



Press Release

ERG's Board of Directors approves the 2021-2025 Business Plan and ESG Plan

Growth in renewable energy continues in the name of sustainability through an increase of 1.5GW in installed capacity, investments totalling around €2 billion and end-of-plan EBITDA at €550 million

Expansion in RES portfolio: increase of 1.5GW through Repowering, Greenfield, Co-development and M&A projects, of which around 400MW have already entered the construction phase.

Repositioning of generation portfolio: evolution towards a quasi-regulated business model, with 80% of EBITDA secured through participation in auctions or PPAs.

Technological and geographical diversification: increased weight of solar power and consolidation of presence in Europe, expansion into new markets such as Sweden and Spain, where ERG has recently announced its entry.

Strengthening the organisations: new macrostructure with renewal of management and consolidation of departments dedicated, in particular, to business development and energy sales.

EBITDA: upward trend from €481 million in 2020 to €550 million in 2025, of which 70% achieved in Italy and 30% abroad.

Investments: €2.1 billion, including 90% aimed at growth in renewables according to a sustainable development model consistent with the SDGs.

Financial strategy: preservation of a sound and sustainable financial structure consistent with our Investment Grade rating and an NFP/EBITDA ratio of around 3.5 during the plan timeframe.

Dividend policy: annual dividend stable at €0.75 per share.

ESG plan: ESG objectives at the centre of ERG's strategy and included in management's incentive system.

Seeding Innovation: scouting of opportunities in the field of Storage and Hydrogen, leveraging on our portfolio of Assets in the Wind and Solar power sectors, also with a view to their optimisation.

Capital rotation: process launched for the valorisation of Conventional Assets, Hydro and CCGT, as element of flexibility for further acceleration towards a pure RES model.

Genoa, 14 May 2021 – During its meeting held yesterday, ERG's Board of Directors reviewed and approved the 2021-2025 Business Plan and ESG Plan.

Paolo Luigi Merli, Chief Executive Officer, commented: “Over 3GW of installed capacity, together with 3GW of development projects, form a sound basis from which to launch a new phase of growth and transformation.

This is a Business Plan in the spirit of sustainability, where business strategy and ESG objectives are closely integrated. A growth of 1.5GW in installed capacity, challenging but solid with over 60% of the objective guaranteed by projects under construction or at an advanced stage of development. In view of the foregoing, we forecast EBITDA of around 550 million Euro by 2025, notwithstanding the gradual expiry of incentives during the plan period.

It is also a Plan for reconversion of energy sales procedures on a “quasi-regulated” basis, through participation in Auctions and PPAs, which will ensure greater stability as regards our flows and increased borrowing capacity to support growth, in compliance with the Financial Rating.

Although not itemised in the Plan numbers, since at the present time it is not possible to make any forecast in such connection, the Asset Rotation of the Hydroelectric and Thermolectric power plants, if it should actually materialise, would represent an opportunity for further acceleration in our growth and evolution towards a pure renewables model in the Wind and Solar power sectors.”

Strategies and objectives for the period 2021-2025

ERG's strategy will continue to be focused on growth in renewables via a geographical and technological diversification policy and the progressive securitisation of revenues. A new organisation and a targeted operation of reskilling will support the new plan, which will be characterised by a close integration between business strategy and ESG objectives and backed by a sound financial position.

Growth through greenfield development, co-development, repowering of wind farms and M&A transactions

The objective is to achieve installed capacity of 4.7GW by the end of the plan period, with an increase of 1.5GW, through:

- projects under construction in the UK, Poland, France and Sweden: +0.4GW
- repowering projects in the Italian wind power sector: +0.2GW (on a differential basis);
- greenfield projects in the wind power and solar power sectors: +0.3GW ;
- M&A transactions: + 0.6GW.

The **projects under construction** concern 400MW which, in addition to the UK, France and Poland, also include the 62MW ready-to-build project recently acquired in Sweden.

Regarding the **repowering projects**, where we were pioneers, having presented the project to the market as part of our previous business plan, and notwithstanding the obstacles and delays associated with the lengthy and complex permitting process, we currently have about 350MW at an advanced stage of development (200MW on a differential basis) of which 142MW fully authorised and ready to participate in the forthcoming 2021 auctions and the remainder at an advanced stage of authorisation. The overall pipeline of Repowering projects being developed amounts to over 800MW (more than 400MW on a differential basis).

The **greenfield projects** include 300MW of wind and solar power projects at an advanced stage of development, forming part of an Italian and overseas greenfield pipeline of approximately 1,800MW. Lastly, we expect a growth of 600MW through a mix of M&A transactions and further development of our pipelines, also via the recently signed co-development agreements. As regards M&A, we shall draw from our proven experience and reputation gained in order to take advantage of opportunities in the target countries following a selection process.

Thanks to our partnerships with leading manufacturers of wind turbines, developed in keeping with our Sustainable Procurement strategy, we shall be able to ensure coverage for a major portion of the development plan at competitive conditions and using next generation technologies.

