ERG S.p.A.

"ERG IR Day
2021-2025 Business and ESG Plan
1Q 2021 Results"
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MODERATORS:
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Operator:
Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the ERG IR Day. 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 of ESG. Please go ahead, madam.

Emanuela Delucchi:
Good afternoon everybody, and welcome to ERG IR Day, during which we will be showing you our Business Plan strategy in 2021-2025 period. The COVID-19 situation forced us to make a fully digital event, thus allowing us to be completely sustainable and compliant with the fight against climate change. We hope in the future we will be able to meet you again physically, but anyway, we are very happy to be here and showing our strategy.

Looking at the agenda of the event, there would be an introduction from our Executive Vice President, Alessandro Garrone. We will show you what ERG did since we met in 2018, reaffirming ERG after a successful journey in the renewable energy growth and decarbonization. Afterwards, our new CEO, Paolo Merli, will drive you through our 2021-2025 strategy and targets. Michele Pedemonte, new CFO of the Group, will show you our financial strategy in the Business Plan period. Then I will show you the ESG strategy, which is at the core and fully integrated in ERG strategy. Michele will then show a brief snapshot on ERG’s results in 1Q 2021. Paolo Merli will conclude with his final remarks and the guidance for 2021, prior to the Q&A. I remind you that you can send questions through our app ERG Investor Relations even before the end of the event, or via conference call as usual.

And now, over to our Executive Vice President, Alessandro Garrone.

Alessandro Garrone:
Thank you, Emanuela. Ladies and gentlemen, good afternoon, and again welcome to the ERG’s Investor Relations Day. I am happy to be here together with a part of the just appointed top managers of the Group: Paolo, Michele and Emanuela. Since we met in Milan in March 2018, we have made some important steps forward, as described at **page no. 5**. We have continued to expand our portfolio of renewable assets. We have installed 342MW and we have 398MW now under construction abroad. We have moved forward our pipeline of repowering assets, with 143MW now fully authorized, so ready to participate to the next auction. ERG is one of the few players - if not the only one - able to succeed in completing the entire authorization process in Italy, over the last few years. We have been a pioneer in the energy transition.

As you all know, in 2008 just 20% of our capital was invested in Renewables, whereas now 100% is power (no more oil) with almost 90% of our production coming from wind, sun and water. We have made radical changes to our fund-raising model. In 2018, ERG obtained an investment grade rating from Fitch, and afterwards made a successful approach to the Debt Capital Markets. Over the last three years, we have issued two green bonds for a total of €1.1bn, demand for which far exceeded supply, demonstrating the validity of ERG's business model. Most importantly, everything we have done is strongly consistent with ESG principles, and driven by our commitment to be an SDGs contributor.

Throughout our journey (please see **page no. 6**), we maintained commitments to the financial community. Over the last three years we achieved what we set out to do over the 2018-2022 Business Plan, both in terms of EBITDA and installed capacity. The EBITDA has been €1.5bn versus the €1.4bn announced, and the megawatt added had been 340 versus the 330 announced. This despite the tight scenario, especially in 2020, which was hit by the pandemic, and all the challenges the industry is facing in the permitting process, which remained the real bottleneck for organic developments.
The amazing job done in Finance translated into a sharp reduction in the cost of debt, which almost halved in three years: 1.8% versus the 3.1% previously. This successful track record has been recognized and captured by the share price, with ERG outperforming the market and with a Total Shareholder Return in excess of 80%, with dividends paid in the period amounting to almost €400mn. So, we are very proud of what we have achieved.

Our journey also had a very positive impact on decarbonization (see **page no. 7**), which is on track with a carbon index (which calculates the CO2 emission for every KWh produced) declining by 5% in 2020, in line with our 2018-2022 strategy. The carbon index since the beginning of our transformation declined 90% thanks to our repositioning in the Renewables industry. Avoided CO2 in 2020 was about 3mn tons, in line with our objectives. Our vision allowed us to put the energy transition and decarbonization of our portfolio at the center of our strategy.
We also aim to keep growing sustainably in the future, putting ESG at the core of our strategy, as you will see in our Plan. At ERG, we all share these values and commitments.

All this has also been recognized from the outside. At **page no. 8** you see that ERG has obtained several awards and recognitions in this respect. Amongst the most important ESG scores, it is worth mentioning that:

1. we entered the leadership score for CDP recognizing our commitment towards contrasting climate change.
2. Vigeo recognized ERG as the best company for climate-related financial disclosures
3. recently, ISS granted ERG a B+ rating, placing ERG at the top of the sector average

4. last but not least, ERG was recently included in the Standard & Poor's Global Clean Energy Index with a weight of 0.34%, amongst the 82 most green listed companies worldwide: an achievement we are all very proud of.

So, our vision allowed us to anticipate the trends of the energy transition and to meet the requirements of the most severe ESG rating agencies.

On the last 26th of April, ERG's Annual General Meeting appointed a new Board of Directors (please refer to **page no. 9**), which named Paolo Merli as a CEO.
As you know, Paolo joined ERG in 2006, he was General Manager and CFO, but most importantly he was part of our transformation story by contributing every step of the way, working side by side with Luca Bettonte, who has done an incredible job over the last 15 years of radical transformation for the Group, achieving excellent results.
Luca, in his new role as Board and Strategic Committee member, will continue to provide a priceless contribution to the Group's development. We are all very, very grateful to him.
Together with Paolo, we have identified a new and younger management team, mostly grown internally but also with an important acquisition from outside for the role of Chief Operating Officer: Mr. Renato Sturani.
I believe, also as a reference shareholder, that we must all continue our journey forward, by always respecting the four values written in our leadership model: heritage, sustainability, passion and challenge.
Finally, we set up a new remuneration scheme linked to the strategy execution expected in the 2021-2025 Business Plan: both LTI and MBO schemes include a clear commitment to ESG targets.

At the heart of ERG successful transformation story is a best-in-class governance model (as per **page no. 10**), which allowed us to grow in accordance with a strict financial discipline and tight control of all investments - both M&A and organic - thanks to the investment control process managed by our Investment Committee, and overseen by our Strategic Committee.
As always, our governance is subject to continuous improvement. On the 26th of April, as I said before, ERG renewed its Board of Directors enhancing its independence and diversity: 6 members out of 12 are independent, 5 members out of 12 are ladies.
The Renewed Control, Risk and Sustainability Committee (100% of whom are independent members, as per the Remuneration Committee) will supervise both risk and sustainability matters, in accordance with best practices.
So strong corporate governance, financial soundness, strict investment criteria, attention to sustainability and ESG themes, coupled with an enhanced focus on energy sales through CFD and PPA, are the cornerstones of our business model.

We have made some important changes to our remuneration policy (please see **page no. 11**), in line with the evolution of our talent management system and career planning.
We reviewed the remuneration policy for the CEO with a combination of short-term and long-term incentives to enhance the correlation with the strategy execution. The MBO scheme introduced for the CEO is linked to economics, MW-growth and ESG targets.
We defined a new LTI scheme, now allowed to include more than 20 key leaders of the Group amongst its beneficiaries. LTI is based on shares, with an escalation mechanism based on stock performance and execution of the ESG strategy.
We are proud to say that all these changes were welcomed by the market: for the first time, the large majority of minority shareholders voted in favor of the new remuneration policy.
On top of the changes in their remuneration policy, we did something more. Following my proposal as Executive Vice President - proposal shared by the Chairman, the Vice President and the CEO - we resolved to reduce our previous compensation packages by approximately 18% (whilst maintaining the same executive powers and responsibilities) both as a sign of solidarity during the pandemic and to narrow the salary gap compared to the average wages of our workforce. The savings of around €1mn will be then allocated to talent management and re-skilling. We did it not for necessity, but because we believe in the ethical strength of this message.

Thank you all for your attention up to now. I hand you over to Paolo, who will take you through ERG's 2021-2025 Business Plan. Thank you.

Paolo Merli:
Thanks, Alessandro. Good afternoon, everybody, and very welcome to our Investor Relations Day. My objective today is to take you through our vision of the future and our Business Plan for 2021 to 2025. So, let us get started.

And I will start with what ERG is today (see **page no. 13**): an Independent Power Producer, mainly from renewable sources, with a solid platform of assets in Europe. We are present in 9 countries, including Spain and Sweden, recently added to the list.
We have 3.1GW of installed capacity with a major presence in Italy, where we have 4 different technologies: Wind, Sun, Water and Natural Gas. Outside Italy, just Wind is in operation for the time being.
We can now rely on a pipeline of projects of about 3GW, grown over time consistently with our organizations in business development. Our pipeline of projects spread across Europe both in Wind and Solar, both greenfield and repowering.
That is what we are today. That is the base we want to expand from.

