



# COMPANY OVERVIEW

5 SEPTEMBER 2019, MILAN

ITALIAN INFRASTRUCTURE DAY 2019





## DISCLAIMER

This document contains certain forward-looking information that is subject to a number of factors that may influence the accuracy of the statements and the projections upon which the statements are based.

There can be no assurance that the projections or forecasts will ultimately prove to be accurate; accordingly, the Company makes no representation or warranty as to the accuracy of such information or the likelihood that the Company will perform as projected.

# AGENDA



- ❑ A successful industrial Transformation
- ❑ 2018-2022 Strategy & Recent Developments
- ❑ 2Q 2019 Results & 2019 Guidance
- ❑ A focus on Sustainability
- ❑ Appendix
- ❑ Management Profiles



## A SUCCESSFUL INDUSTRIAL TRANSFORMATION





# 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 (480MW) 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 47.5MW project. At the end of 2016, installed wind capacity is 1,720MW.

2016

ERG enters the solar power sector (30 photovoltaic plants acquired, 89MW 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 refining.

2008



ERG sells 49% of the ISAB Refinery to LUKOIL.

2013

ERG becomes the leading wind operator in Italy with an installed capacity of 1,087MW 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 (527MW).



ERG acquires 6 wind farms in France (64MW) and constructs 3 wind farms in Poland for a total of 82MW. At the end of 2015, installed wind capacity is 1,506MW.

2017



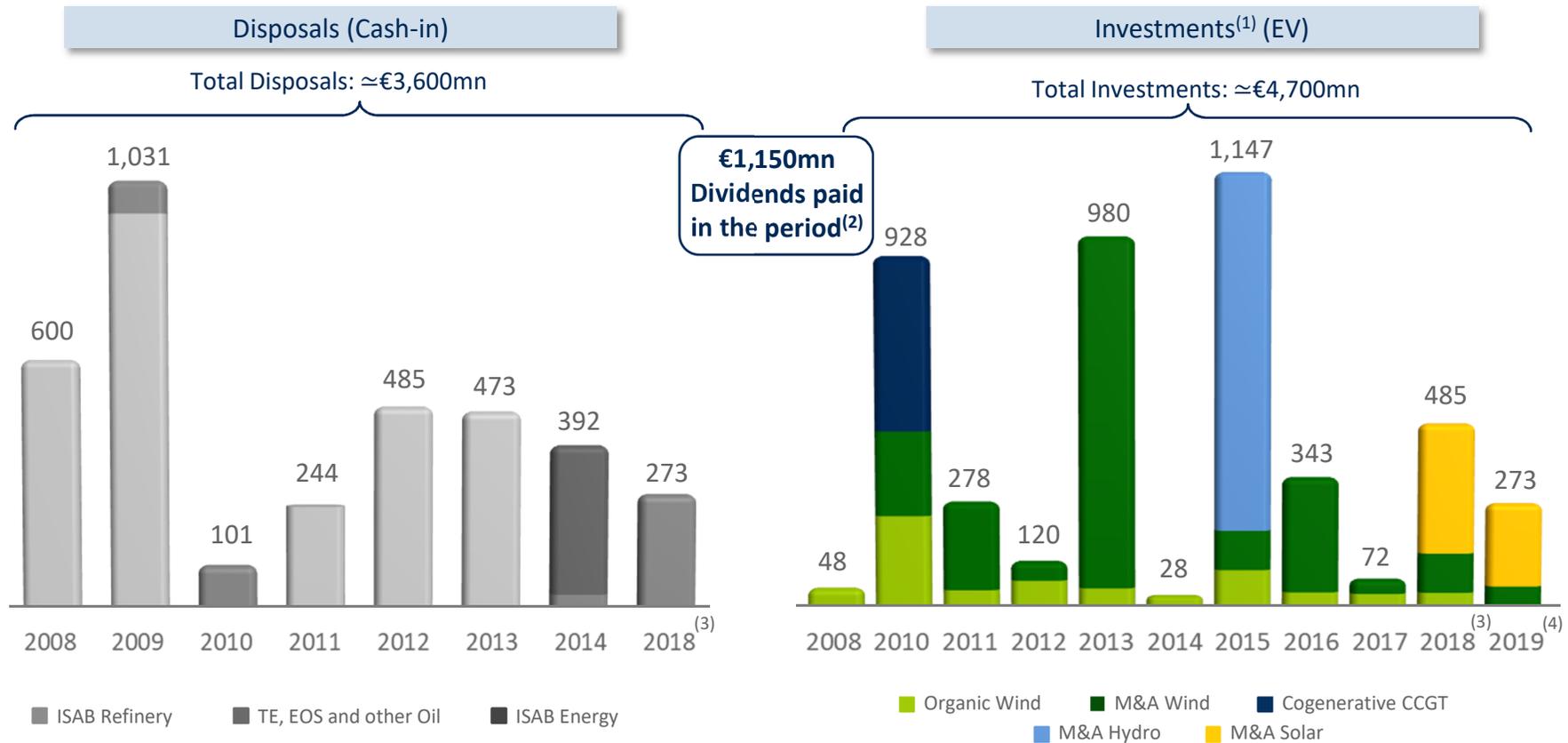
ERG's growth in the wind sector continues: 48MW in operation in Germany; 16MW in operation in France. At the end of 2017, installed wind capacity in Europe is 1,814MW.

2019



ERG closed the acquisition of Andromeda (51MW) assets, increasing its PV total capacity up to 141MW.

# ERG INDUSTRIAL TRANSFORMATION



## Renewable diversification financed through oil-linked disposals and strong cash generation

<sup>(1)</sup> It refers to M&A and organic growth CAPEX

<sup>(2)</sup> It includes dividends paid in May 2019 (ca. €112mn with ordinary DPS at €0.75/sh)

<sup>(3)</sup> 2018 includes TotalERG Disposal whose closing took place on January 10, 2018 with a partial cash-in of €85mn in 2017, and ForVEI acquisition (EV €345mn) whose closing took place on January 12, 2018

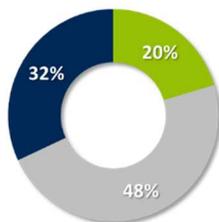
<sup>(4)</sup> 2019 includes Andromeda acquisition (€221mn, finalised on February 12, 2019) and the recent wind asset acquisition in France (€52mn), whose closing took place on May 6, 2019



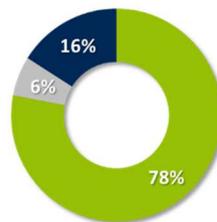
# ... BUT A RAPID TRANSFORMATION

## Capital Employed

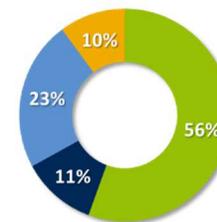
2008 (€2.2bn)



2014 (€2.1bn)

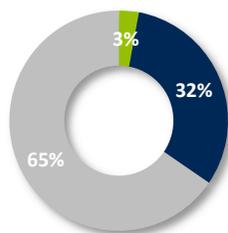


2018 (€3.2bn)

