



Press release

The Board of Directors of ERG approves the Business Plan and the 2022-2026 ESG Plan

Sustainability-oriented growth in renewables continues, with an increase in installed power of 2.2 GW, capital expenditure of EUR 2.9 billion and an EBITDA at the end of the plan of EUR 560 million

Working towards 5 GW of installed power by 2026, seeking geographical and technological diversification, with approximately one third of growth in solar and initial developments in storage

Dividend of EUR 0.9 per share over the years of the plan

Capital Rotation: completion of the traditional asset enhancement process is expected with the sale of the Priolo CCGT envisaged in the third quarter of 2022 which will allow the group to finalise its transformation to a pure RES business model.

Growth of the RES portfolio: increase of 2.2 GW by 2026, of which about one third in solar and one quarter currently under construction. Growth will be pursued through a development model that includes repowering, greenfield, co-development and M&A projects and the first 50 MW in electrochemical storage.

Capital expenditure: EUR 2.9 billion dedicated to growth in renewables according to a sustainable development model in line with the United Nations SDGs.

Technological and geographical diversification: increase in the weight of solar in the portfolio and strengthening of the presence in Europe, expansion in new countries such as Sweden and Spain.

Securing of revenue: a quasi-regulated business model, with 85-90% of EBITDA guaranteed through participation in auctions or PPAs.

Strengthening of organisations: consolidation of the structures dedicated to business development, asset management and energy sales, with a significant strengthening of the workforce abroad.

EBITDA: up from EUR 399 million (Wind & Solar scope) in 2021 to EUR 560 million in 2026, of which approximately 50% abroad.

Financial Strategy: maintenance of a solid and sustainable financial structure consistent with the Investment Grade rating and a NFP/EBITDA ratio of up to 4x over the period of the plan.

Innovation: concrete progress with the entry into the electrochemical storage market.

Dividend policy: annual dividend increased to EUR 0.90 per share, sustainable over the period of the plan.

ESG Plan: new ESG objectives, concrete and measurable, at the centre of ERG's strategy and included in the management incentive system.



Genoa, 15 March 2022 – The Board of Directors of ERG has yesterday approved the Business Plan and the 2022-2026 ESG Plan.

Paolo Merli, Chief Executive Officer, commented: **"Thanks to the results achieved in 2021, in terms of growth and transformation of the business model, we are now in a position to relaunch, stepping up the challenge to take on an increasingly leading role in the energy transition, in Italy and Europe. The current context of international crisis significantly increases the sense of urgency and our personal commitment to helping reduce dependence on gas without forgetting the fundamental objectives of decarbonisation and the fight against climate change.**

With over 2.5 GW of wind and solar installed capacity to date and a pipeline of new projects for over 3.5 GW, ERG is ready to make its contribution in this process.

The objectives we have set ourselves to increase installed capacity by 2.2 GW by 2026 are challenging but at the same time solid, because they are mostly guaranteed by projects under construction or in an advanced stage of development at a time of significant financial strength for the Group."

Strategy and objectives for the period 2022-2026

ERG's strategy will continue to be focused on growth in renewables and in particular in pure Wind & Solar technologies through a policy of portfolio repositioning, technological and geographical diversification and the progressive securing of revenues. The reinvestment of resources deriving from asset rotation represents an additional financial leverage to generate growth in RES.

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

ERG intends to continue the growth of its RES portfolio in the period 2022-2026 by increasing the installed capacity up to 4.6 **GW (+2.2 GW)**, of which approximately **650 MW** in solar and the first **50 MW** in electrochemical storage through:

- construction projects in the UK, Poland, France and Sweden and repowering in Italy: +0.5 GW;
- greenfield projects in wind and solar: +0.5 GW;
- additional repowering projects in wind in Italy and abroad: +0.2 GW (on a differential basis);
- M&A transactions for around 1 GW (of which around 0.1 already finalised at the beginning of 2022).

The projects under construction represent a total of 560 MW (480 MW on a differential basis) between the UK (179 MW), France (20 MW), Poland (61 MW), Sweden (62 MW) and 240 MW (150 MW on a differential basis) between repowering and greenfield projects in Italy.

In repowering, thanks to the authorisation procedures started in 2018, we now have around 592 MW at an advanced stage of development (of which 193 MW under construction and the remaining MW at an advanced authorisation stage). The pipeline of repowering projects totals over 780 MW (over 410 MW on a differential basis).

Greenfield projects include advanced-stage development projects of 550 MW, of which 369 MW under construction within a greenfield pipeline of approximately 2,700 MW that includes Wind & Solar projects and storage in Italy and abroad.

Finally, we expect around 1 GW of growth through a mix of M&A transactions, of which around 100 MW have already been finalised at the beginning of 2022. For the M&A transactions we will leverage our consolidated experience to seize growth opportunities in target countries.

Geographical and technological diversification

The Group's growth in renewables will continue to develop on the basis of geographical diversification through a selection of target countries guided by the growth prospects of the market and the government



policies adopted, while maintaining a flexible and open approach. This will allow us to further consolidate our presence in Europe by entering new markets, such as the recent entry into Sweden and Spain, aiming for a total of 10 geographies over the period of the plan with approximately 50% of EBITDA achieved abroad by 2026.