Moving forward to **page no. 14**, we believe that having a solid capital structure with an investment grade profile and easy access to the Debt Capital Market is and will be key for our sustainable growth.
We have been working this way over the last few years, bringing down the cost of debt, reducing significantly subordination by substituting Project with Corporate Finance, mainly in the form of Green Bonds. Our indebtedness as a result is now 70% covered by green instruments. So, the transformation was not simply in the business, but all around it.
We have constructed a very solid relationship with Fitch, the international rating agency, based on transparency and clear commitments.
Our financial policy can be summarized in two pillars: commitment to an Investment Grade rating as a distinctive factor of our business model, and a net debt to EBITDA ratio target of 3.5 times. And here you may remember that it used to be 3 times, and we progressively moved it up consistently with portfolio reshaping.
In doing so, we committed also to our shareholders for a dividend policy of €0.75 per share per year, which we believe is both fair and sustainable.
So, in the end, our Group has significant firepower to sustain our growth ambitions.

Let me now spend a couple of words on how we see the future, and how we read the context around us.

So, since our latest Business Plan in 2018, there have been some changes in trends for the Renewable industry, which are summarized here in this **page no. 16**.
There is for sure an extraordinary momentum: decarbonization, energy transition… all these words are now part of our vocabulary. All this means for us a huge potential for further developments. So, we are right where we need to be.
However, the huge potential for the Renewables industry is facing a challenge, it is not moving forward as fast as it should be, and especially as it is drawn in the National Plans, due to bottlenecks in both permitting and grid connections.
Furthermore, our view is that the Renewables industry must evolve towards an infrastructural business model, with shrinking returns but secured revenues either through PPA or CFD awarded through auctions.
ESG has become a key driver for Governments, investors and companies: decarbonization, energy transition, circular economy and also D&I policy are becoming increasingly central issues.
So, we tried to design a Business Plan which factors in all these trends.

Let us move forward to **page no. 17**. I think there is no need to say much about this chart: the targets here are speaking for themselves. The takeaway is quite straightforward: there is plenty of room for growth, and this is true basically in every

geography we are targeting. We see a long wave of investments: not just to 2025, but also beyond.
The negative side of the coin is competition: top players, large integrated utilities, and even big oil companies are expected to play a major role. We are already experiencing that, and we expect this to accelerate, or at least to continue. Yes: we are aware of that. But yes: we are confident in our capacity to deal with it.

Let us move forward **(page no. 18)**. It is our DNA: we want to be honest with you, and to show the reality as it is. Permitting is one of the biggest hurdles for development. This is true all across Europe, but this is particularly true in Italy. The significant undersubscriptions over the last auctions are a proof of this.
Here you have an analysis performed by Elements, an independent institution. I do not want to go through each number here, but basically the analysis says that, at the current pace, Italy will reach out European Green Deal targets in 2070 for Wind, and in the next century for Solar instead of 2030.
The average permitting process last 5-year time for Wind, but it is a rare thing when it comes to a conclusion: zero projects have received the *Autorizzazione Unica* since 2018. But, despite all this, here there is some positive news: few weeks ago, evidently after this analysis was issued by Elemens, we obtained *Autorizzazione Unica* for 3 repowering projects. And other repowering projects in the meantime moved forward in their permitting process. Since the Draghi Government is in power - although it is just a few months - we have noticed an acceleration, which we very much welcome. Although we are not yet where we need to go, we are hopeful that this Government, with the establishment in particular of the Energy Transition Ministry, is very committed to speed up the process. So, we look forward to working with institutions to do our part. After all, we think it is a win-win situation.

So, let us move on **(page no. 19)**. As we said before, the industry is progressively moving away from an incentive-driven to an infrastructural market, and we are not an exception to that. This is bringing a sort of market commoditization.
The route-to-market is played more and more through competitive auctions and PPAs, which are gaining ground all across Europe. Following lower LCOE, sales prices are getting lower, and so are the returns.
But the question here is: are those returns still attractive? Yes, we think so. They are more consistent with the lower risk profile and the maturity of the industry.

Moving forward **(page no. 20)**, we want to make our revenues as stable as possible. And again, the question is: is this achievable? Yes, we think so. Basically, all countries we are looking at have mechanisms in place to stabilize prices over a long-term horizon: usually 20 years, sometimes less, as is the case of Spain and Poland. Our plan is to rely on those mechanisms, whenever possible.

One important piece of news for us is that even the UK Government is moving forward to open up auctions to onshore wind. And we are trying to gain a better understanding in order to see if our Scottish projects now under construction may be eligible for that. But I will discuss it a little bit more later on.

Let us move on and see at **page no. 21** that PPA as an alternative option to pursue our strategy is gaining progressively ground across Europe. Corporate PPAs are on the rise, with a clear prevalence in the Nordics and Spain. Italy, in this context, still lags behind. But just today, we are very, very proud to announce probably the largest PPA signed in Italy: I will say more on that later on.
ERG wants to move towards a quasi-regulated business model, exploiting both auctions and PPAs: that is the key message of these few charts.

Moving on **(page no. 22)** and before going through our Business Plan in more details, I believe it is worth looking at our current base, which - as you may know - will suffer from a progressive phasing-out of incentives in the period, both in Wind and Hydro. This should not be a surprise, and it is unfortunately inevitable. The challenge of our plan, you will see, is to more than compensate this physiological depletion with new developments. The progressive exit from incentives is itself part of our energy transition, an industrial evolution towards an infrastructural business model.

And now a look on how we see our future: at **page no. 24** we have summarized our strategic objectives for the next five years and maybe more.

1. we want to keep on growing our Renewables portfolio, targeting 1.5GW additional capacity over the period through a right mix of greenfield, repowering, co-developments, and M&A. So, an average of 300MW per year
2. we are targeting 80% of quasi-regulated EBITDA, which means backed by incentives, tariffs or PPA. And this is consistent with an Investment Grade profile and a financial policy, with a higher net debt vs. EBITDA ratio
3. we aim at increasing geographical diversification, enlarging the number of geographies: Sweden, Spain are just an example
4. we are also targeting an increased technological diversification with a larger presence in Solar, where we expect roughly 1/3 of our growth
5. although we have not allocated capital in the Plan, we want to seed in innovation: we are scouting for opportunities, in particular for Storage and Hydrogen, leveraging on our asset base
6. asset rotation: there have been lots of rumors, today I can officially confirm that we are exploring this opportunity for both Hydro and CCGT, and this is to fuel future growth in Wind and Solar. But I will say more on that later on
7. in all this, ESG is and will be at the core of our strategy. Emanuela will go through what we are doing on this in more details.

So, moving on **page no. 25**, here you see how the 1.5GW target is broken down per stream of growth: we have roughly 400MW under construction right now, 300MW will come from our greenfield pipeline in the EU.
As far as Repowering in Italy, it has been a long time coming, but now we are finally reaping the benefits of our effort that began in 2018. We have just reached full authorization for three projects for a total of 142MW which are now ready to take part to the next auction, and then ready to build. In total, we have roughly 350MW under advanced development in Italy, which have been put in our Business Plan and are equal - on a differential basis - to 200MW.
Last but not least, M&A. As always, we will be leveraging on our unique expertise to capture interesting opportunities in our core countries with a cherry-picking approach. As I will show in a moment, we have become more active on M&A, also considering the potential asset rotation, though maintaining a selective approach consistent with our financial discipline.
But the blue bit is not just M&A. It can also come from co-development agreements we have recently signed in Germany with AREAM and in Spain with Renergetica. Or it may come from some upside embedded in our pipeline, both greenfield and repowering, just if the permitting process is to simplify.
Let me wind up this chart by remembering and pointing out once again that we expect 1/3 of growth to be in Solar.

Let us move on **(page no. 26)**: now I go stream-by-stream. Here we have a little bit more details on projects under construction. You see the
The UK, Poland, France, Sweden which represent altogether more than 1/4 of our overall target of 1.5GW. I think, and we think, that this gives a very high solidity to our overall target.
These projects as well have - or should have, at some point in time - a visible route-to-market. In the UK we are negotiating some PPAs with a long duration, keeping an eye open on the final outcome of Government decisions regarding the possibility - as I have already said - to take part to auctions, and the first one should be by the end of this year. As far as we have understood in fact, our Scottish projects should be eligible for those auctions, while this is hard to understand - but this should not be true - for our Northern Ireland projects, for which we are in an advanced talk for a long-term PPA.
In France and Poland, our projects have already been awarded a tariff, factored in our financials that we are going to see in a moment.
So, the key message here is that both execution and securitization of route-to-market for under construction projects are well on track. And this, I repeat, I think gives high visibility to our ambition for growth.