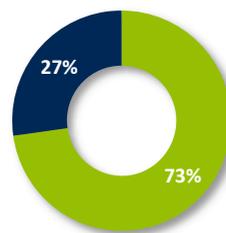


## 2008-2014-2018 EBITDA

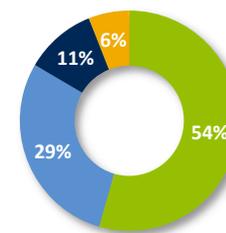
2008



2014



2018



● Oil ● Natural Gas ● Hydro ● Wind ● Solar

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

2008



2014



2018

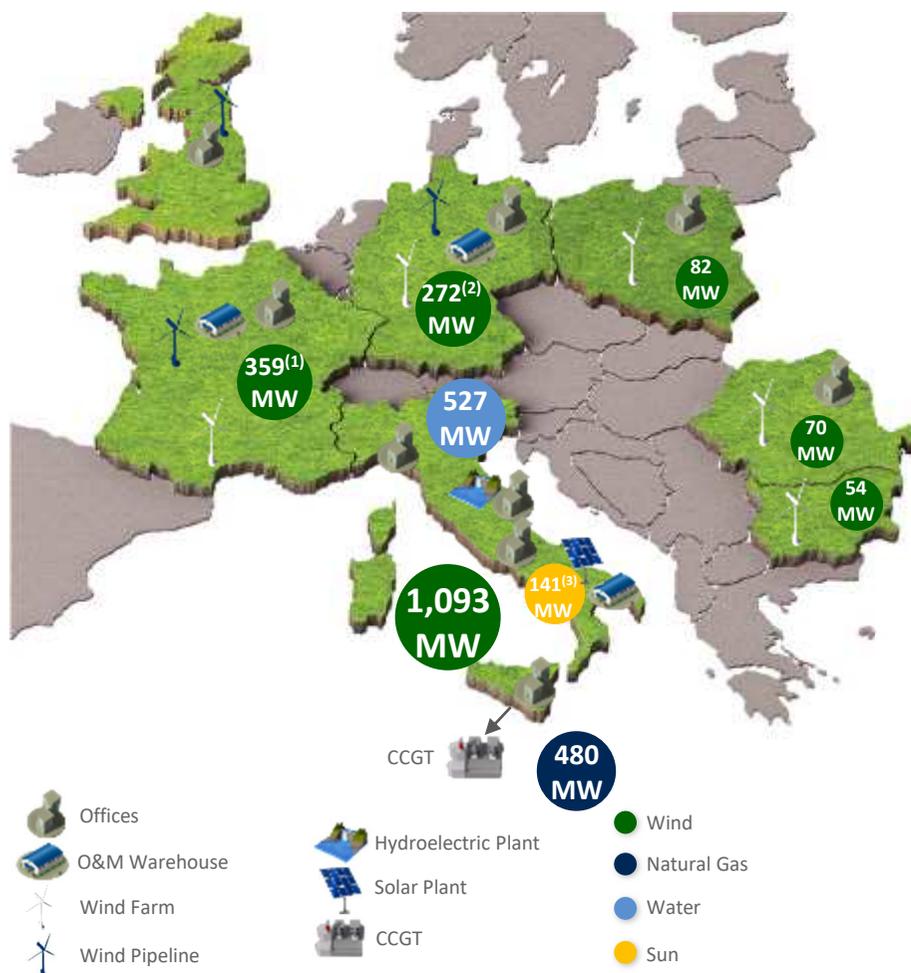


2008-2018

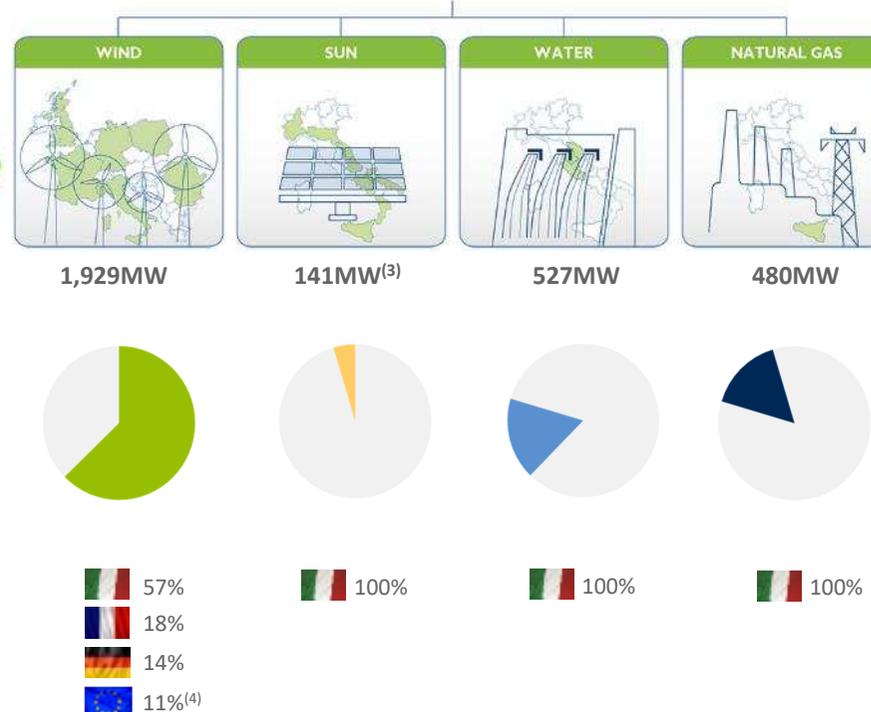




# EU LEADING RENEWABLE IPP



Total installed Capacity as of today >3,000MW



<sup>(1)</sup> It includes Polaris acquisition of 52MW signed in March 2019, whose closing took place on May 6, 2019

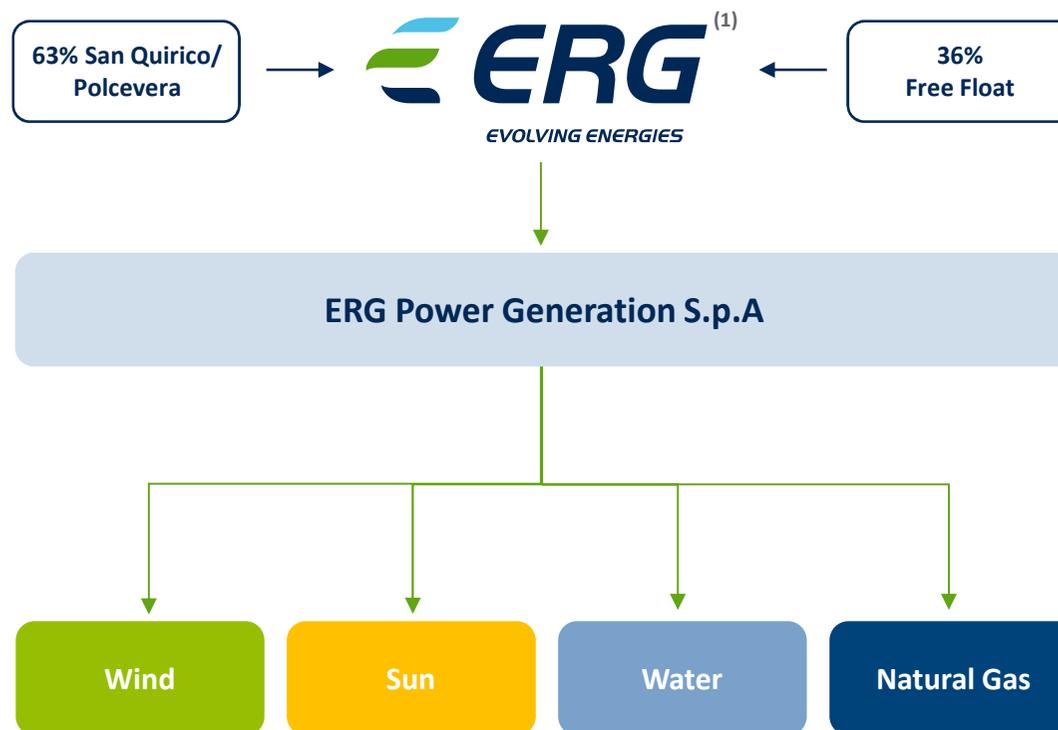
<sup>(2)</sup> It includes Linda project entered into operation in June 2019, and Aquila acquisition of 3 wind farms for 34MW (signed on August 19, 2019), whose closing is expected in 3Q 2019

<sup>(3)</sup> It includes Andromeda acquisition (51.4MW), whose closing took place on February 12, 2019

<sup>(4)</sup> It refers to Romania, Bulgaria and Poland



# SHAREHOLDING STRUCTURE



<sup>(1)</sup> ERG owns 0.965% of own Shares

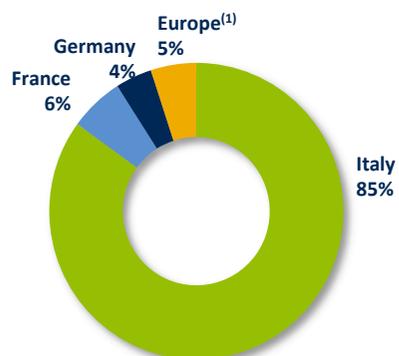


# STEADY AND WELL BALANCED PORTFOLIO

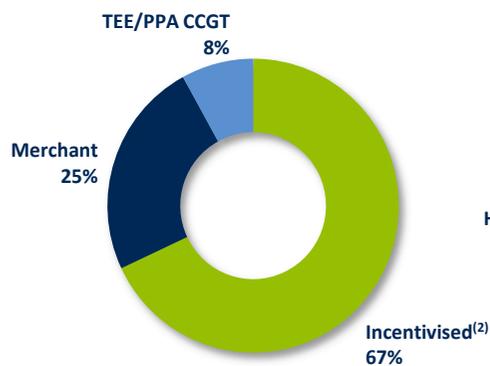
- Close to 70% of EBITDA from incentives
- EBITDA well balanced across different generation assets
- Geographical and seasonal diversification, allowing for complementarity of the different energy sources
- Earnings stability sustained by priority of dispatchment

