

**ERG S.p.A.**  
**“1Q 2020 Results”**  
**May 14, 2020**

**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 1Q 2020 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 morning and thanks a bunch for coming to this Conference Call related to our 1Q20 results.

Here with me there is the Corporate General Manager & CFO, Paolo Merli. First of all, in order to comply with the Government decree to limit the diffusion of Covid-19, we are talking to you from different locations, exploiting at most our remote connection systems. Anyhow I apologize in advance for any potential malfunctioning during the webcast. However, if it might be the case, our Investor Relations Manager is at your disposal for further, deeper and clearer information.

Let us start with the **page no. 4**, that reports the list of actions we have implemented in order to tackle virus outbreak while granting business continuity, in accordance with Authorities' instructions, and in agreement with Trade Unions.

We produce power, therefore - since the day-one of the outbreak - we were asked to keep producing electricity, thus our first and main goal was to implement all safety measures to allow ERG's people responsible to run our assets to keep working safely. We did our best for individual protection tools - timely supplied - and adapting the existing operating procedures to face the new risks. Our plants have worked with no interruption so far, and we have had no contagious on the job so far. Let us keep our fingers crossed.

At the same time we extended, ahead of legal provisions, the existing Smart Working to as many employees as possible, without incurring in any operating problem. I dare to say that all our people deemed not essential to run the plants, almost 100% of office staff, accepted immediately this way of working. Today about 70% of ERG's employees are still at home: despite Phase 2 has begun they still prefer to keep working in their houses.

ERG neither applied for any supporting measure promised by the Government - such as *Cassa Integrazione* or the like - nor reduced even temporarily the number of employees: on the contrary, in March and April we hired 11 people. We also provided our people with a Covid-19 health insurance.

Moreover, in order to help those who are directly involved in containing the outbreak of Covid-19, ERG donated €2mn to the healthcare organizations located on the territories where we operate our assets. San Quirico, our main shareholder, did the same with

€1mn for the healthcare system in Liguria, while ERG's people donated some 2,300 hours of their job to Civil Protection Department.

On the one hand, we could say that we replied in due course to this unexpected emergency from a health and care perspective, granting business continuity. On the other hand, Covid-19 outbreak could affect Renewables industry going forward: as far as ERG is concerned, we will discuss it later.

On **page no. 5** there is a snapshot of some impacts of Covid-19 outbreak on the power industry so far. As you see, it has been bringing about a significant reduction of the electricity demand in both Italy and the rest of the World, with an increasing weight of Renewables production in the supply mix, but with a drop of power prices in Italy, as well as in the rest of Europe.

More-over, the lockdown in all the European countries is unevenly affecting:

1. the job of the Authorities called for issuing the permits and authorizations to proceed with the development of wind farms
2. TSO operations and investment deployment, and
3. some construction companies and component suppliers to provide their services and products in due course.

In our opinion, this new normal tougher environment has the potential to negatively influence Renewables industry performance going forward: that will also depend on how long the Covid-19 will keep spreading for.

In this respect we have made our in-house analysis, so as to determine to what extent ERG 2020 performance could be affected by. We will see the outcome later, when we will be discussing with you our revised guidance.

On **page no. 6** now, as usual I give you a quick overview of the main figures of the quarter, while Paolo will take you through them in depth. To develop an understanding of the 1Q performance, it is important to look at it amid the new context drawn by Covid-19 outbreak. In this respect it is worth underlining that Energy prices in Italy dropped by 33% in the quarter, and there was a similar trend Europe wide. Natural gas price had reached its lowest level in the quarter, although in April it went down more. Power demand dropped all across Europe, and Market clean spark spreads of thermopower plants became negative in March.

As for ERG performance, in Italy we had a significantly lower wind availability vs last year, that was on the contrary one of the best windy quarter ever. In Wind abroad we had a significant better performance vs last year, due to both higher wind availability and larger installed capacity. Hydropower kept suffering of low water availability: the production has been slightly higher than last year, but still well below its historical ten years trend. Clean spark spreads have been in line year-on-year. Solar power

performance was similar to what achieved in 2019. Finally, Italian power price falling trend has been partly offset by higher GRIN unit value, and by hedging strategy executed in the previous three years.

