



# INVESTOR PRESENTATION

Crédit Agricole CIB - 10<sup>th</sup> Sustainability Bonds Conference  
Paris, December 10<sup>th</sup> 2019





## DISCLAIMER

These materials are provided for information purposes only and do not constitute, or form part of, any offer or invitation to underwrite, subscribe for or otherwise acquire or dispose of, or any solicitation of any offer to underwrite, subscribe for or otherwise acquire or dispose of, any debt or other securities of the Company ("securities") and are not intended to provide the basis for any credit or any other third party evaluation of securities. No part of these materials, nor the fact of their distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of a prospectus, offering circular or other equivalent document (a "prospectus") and any decision to purchase or subscribe for any securities pursuant to such offer or invitation should be made solely on the basis of such prospectus and not these materials.

These materials should not be considered as a recommendation that any investor should subscribe for or purchase any securities. Any person who subsequently acquires securities must rely solely on the final prospectus published by the Company in connection with such securities, on the basis of which alone purchases of or subscription for such securities should be made. In particular, investors should pay special attention to any sections of the final prospectus describing any risk factors. The merits or suitability of any securities or any transaction described in these materials to a particular person's situation should be independently determined by such person. Any such determination should involve, *inter alia*, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the securities or such transaction.

These materials may contain projections and forward looking statements. Any such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any such forward-looking statements will be based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Further, any forward-looking statements will be based upon assumptions of future events which may not prove to be accurate. Any such forward-looking statements in these materials will speak only as at the date of these materials and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

These materials are confidential, are being made available to selected recipients only and are solely for the information of such recipients. These materials must not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose without the prior written consent of the Company.

These materials are not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. In particular, these materials (a) are not intended for distribution and may not be distributed in the United States or to U.S. persons (as defined in Regulation S) under the United States Securities Act of 1933, as amended and (b) are for distribution in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order.

It should be noted that the financial information contained herein derived from the Company's financial statements has been subject to rounding. Accordingly, any discrepancies between data shown in these materials and the Company's published financial statements are solely due to the effect of rounding.

# AGENDA



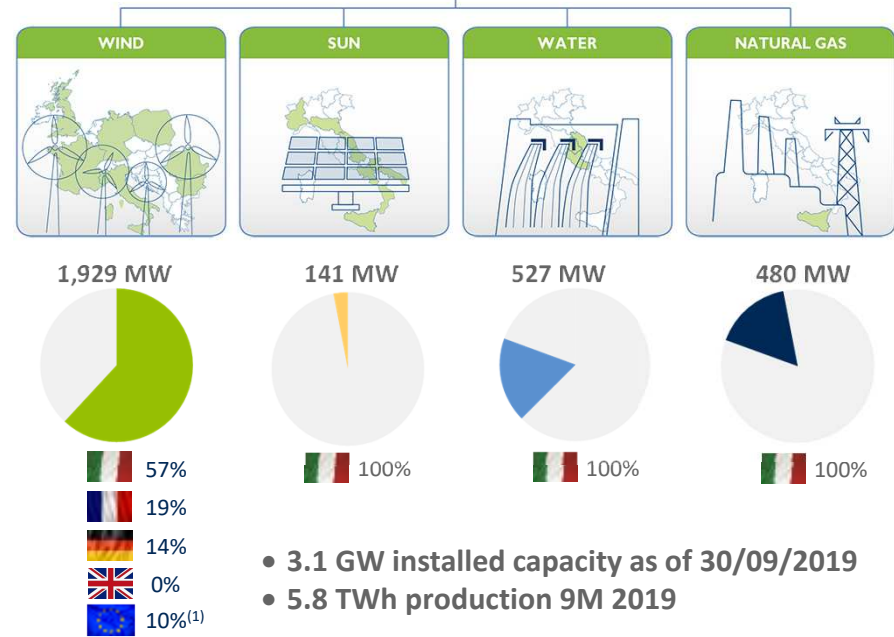
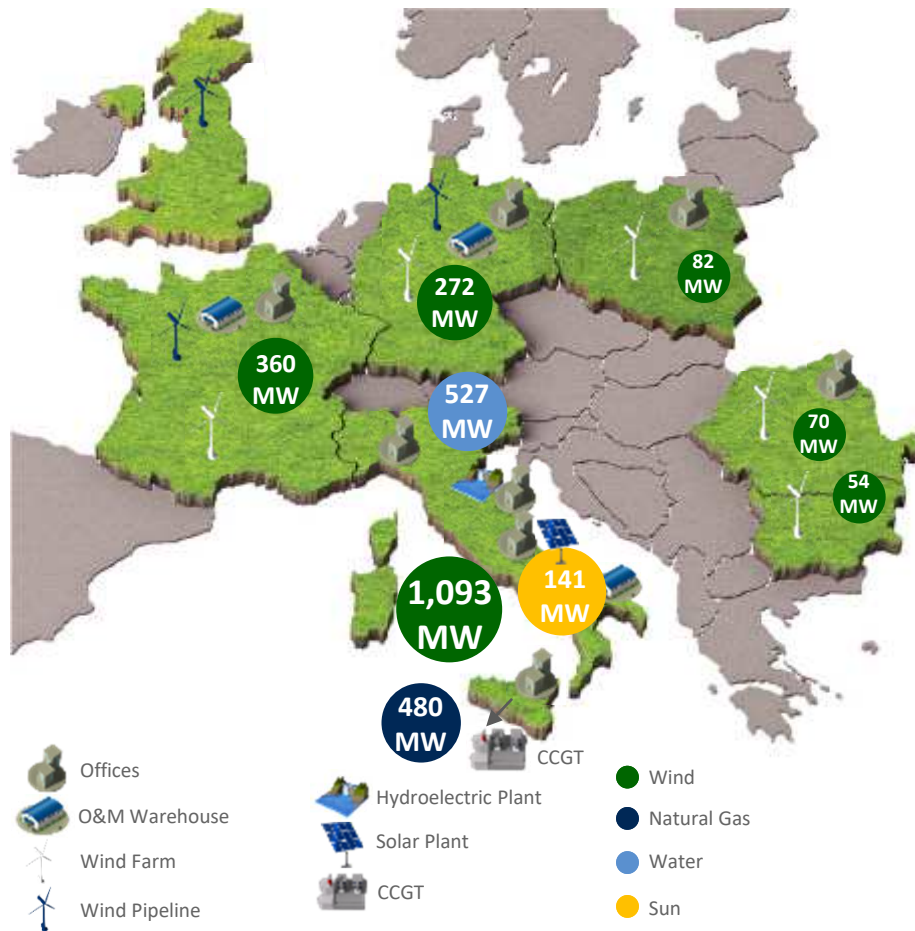
- ERG Group Overview
- Operating Segments
- Financial Results
- Debt Structure
- Rating and Green Bond
- Closing Remarks
- Annexes



# ERG GROUP OVERVIEW



# LEADING EUROPEAN IPP



(1) It refers to Romania, Bulgaria and Poland

## Financial Highlights FY 2018

€ 1,027m  
Revenues

€ 491m  
EBITDA Adjusted  
47.8%  
EBITDA margin

€ 107m  
Net Result

€ 1,343m  
Net Debt  
2.7x  
Net Debt / EBITDA

Market Cap  
€ 2,480 m  
as of 31 Dec 2018

# A LONG HISTORY...



Production commences at the San Quirico refinery in Genoa.



1947



The ERG share is listed on the Stock Exchange.

1997



ERG enters the renewables sector with the acquisition of EnerTAD.

2006

ERG Power's combined cycle power plant (480 MW) fuelled by natural gas enters operation. TotalErg is established, a joint venture for the sale of oil products.



2010

ERG transfers the ISAB Energy plant and the fuel network of ERG Oil Sicily.



2014



ERG enters the wind market in the United Kingdom with a 47.5 MW project.

2016

ERG enters the solar power sector (30 photovoltaic plants acquired, 89 MW in operation).

Definitive exit from Oil with the sale of TotalErg.



2018

1938

Edoardo Garrone founds ERG in Genoa.



1975



Production commences at the ISAB Refinery in Priolo.

2000

ERG – through ISAB Energy – starts to produce and sell Electricity from the gasification of the heavy residues from refinement.



2008



ERG sells 49% of the ISAB Refinery to LUKOIL.

2013

ERG becomes the leading wind operator in Italy with an installed capacity of 1,087 MW and among the top ten in Europe and acquires a company for wind farm O&M activities.



ERG transfers the ISAB refinery and completes its exit from refining.

2015

ERG enters the hydroelectric sector with plants in Umbria, the Marches and Lazio (527 MW).



ERG acquires 6 wind farms in France (64 MW) and construct 3 wind farms in Poland for a total of 82 MW.

2017



ERG's growth in the wind sector continues: 48 MW in operation in Germany; 16 MW in operation in France.

2019



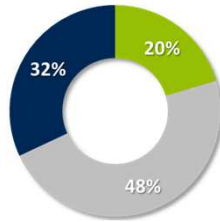
Solar: ERG closed the acquisition of Andromeda (51 MW) assets increasing its PV total capacity up to 141 MW. Wind: ERG acquired 52 MW in France and 34 MW in Germany.