Geographical and technological diversification

The Group's expansion in renewable energy will continue to evolve according to a logic of geographical diversification via a selection of target countries guided by each market's growth prospects and the government policies adopted, whilst maintaining a flexible and open approach to every good opportunity that may arise. This will enable us to consolidate our presence in Europe by entering new markets, as was recently the case with Spain and Sweden, but also to evaluate other geographies. We shall rely on well consolidated mechanisms based on our experience in the European countries where ERG is present today, with a view to securing our position as industrial operator for our assets.

Another major step in our growth path will be the technological diversification of our renewables portfolio, aimed at an increasing proportion of photovoltaic energy, taking advantage of the interesting development prospects pertaining to this market in Europe.

Securing of revenues

The 2021-2025 plan envisages that 80% of EBITDA is quasi-regulated, through participation in competitive auctions for the award of CFDs or long-term power purchase agreements at fixed prices (so-called PPAs).

Reorganisation and reskilling

The new plan provides for the redesign of competences above all in the areas dedicated to business development and electricity sales. By the end of 2021, we expect that the areas pertaining to development will be expanded increasing their headcount to around 100 people (20 in 2017 and 80 at the end of 2020), particularly strengthening the local teams in target countries and engaging new engineering and permitting competencies dedicated to the development of solar power. Also the structures assigned to energy sales will be refocused on PPA contracts without losing their distinctive skills in Energy Management. The insourcing of O&M activities will be modulated based on a flexible approach according to the partnership opportunities that will arise in the various geographies where ERG is present.

The ESG plan: close integration of business and sustainability

ERG's ESG strategy is built on four "pillars":

1. Planet: fight against climate change;
2. Engagement: commitment in favour of the communities;
3. People: attention to personal growth and well-being;
4. Governance: principles and management bodies inspired by best practices.

The "pillars", which already formed the basis for our 2020 report, are closely related and integrated into our business model. They envisage 13 objectives, clearly defined and measurable through constantly monitored KPIs, designed to ensure a tangible contribution to the creation of value over time for all our stakeholders and achievement of the SDGs laid down by the United Nations. Within the 13 targets, we have identified 8 strategic priorities which will be the distinguishing features of our ESG plan and 5 objectives in respect of projects already underway with a view to continuous improvement. ERG therefore aims to reach carbon neutrality for scope 1 and 2 emissions during the plan period and intends to achieve its 98% circular repowering and re-blading project, hence re-utilising all materials from a circular economy perspective. ERG will continue to commit to the engagement of its territories, with a contribution corresponding to at least 1% of revenues to be allocated to the local communities and an educational and training undertaking for the next generations. For its own people ERG is implementing a diversity and inclusion policy aimed at creating the prerequisites for an ever more inclusive business. We shall continue to be fully committed to maintaining our best-in-class governance. ESG is a part of ERG's DNA, to the extent that the short and long-term variable remuneration of management is also based on the achievement of ESG plan objectives.

Technological innovation

We believe that, as a leader in the renewable energy sector, ERG should also play a role in identifying and endeavouring to valorise the innovative technologies that will contribute to the future growth of the RES market. For this reason, we are paying attention to the new energy storage opportunities, as well as to the development of green hydrogen.

Investments

Investments pertaining to the strategy described amount overall to around 2.1 billion Euro, including 1.9 billion Euro destined for growth in renewable energy. The sum of 0.1 billion Euro is allocated to projects concerning the optimisation and upgrading of the CCGT plants - for example refurbishment of the steam turbine to renovate the high efficiency cogeneration facility (CAR) starting from January 2022 and construction of an open cycle required to support the energy transition - as well as the hydroelectric power sector for the construction of some mini-hydro power plants. The maintenance investments amount to about 0.1 billion Euro. Of our total investments, 70% will be used to enhance the geographical diversification of our business.

Financial strategy

ERG has a very sound financial structure capable of supporting sustainable growth with a view to maintaining the Investment Grade rating assigned by Fitch, with a leverage objective of around 3.5 times expected EBITDA during the plan timeframe. The plan envisages a net debt of 2 billion Euro at the end of 2025, compared to 1.4 billion Euro at the end of 2020.

The 2021-2025 Business Plan and ESG Plan will be illustrated at 2.30 p.m. (CEST) today during a meeting with analysts and investors and by way of conference call and webcast that may be followed by connecting to the Company's website (www.erg.eu); the related presentation will be available on the aforesaid website, under the section "Investor Relations/Presentations", at the offices of Borsa Italiana S.p.A. and on the eMarket-Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes prior to the conference call.

This press release, issued on 14 May 2021, is available to the public at the offices of Borsa Italiana S.p.A., on the eMarket-Storage authorised storage mechanism (www.emarketstorage.com) and on the Company's website (www.erg.eu) in the section "Media/Press Releases".

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