All in all, Ebitda in 1Q20 came in at €156mn, minus 4% versus last year, and in line with management expectations. I would say that ERG's business resilience is confirmed, also in a quite tough and uncertain scenario.

Going through the profit and loss, Net Profit came in at €53mn, I would say in line with last year. Lower Ebitda and higher depreciation were offset by lower financial charges and taxes, the latter thanks to the re-introduction of ACE in Italy.

The Net Indebtedness was €61mn lower than at the end of 2019. We invested some €60mn along the line of our business plan: better trend of net working capital and the reduction of financial charges have allowed us to reduce our net financial position.

Now I will hand you over to Paolo for his analysis.

**Paolo Merli:**

Thanks Luca and good morning everybody. Firstly, I hope you are all well and safe.

So, let me start as usual by commenting on the price scenario over the period which, as Luca mentioned, has been progressively penalized under the lockdown measures. I will try to provide you with all the insights needed to better understand the underlying performance of our business in the period.

I am on **page no. 8**. Power Demand in Italy was down 5% YoY in Q1: a huge drop, which is mostly due to the lockdown. Here you see the trends for the different sources covering the demand. Basically, all sources were down YoY with the exception of Hydro, whose production was up 17%. The trend here is explained by two reasons: an easy comparison (as last year was quite weak for every plant across the country) but also the heavy rains in the period in the North of the country. Looking at our assets, Hydro was up only 7% YoY, less than the national average and well below our plant's historical level, as in the Central and Southern Italy the dry season unfortunately continued. As regards Wind, our productions declined 26%, which may seem a very big number but is more or less in line with the trend in the country, net of the new capacity additions by third operators. Solar was slightly better while, as far as the CCGT plant is concerned, volumes were up YoY due to the specificity of our plant, which has got, as you know, a quite important captive market towards the industrial site nearby in Priolo, which makes the plant - at least for a portion - a sort of must-run.

Now let me comment on electricity prices in Italy. The chart is self-explanatory: a fairly weak price scenario in Italy, mainly as a consequence of the downturn in electricity demand. The all-in price, from €152 to €139, went down less in relative terms to PUN

given the higher value of incentive, which is calculated on the basis of the previous year's average national electricity price. Given the current trend, the value of incentive is expected to be even higher next year. Let me go back to Q1: it is important to underline here that most of the merchant effect – roughly 70% - was neutralized by the hedging actions taken over the period.

Our CCGT Clean Spark spread was broadly in line YoY at 3€/MWh. This includes the premium vs PUN recorded in Sicily of 6€/MWh, more or less in line vs the previous year. I think it is important though to underline that in March the business environment for the CCGT worsened significantly due to the covid-19 crisis.

Now let us comment on prices abroad. In the graph at the bottom-right of the chart you can see here the average reference selling prices for our productions, country by country. Here it is worth noting the significant downward trend in prices in Romania – where there is a Green Certificate mechanism in place, so discounting the weaker merchant price on top of the Green Certificate - and in Bulgaria, where there is a feed-in tariff mechanism, so the value of the production is inversely related to the volumes. That explains the lower prices, while in France and Germany, as you know, we got a fixed feed-in tariff, so not impacted by the current scenario.

Now Economics in a nutshell: I am on **page no. 9**.

Ebitda amounted to €156mn, down 4.5% YoY. The main items to comment on here are already clear:

1. a significantly weaker contribution from Wind Italy, coupled with a very weak price scenario, as already commented
2. conversely – and fortunately - Wind abroad was much stronger YoY, thanks to a larger installed capacity in France and Germany, coupled with generalized better wind conditions, more or less across all the countries we are in outside of Italy
3. Hydro slightly better YoY. But given the very easy comparison, that is not the performance we hoped for, with volumes still well below historical average, and well below our budget
4. contribution of Solar more or less in line with last year, while
5. CCGT down as a result of the lower contribution of White Certificates: this was already known - in our budget, for sure - but this is the main effect explaining the couple of million less compared to the previous year's quarter.