# ... BUT A RAPID TRANSFORMATION

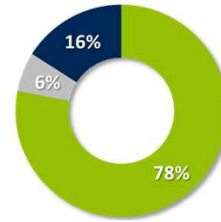


## Capital Employed

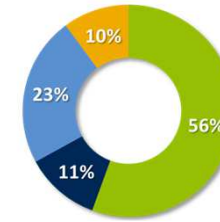
2008 (€2.2bn)



2014 (€2.1bn)

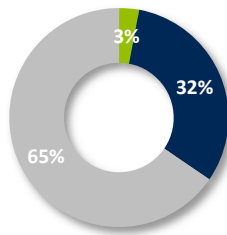


2018 (€3.2bn)

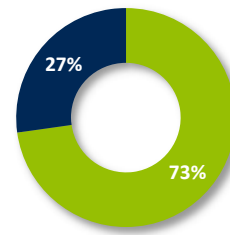


## 2008-2014-2018 EBITDA

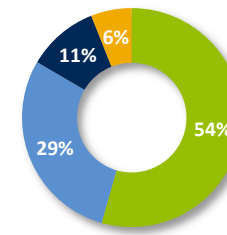
2008



2014



2018



● Oil ● Natural Gas ● Hydro ● Wind ● Solar

## CO<sub>2</sub> Avoided

2008



2014



2018



2008-2018



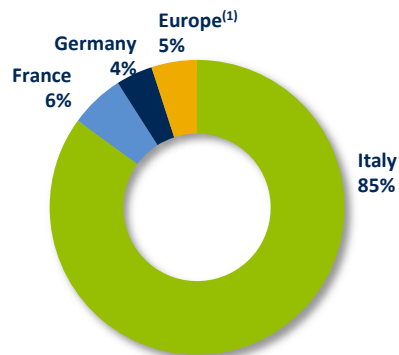
# STEADY AND WELL BALANCED PROFITABILITY



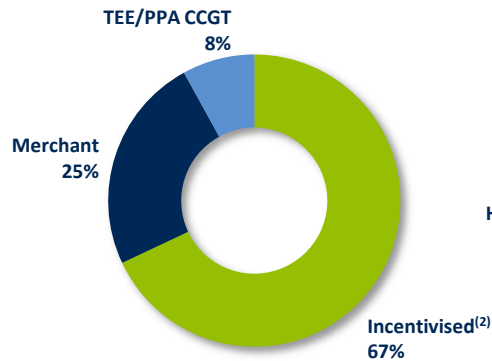
- Close to 70% of EBITDA from incentives
- EBITDA well balanced across different generation assets
- Geographical and seasonal diversification, allowing for complementarity of the different energy sources
- Earnings stability sustained also by priority of dispatchment and PPAs

EBITDA Breakdown FY18

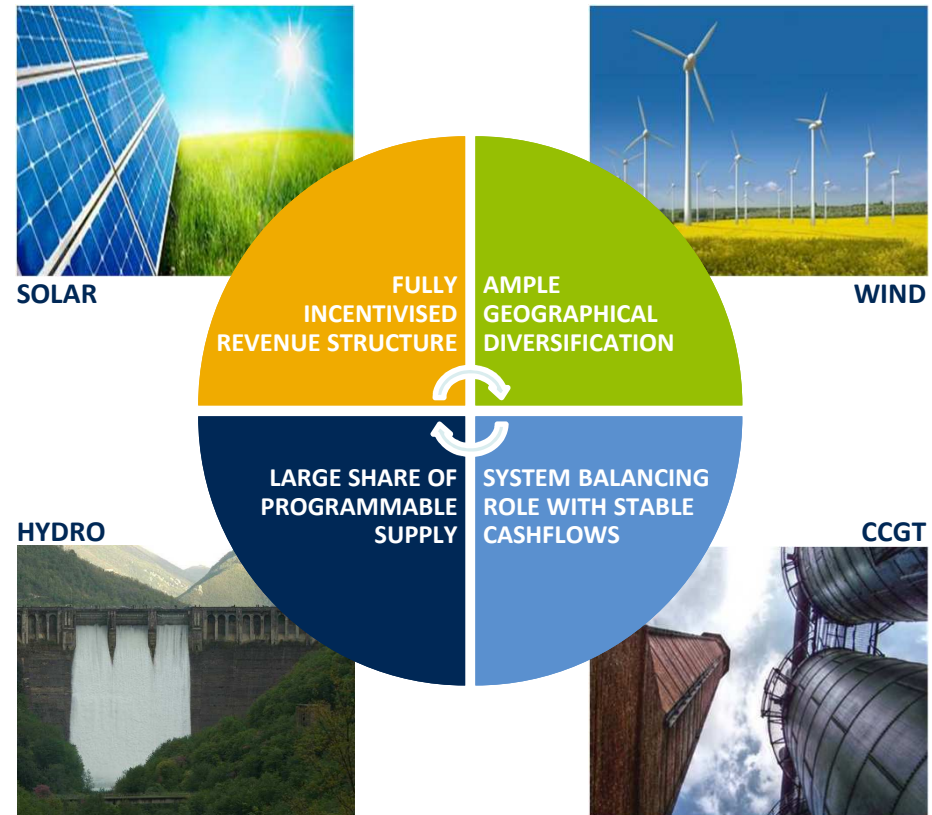
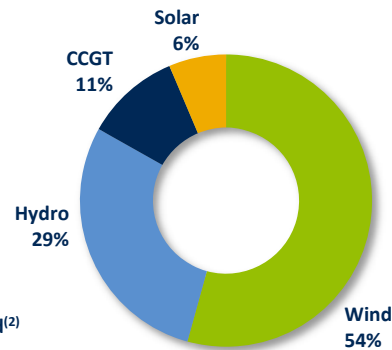
By geography



By incentive



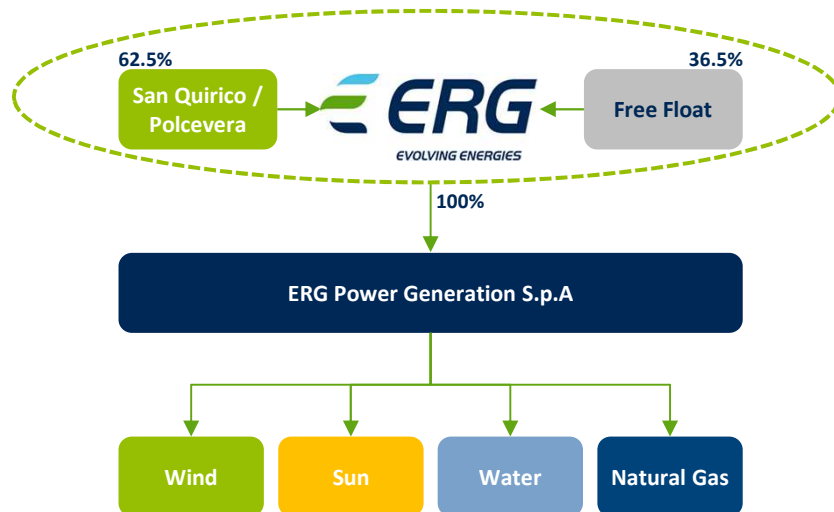
By business



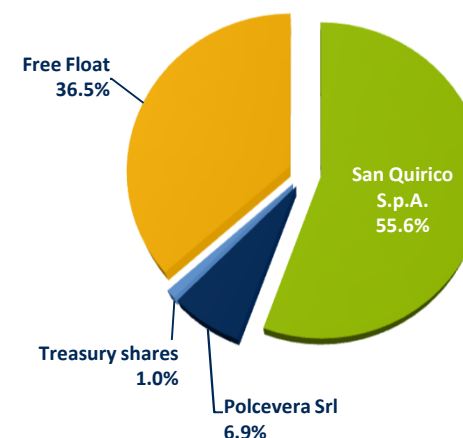
<sup>(1)</sup> It refers to UK, Romania, Bulgaria and Poland

<sup>(2)</sup> It includes wind EBITDA with incentive, Hydro EBITDA with incentive, 100% Solar EBITDA