Another important element of our growth will be the technological diversification of our renewables portfolio aiming at an ever-increasing share of photovoltaics, which will reach 20% of the total installed capacity at the end of the plan, through growth of around 650 MW in particular in Spain, France and Italy.

Optimisation of O&M activities

The process of optimising O&M activities continues, based mainly on the internalisation of skills and resources and a flexible approach according to the partnership opportunities that will arise in the various geographies in which ERG is present.

Reblading & Revamping

ERG's commitment to seeking more efficient solutions in wind and solar plants through reblading and revamping projects continues.

A concrete step forward in the name of innovation

As a leader in the renewable energy sector, ERG will continue to evaluate new business opportunities, seeking to exploit all the innovative technologies capable of contributing to the future growth of the RES market. In this regard, the Group is looking carefully at storage or electrochemical energy storage, floating wind power, green hydrogen and the circular economy, where it is also engaged in an ESG perspective, to seek innovative opportunities for the large-scale recycling of disused wind turbine blades.

With this in mind, ERG was awarded 22 MW of capacity relating to electrochemical energy storage systems in the Capacity Market auction announced by Terna for the Italian market. In addition to the construction of two plants in the Central-Southern Area and Sicily, equipped with lithium technologies and active in the dispatching services market and peak shaving, ERG is looking carefully at new opportunities in the energy storage sector, evaluating a pipeline of projects for a total of 150 MW, in Italy and abroad.

We have signed a multi-year collaboration agreement with the Italian Institute of Technology aimed at accelerating the digitisation process in the RES sector which will allow the Group to improve its performance thanks to the increased efficiency of remote control, data analysis and production optimisation operations.

Capital expenditure

Capital expenditure relating to the strategy outlined totalled approximately EUR 2.9 billion, of which EUR 2.8 billion for growth in renewables and, more specifically, approximately EUR 0.2 billion for farms currently under construction, EUR 0.7 billion for the repowering of plants, EUR 0.5 billion for greenfield activities and EUR 1.4 billion for M&A transactions, of which EUR 0.1 billion already completed at the beginning of 2022. The plan provides for indebtedness at the end of 2026 of EUR 2.1 billion (EUR 2.0 billion at the end of 2021).

Financial strategy

ERG has a very solid **financial structure** capable of sustainably supporting growth and aims to maintain the Investment Grade BBB- rating by the Fitch rating agency, consistent with a target of leverage over the period of the plan of up to 4 times the expected EBITDA.

The 2022-2026 ESG Plan

The new Plan incorporates the ESG plan, aligned with the *Sustainable Development Goals* of the United Nations, confirming the Group's mission to "keep growing in RES acting as #SDGsContributor".

ERG's ESG strategy is based on four "pillars" which are closely related and integrated into the business model:

- 1) **Planet:** fight against climate change;
- 2) **Engagement:** commitment to the local areas;
- 3) **People:** attention on people growth and well-being;



4) **Governance:** principles and management bodies inspired by the best practices.

The ESG plan sets out 16 well-defined objectives that are measurable through constantly monitored KPIs, with a view to guaranteeing a tangible contribution to the creation of value over time for all our stakeholders and reaching 14 of the 17 SDGs established by the United Nations, incorporated in the management's short and long-term incentive system.

Within the 16 targets, eight strategic priorities representing the individual elements of the ESG plan have been identified, in addition to eight other targets on projects already underway, with a view to continuous improvement.

In the **Planet** pillar, ERG has the ambitious goal of becoming Net Zero by 2040 and reiterates its strong commitment to the circular economy with the objective of recovering materials from the dismantling of all our wind and solar plants subject to repowering. This environmental objective will be supported by projects for the re-use of photovoltaic panels in good condition.

As part of the **Engagement** pillar, ERG will continue to be committed to supporting local areas, with a contribution of at least 1% of turnover to the communities where it operates with its plants. The foundations will also be laid for the ERG Academy, which will have educational programmes for the Next Generations on Sustainability and Renewable Energy and will also include all training content for the people of ERG.

Indeed, the **People** pillar envisages programmes to help our people grow, with targets up to 2026 in terms of defining individual development plans. Diversity & Inclusion are central to ERG's strategy. It aims to work towards a more international and inclusive ERG, seeking to create the right conditions so that all talents can be expressed.

Finally, with regard to the **Governance** pillar, the commitment to having best-in-class governance continues, with the inclusion of ESG targets in the MBO/LTI remuneration systems; moreover, ERG aims to guarantee increasingly sustainable financial strategies, with 90% "Green" loans.

The Business Plan and the 2022-2026 ESG Plan will be presented today, at 2:30 p.m. (CET), during a meeting with analysts and investors and a conference call with relevant webcasting that can be followed by connecting to the Company's website (www.erg.eu); the presentation will be made available on the same website in the "Investor Relations/Presentations" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued on 15 March 2022, is available to the public at Borsa Italiana S.p.A., on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) and on the Company's website (www.erg.eu) in the "Media/Press Releases" section.

Contacts:

Emanuela Delucchi Chief IR, ESG & Communication Officer – tel. + 39 010 2401806 – email: edelucchi@erg.eu - ir@erg.eu

Anna Cavallarín Head of External Communication - tel. + 39 010 2401804 mobile + 39 3393985139 email: acavallarín@erg.eu

Matteo Bagnara Head of IR - tel. + 39 010 2401423 – e-mail: ir@erg.eu
www.erg.eu - @ERGnow