EBITDA Breakdown FY18

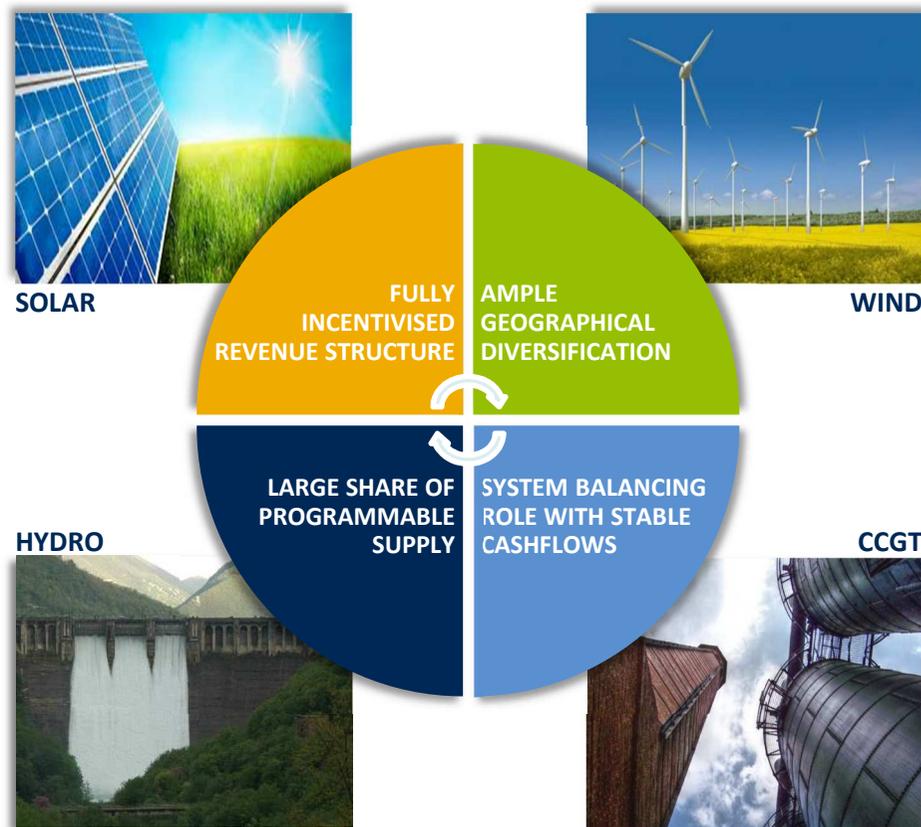
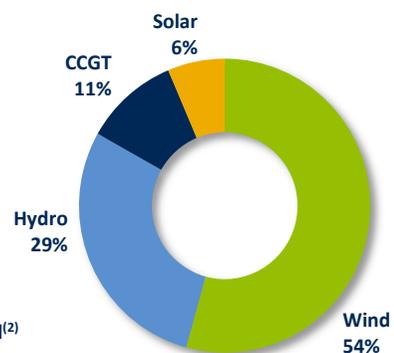
By geography



By incentive



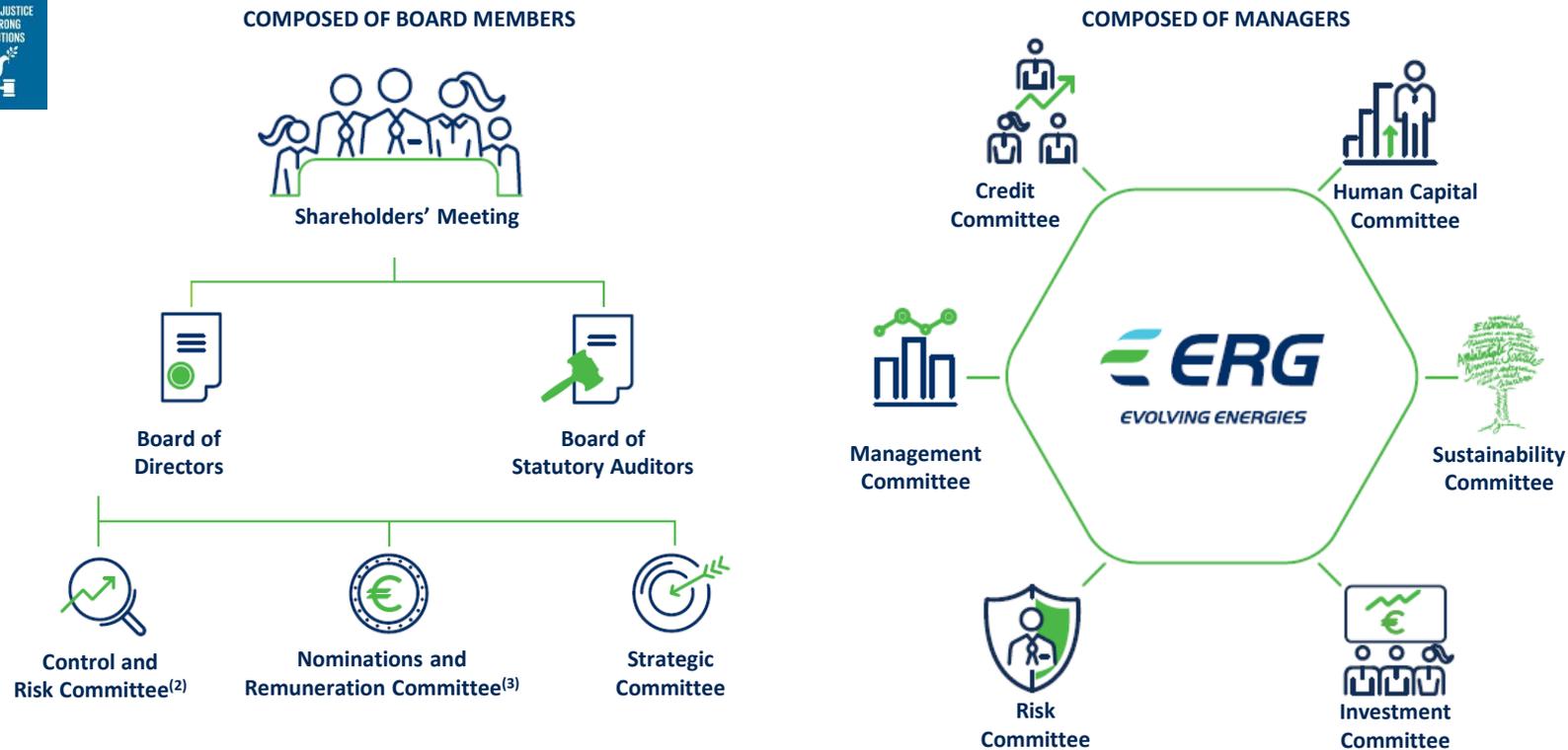
By business



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

<sup>(2)</sup> Wind EBITDA with incentive, Hydro EBITDA with incentive, 100% Solar EBITDA

# ERG STRICT CORPORATE GOVERNANCE MODEL



- A strict financial discipline on investments (organic and M&A) through:
  - **Strategic Committee** (EVP, VP, CEO, CFO, 2 Board Members<sup>(1)</sup>)
  - **Investment Committee** (CEO, CFO, Management Team)
- **Strong risk management policy:**
  - **Best practice risk policy** to ensure the hedging policy of the generation portfolio
- **Full Alignment of interests between Top Management and shareholders through:**
  - Launch in 2018 of a 3 year **LTI compensation scheme fully based on shares**

<sup>(1)</sup> 1 non-executive and 1 independent referring to the Corporate Governance Code set out by the Italian Stock Exchange

<sup>(2)</sup> Committee composed of 3 independent Board Members

<sup>(3)</sup> Committee composed of 2 independent Board Members and 1 non-executive Board Member



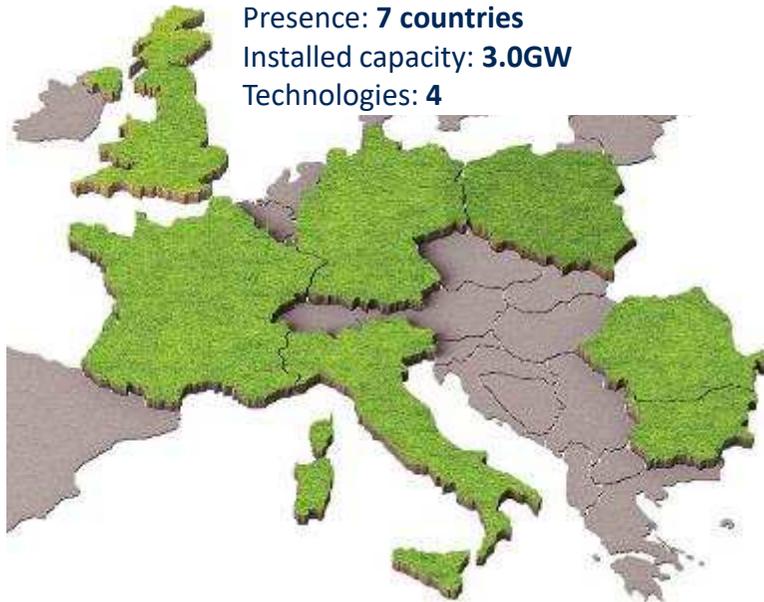
## 2018-2022 STRATEGY & RECENT DEVELOPMENTS



# ERG 2018-2022 STRATEGIC OPTIONS



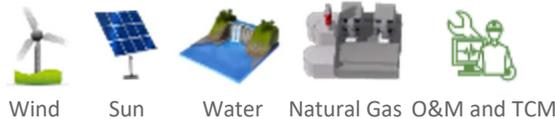
## ERG Group current geographical presence