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

Ebitda in Q1 was €109mn, down 5% YoY. I think I have already explained the reasons: weaker wind in Italy, weaker merchant price scenario in Italy, fortunately partly offset by the higher contribution abroad, due to the larger installed capacity. Just to give you the order of magnitude, the new assets brought in our P&L about €10mn of fresh Ebitda versus last year.

Now a very quick overview on production: I have already said that unfortunately the weak wind conditions continued in April, but this is totally factored in our guidance that Luca will comment later on.

Conversely, production overseas was extremely positive in all the countries in which we operate, though I'm afraid to say that in April that was not the case, but again this is going to be captured in the updated guidance.

No more to say here, so let us move on Solar: I am on **page no. 11**.

Here the only value-added comment I can make is explaining why Ebitda is slightly lower YoY, despite the slightly higher volumes. The reason is related to two effects: on one hand the lower merchant price (net of hedging actions) which is quite a negative effect, while on the other hand the lower value of incentive, given the different production mix from different plants, each of them having their own incentive scheme. So the unitary level of incentives depends on the production mix: in other words, it happens that the plants enjoying higher incentive schemes produced relatively less compared to other plants during this quarter. As a consequence of those two effects, the All-in-all Unitary Revenues on average were about €310/MWh in this quarter versus €327/MWh in Q1 19, so explaining all the gap in terms of Ebitda.

Please also keep in mind that Q1 (as well as maybe Q4) for Solar is usually the weakest quarter, given the typical seasonality.

Moving on on Hydro, I am on **page no. 12**.

Ebitda was €24mn, up 2% YoY, driven by the higher volumes, but this is not of great satisfaction for us, because - as I have already explained - although volumes were up YoY, they are well below our budget and the historical average, considering that the very dry season has continued over the last nine months, and still in the first quarter of the year. Unfortunately, this dry season kept going on in April, let us see what is going on in May, which is usually a good month for rains.

As I said, the weaker price scenario did not support the YoY economic performance of the plant.

One positive piece of news is that our water reservoirs at the end of the quarter were - and are still - filled with an equivalent amount of energy of about 100GWh versus the average levels: an excess that we expect to use in the forthcoming months.

Moving on, commenting on CCGT results: I am on **page no. 13**.

Ebitda in 1Q 2020 was at €15mn, down 11% YoY., and as I said the reduction in the Ebitda was totally related to the reduction of White Certificates, as one of the two Modules of our plant ended the incentivized period at the end of 2019. For your analysis, please consider that the phase-out of one of the two modules does not mean to cut by a half the production of White Certificates, you should rather consider a reduction for the

full year more in the region of 30%. All these effects are very well captured by the guidance revision including the performance in April which was severely impacted from the Covid-19 lockdown measures. But Luca will explain everything in a moment.

And now investments: I am on **page no. 14**.

We invested €61mn versus €233mn in 1Q 2019, when - I remind you - we had roughly €220mn of M&A Capex in the Solar business. As far as 1Q 2020, Capex have been spent in the following items:

- €44mn in M&A, which mostly includes the Trinity acquisition in France (38MW) and the acquisition of the authorization of Laszky project in Poland (36MW), which is now under construction
- we spent about €8mn organically in Wind development, which includes all the start-up phases of the construction of 200MW in the UK and the 36MW in Poland
- a few millions were spent for the preparatory jobs for the refurbishment we expect to implement for Module 1 of our CCGT plant, an investment that at the end will allow Module 1 to be still be eligible for another wave of White Certificates as of 2023. And finally
- about €5mn of maintenance Capex, spread across all our technologies.

Now, moving to Financials, commenting on P&L on a recurring basis, as per **page no 16**.

Let me as usual remind you that these figures are shown on an adjusted basis, so without including the effect of IFRS16 and IFRS9, as we believe this gives you a representation that is more consistent with our cash profile. In any case, all the related effects of the two accounting principles are reported and explained very well in details in our P&L statements.