# BALANCED GROUP STRUCTURE SERVING INTERESTS OF ALL STAKEHOLDERS



Shareholders' structure



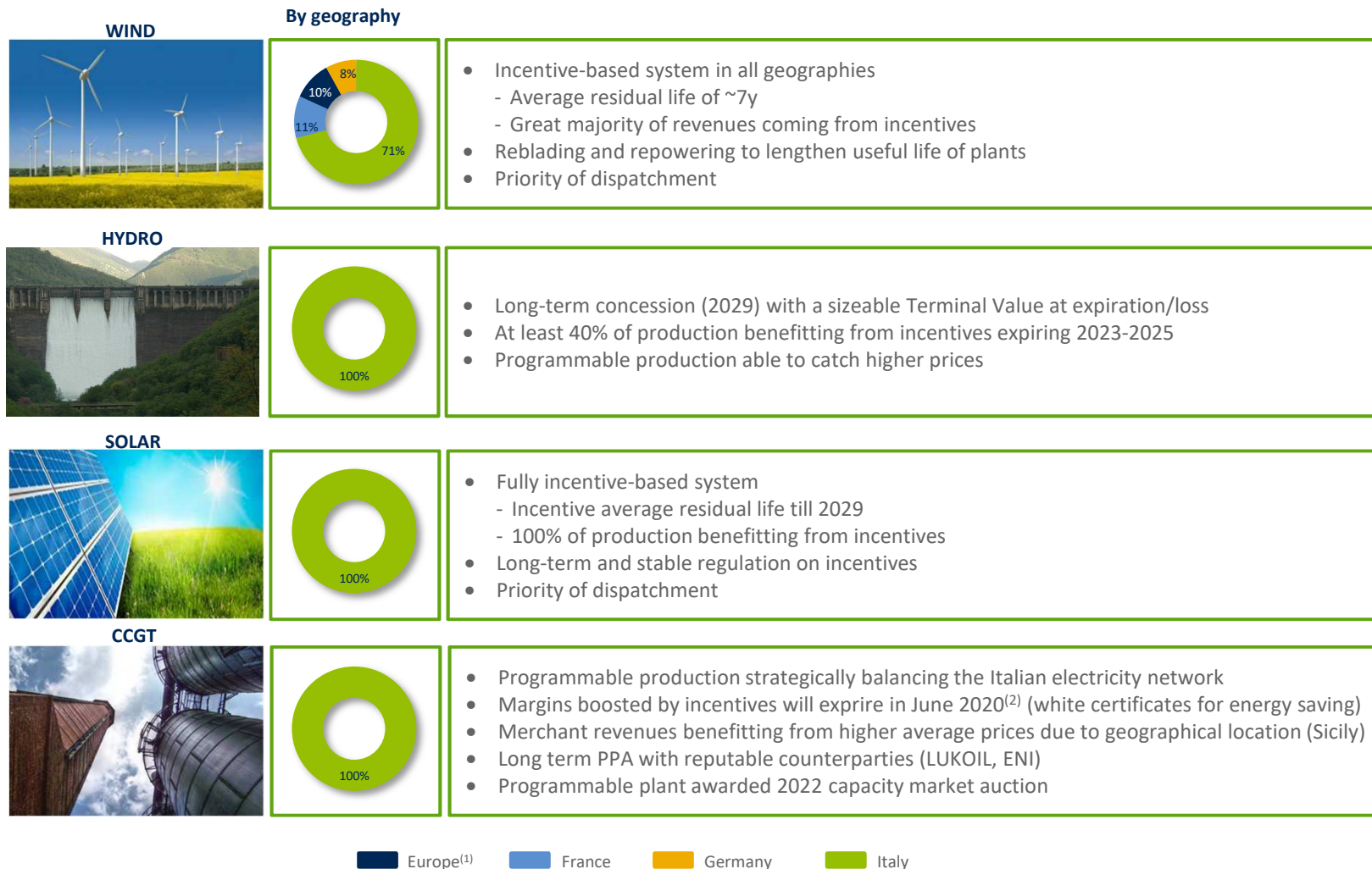
Fully independent and experienced management team paired with a constructive involvement by majority shareholder

- San Quirico S.p.A. and Polcevera S.A. are **controlled by ERG founding family**
- **The Garrone family** holds key positions in ERG (Chairman and Executive Deputy Chairman) and **defines ERG long-term strategy along with the Top Management** through the Strategic Committee, whilst the Board of Directors is composed mainly (6 out of 12) of independent **directors** and it is fully committed to the interests of every stakeholder
- **The top management operates within a strict financial discipline**, while following a **strong risk management policy**

# STABLE AND POSITIVE REGULATORY FRAMEWORK



## EBITDA BREAKDOWN 2018



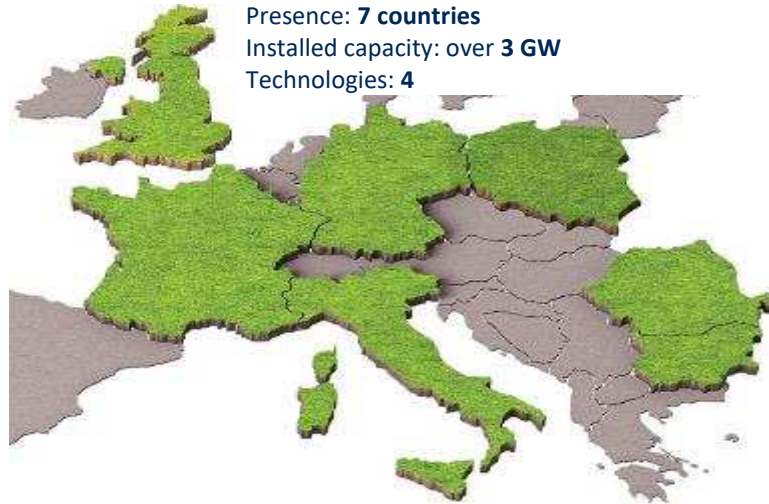
(1) It refers to UK, Romania, Bulgaria and Poland

(2) White Certificates eligibility renewal after 2020 under authorization process

# SUSTAINABLE GROWTH STRATEGY



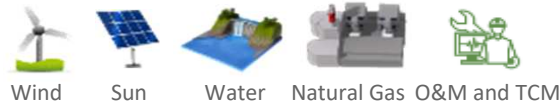
## ERG Group current geographical presence



### Geographical presence



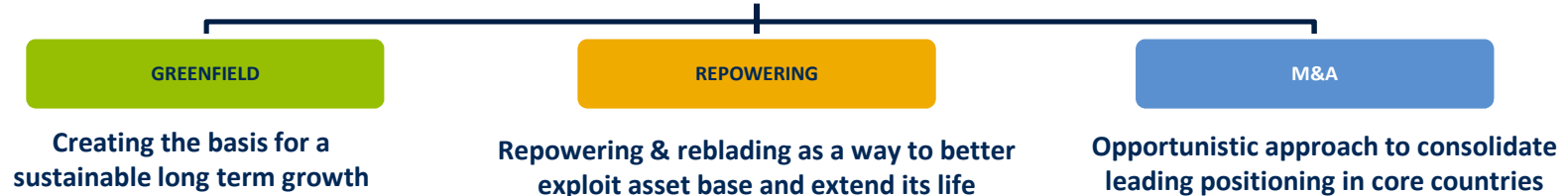
### Business/Technology



## Country/Business attractiveness for ERG

Business/Technology		Reference Geographies			
 Wind	Co-development & Greenfield	✓	✓	✓	✓
	Repowering & Reblading	✓	✓		✓
 Wind  Sun	M&A	✓	✓	✓	✓
	Focus on technical operating efficiency	✓	✓	✓	✓

Sustainable and flexible growth path focused on 3 main clusters and leveraging on low maintenance costs



# ESG ACHIEVEMENTS AND RATINGS



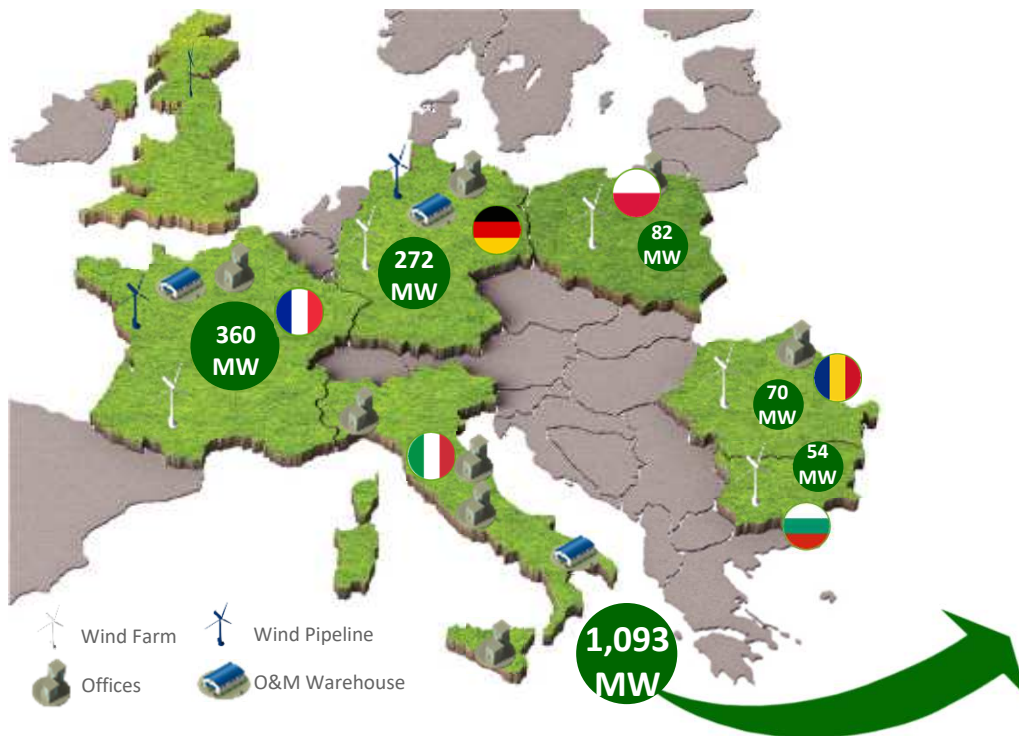
- 1 ERG included in the ECPI Global Clean Energy Index
- 2 Achieved rating B from Carbon Disclosure Project
- 3 Ranked 16th worldwide in the Corporate Knights Global 100 Index
- 4 Obtained ESG rating Advanced from Vigeo
- 5 Achieved ESG rating A from MSCI
- 6 Signed 2 ESG Loans for €240mn
- 7 Issued inaugural IG 6-yr Green Bond for €500mn