### Geographical presence



### Business/Technology



## Country/Business attractiveness for ERG

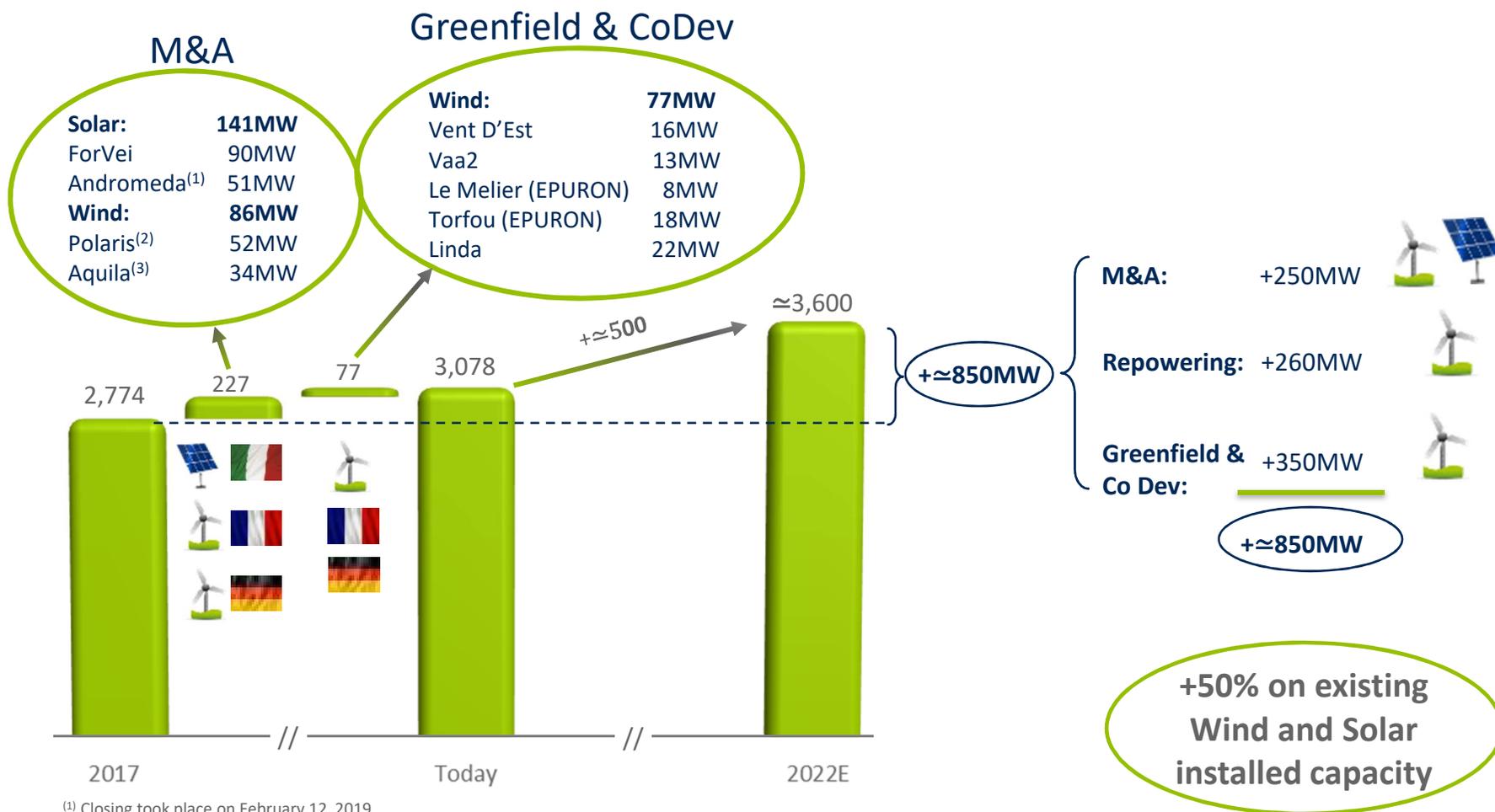
Business/Technology		Reference Geographies			
 Wind	Co-development & Greenfield	✓	✓	✓	✓
	Repowering & Reblading	✓	✓		✓
 Wind  Solar	M&A	✓	✓	✓	
		✓	✓		✓
 O&M and TCM	Focus on technical operating efficiency	✓	✓	✓	✓



# ERG 2018-2022 CAPACITY EVOLUTION

## STRONG EXECUTION IN 2018

Growth in installed capacity (MW)



<sup>(1)</sup> Closing took place on February 12, 2019

<sup>(2)</sup> Closing took place on May 6, 2019

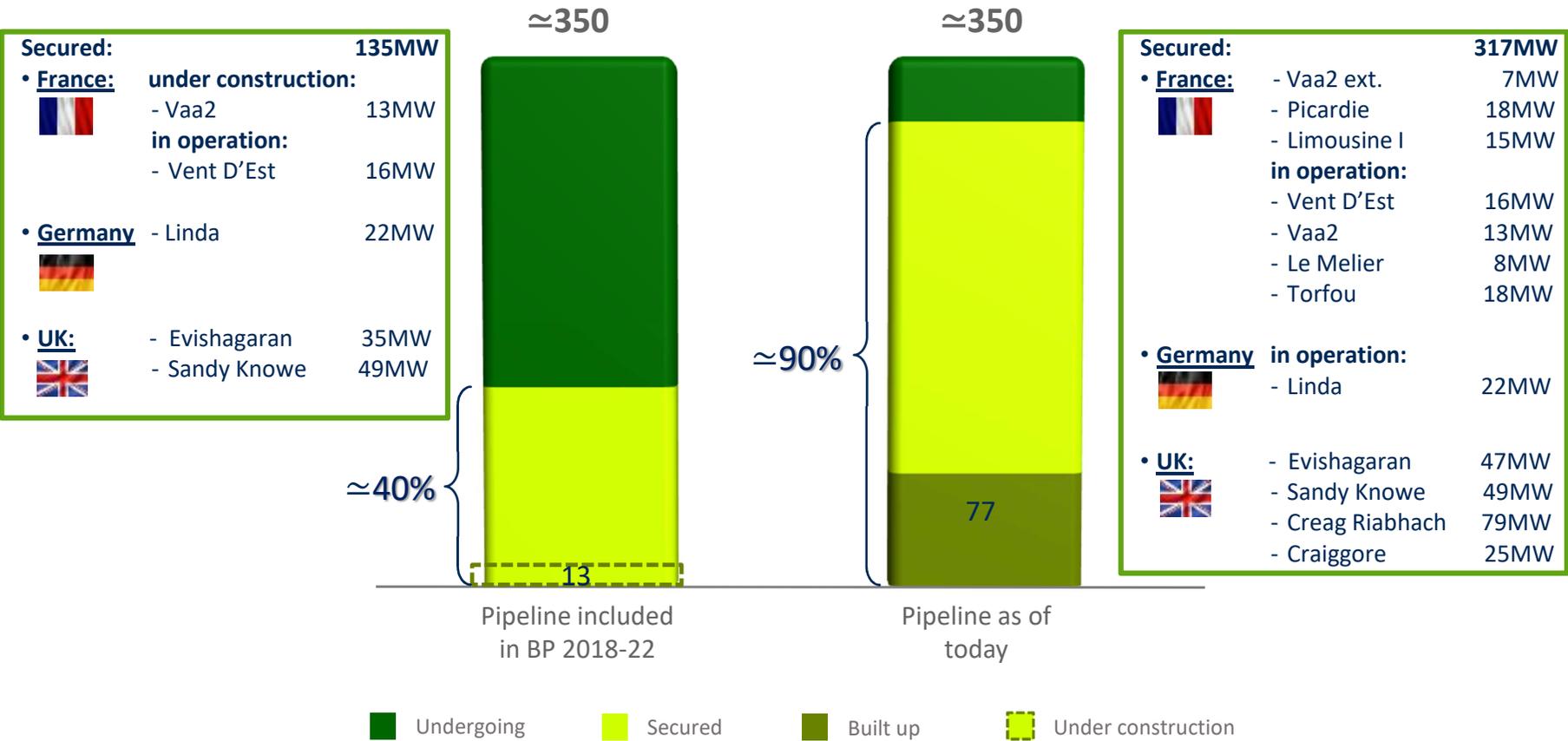
<sup>(3)</sup> Closing will take place in 3Q 2019