That said, let us continue. I have already commented on Ebitda. So, going down, higher depreciation mainly reflects the higher installed capacity.

Net Financial expenses were at €13mn, a significantly lower number compared to the previous year. That was possible thanks to the lower cost of gross debt (which went down quite considerably), mainly as a result of the swap of project finance with corporate debt at much better conditions. You should remember the Liability Management program that we concluded over the course of 2019, and the parallel issue of a €500mn Green Bond in April 2019.

The tax rate in the quarter was 22% against 27% in 1Q 2019: this difference mainly reflects the re-introduction of the tax breaks known as ACE. But please consider – and you should already know - that this positive effect will be reversed in 4Q 2020, as last year all the benefits associated to this tax break were released in the fourth quarter, given first the abolition at the very beginning of 2019, and then the reintroduction of the law at the end of 2019. So, looking at the full year, you should expect a tax rate more or less in line with the previous year.

Minorities referred to the 21.5% stake in Andromeda, held by Soles Montalto GmbH. Then, in the bottom line, adjusted Net Profit amounted to €53mn, which was more or less in line with 1Q 2019.

Finally, let us take a look at the Cash Flow Statement for the quarter: I am on **page no. 17**. Net Financial Debt closed at €1,415mn, down by €61mn in absolute terms from the end of 2019, with leverage of 43% at the end of the period.

Touching on all the items from left to right, we have our Ebitda, the Investments made over the period, a negative working capital trend, mainly related to the seasonality in the timing of cash in of incentives (which are stronger at year-end, and weaker in Q1), Financial charges, and other items (positive for €10mn) mainly referred to cash flow hedge and other minor effects, associated to the stepdown of the interest rates curve. So, all these effects led to a Net Debt of €1,415mn, pretty much in line with our trajectory expected for the full year, even if a little bit less, as Luca will comment in a moment.

I think I have touched all the relevant items, so I will now hand you over to Luca for his final remarks. Thank you very much.

**Luca Bettonte:**

Thanks Paolo.

It is time for the guidance to year-end, that we deem deserves a downward fine-tuning in light of Covid-19 outbreak.

To this end, looking at ERG business, we have put under discussion our original assumptions for

1. the energy prices trend, in light of the drop of both energy demand and commodities prices. Let me anticipate that April was a very bad month in this respect
2. the timing and potential delays to get permits and authorizations, due to the reduced public entities workforce availability
3. the potential delays that TSO may have to meet the timetable to connect to the grid our wind farms under construction
4. the timing and potential delays that our suppliers may have in delivering their products and services.

As usual, we have also factored in the new projections the performance we had in April, that - I inform you - was bad, mainly due to very low wind and water availability associated with a drop down of energy prices and commodities.

Having said that, this is the revised guidance for 2020.

Ebitda would come in between €480–500mn, down 4% versus the previous range. The main reasons are:

1. energy prices have been revised downward, narrowing the price forward curve for 2020
2. productions have been kept consistent with the initial forecast for the next 8 months to go, then consolidating a loss of production vs 2019 in the first 4 months of the year, particularly in Italian Wind output and Hydro production
3. Clean spark spreads are still seen in line with budget and in contraction with 2019 for the remaining part of the year.

Capex are foreseen in the range of €150–180mn, down by some €35mn vs previous projections. We have made an in-depth analysis of each project we are carrying on, also contacting the relevant counterparts, both public and private. As a result, our best estimate leads to a delay of about six months on average in deploying our Capex plan. This delay is mainly referred to the UK assets under construction, due to TSO's slower pace to finish their works. This represents by nature a delay that will be recovered in the months afterwards. Such longer timeframe does not imply any reduction in 2020 Ebitda, as it affects assets that will be up and running by 2021/2022.