Now, let us move on just taking a look at the repowering projects **(page no. 27)**: As you know, we have been pioneers in launching a large repowering plan in Italy in 2018: we were the first ones. Since then, we have made important steps forward in its deployment, although we have honestly faced some important obstacles and slowdowns during the permitting stage: some projects were delayed, sometime curtailments occurred in the number of MW, sometimes projects under recourse were delayed… but now we are finally seeing the light at the end of the tunnel.
As I said, three projects have recently been granted the *Autorizzazione Unica*: now, we are ready to build and ready to auction. And this achievement more in general gives visibility to the entire repowering pipeline.
Repowering will allow us to rejuvenate the asset base in Italy, leveraging on superior wind locations and forefront technologies, already secured through the framework agreements signed with Vestas last year and with ENERCON at the beginning of this year.
I think you are used to those magic numbers but let me repeat them once again. repowering means to halve the number of towers, more than double the install capacity, and more than triple the production. Here you have the numbers we put in our Business Plan, but we are working on a larger portfolio of projects, so some upside will be possible.

So let us move on **(page no. 28)**: here, just to repeat what I have already said, all our organic growth, most of the organic growth in the Business Plan is fully secured in terms of wind turbines with the best technology and very competitive economic conditions, and also in compliance with the strictest ESG criteria. And this is another element that makes our growth target visible and reliable.

But maybe even more important - and I move to the next chart **(page. no. 29)** - we are working on a larger pipeline and we can now rely on a larger organization devoted to development which moved up consistently.
So, you can see here the evolution of our organization, which is perfectly consistent with the underlying growing pipeline. We have made a big effort in this all across our countries in Europe. We have clearly reshaped our portfolio of assets, our way of financing but also - and most importantly - our organizations consistently.

So, let us move on again **(page no. 30)**: here there is another important piece of our equity story. I said a larger pipeline, both in repowering and greenfield, both in Wind and Solar. Excluding assets under construction, we are talking about 2.6GW of which 0.6GW have been included in our Business Plan. So, if you make the math, you see that we are talking about a success rate slightly higher than 20% and again, this makes me feel confident about our capacity to deliver on our targets. So, let us say that we are consciously confident that some upside may come up in the event of any simplification of the permitting processes.

Now, let us move to the M&A **(page no. 31)**. I have already said something about that, and I confirm that we are now very active in this field, also in light of the potential - and I repeat potential - asset rotation. We can rely on our unique expertise and reputation in the market. After all, we have carried out over €10bn of transactions since 2008, both sell and buy side. We are now working on several deals: one of them has been closed, and announced just a few days ago, another one is well advanced (but never say never in M&A), others are moving forward. But the takeaways here is that our M&A strategy is based on a flexible and cherry-picking approach in order to identify assets very well fitted to our portfolio, where we can add industrial synergies. We tend to stay away from large processes, where competition is too fierce for us and returns too low.

Let's move on **(page no. 32)**: we are seeking more geographical diversification. How? Again, with a flexible approach. We want to keep investing in our legacy geographies, but at the same time we are exploring new ones: among them Sweden and Spain which are now on our priority list.
We are scouting other countries, based on opportunities. Our focus is still on Europe, but again: never say never, we are for sure flexible, and we want to become even more agile and focus on Wind and Solar with, as I said, an agile organization which makes us move faster and seize opportunities wherever they arise. But let me say: Europe is anyway a large playfield, so it is our focus right now and should remain so over 2021-2025 period. So, that is the kind of message I want to give you: flexibility and rapidity.

If we move on **(page no. 33)**, this chart is an exercise to represent what we mean by a flexible and opportunistic approach. We try to figure out what ERG may look like in 5-year time, in terms of geography scope. For sure, we will keep growing in our core countries (Italy, France, Germany, the UK, Poland), and now we are trying to do the same in Spain and Sweden, as recently announced. But we cannot exclude other potential countries - the ones we have colored in light blue, which will be selected based on the opportunities - may come up in the future. The prioritization of every country must take into account the possibility to play an industrial role in the medium/long-term, that is always our final objective: to create synergies with the rest of our portfolio, leveraging on our industrial know-how, which remains a hallmark of our business model.

Now on **page no. 34**, just a couple of words on our most recent developments: we are talking about a ready-to-build 62MW project in Sweden, which we expect to start construction very, very soon, and to be up and running by the end of 2022. It is an overall investment of €99mn secured through a light EPC agreement with BayWa r.e.

This asset is amazing in terms of allocation, with huge wind availability. Technological equipment is the most advanced we have ever seen, with the largest wind turbine we have ever installed, basically derived from offshore technology.
We have already scouted the PPA market to secure the route-to-market for the asset, and we are confident to be able to do it, at the right moment in time, being that Sweden has one of the most active and liquid PPA markets in Europe and maybe in the world.

I move forward on **page no. 36**: we are progressively moving away from incentives towards an infrastructural business model. I think you already know this, but I want to stress this point again. In 2018, we presented a part of our Business Plan, which was based on a merchant investment case: that is not the point any longer. In 2020 about 75% of our EBITDA was quasi-regulated, as defined by Fitch metrics. Nevertheless, this amount is set to decrease over time, given the phase-out of incentives. Instead we are and will be working to keep it up, because now we see two major reliable routes to market. The first one, which should be our best option, is the participation to competitive auctions and the awarding of CFD tariff fixed for 20 years, or 15 years depending on the country. And the second one is moving to PPA when auctions are not available. This way we are, I repeat, targeting 80% of quasi-regulated EBITDA in 2025, and this will allow us to maintain an Investment Grade profile with a larger financial power, as Michele will explain later on.

Okay, but now the question is again: where is ERG, in its learning curve about PPA **(page no. 37)**? We did in silence, but we have been studying for a while now. As a matter of fact, we are able today to announce an important 10-year PPA agreement with TIM, the national champion in telecommunication with a quite innovative price collar mechanism, which offers a competitive floor, while leaving a substantial area of upside. Part of the volume is baseload, while part is “pay-as-produced”, linked to a couple of our assets already rebladed or currently under reblading.
We also recently closed a small PPA in France with Engie to cover productions from existing assets which have phased-out from tariff; another PPA in France is under negotiation. And I had already repeated that we are also in advanced phase of negotiation for PPA for our Northern Ireland assets and in Scotland, even though there we are trying to get a better understanding of what is going on with the auction which should be set by the end of the year.

I move to the next chart **(page no. 38)**: another key distinctive element of ERG is our industrial footprint. We are committed to continuously optimizing our asset base: with this logic we are applying a lifetime extension program to our wind assets to extend their useful life. And we envisage some €10mn - or a little bit more than €10mn - of investments for that over the Plan. We are targeting to receive LTE certification for at least 40% of our capacity by 2025. Another industrial project where ERG has been a pioneer is the reblading, or the replacement of the old blades with innovative ones that are more aerodynamic and so more efficient. We have already completed two projects, and we are now working on another one for 40MW, which will be on stream in Q3 this year. Reblading is innovative even from an ESG prospective: not just for the material of the new blades, but also because we are targeting to recycle more than 98% of the dismantle blades. Emanuela will tell you more about that in a moment.

Moving to the next chart **(page no. 39)**, we have a distinctive model for O&M as well, with a flexible and global approach - make or buy - depending on which model is more efficient *vis-à-vis* the logistic of the assets per cluster of technology. We can go from a fully internalized model (like in Italy) to a mixed model (like in France and Germany) to full scope, as is in the UK and East Europe. We think that our Operation and Maintenance capabilities are and will remain a distinctive factor.

Okay, let us move on **(page no. 40)**, now seeding in innovation: Storage and Hydrogen. I repeat: although we have not put any Capex or EBTDA in the Business Plan (because before doing so, we want to have a clear idea of the numbers), we are working to explore opportunities for both Storage and Hydrogen. Storage in particular, given the strong industrial fit with our Wind and Solar portfolio, which is an intermittent one. We have been analyzing a couple of storage developments at ERG sites, which are very promising, but we have now to close the investment case.
As far as green hydrogen, we are studying the possible developments, maybe - or even for sure - in partnership with other players.
But the final thought on this is that we believe that both Storage and Hydrogen will gain ground in the energy transition, so we must remain vigilant to seize any opportunity that may arise.