## OPERATING SEGMENTS

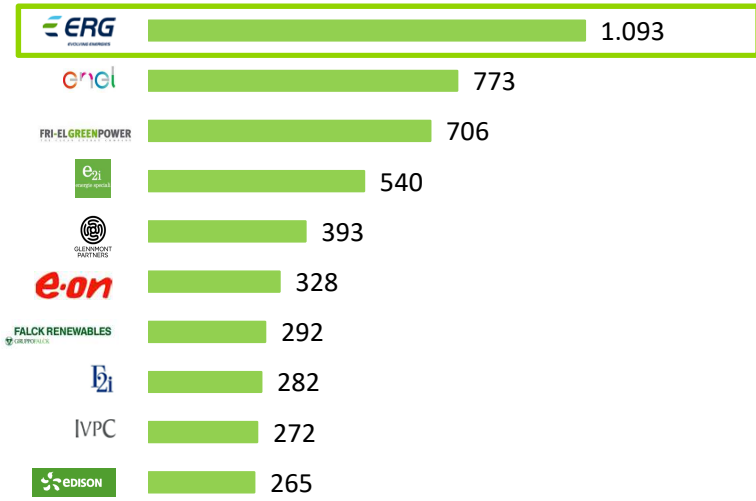


# WELL POSITIONED EUROPEAN WIND PORTFOLIO WITH A LEADING ROLE IN ITALY



Wind : #1 in on shore wind in Italy

Onshore Installed Capacity in Italy (MW) as of Nov 2019 <sup>(1)</sup>



Total installed capacity:  
as of 30 September **1,929 MW**

- Of which Italy: 1,093 MW (57%)
- 63% of Group's total installed capacity

Total 9M 19 EBITDA: **€ 214 mn**  
Total FY18 EBITDA: **€ 274mn**

(1) Source: 2019 ANEV (Italian Wind Energy Association) annual report and companies public available data

# AMONGST THE TOP ITALIAN PLAYERS IN HYDRO



• 19 power plants



• 7 dams, 3 reservoirs and 1 pumping station



• 527 MW total installed capacity



• 1.7 TWh production 2018

• 0.9 TWh production 9M 2019



• More than 100 people employed

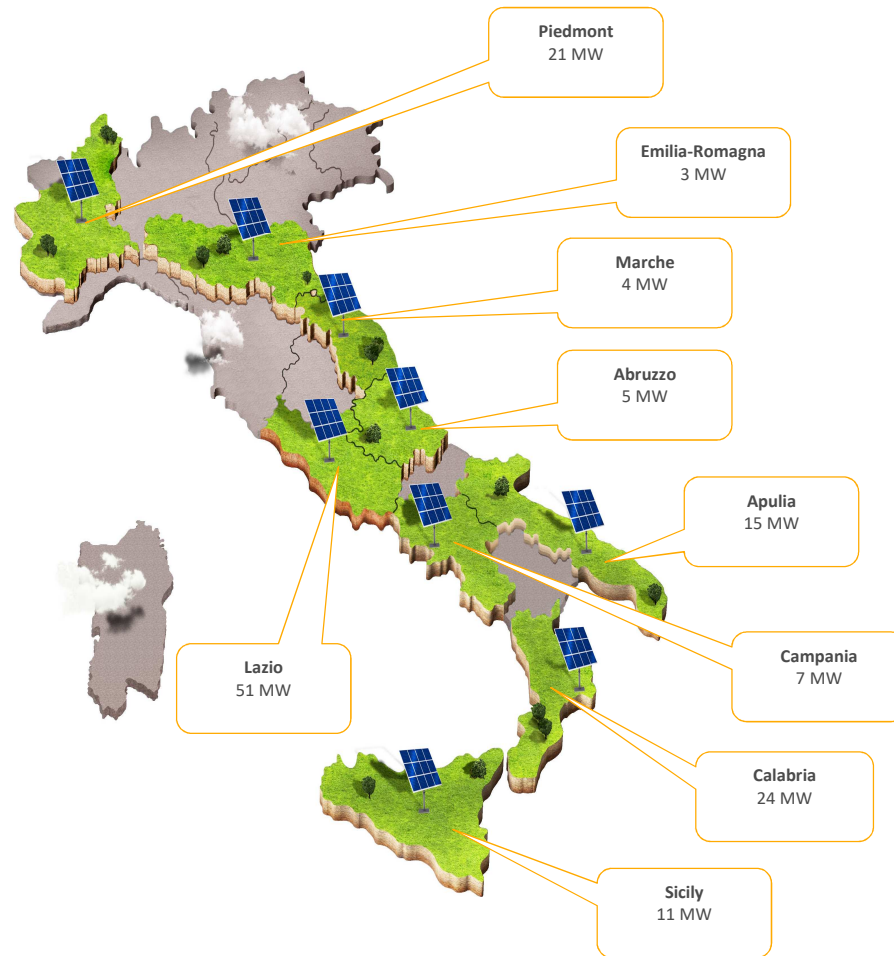


• € 146m 2018 EBITDA

• € 64m 9M19 EBITDA



# GROWING PLAYER IN THE SOLAR LANDSCAPE



• 141 MW installed capacity



• 5<sup>th</sup> player in the Italian solar market



• 226 GWh 2018 annual production output<sup>(1)</sup>

• 194 GWh 9M 2019 production



• 124 kT prevented CO<sub>2</sub> emissions



• € 32m FY18 EBITDA

• € 63m incl. Andromeda<sup>(2)</sup>

• € 56m 9M19 EBITDA

<sup>(1)</sup> It includes ERG Solar plant 2018 production in 2018 (130 GWh) and Andromeda estimated production (96 GWh) as per press release dated January 11<sup>th</sup> 2019 production

<sup>(2)</sup> It refers to pro-forma aggregated figures including Andromeda estimated 2018 EBITDA (€ 31m) as per press release dated 11 January 2019 production

# HIGH QUALITY CCGT ASSET OFFERING

## STRONG CASHFLOW VISIBILITY



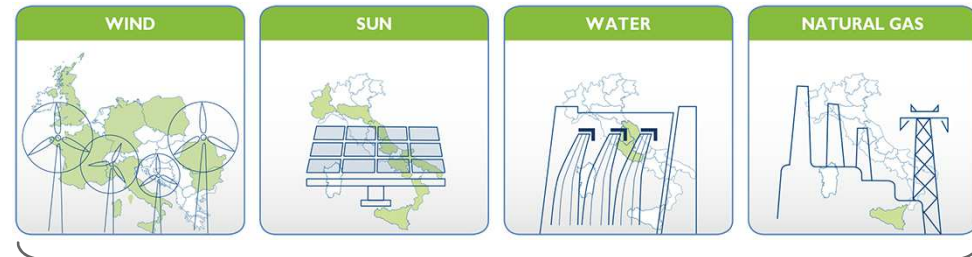
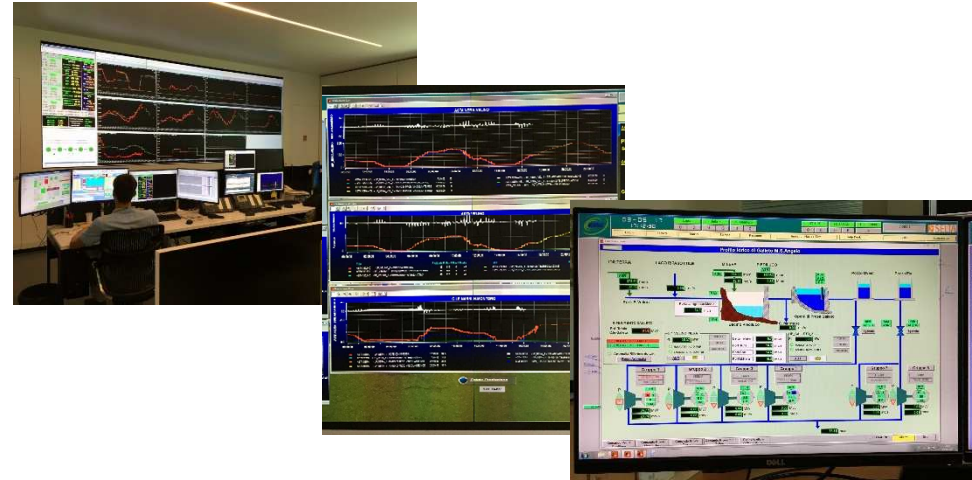
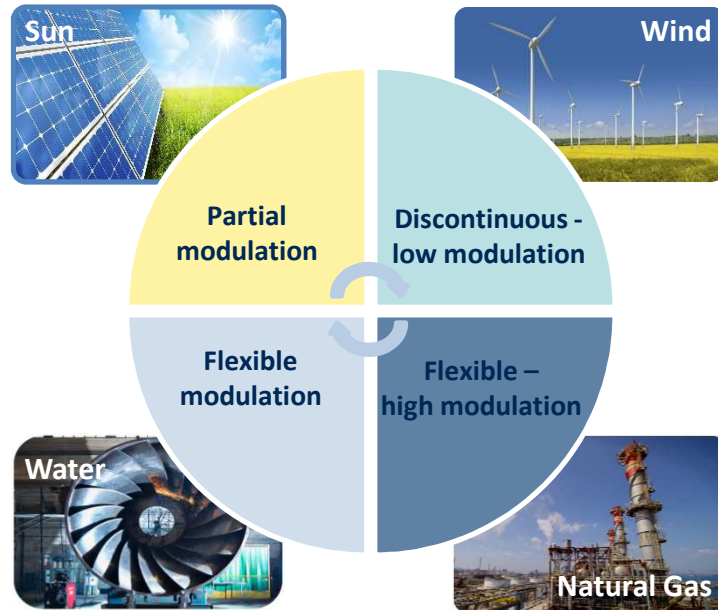
- € 53m FY18 EBITDA
- € 59m 9M 2019 EBITDA