Net Financial Position is seen between €1.35bn and €1.43bn, lower by €10mn vs the initial guidance. This slight downward revision is as a result of the two opposite effects: on the one hand lower Ebitda, and on the other hand lower Capex, plus some minor adjustments to financial charges and net working capital. As for the latter, whereas we sale our power both on regulated markets and to big corporations, we do not forecast any problem to cash in trade receivables.

We recognize that it might be difficult to make projections in this context, and we understand some of our peers' decision to partly or utterly suspend their guidance. Nevertheless, we hardly agree that Covid-19 outbreak would not have any impact on the industry, even though the economic recovery took place in 2H20. In a context of such uncertainty related to the Covid-19 pandemic situation, we believe it is worth being cautious about our guidance, while we continue to be focused on assuring business continuity as usual, along with long term sustainable growth.

Now 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:**

Yes, good morning. Firstly a clarification on the guidance provided, and the relevant reduction. Can you split how much the reduction you implemented actually comes from the worst wind and hydro conditions versus budget and versus what you did in Italy, and how much it is actually related to the Covid-19 effect? Which way would quantify more on the price, how much it is from the quantities and how much from the price. The first one is of course weather condition, and the second one is more related to the Covid-19: can you please split this? Can you give us an indication of how the hedging is going so far, and meaning for the remaining part of the year are you still exposed somewhat during the year, or did you make already something on 2021, or are you currently blocked, as you wait to see what happens on the power price for the coming months and the next year? Can you provide us with any indication on the M&A side? Are you accelerating or not on the M&A side, considering that the market condition may be potentially favorable in this moment for new projects coming on the market that cannot be realized or have developed around the financial troubles, and that put those in the market rather than make their own development. I am wondering if you have any indication of how the second tender for Renewables in Italy has finally gone: is there any indication, because we did not actually see the final results, when do you expect them and what kind of messages will probably emerge? Thanks a lot.

**Luca Bettonte:**

Okay, thanks. Going through your different questions, and starting from the first one, let me say that in terms of volumes, you know what the performance was for first quarter (on which Paolo and myself have already commented), and that we have also a bad performance in terms of volumes in April. Having said that, our projections are just based on the budget for the remaining 8 months, and budget is based on the historical production for the different technologies. So in the end, we are factoring in the loss of production that we had in the first 4 months of this year, while we hope that we can achieve the budget we have forecast at the beginning for the remaining part of the year. In this respect, we have planned to achieve a very good result abroad, based on the good result we had in the first quarter and to crystalize what we had in negative terms as for the production in Italy. So I guess that, but for the loss we had in April (that accounts for some 40GWh unexpected in Italy, offset by some 20GWh abroad), the numbers are already visible to you.

In terms of price, I can tell you that what is the price for the energy that we are considering in our projection. Of course, we had reviewed - based on our tools, our software, our analysis - what the price for energy could be in particular in Italy (because you know abroad we have mainly assets under incentivized scheme), and that going forward we saw a quite low level on the energy prices in April, and I think that you got already the number. We are still experiencing low prices also in the first decade of May,

but we see going forward a recovery, which should lead - from now to the end of the year- to have an average price in the range of 40-42€/MWh. So these are the 2 main important figures as for the projection. We crystallize what we lost in the first 4 months of this year as for the volumes, and we plan to have an impact as for the prices, based on the trend that we see for the remaining 8 months. So, going back to what I have just said, 40-42€/MWh.

As for the hedging, you know we have a 3-year rolling hedging procedure. And we have to respect this procedure because it is based on statistical analysis. And so, for 2020, talking about Renewables, some 67%-68% of the production is hedged. And so, the remaining portion is under the merchant risk. While for the CCGT we covered the Clean Spark Spread, and almost 100% (let us say 96%) is hedged. Based on this 3-year rolling hedging procedure, we are still hedging 2021 and also 2022. So far for 2021, we covered 35% of the production in the Renewables, and 56% of CCGT production. And a lower portion for 2022, because, you know, we have got a couple of years to do the exercise. For sure, the hedging has been very good for this year although, as you have seen, we have had some impact also from the price perspective with regard to our figures in the first quarter. But anyhow, although we have only squeezed as much as we could the amount of production under the merchant risk, the prices that you see on the screen on the markets are so low that it is quite difficult to cope with them in full, let me say it this way.