# GREENFIELD DEVELOPMENT WELL ON TRACK



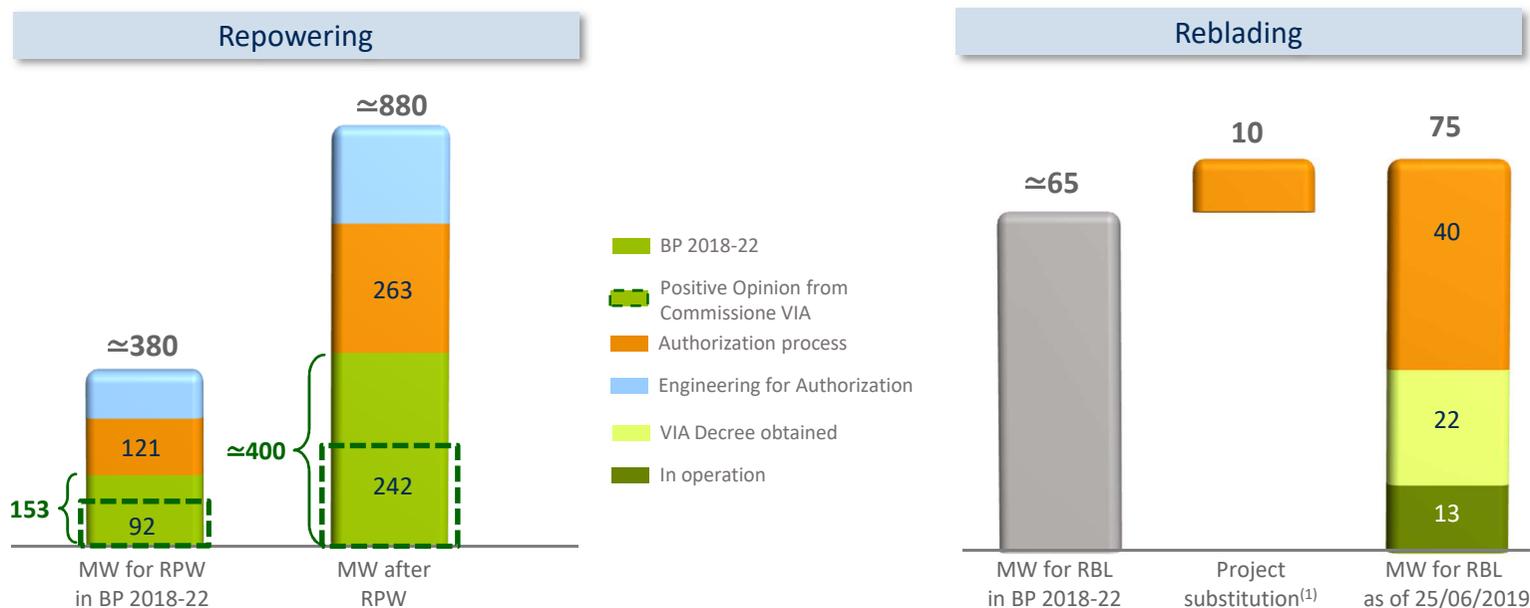
Pipeline included in BP 2018-22

Pipeline as of today





# REPOWERING & REBLADING IN PROGRESS



- 153MW (ca. 400MW after RPW) included in BP:
  - 92MW (242MW after RPW) received positive opinion from “Commissione VIA”
- additional 121MW applied for authorization
- additional ca. 100MW in engineering phase

- New capacity under reblading is 75MW
- 13MW (Avigliano) on stream in 2Q 2019
- 22MW received VIA Decree
- additional 40MW applied for authorization
- Reblading of Avigliano wind factory carried out on:
  - April/May 2019
  - Capex €3.1mn
  - Production increased 19%

<sup>(1)</sup> Substitution of a 30MW project with another 40MW project

# DRIVING INTO 2023



## Pros

- Exploiting full potential of Repowering: focus on all the 500MW eligible in Italy
- Boosting growth abroad leveraging on more than 700MW of pipeline in France and of the co-development agreements under negotiation in UK and Germany
- Work in progress for a new cogeneration project at CCGT eligible for white certificates
- Keeping a sound and diversified financial structure aiming to confirm IG rating in the long term

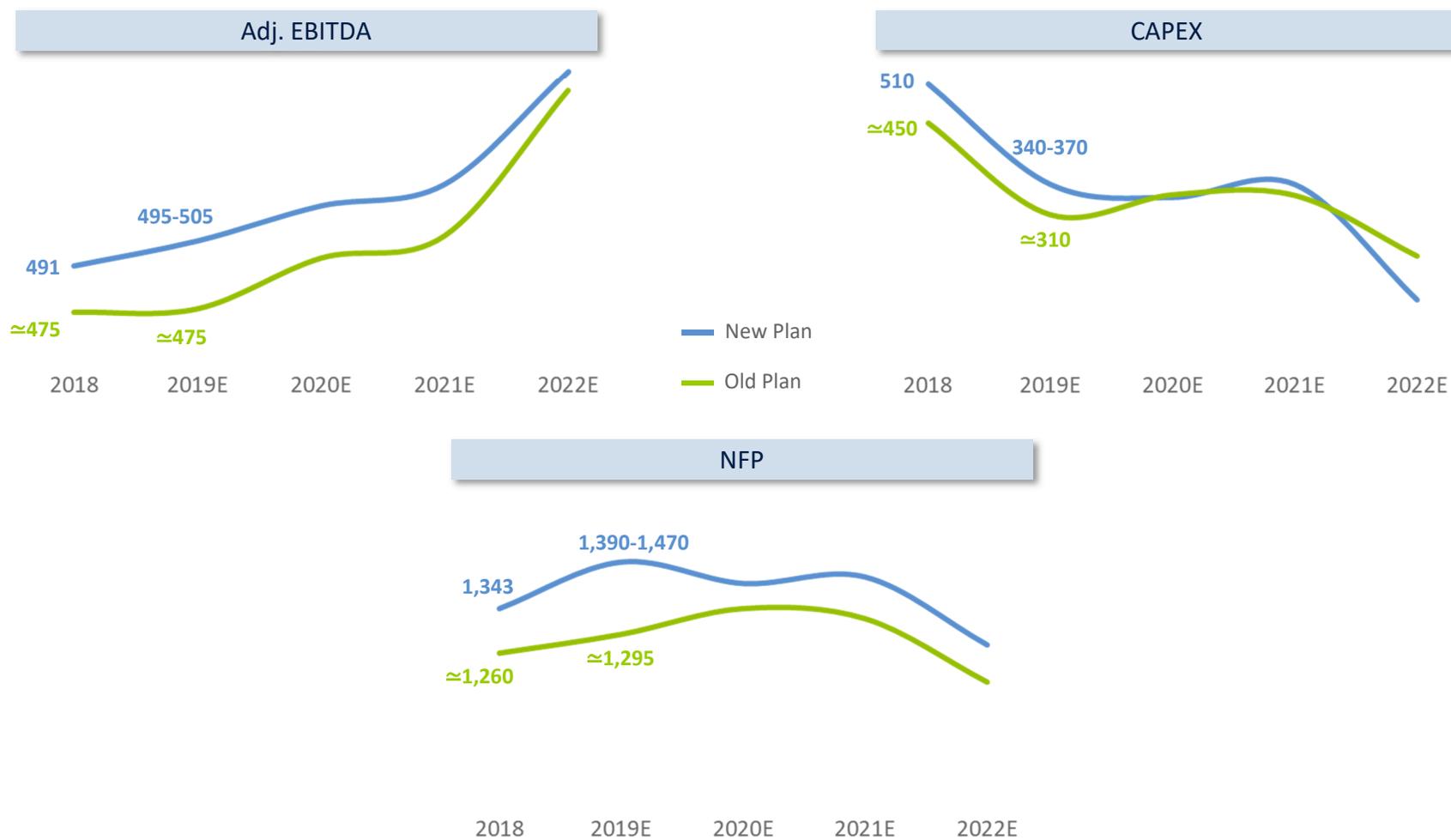
## Cons

- Phase out of incentives will progressively continue beyond BP horizon (2023 +)