So, now I suppose the most interesting topic for you: asset rotation, as per **page no. 41**. Yes, it is a possibility under evaluation, and we are working on it. Today we can say it officially: we have finalized the first phase of the process, we have selected the preferred bidders, and we are now moving forward.
Despite this, our Business Plan is designed on a like-for-like basis, including both CCGT and Hydro, because this remains an opportunity. As such, I mean with CCGT and Hydro, the Capex plan includes development projects in particular for the CCGT plant, some of them already ongoing - and you already know them - such as the refurbishment of the steam turbine for Module 1, which should be completed in 4Q 2021, making the plant eligible for another shot of White Certificates as of its Commercial Operation Date.
We also have been working on the authorization for CAR on the second module and for a new OCGT plant (57MW), which is included in the Business Plan. And this plant will be inside our industrial site nearby the CCGT, and we are almost completing all the permitting. This kind of plants will become essential for the grid stability.

As you can imagine, I cannot say more about the process, but I know that you have your own estimates.

So, let us move now finally to the numbers **(page no. 42)**. Again I have to repeat: those numbers are including in the portfolio the CCGT and the Hydro, but I think you have all the skills to do your own analysis to figure out how ERG may be without them, and what asset rotation would imply in terms of financials.

As far as capacity **(page no. 43)**, we are targeting 4.7GW compared to the 3.1GW today, but this is just the math we have discussed before, so the 1.5GW in Wind and Solar plus the 57MW of open cycle in the ERG Power site. Out of the 400MW right now under construction, about 100MW will be installed in 2021: I think that should explain the acceleration we expect as of 2022.
But again, we are also working on several fronts in the M&A field, so I cannot exclude there could be some acceleration in 2021, but it is too early to tell.

So, let us see what this means in terms of investments **(page no. 44)**. As far as Capex, we will be investing €2.1bn (€1.9 bn for Renewables development). Here the breakdown per stream: roughly €100mn in Thermo and Hydro for the new developments (the ones I have already mentioned in particular for the CCGT), and €100mn will be the maintenance Capex, which is bang in line with the guidance we had given.

Let us move to **page no. 45** on EBITDA. EBITDA is expected to move to €550mn in 2025 with the technological split shown in the chart. Most importantly, we expect 80% of it in 2025 to be quasi-regulated. For 2021, we now expect about €500mn of EBITDA: I will comment on this later.

So, moving to the next chart **(page no. 46)**, here you have an idea of the geographical diversification in 2025: roughly 30% will be coming from outside Italy. Again, I think it is easy for you to figure out how this breakdown may further evolve in case of asset rotation.

Let us move to **page no. 47**. Here there is the bridge between 2020 and 2025 EBITDA, which is again the sum of what I have already touched over my speech so far. We are not factoring practically any particular upside from this scenario, as we are taking a conscious approach based on our assumption for CFD and PPA, at discount compared to merchant prices. Here there could be some upside based on current market forwards, as part of our production is still floating. The higher volumes simply reflect the fact that 2020, as you know, was a bad year for both Hydro and Wind in Italy. The impact from the phasing-out of incentives, both Hydro and Wind, is quite large: €130mn. We expect to more than offset this with €145mn deriving from the new installed capacity, a model

based on our CFD and PPA assumptions, which - I repeat - are different country-by-country, and are usually at discount compared to the merchant prices.
So, significant growth although mostly absorbed by the phase-out of incentives. Consider that the phase-out of incentives will be significant over the last two years of the Business Plan, 2024 and 2025. And there is nothing we can do about that: it is a part of our energy transition.

And now to Michele.

Michele Pedemonte:
Thanks Paolo, and good afternoon to everybody.
Since 2018 Business Plan presentation, we have made big steps forward in our financial strategy: first of all, we have obtained an Investment Grade rating from Fitch, and we are very proud of this result. We have completed transition from a traditional project Financing debt structure to Green Debt Capital Market financial strategy. Now we have a solid Investment Grade financial profile, which we are committed to maintain in the whole Business Plan period.
The Investment Grade rating is the pillar of our financial strategy, and on this base we can lever our growth in Renewables, maintaining a competitive cost of capital. We see our current rating consistent with a leverage in terms of net debt EBITDA ratio of 3.5.

In the Business Plan horizon **(page no. 50)**, we are planning a significant re-leverage to boost our Wind and Solar portfolio. The re-leverage will be consistent with the criteria set forth by the rating agency to keep our current BBB- rating. Our debt will rise from €1.4bn to €2bn in 2025 after Capex for €2.1bn to add 1.5GW to our portfolio; working capital and taxes at €0.4bn, and financial charges at €0.2bn: we are benefiting here from a competitive cost of debt, thanks to the liability management exercises brought forward in 2018 to 2020. Cumulative EBITDA is in the area of €2.7bn.
So, a €500-€600mn re-leverage, while keeping Investment Grade rating and our financial solidity.

On **page no. 51** you can find a picture of our financial structure: a solid base for our 5-year Business Plan. Our Thermo and Hydro assets are free of debt. Project finance covers a few specific Solar and Wind assets, where we can optimize tenor and cost of the facility. We do not have any exposure to interest rate risk, and our first refinancing need is in 2023. With the two Green Bonds issued in 2019 and in 2020, the portion of Green Bonds is now 55%: 25% is corporate loans, and only 29% is project financing.
And finally, we have made an important shift towards Green and ESG instruments, with Green Bonds and ESG-linked loans totaling 70% of total gross debt: this shows a full integration of our ESG and financial strategy.

On **page no. 52** you can see what Paolo has already commented: we are seeing an option for asset rotation towards a pure Wind and Solar business model. In this scenario, we see a strengthening of our business profile with quasi-regulated EBITDA that can reach 90%, a greener asset base, and an increased asset and geographical diversification. This in our estimation could lead to additional debt capacity, still maintaining our Investment Grade rating with the financial leverage that could reach up to 4.0 in terms of net debt to EBITDA. Again, I stress our clear commitment to the maintenance of the Investment Grade rating also in this scenario.

Now I will hand over to Emanuela for the highlights of the ERG 2021-2025 ESG plan. Thank you.

Emanuela Delucchi:
Now, ESG time. For me, it is a pleasure to drive you through our first ERG ESG Plan. As you know, ESG is now at the core and fully integrated in ERG's strategy, and it is perfectly aligned with the 17 United Nations Sustainable Development Goals. The evolution of our purpose is consistent with the evolution of ERG. We are one of the leading European energy players thus the purpose of we are Greenenergymakers. Our commitment towards the climate change is emphasized by the purpose of we are Climatechangefighters. With this plan, which is perfectly aligned to 12 out of 17 SDGs, we believe the purpose we are SDGscontributors perfectly fit.

So going on, on **page no. 55** you find in a snapshot our 2021-2025 ESG strategy. As you can see from the chart, we identify 8 ESG priorities, which will be the bulk of our ESG strategy, and other 5 objectives with the logic of a continuous improvement. As you can see, ESG strategy moves along the 4 pillars you already saw in our non-financial disclosures: Planet, Engagement, People and Governance. We will see the full targets in detail in the following chart, but here let me highlight the key priorities of our ESG strategy.
As far as Planet, we are targeting to reach the carbon neutrality, at least for direct and indirect emissions. And we are planning to be circular, as Paolo mentioned before, to the tune of at least 98% as regards our reblading and repowering project, thus transforming those investments as full ESG: fully renewable, no additional land and no waste in landfills.
As far as Engagement, our commitment here is to enhance our relationships with the local communities to sustain their social development, and we aim at providing them for education for the next generation on the Renewables and ESG themes.

Our People are the heart of ERG, and we aim at providing all of them with upskilling and reskilling possibilities. And we will be focused on the launch and implementation of a D&I policy.
As far as Governance, we will keep on enhancing our Governance model, which is already best-in-class, and we have completely renewed our remuneration policy, as our Executive Vice President explained before, which is now linked to ESG targets both for MBO and LTI. So, the commitment towards ESG is not only on paper, but it is in reality.

Moving on, as you can see from **page no. 56**, ESG is a complementary lever across the entire value chain, and it is a key element of ERG's business model. Our ESG targets are based on measurable and well-defined KPIs and move along the entire value chain from business development to financing operations and decommissioning.