- The ERG Power Combined Cycle Gas Turbine (CCGT) plant, based in Sicily in the North industrial Priolo site, is fueled by natural gas and produces electricity and steam, with a production capacity of 480 MW.
- It is a cogeneration plant, meaning that it produces both the electricity and the heat used to power the industrial plants of the the multi-company production site of Priolo. The rest of the electricity it generates is fed into the national grid.
- The plant is a high-output co-generation plant, based on the most recent combined cycle technology using natural gas along with other ancillary plants, for the production of electricity.
- It is a programmable, flexible, and efficient energy source, which, like the hydroelectric plant, ensures production continuity and flexibility.
- On 7th November 2019, the CCGT production unit **won 340 MW Capacity Market Auction**<sup>(1)</sup> managed by Terna, with delivery in 2022. ERG will take part to 2023 capacity market tender scheduled on November 28<sup>th</sup>.
- Cash-flow are derived from four principal activities :
  - I. Long term Power Purchase Agreements with selected large industrial clients in the Priolo site
  - II. Merchant sales
  - III. Energy Efficiency certificates (White Certificates)<sup>(2)</sup>
  - IV. **RAB based remuneration for a local network grid owned by the plant since 2017 delivering c. €7M of annual EBITDA**
  - V. **Revenues from capacity market secured for 2022 equal to 11 M€**

<sup>(1)</sup> The Capacity Market awarded price is 33.000 €/MW/anno

<sup>(2)</sup> White Certificates are issued for ten years on the basis of the primary energy savings thanks to cogeneration status in compliance with CAR ("High yield cogeneration") regulation

# ENERGY MANAGEMENT AS A KEY SUCCESS FACTOR



Production 2018 :  $\approx 7.5$  TWh  
 9M 2019 Production: 5.8TWh

Total Energy Portfolio 9M 2019 including hedging & other sales: 11.2TWh

Generation output fully managed by ERG in the energy markets as factor  
 to stabilize profitability and cash flow also through power price hedging and PPAs

Enhancing revenues stability by signed 2 PPAs with ACEA Energia (1.5TWh over the next 3 years) paving the way for longer duration

Capacity Market in Italy: awarded 340MW of our CCGT. Secured €11mn of 2022 revenues



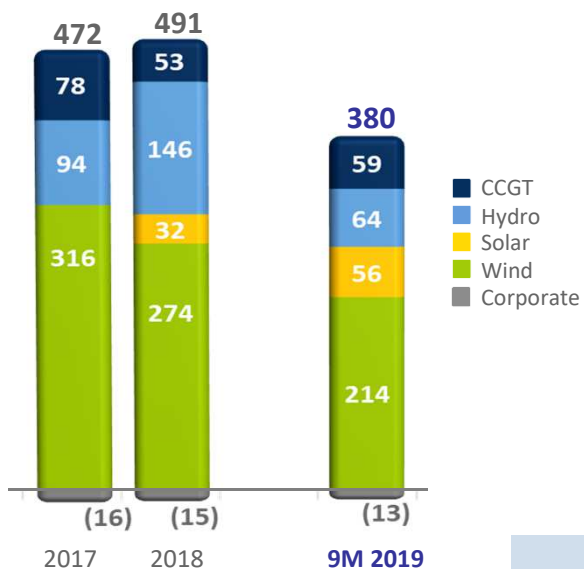
## FINANCIAL RESULTS



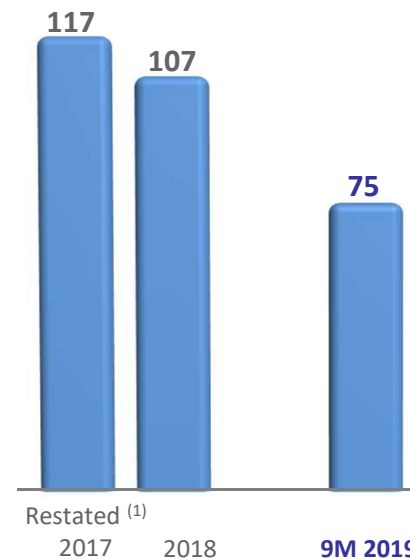
# HIGHLIGHTS: GROUP KEY FIGURES



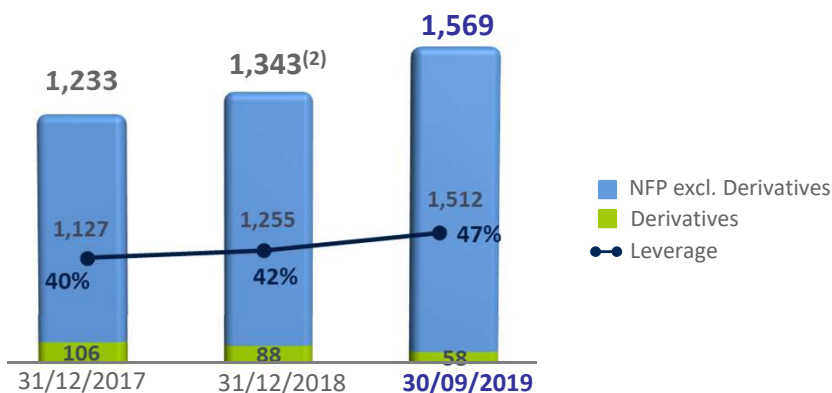
Adjusted EBITDA (€ mn)



Adjusted Net Profit (€ mn)



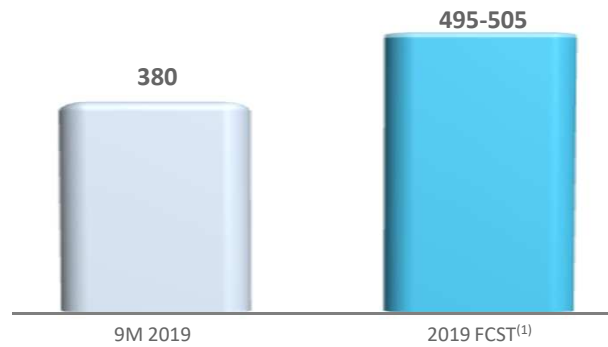
NFP (€ mn)



**9M 2019: Scarcity of Wind and Hydro mitigated by growth and generation mix**

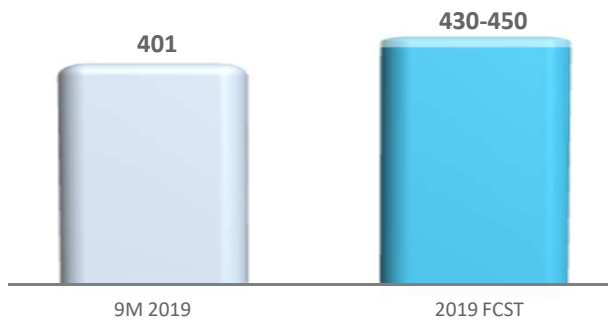
(1) Net income restated for TotalErg de-consolidation  
 (2) It includes Vendor Loan to api for €36mn

# 2019 GUIDANCE



Adj. EBITDA:

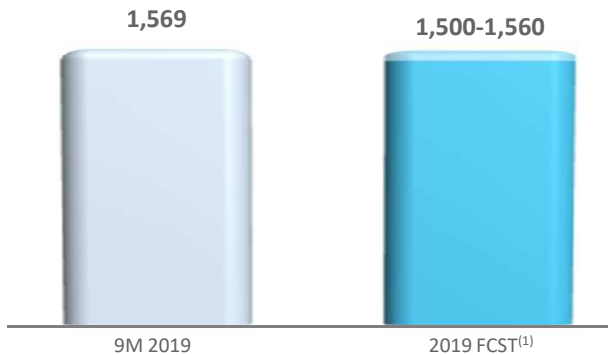
✓ Guidance confirmed at €495-505mn



- Guidance range
- Guidance
- Actual

CAPEX:

✓ Guidance increased at €430-450mn



Adj. NFP:

✓ Guidance revised at €1.50-1.56bn

<sup>(1)</sup> 2019 Guidance does not include IFRS 16 effects



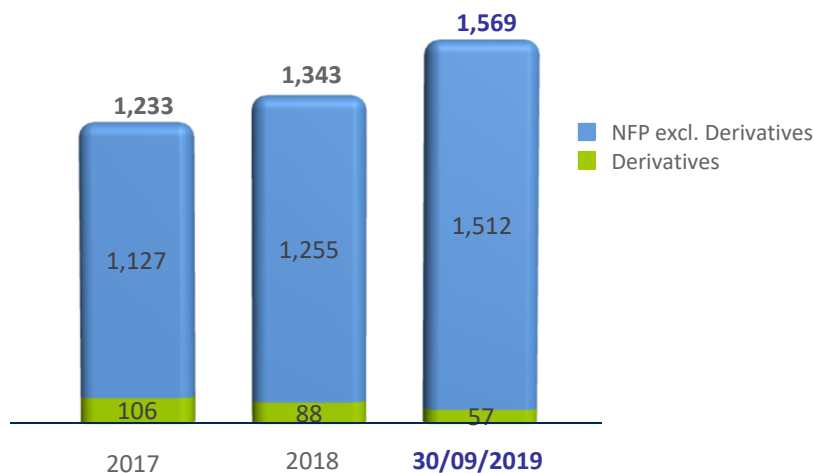
## DEBT STRUCTURE



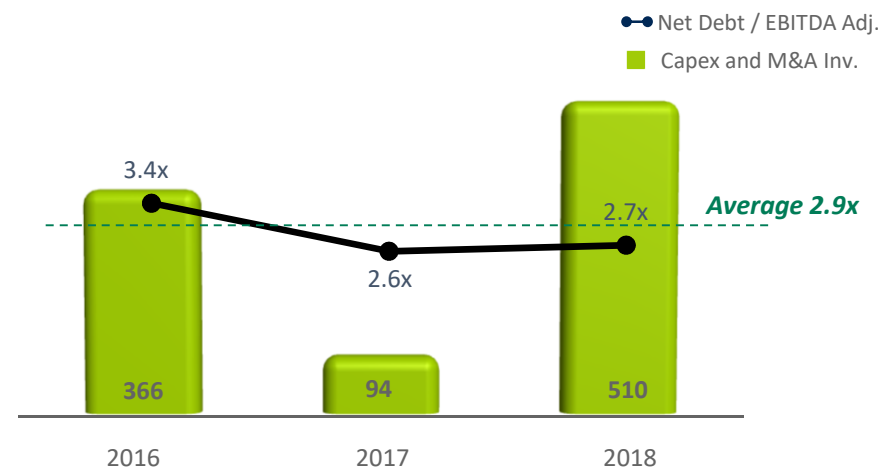
# CONSERVATIVE FINANCIAL POLICY



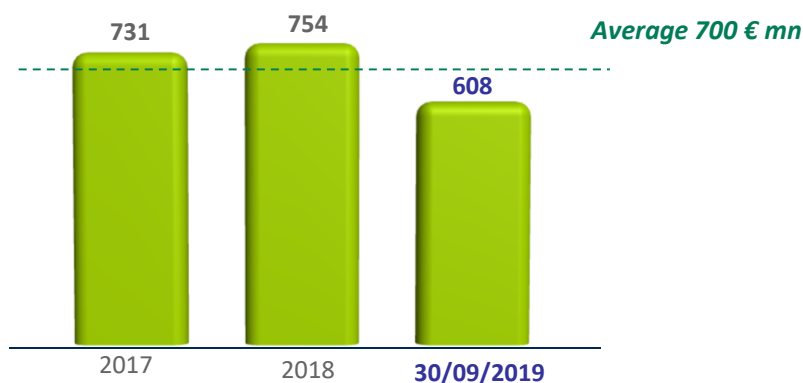
Net Debt Evolution (€ mn)



Net Debt/EBITDA Ratio and Capex Evolution



Liquidity Evolution (€ mn) <sup>(1)</sup>



Conservative financial policy focused on:

- consolidated Net debt / EBITDA to be **less than 3.0x**
- limited maintenance capex offering the flexibility to deleverage quickly when necessary (e.g. 2017)
- maintaining a solid liquidity profile with an average of €700m in the last three years

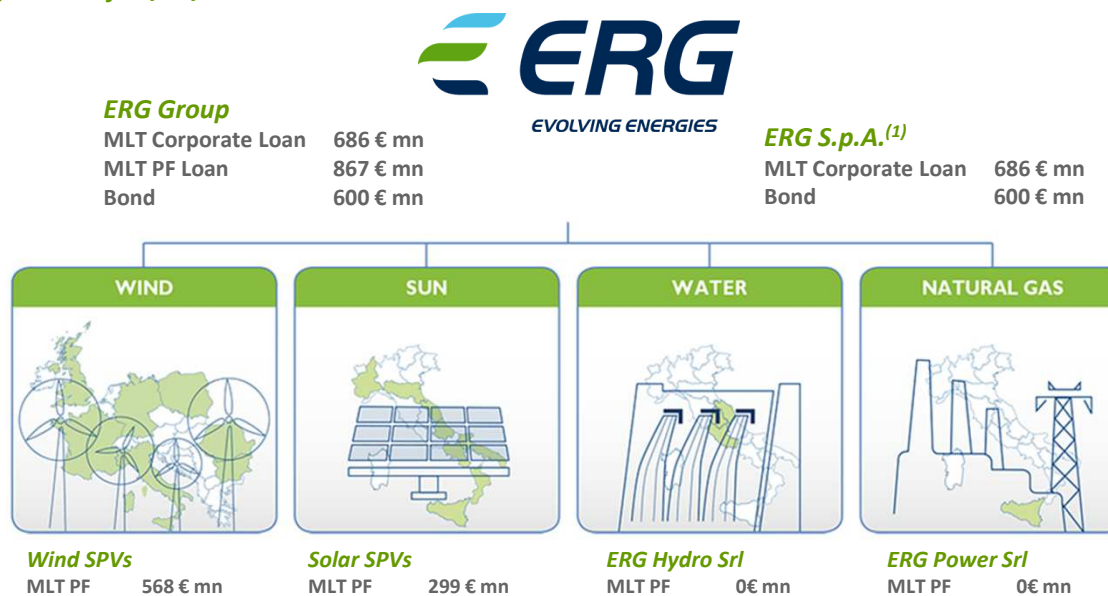
**Prudent financial policy coupled with sizeable bulk of liquidity**

<sup>(1)</sup> Liquidity is equal to the following components of the Net Financial Position: (i) short-term banking liabilities (ii) cash and cash equivalent

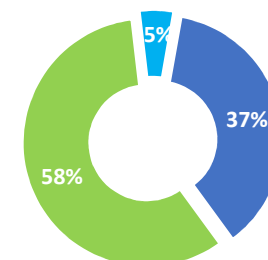
# GROUP DEBT STRUCTURE



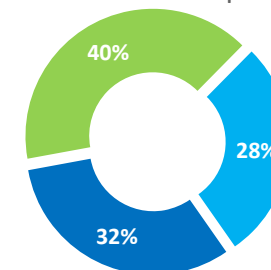
Figures as of 30/09/2019



Debt structure as of 31 Dec 2018



Debt structure as of 30 Sep 2019



■ Corporate Loan ■ Project Finance ■ Bond

- Debt structure mainly composed of medium term loans with **92% fixed rate portion**
- ERG's operating assets grant a steady flow of cash upstream to ERG S.p.A:
  - **Hydro & natural gas assets fully unlevered** without any external financing constraints
  - **Wind & Solar SPVs financed by long term loans** with maturities consistent with incentive life and able to upstream a relevant amount of cash

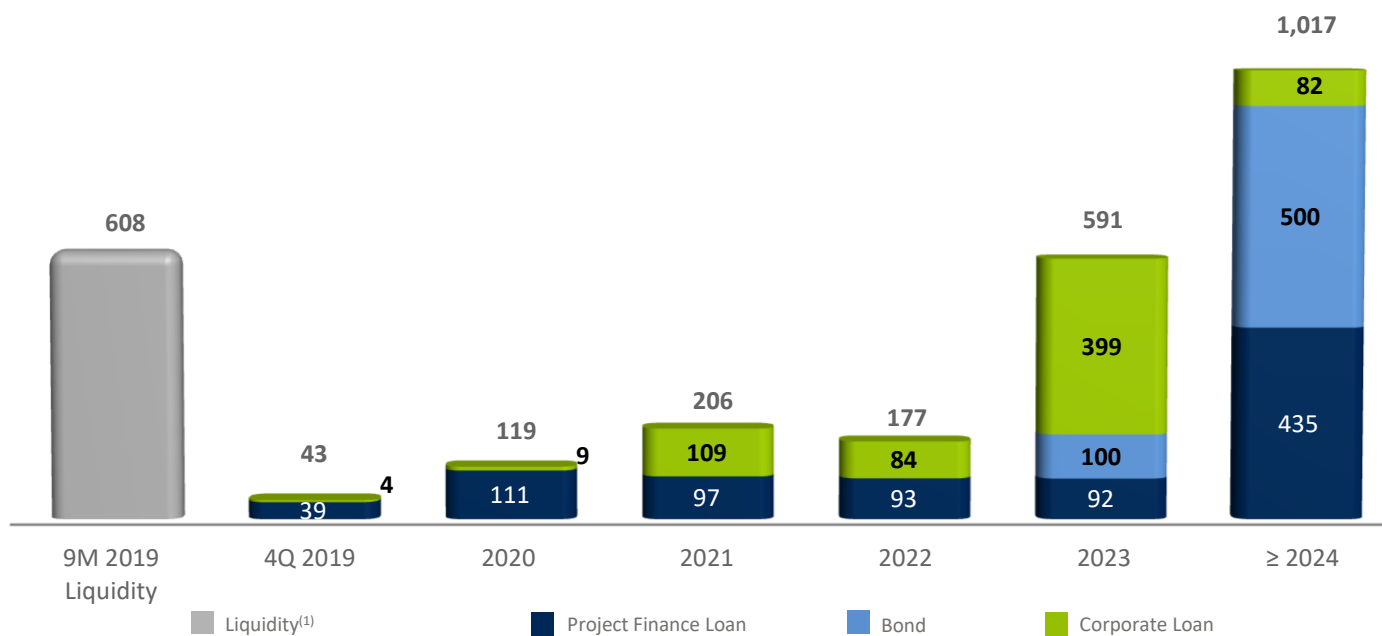
**New financial strategy completed: move from Project Financing to corporate/DCM financing**

<sup>(1)</sup> ERG S.p.A. owns all the operating assets through ERG Power Generation S.p.A. an 100% owned operating subsidiary, free of debt and in cash pooling with ERG S.p.A.