Looking at 2021, we have already covered that amount, and we are working on that. Of course, we have time to do the exercise and so we are waiting for a recovery of most of the price in the next 2 years. But anyhow, we will comply with our procedure. So by the end of the 2020, we will have achieved the minimum amount of coverage that the procedure will ask us to put in place.

**Paolo Merli:**

Luca, maybe it is important to say that - - based on our forecast for the energy price in 2020 and on the current mechanism in Italy, the incentive value next year is expected to go up quite considerably, because it is based on a formula, which is inversely related to the actual price. So, part of the hedging is natural and embedded in our portfolio.

**Roberto Letizia:**

I would have asked immediately when you were saying... can you just tell us, eventually, if the 35% you currently hedge, which I presume is at lower market...

**Paolo Merli:**

100% of the production. The number Luca gave (35%-40%) is based on the total expected production on Renewables. So...

**Roberto Letizia:**

Yes, that is clear to me. I was wondering if the prices that you got on that hedged part, including the higher price that you are going to get on the Green Certificate basically leaves you in line with the budget forecast, regardless of the much lower power prices from Covid-19, also on the forward curve.

**Paolo Merli:**

What I can say is that the price at which we hedge the 2020-2021 production is more or less in line with the one at which we hedged the 65%-70% production in 2020, because those hedging actions were taken in a time, when the Covid-19 effect on scenarios was not evident yet.

**Roberto Letizia:**

Okay. Great. Thanks.

**Paolo Merli:**

Okay. Sorry Luca to have interrupted you...

**Luca Bettonte:**

You are welcome, Paolo, anytime you want. Right. So, M&A side. First, I think about flexibility rather than simple M&A. M&A is something that we pay the right attention to, then it depends on how this market will be available for new transaction in a sense that today to do M&A transactions is a bit more difficult, simply because it is difficult to identify a value for the assets. So, it could become a sort of opportunistic market, where if you had money and know-how, and maybe there is someone that needs money, you can raise in the occasion, and how we are looking at potential transactions along the line of our Business Plan. So, the Business Plan is based mainly on organic growth going forward, but this is organic growth for greenfield project pipeline to be developed. As you see for the time being, we are telling you that there may be some delays, and then it opens up the opportunity to fill the gap with some M&A transactions, like we did in the past.

Of course, we have to look carefully at our financial position, financial indebtedness, to our investment grade rating, which is quite important for us to fund our growth. And then, if and when we will make any transaction in the M&A, it will be consistent with the BBB rating and in compliance with our Business Plan. So, in this respect the M&A transactions should be deployed in a way to support also the organic growth. For sure, we may be looking for stable and regulated assets going forward, because this is the trend of the industry. There may be some delays in the different countries in Europe, they may have a different pace going forward, but each country is supportive for the CFD

auction mechanism. I am telling that some countries could be a bit late than others: I am referring to Italy in this specific moment, because I am referring to the possibility for the repowerable assets to take part in the auctions, but we are working hard and I am quite confident that something could change in the future, because it is of paramount relevance if we, as Europeans, all want to achieve the target by the European Union that the plan needs. So M&A, there is an opportunity, but it must be consistent, in line with our expectation in terms of growth, in terms of financial stability, investment grade rating and the like. We have some interesting transactions we are looking at. But, as usual, when they will have been cooked enough, we will come back and share with you.

As for the second tender in Italy, personally I do not know anything about it, because no information has been released so far that it may imply that - as based on some rumors - the auction did not go well, or as good as expected by the Regulator, but despite that and also in case the auction has gone well, it would not change our view going forward, that we keep investing and we keep working in order to get the authorization for the repowering and waiting for a change in mind of the Regulators as to take part in the auction, because it is not a matter of ERG, it is a matter of the country to relaunch the infrastructure investments and the like. So, to reply to your question, I am really sorry because I do not have any information about the second auction in this country.