**Keep growing leveraging on assets rejuvenation, larger capacity abroad and high quality financial structure**



# FINANCIALS – UPDATED PROJECTIONS



Acceleration of targets in the first years of BP



# GROUP DEBT STRUCTURE

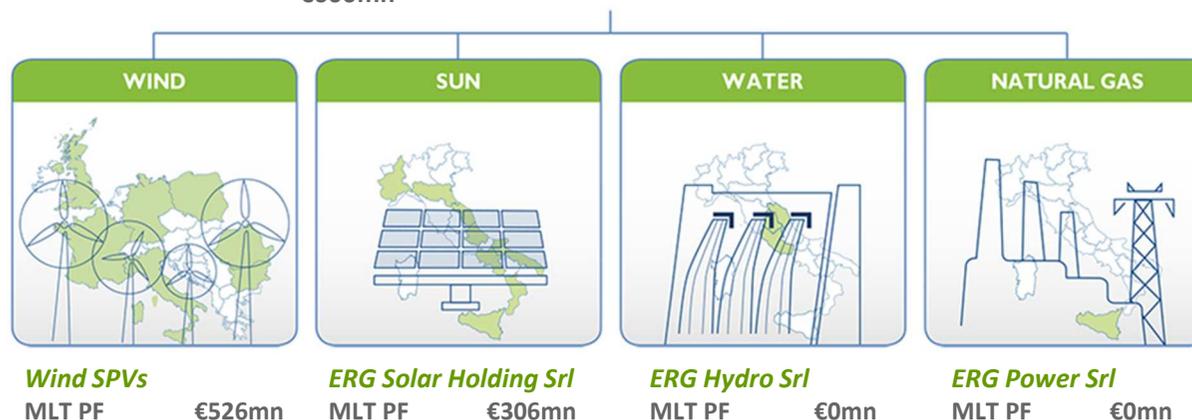


## ERG Group

MLT Corporate Loan €686mn  
MLT PF Loan €832mn  
Bond €600mn

## ERG S.p.A.<sup>(1)</sup>

MLT Corporate Loan €686mn  
Bond €600mn



- 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

**Evolving new financial strategy: move from Project Financing fund raising to corporate/DCM Financing**

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



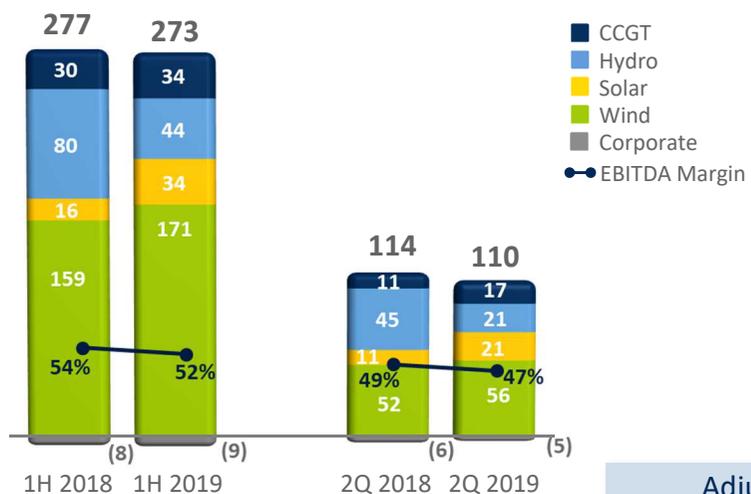
## 2Q 2019 RESULTS & 2019 GUIDANCE



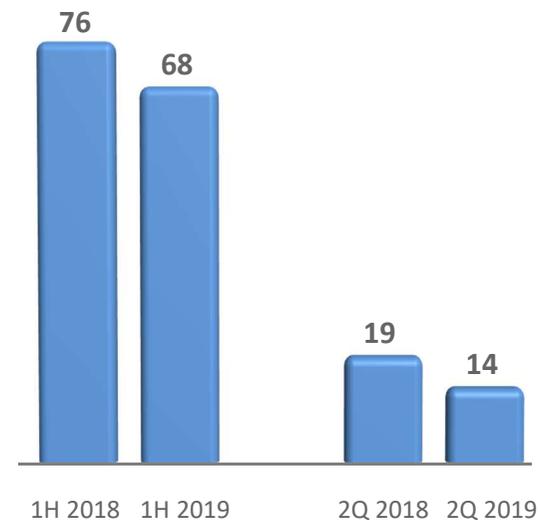


# HIGHLIGHTS: KEY FIGURES

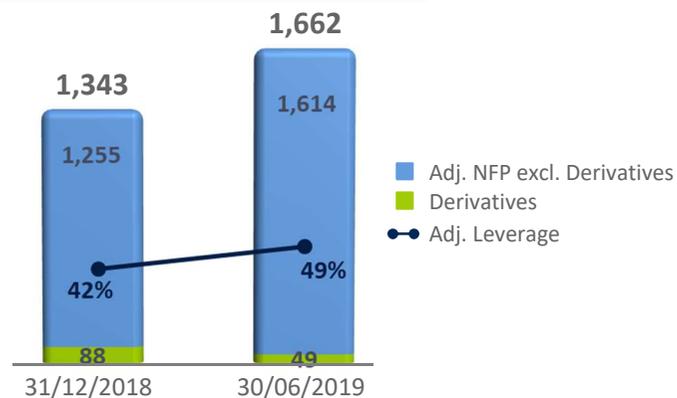
Adjusted EBITDA (€ mn)



Adjusted Net Profit (€ mn)



Adjusted NFP (€ mn)



Resilient business performance despite of weak hydro conditions

# ADJUSTED P&L

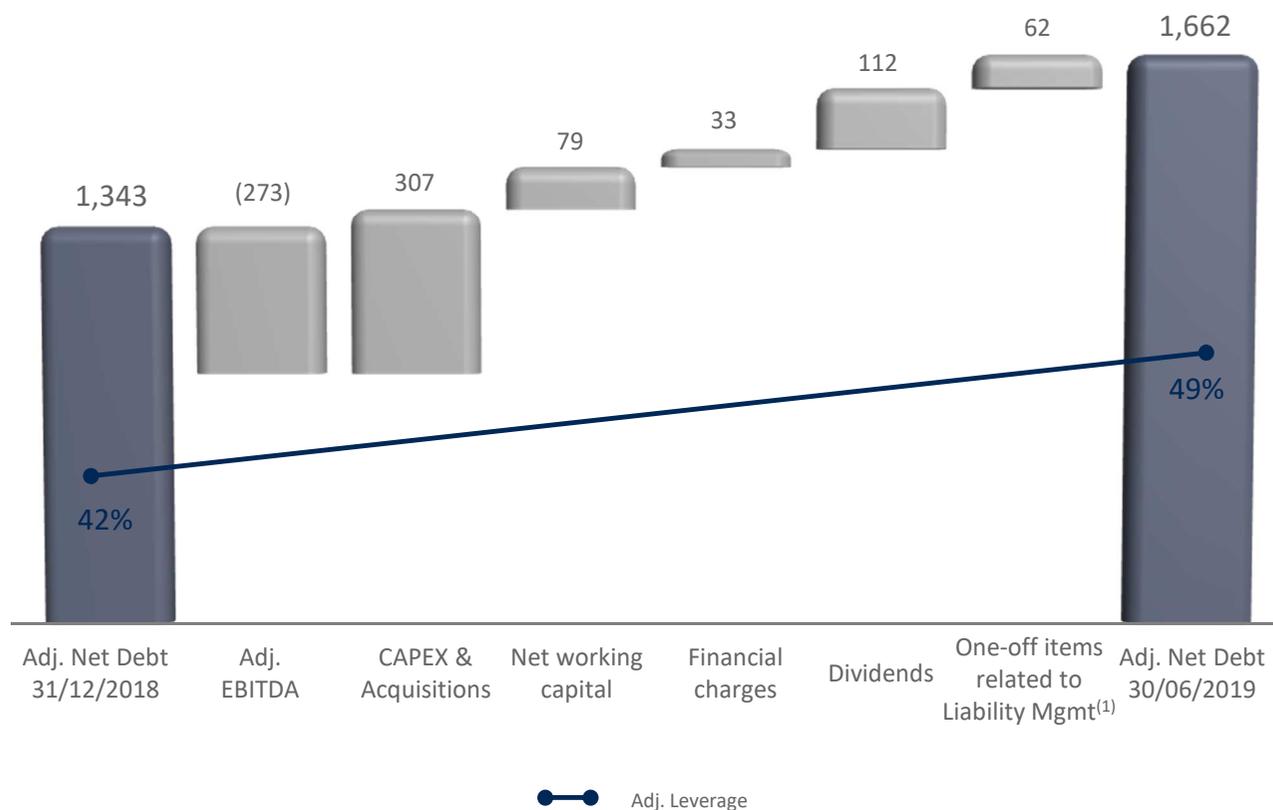


1H 2019	1H 2018	Euro millions	2Q 2019	2Q 2018
273	277	Adjusted EBITDA	110	114
(145)	(136)	<i>Amortization and depreciation</i>	(73)	(68)
128	140	Adjusted EBIT	36	47
(33)	(38)	<i>Net financial income (expenses)</i>	(15)	(20)
0	0	<i>Net income (loss) from equity investments</i>	0	(0)
95	103	Adjusted Results before taxes	21	27
(27)	(27)	<i>Income taxes</i>	(7)	(8)
68	76	Adjusted Results for the period	14	19
(1)	(0)	<i>Minority interests</i>	(1)	(0)
68	76	Adjusted Net Profit	14	19
29%	26%	Tax Rate	33%	28%

Note: figures based on NO GAAP measures



# 1H 2019 CASH FLOW STATEMENT



<sup>(1)</sup> Out of which €43mn is a non-cash item linked to the write-off of a positive FV associated to Erg Wind Project Financing, while the remainder is mainly linked to the IRS unwinding of the same Project Financing

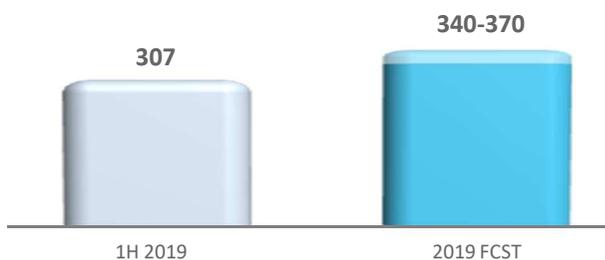


# 2019 GUIDANCE



Adj. EBITDA:

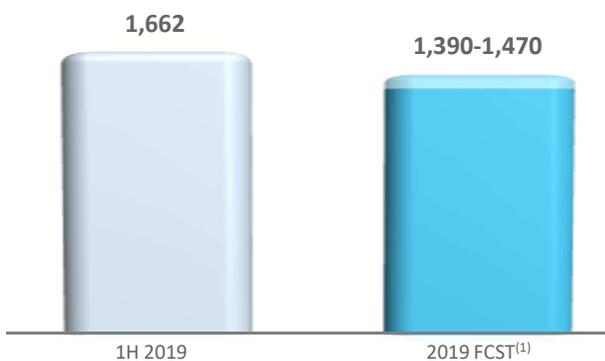
✓ Guidance fine-tuned at €495-505mn



■ Guidance range  
■ Guidance  
■ Actual

CAPEX:

✓ Guidance confirmed at €340-370mn



Adj. NFP:

✓ Guidance revised at €1.39-1.47bn

<sup>(1)</sup> 2019 Guidance does not include IFRS 16 effects. It does not include also the effects of the recent acquisition in Germany for 34MW.