# GROUP DEBT MATURITIES



Figures as of 30/09/2019



- ERG has also nearly € 500mn of uncommitted credit lines available as of 30 September 2019
- The weighted average life of ERG's debt stands at 6 years as of 30 September 2019

## High financial flexibility thanks to 2018-2019 liability management actions

<sup>(1)</sup> Liquidity is equal to the following components of the Net Financial Position: (i) short-term banking liabilities (ii) cash and cash equivalent



## RATING AND GREEN BOND



# RATING AGENCY VIEW



## Fitch Ratings

**Long-term Issuer Default Rating (IDR):** BBB-  
**EMTN Programme Rating:** BBB-  
**Expected Issue Rating:** BBB-  
**Outlook:** Stable  
**Last update:** Affirmed 19 June 2019

### Key Rating Drivers:

- Strategy Confirmed
- Plan Update in Line with Ratings
- Targeted M&A Mostly Executed
- Merchant Repowering
- Solid Pipeline in Greenfield
- Declining Medium-Term Incentives
- Solid 2018 Performance
- Progress in Centralising Funding Structure
- Sound Liquidity

### Key Considerations:

- *“Fitch Ratings has affirmed Italian renewable generation company ERG S.p.A.’s Long-Term Issuer Default Rating (IDR) and senior unsecured rating at ‘BBB-’. The Outlook on the IDR is Stable.*
- *“ERG’s ‘BBB-’ IDR affirmation mainly reflects its robust business profile, with quasi-regulated activities representing around 70% of the consolidated EBITDA, predictable regulatory frameworks and a clean asset base”*
- *“The rating also takes into account ERG’s growth ambition in the context of a clearly stated financial policy of up to 3.0x net debt/EBITDA”*
- *“Fitch expects that ERG’s credit ratio will remain consistent with the ratings, even including additional external growth in 2021 and 2022”*
- *“The forecasts lead to an average funds from operations (FFO) adjusted net leverage of 3.3x and FFO fixed-charge coverage of 7.4x over 2019-2022, compared with negative guidelines of 3.5x and 4.0x, respectively.”*

# GREEN BOND 2019 KEY HIGHLIGHTS

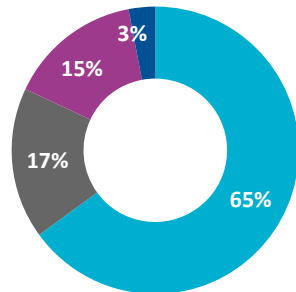


## Final Terms

<b>Issuer</b>	ERG S.p.A.
<b>ISIN</b>	XS1981060624
<b>Issuer / Issue Rating</b>	BBB- outlook stable (Fitch) / BBB- (Fitch)
<b>Format</b>	Senior Unsecured Notes under €1,000,000,000 Euro Medium Term Note Programme
<b>Maturity</b>	April 11 <sup>th</sup> 2025
<b>Outstanding Amount</b>	Eur 500m
<b>Coupon / issue date</b>	1.875% Fixed/Annual – 1.933% YTM
<b>Listing</b>	Luxembourg Stock Exchange
<b>Use of Proceeds</b>	Financing or refinancing all or part of Eligible Green Projects as per Green Bond Framework

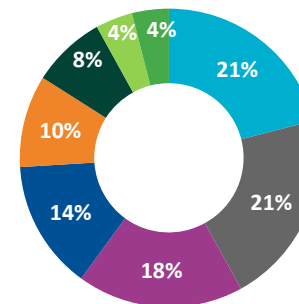
## Allocation breakdown

Investor type



■ Asset Managers & HFs 65%    ■ Banks & Intermediaries 17%  
 ■ Insurance/PFs 15%    ■ Official Institution 3%

Geographical split






■ Germany & Austria 21%    ■ Italy 21%    ■ UK & Ireland 18%  
 ■ France 14%    ■ BeNeLux 10%    ■ Iberia 8%  
 ■ Nordics 4%    ■ Other 4%

# GREEN BOND 2019 KEY FEATURES



- As a **leading European producer of electricity from renewable energy sources**, ERG believes that issuing Green Bonds is a key tool to support the achievement of its sustainable development targets and to contribute to address major climate changes challenges
- In line with **ERG’s 2018-2022 sustainability commitment of consolidating the Group’s leadership in the production of electricity from renewable sources**, ERG decided to set up this Green Bond Framework, under which ERG can issue Green Bonds to support renewable energy
- **ERG’s Green Bond Framework is aligned with the Green Bond Principles in its 2018 edition, its four core components and its recommendation for External Review**



Green Project Category	Eligibility Criteria	ERG Sustainability Commitments	UN Sustainable Development Goals
Renewable energy	<b>Wind</b> <ul style="list-style-type: none"> <li>• New projects expected to be acquired during the 24 months following the issuance of Green Bonds</li> <li>• Existing projects with a commercial operation date or acquisition date not prior to February 2016 for ERG inaugural transaction</li> </ul> 	<ul style="list-style-type: none"> <li>• <b>GHG emission reduction</b> thanks to renewable energy production</li> <li>• <b>Contribute to reducing global warming emissions</b> by replacing carbon-intensive energy sources</li> </ul>	 <p>Renewable energy produced</p> <p>Avoided CO<sub>2</sub> emissions</p>
	<b>Solar</b> <ul style="list-style-type: none"> <li>• New projects expected to be acquired during the 24 months following the issuance of Green Bonds</li> <li>• Existing projects with a commercial operation date or acquisition date that shall not exceed 24 months prior to the issuance of any Green Bonds</li> </ul> 		