**Operator:**

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

**Sara Piccinini:**

Hi, good morning and thanks for taking my questions. The first question is obviously about the current situation, and the possibility of further slowdown in Capex. Do you see a potential slowdown regarding your funds for repowering, and also can the current scenario of low prices change your plans or the returns that you expect for repowering? And the second question is, do you see the PPA market evolving in Italy, or is there any opportunity to fix the long-term prices through PPAs? Thank you.

**Luca Bettonte:**

Slowdown in Capex: I think that so far in the guidance we put our best estimate: we got in touch with all the relevant Authorities and all of our suppliers and this is I think a good estimate of the potential delay that we may have. In this guidance, in particular for 2020, we have given you the impact in terms of amount of money to be spent, but for sure, it could be delayed, and the basis of this potential delay could also have an impact on our repowering process, because the availability of workforce in the public sector during the last 3 months was, to be polite, quite low. But now we are going back to work, and we have heard some good news from the Vice Minister of the Environment that there should be some good news going forward for the permitting process, that we would like

to accelerate welcome, but wait and see. But for sure - why not? - some delay could also affect the repowering costs. Now we are moving into a further area from a timing perspective, so talking about 2021 and 2022: I am not worried about that, simply because of a potential 6 months delay, but I do not see so far. In our repowering program, it should not have any relevant impact on our Ebitda for the Business Plan, because as you know the construction of most of these repowerable plants will be finalized in the second half of 2022, and then the lower contribution to the Ebitda in case of delay will be for sure not significant.

The question about the scenario is a good question. Of course, we made the decision to repower our assets accepting to bear the risk to go merchant. Now, for sure, these scenarios are quite tough, and so we have to cancel thinking about that. That does not mean that we are changing our mind, because the real strength of the repowering is based on the jump of the upgrade of the technology, and so the equal or lower amount of investment per megawatt and by far rise of the power generated compared to the existing one.

So the theory is still valid also because - as everybody is saying, and I agree upon that - the Covid-19 should imply a short-term impact, and I think we will capture that through this guidance from now to the end of the year and then from 2022 on, because repowered assets will be up and running by that date, when I think that the situation could have come back to normality. For sure I accept the question: it is a good question, but I think that it is also a good answer.

PPA could help: in the short term it is difficult to see if they will be the solution, because the number of PPAs is increasing, but not as fast as we need. And as you know, we signed a PPA with ACEA a couple of months ago at a quite very good price. But it is a short-term PPA (it lasts 3-4-5 years), because it is very difficult to identify an agreement but for you to introduce some quite complicated mechanism, such as floor or cap, in order to share the risk related to the price. And in this specific context, with the prices so low, there are even more risks. So, PPA is something that in the future could be useful but, I guess, that it will be possible once the Renewables industry will be perceived and will have finalized its evolutionary path forward to become more and more infrastructure-like, rather than it is today. Infrastructure-like means that, in my opinion, Renewables are already infrastructure, but they need a regulatory environment to become more consistent with this concept. I mean, to ease the permitting process, to ease the possibility to get the grid connections. So, to push on the TSO to invest, and to decoupling the Renewables as for the way to sell the power to the other source of energy... so we cannot keep on having a competition among the different sources of energy. The Renewables are the future, and the other sources of energy should be consistent with this evolution, that is what the European Union like to do. I had the

opportunity to talk directly to Mr. Timmermans a couple of weeks ago, through WindEurope and these are the arguments and the subjects under discussion. So I can keep saying that we are in the right industry: Covid-19 put under the public eye that this industry needs more attention from the Regulator European wide: more attention not just to the industry itself, but in particular to the environment surrounding and sustaining Renewables in terms of authorization, taking part into auctions and facilitating the grid connection. It may be that afterward it could be easier to depict regulations that allows PPA to grow faster, and to be more and more the way to sell power going forward.

**Sara Piccinini:**

Very interesting, many thanks.

**Operator:**

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

**Luca Bettonte:**

Good. Thanks a lot to each of you. Please stay well and thanks a lot for being with us today.