Moving on, on **page no. 57** you find in detail the 13 targets of our ESG strategy. I will give more color now on them. In Planet our focus, as I already commented, are the circular wind and the carbon neutrality, in addition to the continuous improvement in energy efficiency along all the technologies we operate. We aim at reaching carbon neutrality for Scope 1 and 2 emissions in the Business Plan period, while by 2040 for Scope 3, namely those emissions that are related to the supply chain, in accordance with the suppliers' commitment to decarbonization.
As far as Engagement, as we said before, we are targeting to involve 20,000 students by 2025 to spread over the culture of sustainability and of renewable generation. In addition to that, ERG will allocate at least 1% of its revenues for the social development of communities.
As far as People, we are thinking about providing 75% of people with individual plan programs in a context of an agile transformation, leveraging on digital evolution. As far as D&I, we will see the targets afterwards in a specific chart. Another pillar in People we continue to be focused on - and which of course is crucial for us - is Health & Safety, which will continue to be a priority.
As far as Governance, as we said before, we put ESG at the core of management remuneration, and we are also working on the continuous improvement of our supply chain, thanks to the sustainable procurement. And we will extend also the tax control framework, now in place in Italy, also in France and in Germany.
So, I would say: a solid ESG strategy based on well-defined KPIs, which we will be monitoring throughout the plan period.

Let us see now **page no. 58**: this is another perspective on the Capex Paolo showed before, now from an ESG view angle. It is worth noting that 100% of our Capex are in line with the UN SDGs with a clear focus on the no. 7 (Clean energy) and no. 13 (Climate action), which cover more than 90%, being the remainder the circular economy and innovation and infrastructure.

A brief comment also on the Green taxonomy, which I remind you is a system to classify an activity as green. While we are still waiting for the final outcome of the European regulation, we can easily say that the vast majority of our business is fully green. CCGT for the time being can be seen as a contributor for the energy transition, although outcome for gas is expected to be published on September 2021.

Going on (**page no. 59)**, as anticipated before we are launching a D&I policy with the aim at creating a company where all the diversity can be included. Our aim for 2021-2025 Plan is to enhance diversity at all levels, fostering the gender diversity, and also boostering our international presence. Our objective is twofold: we are targeting to have in 2025 at least 20% of women amongst the key leaders of the Group, and 15% of key leaders abroad in line with our aim at keeping on growing abroad. In the short term, as far as 2021, we are strengthening the presence of women in our Group with a target of +40% net female additions. This is, of course, the basis for the future evolution in our diversity enhancing for women.
So I will point out that we are at the beginning of a path for the diversity enhancing, and we are working all together in a transversal way in all the Group to create a culture of diversity and inclusion, which are at the basis of a sustainable development.

And now over to Michele, for his comment on 1Q 2021 results.

Michele Pedemonte:
And now at **page no. 61**, a few comments on ERG's first quarter 2021 results. As a general comment, it is worth highlighting a strong improvement in Hydro volumes.
EBITDA was up 3.2% to €161mn, thanks to the following effect:

- Wind down to €94mn, as a result of a decline in production in France and Germany after exceptional wind condition in the first quarter last year. This was partially offset by better results in Italy
- Solar at €11mn in line with last year
- Hydro was strongly up from €24mn to €54mn, as a result of strong recovery in volumes (+343GWh) *vis-à-vis* a particularly dry first quarter in 2020, and heavy rainfalls in the period had a positive impact also on reservoirs at the end of the quarter, which are higher than historical average
- CCGT was down from €15mn to €6mn, as a result of the end of the White Certificates for both modules of the plan in 2020, with a negative impact of €6mn, coupled with squeezing generation margins due to higher gas and CO2 cost.

Net profit for the quarter is €65mn (€12mn up) due to higher EBITDA, lower depreciation and declining financial charges (-€6mn). We executed a relevant liability management exercise in the second half of 2020, and we are seeing now the positive effects.

Net financial position at the end of March 2021 was €1.3bn: it is lower than at the end of 2020, with a deleverage of some €120mn.

On **page no. 62** as usual a picture of the main drivers per business of the EBITDA evolution. As we have said before:

- Wind in Italy was up €4mn due mainly to higher volumes (+3%) and a higher value of incentives which, as you know, is inversely correlated with last year electricity price. Wind abroad was down €19mn, mainly due to a drop in production (-30%)
- Solar almost in line year-on-year with lower volumes offset by better prices in the period
- Hydro, up €30mn thanks mainly to strong recovering volumes. Energy available in lakes is 152GWh, +37GWh versus the end of 2020, and even higher versus historical average, due to the heavy rainfalls in the period
- CCGT down €9mn, as we already commented, due mainly to the White Certificates phasing-out. Please note that the first quarter of last year benefitted for €4.7mn of insurance compensation.

And now, on **page no. 63**, a brief overview of investments in the period. We invested €33mn versus €61mn over the same period last year when, I remind you, we had €44mn of M&A Capex referred to the acquisition of Trinity wind farms in France and the acquisition of a ready-to-build project in Poland. During the first quarter 2021, Capex are composed as follows:

- about €26mn was invested organically in Wind development in the UK, where our capacity under construction is about 250MW. Construction works are also ongoing in Poland
- €3mn related to the refurbishment of Model 1 of the CCGT plant, and
- about €3mn of maintenance Capex, spread across all our technologies.

Let us now move on the financials **(page no. 64)**, commenting on Profit & Loss on a recurring basis. I have already commented on EBITDA. So, going down the P&L, lower depreciation (-€7mn) reflects the reduction in depreciation of some Wind assets due to the end of amortization period coupled with a review in depreciation plan of some intangibles Winds assets, and the reduction in depreciation in the consolidated accounts of the Hydro asset due to an increase of the amortization period, without any tax effect.
Net financial expenses at €8mn versus €13mn in the first quarter 2020, thanks to a lower cost of gross debt mainly following the issuance of our second Green Bond in September and December 2020. Tax rate in the quarter was 24% against 22% in the first quarter 2020. As a result of this, adjusted net profit amounted to €65mn in the first quarter 2021 versus €53mn in the first quarter 2020.

Finally, let us take a look **on page no. 65** at the cash flow statement for the first quarter of the year. Net financial debt closed at €1.3bn, down by €123mn from the end of 2020. Touching on all the items from left to right, we have our EBITDA (€161mn), the investments made over the period (€33mn), a positive working capital trend, financial charges and a positive impact of other items (€2mn). So, all these effects led to a net debt of €1.3bn.

I think I have touched on all the relevant items. Thank you for your attention. And now I hand over Paolo for his final remarks. Thank you.

Paolo Merli:
Thanks Michele. Now, a very, very quick comment on 2021 guidance. We revised EBITDA guidance by €10mn in order to take into account a good Q1 in terms of contribution from the Hydro assets, but also to take into account the high level of reservoirs at the end of the quarter.
In terms of Capex as well, we are going to revise the guidance by €50mn, which is the Capex related to the most recent acquisition in Sweden that are expected to be invested in 2021 with the first phases of the construction of the wind farm.
As a result of the revised guidance for EBITDA and Capex, our adjusted net financial position is expected to be higher by €40mn on average, which is exactly the netting of the two items I have mentioned before.

So, moving to **page no. 68**, here I want to just summarize the Business Plan in a nutshell. We said capacity +1.5GW through different streams: repowering, greenfield, co-developments and M&A. 0.4GW are currently under construction, and 0.5GW are almost fully secured through our owned pipeline, both repowering and greenfield. So I think this target is highly visible, and represents a challenge that we can deal with for sure.
Moving to the EBITDA, we expect EBITDA at €550mn in 2025. We expect a huge contribution from the new developments, as part of that will be absorbed (as we have seen and commented previously) by the phase-out of incentives. Again, it is very much important for us to underline that 80% of the EBITDA in 2025 will come from quasi-regulated revenues, that means backed by tariffs and PPA. As such, we pay a price in terms of settlement between the price scenarios for PPA and auctions *vis-à-vis* the merchant scenarios, which are higher.
Capex: we expect to invest €2.1bn, out of which €1.9bn will be devoted to Wind and Solar new capacity. And I think it is quite important to underline that under the current taxonomy, 100% of our Capex will be compliant with United Nation SDGs, just to recall the importance and the centrality of ESG in our business model.

Net debt: in doing so, we expect a re-leverage of our indebtedness to €2bn, a number which is fully sustainable and consistent with an Investment Grade rating and coherent with the nature of the EBITDA we are expecting in 2025. The re-leverage is also consistent with the lower risk profile of the EBITDA, but I have already commented on it.
And an important and last point: the dividend. I have already said during my speech: a stable yearly dividend of €0.75 per share, we believe is both fair and sustainable.
So, in the end our Business Plan is simple as that, and it can be summarized just through these 5 or 6 bullets in this chart.