**Full allocation reporting expected in 1H 2020**



## CLOSING REMARKS



# KEY CREDIT HIGHLIGHTS



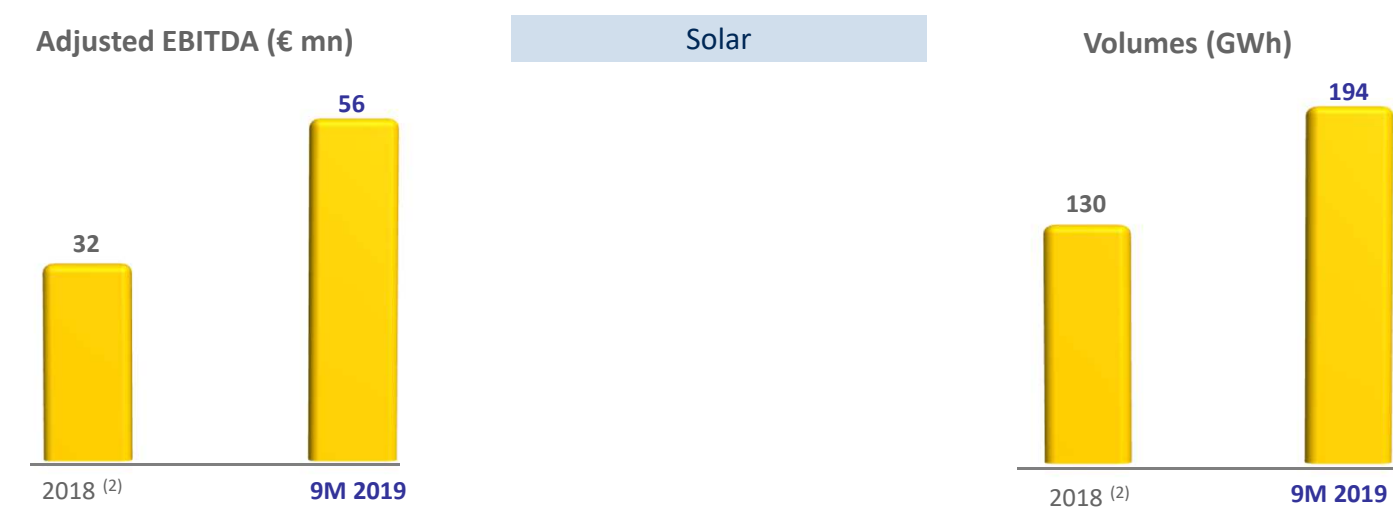
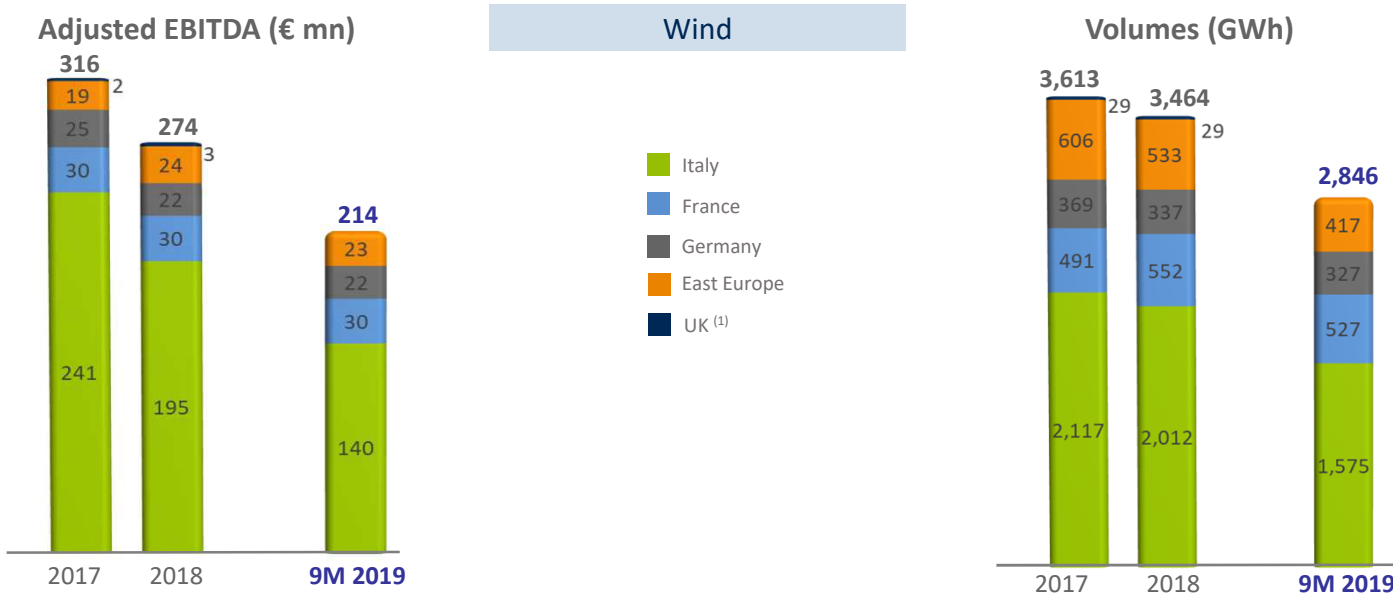
- 1 Unique European renewable player in the Investment Grade European arena with stable and sizeable operating cash generation and a well balanced generation portfolio
- 2 Robust business profile with quasi-regulated and contracted activities with 70%-80% contribution to Group EBITDA
- 3 Solid track record in delivery and achieving financial targets set over the past years
- 4 Business re-positioning performed over the last 10 years maintaining a solid financial structure
- 5 Best in class operational efficiency through asset management and O&M plant internalization
- 6 Financial strategy: move from project financing to corporate financing with DCM as key funding instrument maintaining a conservative financial policy
- 7 Stable and solid shareholder structure coupled with an experienced and proven top management



## ANNEXES



# RESULTS BY SECTOR (1/2)

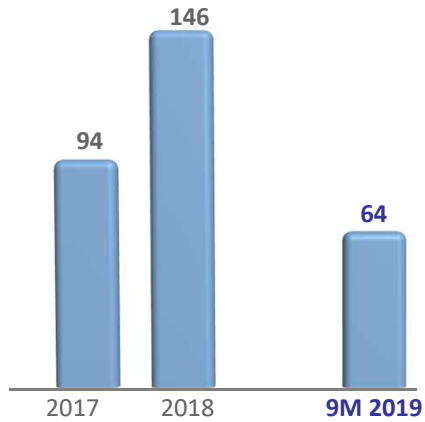


(1) It refers to Brockaghboy wind farm disposed of on March 8, 2018  
 (2) 2018 figures refers to 90 MW installed capacity

# RESULTS BY SECTOR (2/2)



Adjusted EBITDA (€ mn)

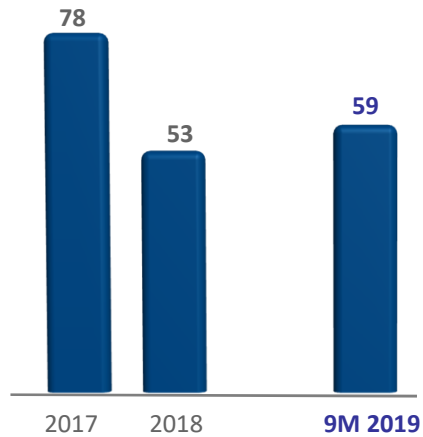


Hydro

Volumes (GWh)

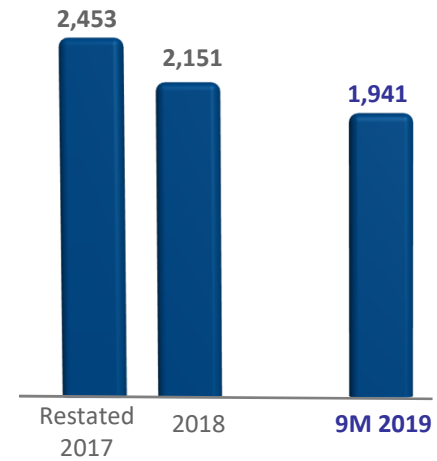


Adjusted EBITDA (€ mn)

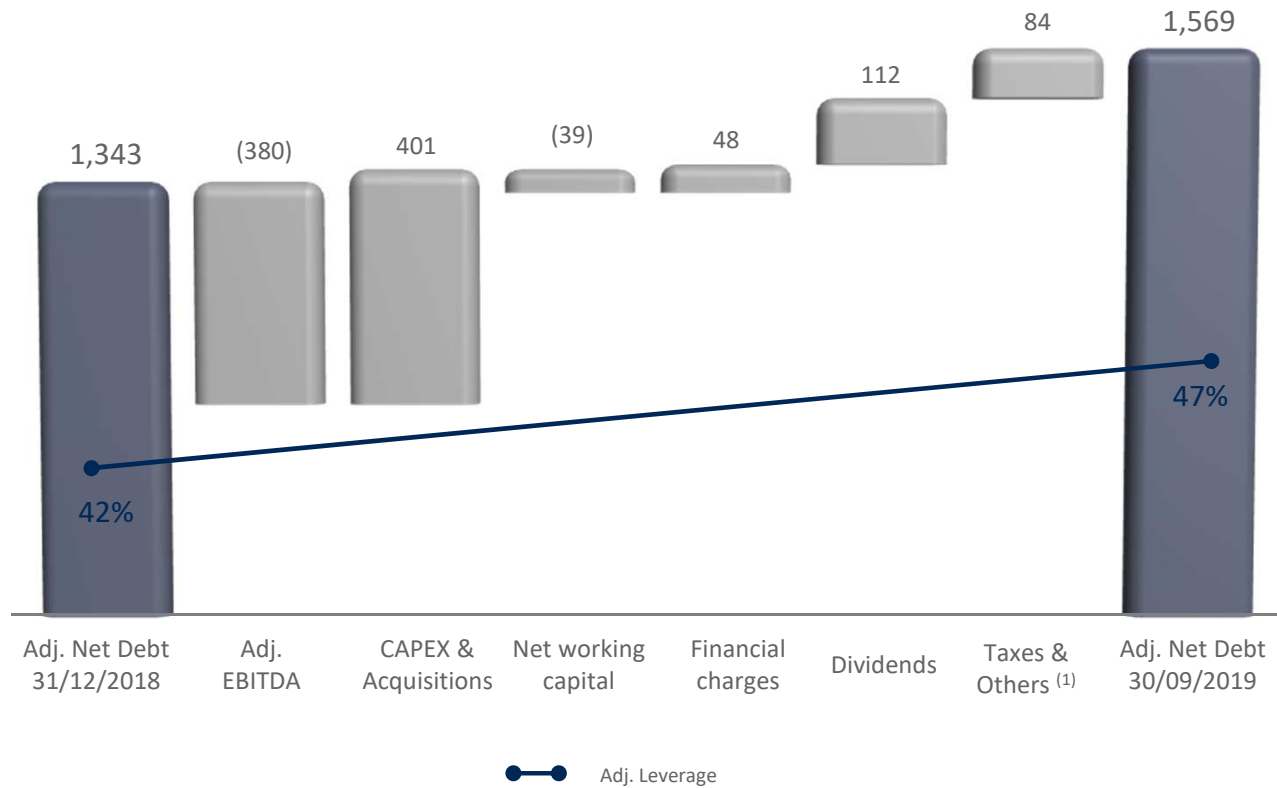


CCGT

Volumes (GWh)



# 9M 2019 CASH FLOW STATEMENT



(1) Other includes (i) €43mn as a non-cash item linked to the ERG Wind FV project financing write-off of and (ii) ERG Wind project financing IRS unwinding