## A FOCUS ON SUSTAINABILITY





# 2018-2022 CSR DRIVERS

The 2018–2022 Business Plan is focused on a continuous development of plants producing energy from renewable sources and sets targets on three main priority areas:

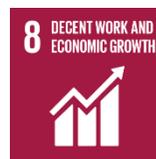
## Tackling climate change

- Avoided CO<sub>2</sub>: 15mtons
- Avoided TEP: 5m TEP
- Carbon Index<sup>(1)</sup>: 14% decrease
- Continuous efforts on extracting value from our technology
- Enhancing our integrated generation portfolio



## People enhancing

- New leadership model
- Human Capital Coverage
- Skills development



## Sustainable thinking sustainable acting

- CDP reporting
- Integration of HSE certifications according to ONE Company Model
- Consolidating relations with communities
- Technological development



<sup>(1)</sup> Carbon index (gCO<sub>2</sub>/kWh) reveals the quantity of CO<sub>2</sub> included in every kWh produced



# ERG SUSTAINABLE EVOLUTION

## Decarbonising ERG's electricity production

- ERG's business transformation: increasing production of electricity from renewable sources
- In this way, by the end of 2018 ERG had reduced the carbon intensity of its production by 90% since it entered the renewable energies sector and by 42% in the last 4 years

## ERG's Sustainability numbers



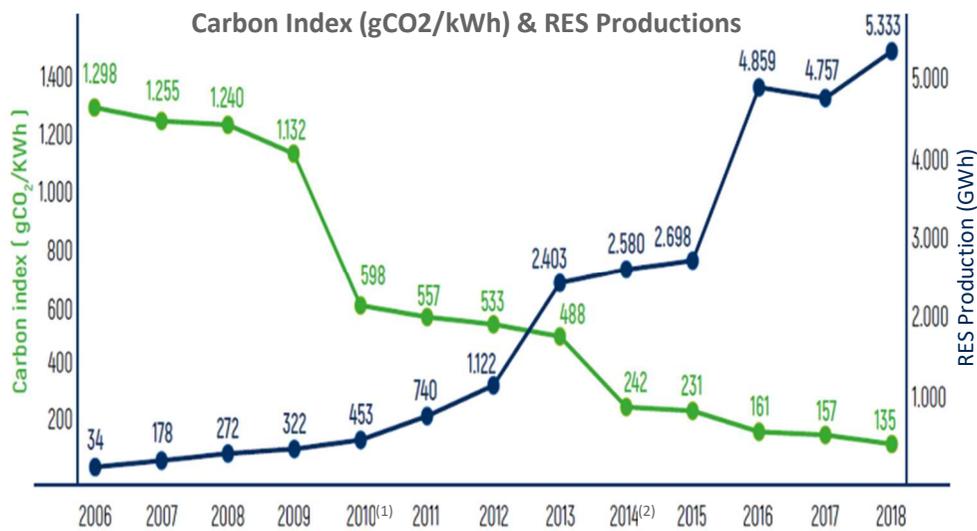
**3,029kt**  
CO<sub>2</sub> avoided by production of electricity from renewable sources



**2.5GW**  
Installed capacity from renewable sources



**100%**  
ISO 14001 and/or OHSAS 18001 certified Italian companies consistent with their activities



Source: non financial information statements

<sup>(1)</sup> The Carbon index drop in 2010 was due to the entrance into operation of the ERG Power plant which replaced the existing oil fed power plants.

<sup>(2)</sup> The Carbon index drop in 2014 was due to the sale of the ISAB Energy plant.



# ESG ACHIEVEMENTS AND RATINGS



- 1 ERG included in the ECPI Global Clean Energy Index
- 2 Achieved rating B from CDP
- 3 Ranked 16<sup>th</sup> 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

1938  
201∞

ESG Rating Company	Index	ERG Rating/score/rank	Notes / In a scale ranging from
		Advanced	from Weak to Advanced
		16 <sup>th</sup> place	first and only Italian company in the Top 20
		<b>B</b>	vs. avg. scores for Utilities (C), and Europe (B-)
		<b>EE+</b>	from F (poor) to EEE (very good)
		<b>B</b> Corporate Responsibility <b>Prime</b>	from D- (poor) to A+ (excellent)
		<b>ESG RATING A</b>	from CCC (Laggard) to AAA (leader)
		<b>69</b> Average Performer	from 0 (Laggard) to 100 (Leader)
		ESG Performance better than average	