But let us move to **page no. 69**, my last chart. I would like to explain this, because R to the power of 3 is our internal way through which we like to summarize our strategy, which basically means Repositioning portfolio with more capacity, more geographical diversification, more technological diversification (and here I mean Solar). But it also means Reinforcing our organization, especially in business development and energy sales, in order to be able to deliver on the two main pillars of our strategy: growth and securitization of revenues. And the third R is Rotating asset portfolio: I have already said it is part of our flexible approach, it is not an obligation, but it is an opportunity. So, at the right conditions we may consider asset rotation as a way to accelerate further our growth in Wind and Solar.
So, in the end it is a Business Plan about further transformation into a purer renewable player, with more installed capacity in Wind and Solar. We will be more international, more agile, and faster in seizing business opportunities wherever they may arise. We will maintain our solid industrial footprint and will strengthen our know-how in both development and energy sales. And let me add that we will be doing this while keeping our distinctive know-how in energy management (which provides us with better knowledge to go through our energy sales objectives), but also our operation and maintenance skills, as we have shown that this can bring further values. Our values - people and sustainability - are and will be at the core of our strategy.

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

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Questions & Answers

Emanuela Delucchi:
Okay. Now, we are ready to take your questions. Just as an introduction: we will be first taking the Q&As from the Chorus Call operator, so from the telephone, and afterwards we will be taking the Q&As from the App. As a reminder, we will have maximum 1 hour

of time for the Q&As, because we have other scheduled meetings afterwards. So now over to Chorus Call for the first question. Thank you.

Operator:
Thank you. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone; to remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. If you are connected to the webcast as well, please mute the volume of your PC in order to avoid external noise entering in the conference call. Anyone who has a question may press "*" and "1" at this time.
The first question is from Sara Piccinini with Mediobanca. Please go ahead.

Sara Piccinini:
Hi, good afternoon, congratulations for the presentation and thanks for taking my questions. I have some of them, maybe I will start with 4. The first one is on power prices: from the guidance you gave, it seems that you are not including the higher level of power prices that we are seeing on the market. Can you please provide more details on the power price assumptions both in the UK and Italy, and possibly a sensitivity on the potential upside that this factor could bring to the guidance? That was the first question.

The second one is on the guidance for the EBITDA: would it be possible to have a breakdown of the EBITDA contribution between M&A, repowering and greenfield, and also - if possible - to have a guidance on the net income by 2025, on a like-for-like basis?

The third question is on repowering: what is the price you assume to be awarded in the auctions for the repowering capacity? Also at the presentation of the full year results you had indicated 311MW by 2023 and 498MW onwards post-2024. How do these numbers compare to the new targets? And also, is the level of Capex per megawatt for repowering at €1.1mn/MW, as your figures show?

And finally, the fourth question is on M&A: what is the level of M&A multiples that you are assuming in the Business Plan in terms of € mn/MW? And finally, a clarification on page no. 31: are these 350MW on top of the 600MW that you indicated in the plan, or are they part of the 600MW? Many thanks.

Paolo Merli:
Good afternoon Sara. Good afternoon everybody. Of course, I will start with the first question. Yes, you are right: we have been cautious, we have been conservative, we have our own merchant price scenario, which is well below the current forward market

prices, all along the duration of the Business Plan. And the difference is quite important, just comparing our assumptions with the forward prices on the screens today. The difference is very high over the first few years, and becomes a little bit lower, but still significant, over the last two years of the Business Plan. But you have to consider that the spike in the energy markets has just come, over the last few weeks, and we did not want to change our assumptions. We ran some internal sensitivity analysis, and I can say that especially over the last couple of years - so 2024 and 2025, where we have still a big portion of our productions not covered by hedging - the sensitivity is in excess of €20mn. So, in other words, if we should consider the forward right now on the screens, the EBITDA profile will increase especially over the last 2-3 years of the Business Plan. While for 2021 and 2022, there are two effects: we have a big portion of our production which is already covered, and as second effect - as you may know very well - the value of incentive is inversely related to the merchant price, especially in Italy, and this will compensate for the higher merchant prices. But for sure, the net effect is positive all along the 2021-2025 Business Plan period, becoming bigger, going ahead and going forward in the years. So, I hope I have answered this first question.

The second question was about a sort of breakdown for the €140mn EBITDA we expect from our developments. You can apply a proportion based on the Capex, and consider that the more is the organic nature of the Capex, the higher is the return. So in proportion we expect a bigger part of the contribution from repowering and from greenfield, while for the M&A - which I think was another question - we are now assuming a multiple which is in line with the recent transactions - with "recent" I mean the ones on the market over the last 12 months - which is in the region of 15 times *vis-à-vis* EBITDA. But consider, it is a guess, because it depends very much on the portfolio - the younger the portfolio, the higher tends to be the multiple - but it depends also on the countries, it depends on the technologies, it depends on the tariffs, so, honestly it is an exercise of imagination, but - based on the deals we are seeking and studying right now - we think that 14-15 times is a reasonable multiple.

Then you asked for a guidance for net income. We usually do not give this kind of guidance but, knowing your estimates, I think that if on one hand maybe the analysts tend to overestimate a little bit the EBITDA - and then I will try to explain why - you underestimate the net profit in my opinion, because the cost of debt is very low and tends to become even lower. But also the depreciation of the assets is lowering, not just because time passes by, but also because - as you may know - we revaluated more than €200mn of assets in the Hydro segment in 2020, and this will provide us with a lower depreciation, because we are spreading this revaluation and the net capital employed there over a longer horizon of time, which is consistent with the duration of the wet assets, in particular.

But also, as I had the chance to say during my presentation, we are working on the program called Long Time Extension, and the Long Time Extension means that we are doing a precise exercise asset-by-asset, to understand how to distribute over time the depreciation of the assets. So all-in-all, this exercise - both in the Hydro and in the Wind - should result in lower non-cash cost. That is the first reason; and the second, as I said, was the lower net financial charges.

As far as tax rate is concerned, we are predicting a stable tax rate in the region of 24%, and this should explain why we expect net profit well in excess of €100mn, and going up over the period of the plan; while maybe in the end of the Business Plan, it will stabilize more, because the capital intensity will start growing up again, following the €2bn investments we are expecting to do.

I think you had also a question on repowering and the price we expect from the auctions. First of all, I am happy to say that over the last few weeks – I repeat it, because it is a quite important piece of news for us - we received the *Autorizzazione Unica* for 3 wind farms located in Sicily and, according to the status of these parks, we are going to participate in the next auction in June. And, given the expectation of supply and demand during this auction, we think the price will be still high. I do not want to show our price strategy for the auction, but I think the situation is quite clear: the last auctions have been hugely undersubscribed, but please also consider that the repowering - and this is something we think is a little bit unfair, that can be fixed by the Government maybe in the next or in the forthcoming decrees, and we are working for that - the repowering is subordinated to greenfield in terms of quota allocation, and it is also subject to a further 5% discount on top of the other discount applied to the auctions. But having said that, we still expect a price in the region of 60€/MWh in the end.

Now the page you were referring to…

Sara Piccinini:
Okay.

Paolo Merli:
Okay. Here at page no. 31 you find the deals we are working on right now. I think the key message here is that we want to have a selective approach, because we tried to participate into big processes over the last year. But whenever the process is too big - I mean tickets, equity tickets in excess of €400-€500mn - the competition is too high. And the returns are too low, at least according to our way of evaluating those kinds of assets. So, we are now trying to have a more cherry-picking approach: as you see here, the sizes of the deals we are looking for are not so big, because in this kind of deals we think to be

able to extract more synergies, also leveraging on a little bit less competitive process. So, I hope I have touched all the points.

Sara Piccinini:
Yes, thank you very much. That was very clear. Just a quick follow up on the level of power prices: can you give us the level or a range of the power prices you are assuming in the Business Plan, like around €50? Thank you very much.

Paolo Merli:
Just give me a second, because I have all my reports here in front of me. In Italy our forecast starts from €50, €52, €53 (which is already short of the year-to-date value) and stays quite stable till 2023, and then it starts going up reaching €55 and €59 in 2024-2025. So still quite lower than the current forward. Today the forwards for 2024 are in excess of €64-65, so it means €10 difference, and 10€/MWh difference - we have just run an internal exercise - means for us having 20% of floating production, it means more than €20mn.

Sara Piccinini:
That is very clear. Thank you very much.

Paolo Merli:
You are welcome.

Operator:
The next question is from Roberto Letizia with Equita. Please go ahead.

Roberto Letizia:
Yes, good evening. First of all, my compliments for your appointment as a CEO. And then I would continue on Sara’s questions about the sensitivity on the power price, just adding something more: I was wondering, you actually said the €20mn sensitivity is on the unhedged portion of the plan, which I guess is the 20%. But I would like to understand actually the price you mentioned, so the 55-59€/MWh market price: that is not the price that you have assumed for your economics, is that correct? Because you have assumed a significant discount over that price, which is the one that you assumed as potentially be the level at which you will close the PPA and the CFD, is that correct?

