait and see. Anyhow, based on the relevance of the repowering and maybe on the potential trend of the new auction that could be like the one we saw in France or in Germany, maybe something could change. Let me put it this way: wait and see. Anyhow, we should have enough time to be allowed to take part in this auction as we start investing, in a couple of year time, and anyhow I confirm that we go ahead by investing in repowering, giving the very high return that the jump in technology and in wind resource is providing for through this project.

Dispatching Market: you could know that we are waiting for the final regulation, we are waiting for the auctions to be launched. We could take part in this market with a good amount of power and so far so good, you know: we are waiting for further information. And as for negative prices, I do not know: there has been something and it has been discussed, but so far there is no indication that in Italy they should be introduced.

Sara Piccinini:

Many thanks.

Operator:

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

Luca Bettonte:

Well, so we can go on holiday. Thanks a lot everybody for staying with us and speech to you, or see you may be in some conferences that we are organizing just after the summer break. So good holiday everybody and bye-bye.

Paolo Merli:

Also from me, bye.