And then I would like to understand if you believe that the current market prices will help you actually to sign better PPA and CFD contracts, which means that actually you have an upside on the plan not only on the un-hedged portion, but also on the hedged portion presumed in the Plan. And also on this part, I would like to understand: if the 80% coverage is through PPAs and CFDs, is that the percentage because you still include the Hydro and the CCGT, which in 2025 will no longer have PPA coverage or whatever? Which actually means that, if you sell them up, basically the percentage of coverage of your sales in that year would be higher, is that correct? I would like to ask, when do you expect to close the procedure for selling the Hydro and CCGT: is that weeks or months? When do you expect reasonably to know if you are going to sell them?

Just a clarification on Sara's question and your answer before: when you mentioned “well in excess of €100mn” net income, you referred to 2021, is that correct? Because I understood probably Sara was asking 2025 net income indication, which was also my curiosity, if you can give indications. If it is possible, can you give us some figures on the EBITDA for 2023 and 2024? Because I guess in the market there has been some confusion on the timing of the expiry of the incentives you actually provided in your guidance for EBITDA, there are some difficulties in getting the sense of what is the EBITDA of 2023 and 2024, depending on the month in which the expiry happens. So that will help very much to make the numbers: understanding what the EBITDA is in 2023, or maybe only 2024, which is basically the year in which you have more expiry of the incentive.

And the last question is just a clarification on the M&A: I am not sure if you already include in the targets the M&A which you presented in one page of the presentation? Or will actually those assets you are exploring come on top of the results? Thanks a lot.

Paolo Merli:
Roberto, first of all thanks for the compliments, and now I would try to answer the list of your questions. So the first one was again about the price scenario: yes, first of all I want to say that for sure the current market price is changing a little bit the picture in the negotiation we are carrying on for PPAs both in Scotland and in Northern Ireland but also in Italy, as today we announced an important PPA with 340GWh per year, which is a quite big amount. It is the largest PPA ever signed in Italy, and we are proud to have signed it with another Italian company. This PPA is structured with flexible mechanisms, which are based also on our experience in energy management.
So, this PPA for instance provides us with a collar of price, with a reasonable floor but also a quite important space for upside. While in the U.K. the PPA and the process we have launched a couple of months ago are more based on a fixed price, either baseload or pay-as-produced, depending on the counterparties. But to be honest, right now, we have a little bit slowed down in the process, exactly for the reason you mentioned. So, the spike in the energy prices are maybe slightly changing the picture, because we are still trying to understand if this is a structural change or just a spike, as we have seen sometime in the past. But for sure the fact that the prices are driven up so significantly by the CO_2, we think means something and so, for that reason, we are trying to understand better. And for instance, a way we will try to pursue is maybe to reduce a

little bit the duration of the PPA, because reducing the duration, you can capture more the forward curve. So, we are trying to do everything with flexibility. But you are right: there is an important upside, if – because I have to repeat if - the current expression of the market will be confirmed. I have already said it would be in excess of €20mn, but the range could be €20-30mn.

As far as the profile of the EBITDA, you can assume a quite stable growth over time, because the phasing-out of incentives - it is true - will accelerate in 2024 and 2025, because a big bulk of incentives is going to exit at the end of 2023, so the economic impact will be evident in 2024 and 2025. But in parallel, the contribution coming from the new developments will be consistent with the phasing-out. So, in our numbers, in our Business Plan the growth is quite still over time, and you can assume the average CAGR we have for the EBITDA per year.

And of course, in our Business Plan all the assets we have shown under construction are already factoring an assumption of PPA, an assumption which is based on our own estimates of PPA, which are at discount of merchant prices. So even there, there could be a slight upside on the numbers we have.

Then you asked about the process for the Hydro and CCGT. I think the rumors circulating on the news are quite precise: we do not know why, but they are so. We have completed the first phase, which is a non-binding phase, and now we have selected the preferred bidders and we are moving to the second and last phase, which in a couple of months - that is our schedule - will provide us with some binding offers, and then based on that we will take a decision in the sense that, I repeat, for us it is an opportunity to reshape our portfolio, to accelerate the growth in Wind and Solar, to become a more agile company, with a purer portfolio. Of course, Hydro is 100% renewable, especially our plants. But we think that being just in Wind and Solar will provide us with a mindset and a portfolio of assets quicker and faster in seizing the opportunity. But, of course, this opportunity will be just if there are the right economic conditions. For sure, we are not selling at, you know, a price that discounts just the cash flow from now till 2029. So, if not, we will keep it and we are very much happy with these assets. And then again, the objective is to have a clear idea by the end of June 2021.

Then, you asked for the net income: yes, again even for 2021, the expectation for a much higher income is also for 2021, because the reduction of non-cash cost should be already in place as of this year.

Roberto Letizia:
Yes, I had asked also...

Paolo Merli:
You asked also about the M&A: of course, the M&A is included in the Capex, and is consistently included in our EBITDA, of course, reflecting the assumptions I have mentioned before.

Roberto Letizia:
And I asked also that, if you sell the Hydro and the CCGT, the CFD and PPA percentage coverage at the end of the plan will be higher. Is that correct?

Paolo Merli:
Absolutely Roberto, you are a good analyst, and you got the point. And one of the strategic reasons behind the idea to reshape the portfolio towards this direction is exactly that, because we think that, becoming more Wind and Solar, we will sustain a higher quasi-regulated percentage of revenues on top of the 80%. And for this reason, by product, we will obtain a higher and stronger covenant - or call it, as you prefer, financial ratio - which will provide us with further capacity of indebtedness while, of course, maintaining the investment grade, which is a hallmark of our business model, and we absolutely want to keep it.

Roberto Letizia:
Very quickly on this very last point that you have touched. If you sell the Hydro will you recycle the whole amount of cash into new project, or will you also consider paying slightly more dividends?

Paolo Merli:
Well, you know, this is not just for the management, but also for the shareholder: from the management side, I would answer that the objective is absolutely to reinvest in the business. But I will leave you with Alessandro, if he wants to add something…

Alessandro Garrone:
I would answer the same. I think that in the Plan there is a €0.75 dividend per share, which I think is already quite a high dividend in terms of yield, compared also to our peers. So, the idea in the Plan is to invest all the cash available in the growth of our megawatts especially in Wind and Sun, whilst no extra-dividend is foreseen at the moment.

Roberto Letizia:
Thanks a lot.

Operator:
The next question is from Roberto Ranieri with Intesa Sanpaolo. Please go ahead.

Roberto Ranieri:
Yes, good afternoon everyone, and thank you for the presentation. My first question is on strategy: you were talking about the asset rotation and also geographical diversification. I was wondering if East Europe remains a core asset, because from the presentation you are not investing in East Europe for developments. So, I wonder if this is an area, which you are considering as potentially disposed? That is my first question.

And my second question is, again, on auctions in Italy. Paolo, you mentioned that the situation is not really uncertain. I am just wondering what the major headwinds against the auctions are, if any. What has to happen to have a faster process on the auction system?

My third question is on the exposure to the inflation. So, if you elaborate on the debt, probably I missed something on that: what is your portion on fixed rate and floating rate?

And my last question is on ESG strategy, for Alessandro specifically: ESG strategy is well integrated with the financial Business Plan. Alessandro, you talked about an MBO scheme linked to ESG KPIs. In particular, I am interested on how this scheme relates to the action that ERG is taking for social KPI improvement, for the benefits of local communities. And in addition to that, I would like to know if these actions are going to give a shared value for the company and local stakeholders as well? Thank you very much everyone

Paolo Merli:
Okay, Roberto. Let me start with East Europe. East Europe is an area where we want to stay: we enjoy the cash flows from Poland, Bulgaria and Romania over the last few years, which were much higher than what we expected when presenting the Business Plan in 2018. And still in Poland the fundamentals are quite strong: as such, Poland will remain one of our key priorities in terms of geographies in Europe. As far as Bulgaria and Romania, we are not envisaging right now any development but, as I said, the approach is absolutely opportunistic. We are already in those countries, we know those countries, we have offices in there. So, if any opportunity may arise, why not: we will be studying it according to the principles I touched before: maintaining our financial discipline, synergies and the idea to integrate it into our portfolio.

As far as the auctions, we do not expect that for the next auction the Regulator will change the rules, because since we are one month away from the launching of the auction (and if the matter is not a doubt), we should expect again - because the numbers of authorization are the one we have showed before: the only parks that have been authorized over the last few months are ours - so we expect still an auction with the offer of megawatts available to be auctioned higher than the offer of those ready to participate. So, we expect to be awarded with a tariff. I remember that, on top of June, there is going to be another auction by the end of the year. So, we have 2 shots to try and win our megawatts in the repowering.

As I said before, we gave our availability to discuss further the regulations and it is part of our business to explain to the Regulator the fundamentals that stay behind our reasoning, and we are quite sure that repowering is going to play a major role in the increased capacity over time. It is also a matter of space, it is also a matter of penetration in the territories, the most effective way to increase the capacity without occupying new terrain and new soil. So, with this very clear in mind, we will work with institutions to have them understanding that it is not fair - that is our belief - that repowering projects are subordinated to greenfield projects and are also obliged to receive a discount of 5% in the price because in the end, and after all, it is a new installment on the same terrain, and we may be leveraging on the connections, but still, it is a new project.

And the last piece of comment I want to say about auctions: in Italy the auctions are scheduled just for 2021, but we are assuming of course that the auctions will be renewed also for the years to come, as in the other European countries. That is absolutely our expectation.

About the inflation, we are assuming a 2% inflation more or less over the period of time and, I repeat, we are also working - when dealing for PPA - with this risk in mind. So for instance, the Italian PPA got a collar through which the price can float, and also in the U.K. in some PPAs - not yet closed, but on which we are working - we are considering an inflated price mechanism, even though fixed but adjusted for inflation, where possible.

I do not know if it is part of the question, but if you also want to know our view about the inflation *vis-à-vis* the interest rates, consider that practically 100% of our debt is covered and is hedged against the potential rise in interest rates. Michele, if you want to add something.

Michele Pedemonte:
We have also executed a pre-hedge exercise to cover against this risk for future emissions of bonds or new loans in 2023 and 2025.

Paolo Merli:
The last comment I find from your question was about the ESG and the MBO. We introduced a completely revised mechanism for remuneration, and we are very happy -

as Alessandro well explained - that practically 90%, or more than 80% of minority shareholders voted in favor of the new remuneration policy, which is considering an MBO for all the management - so, not just the CEO and the C-levels, but all the management - with objectives related to ESG, and there are 4 objectives: they are the ones Emanuela explained during the presentation, which are translated into clear objectives year-by-year in the MBO, and some parameters also in the long-term incentive scheme are introduced, which basically reflect the KPIs but seen in 3-year time, as the duration of the LTI.

Alessandro Garrone:
Yes, Roberto I can add that, both in the MBO and in the LTI, there are - as you asked - some ESG indicators relating to the community, to the social impact: for instance, in the MBO we measure the contribution to the community where we are going to invest with our assets, and in the long-term incentive the pillar is the engagement, and we will measure what we will do for the education for the next generation in terms of programs, especially in Italy and France. These are some of the key indicators for our MBO and LTI Plan.

Emanuela Delucchi:
Roberto, I can add something more, if you do not mind, on the engagement for the local communities: I would point out that we are planning to provide with at least 1% of revenues for the social development of the communities in which we operate. And there are, as you also mentioned in the question, some preliminary agreements for community benefit in the U.K., in the plants which we are building, and of course the contribution will be completely in line with our ESG strategy and our ethical values. So of course, we will contribute for the real social development of the communities.

Roberto Ranieri:
Thank you very much.

Emanuela Delucchi:
Thank you.

Operator:
The next question is from Emanuele Oggioni with Banca Akros. Please go ahead.

Emanuele Oggioni:
Good afternoon, everyone. Thank you for the presentation. And first of all, congratulation to all the new top management. I have a quick follow-up on the guidance: could you tell us the EBITDA target without the contribution of the acquisitions? This is the first question. And the second one is: could you quantify the upside on EBITDA for

sure or at least a range from the potential simplification draft law in Italy, and not only in Italy but also generally in your core countries along the Plan? Thank you.

Paolo Merli:
Okay. Let me start with the upside, because I read some comments this morning, and the general comment was that we have been cautious in setting out our targets. But probably this is the school of the house: to put just what is really visible and not to take any bet on pipelines which have not reached a certain status of progress. But, of course, we are working on a larger pipeline: that is an important point. For instance, in the repowering, basically the 200MW - or slightly less than that - we inserted in the Business Plan are the one I just mentioned before, that are fully authorized or very, very near to be authorized. But we are working also on other projects, and some of them are important, such as the one we have in Sardinia, which has been blocked by the Fine Arts Minister and we are now under an administrative judgment. So, but all these are upside. So I repeat: the 0.6GW that should come from M&A means also that may come from upside, from our pipeline. And that is an important point.

And the same is for co-development: we have signed an agreement with Renergetica to explore the Spain markets, but for the time being - to be honest - we did not insert any megawatt in our targets. So, again the unknown part of the target, which is less than 1/3, should come either from M&A, co-development or even our own pipeline. I think that is an important point.

About the guidance, before answering on the contribution of the M&A, let me also say this: in our numbers we are paying in some way the shifting towards this infrastructural model, because - as I think it is clear to everybody - we are assuming prices which are even at discount compared with our own merchant price. And this, based on our internal analysis, has got a settlement in the region of €10mn in the numbers of the plan. And on top of that, I have showed clearly a chart that makes you understand the growing organization we had in the business development. So, in 2018 we had factored a very small organization, but now the pipeline is growing and so are the organizations, and this has a cost for labor, but it also has a cost for development, the co-called Devex. So, all-in-all, we have roughly €10mn on top of what we thought to have in 2018, because €5mn is the Devex we have every year to carry on our pipeline, and €5mn is the labor cost more or less associated to the investments we did in the organization to strengthen the EBITDA. Of course, they are expensed year-by-year in the profit and loss, but they are more related to the future developments of the pipeline. I think that is an important point. So as far as the EBITDA from M&A, you can simply divide the Capex by 15 times, which is - as I said - the embedded multiple at which we are expecting to pursue our objectives in M&A.

Emanuele Oggioni:
Thank you.

Operator:
Ms. Delucchi, this concludes the Q&As from the conference call.

Emanuela Delucchi:
Okay, thank you. So, we can take two questions we received in the app, which I read through. The first one is from Paul Dobson: "You mentioned that your Scottish projects might be bid into the CFD auction, but you are also negotiating PPAs for them. When will you make a decision on which route-to-market this project will take?"

Paolo Merli:
Yes, it is as you said: the CFD in the UK are gaining visibility, we expect the auction to be held in the fourth quarter of this year, but we are also in parallel negotiating the PPA. So, we will take a decision whenever the situation is clear. But I repeat: we will go down both ways for the time being, and I cannot exclude that, if the PPA is interesting, we can go this way without waiting for the CFD. But, as far as we understood, our Scottish projects can participate to the auction, even though they are right now under construction. So, we will be able to say a little bit more on that in few months, because we are monitoring the situation.

Emanuela Delucchi:
And there was another question from Paul Dobson: "What technology will you focus on to reach your 1.5GW by 2025 target? What country do you expect most of the capacity to be in, and how are you raising the €2bn needed to meet this target?"

Paolo Merli:
I would say the split between the two technologies - Wind and Solar - is quite clear: out of 1.5GW, 1GW will come from Wind, and 0.5GW will come from Solar. And especially Solar will come through the co-development agreements we have signed with AREAM in Germany and with Renergetica in Spain, but of course we are also seeking for opportunities in Solar through M&A as well. But let me say 1/3 from Solar and 2/3 from Wind.

The countries are the ones we have mentioned: so if you take the 1.5GW, 0.2GW are in Italy (it is the differential megawatts we expect from repowering), we have 400MW right now under construction, 250MW in the UK, 60MW in Poland, 30MW in France and 62MW in Sweden. And then we have the net pipeline included in the Business Plan, which is again spread where we have got pipeline, so especially in France, in Germany and the UK: those are the countries we are looking at, right now.

The €2bn are self-financed, in the sense that we are using our own debt capacity. And I repeat: I think a key point of our model is to have an investment grade profile, which means an easy access to the Debt Capital Market. And that is the way we have financed ourselves and our developments over the last two years, and we want to keep doing this way but, we are assuming, with a stronger capacity, because - given the shifting towards this kind of infrastructural model - we expect this to translate into higher capacity of financing. But, after the Business Plan, as usual we will have a meeting with the Agency, with Fitch in order to assess with them the assumption we have made. But we are quite confident about them.

Emanuela Delucchi:
Okay. There are no more questions from the app. So, thank you very much.

Paolo Merli:
Okay. Thank you very much. Of course, any follow up questions you may have Emanuela, and myself are available, through one-to-ones, webcast and so on. So, thank you, thank you very much for the attention.

Emanuela Delucchi:
Thank you very much.

Alessandro Garrone:
Thank you.

Michele Pedemonte:
Thank you.