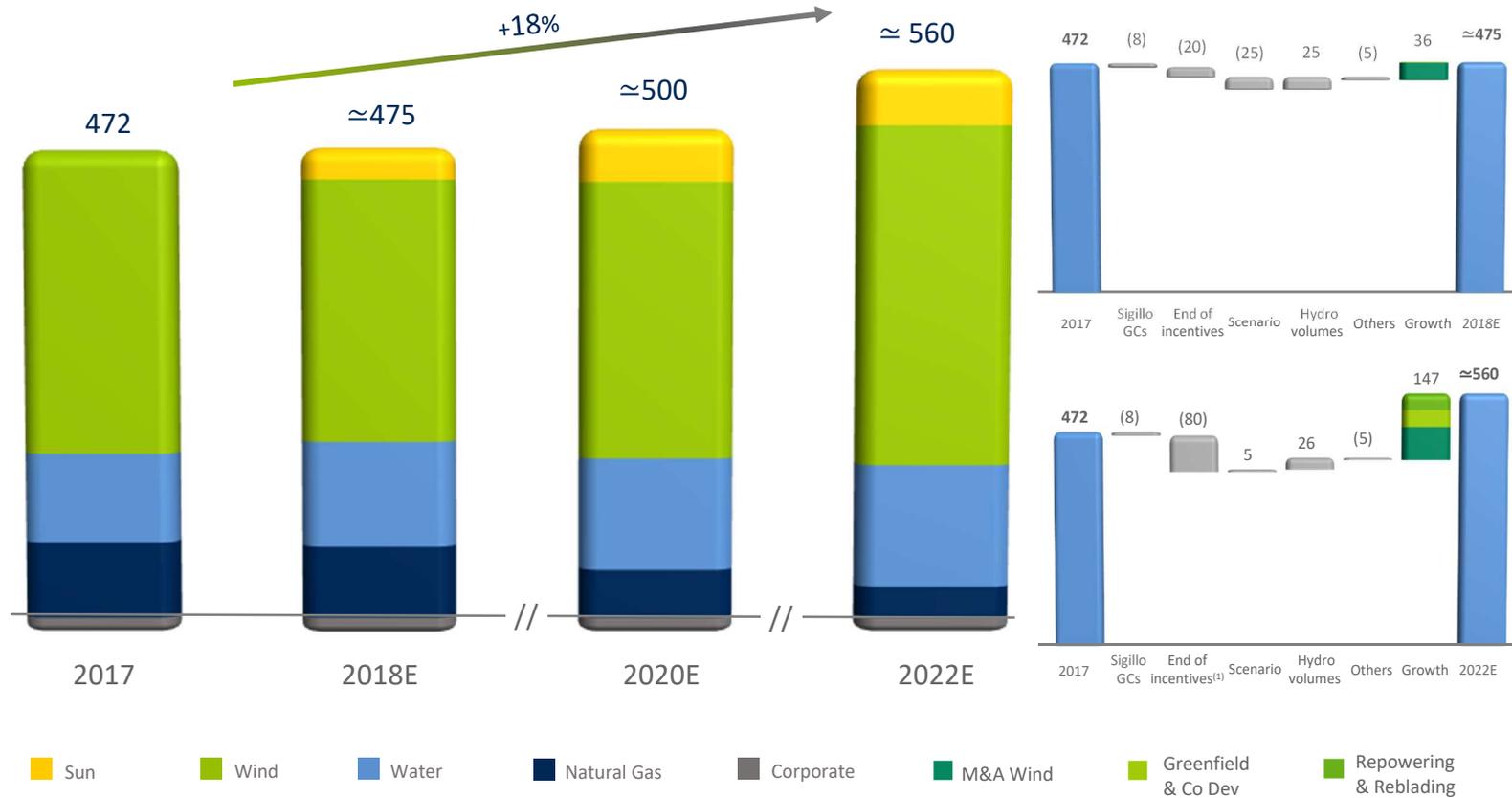


## APPENDIX





# 2018-2022 EBITDA EVOLUTION

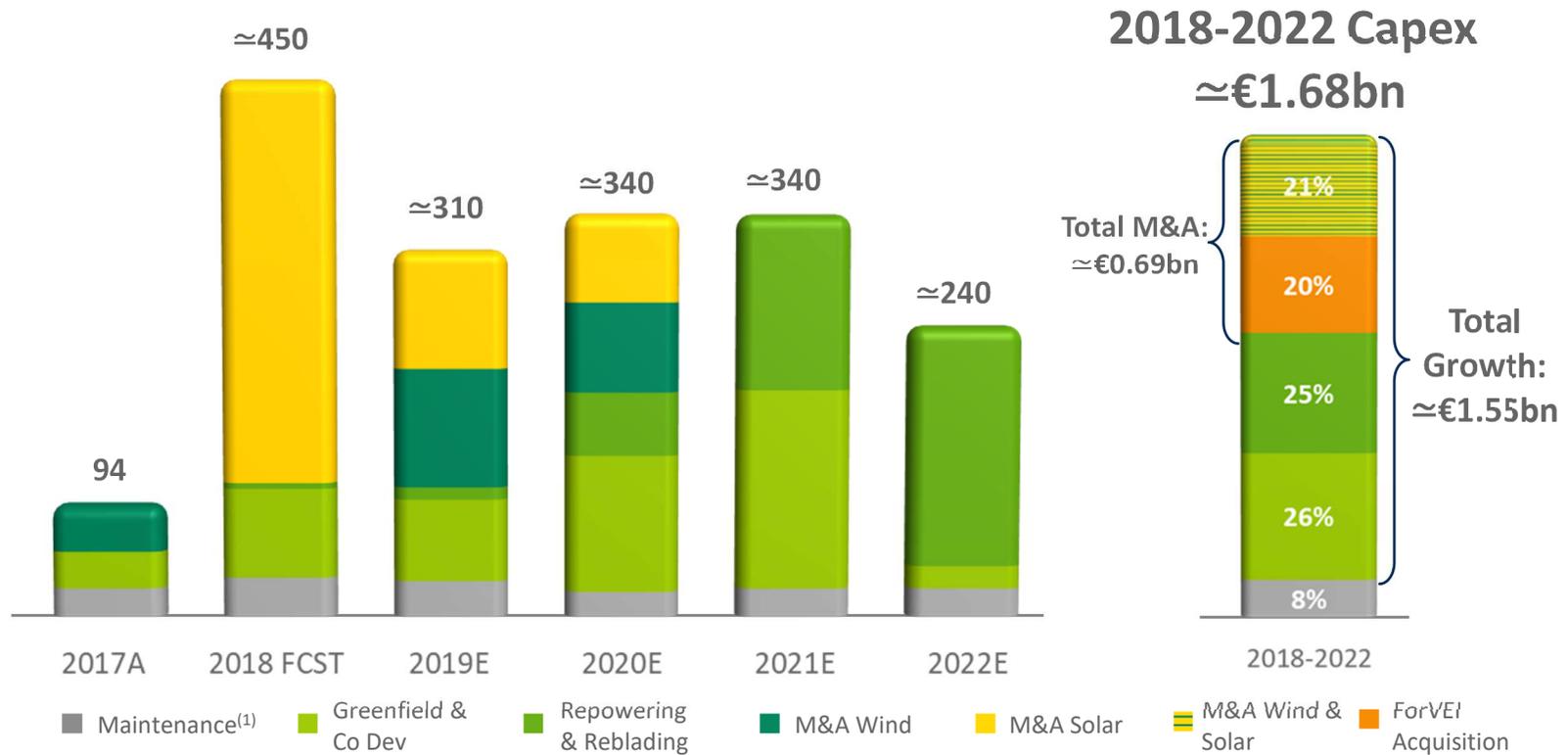


**EBITDA growth based on industrial efficiency and strong rise in renewable asset base**

<sup>(1)</sup> It includes wind incentives phasing out and white certificates termination as of 2020



# CAPEX EVOLUTION



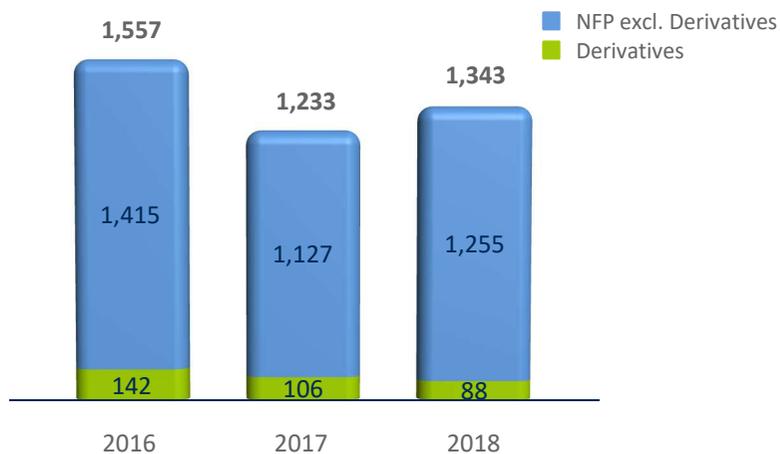
## A massive and flexible investment plan for growth

<sup>(1)</sup> It includes CAPEX for Mini Hydro for €13mn

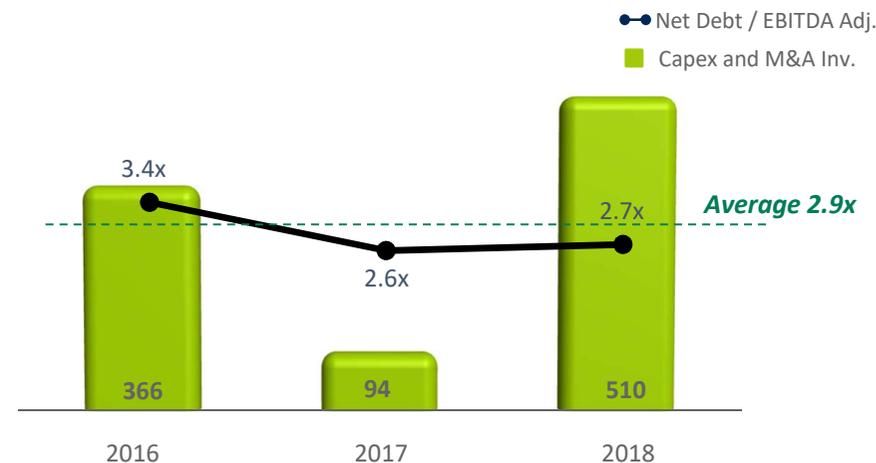


# STRONG BALANCE SHEET

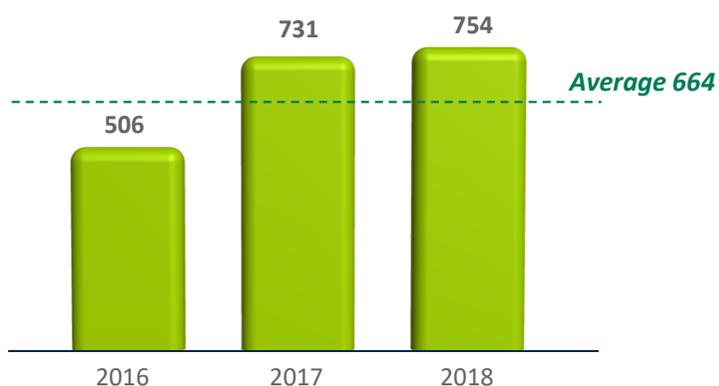
### Net Debt Evolution (€ mn)



### 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 €664m 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



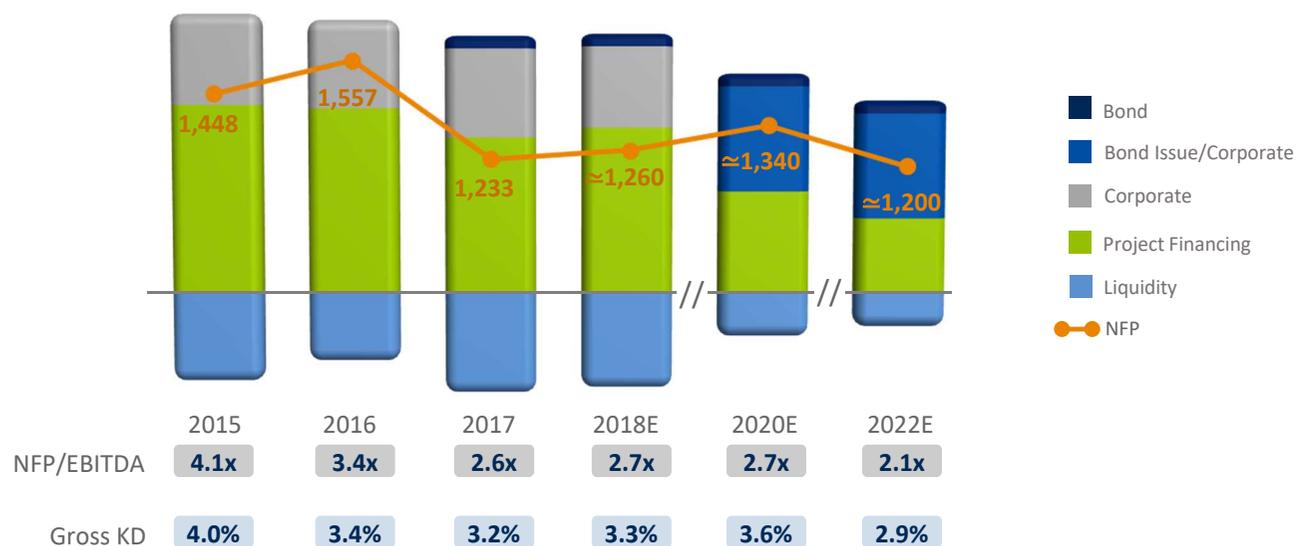
# ERG 2018-2022: FINANCIAL STRATEGY

## 2015-2017 achievements

- 1 ERG Hydro Acquisition Loan = €700mn
- 2 DCM Debut – Private Placement = €100mn
- 3 New Funding Asset Base = €290mn
- 4 Liability Management = €670mn

## ... 2018-2022 Financial Strategy

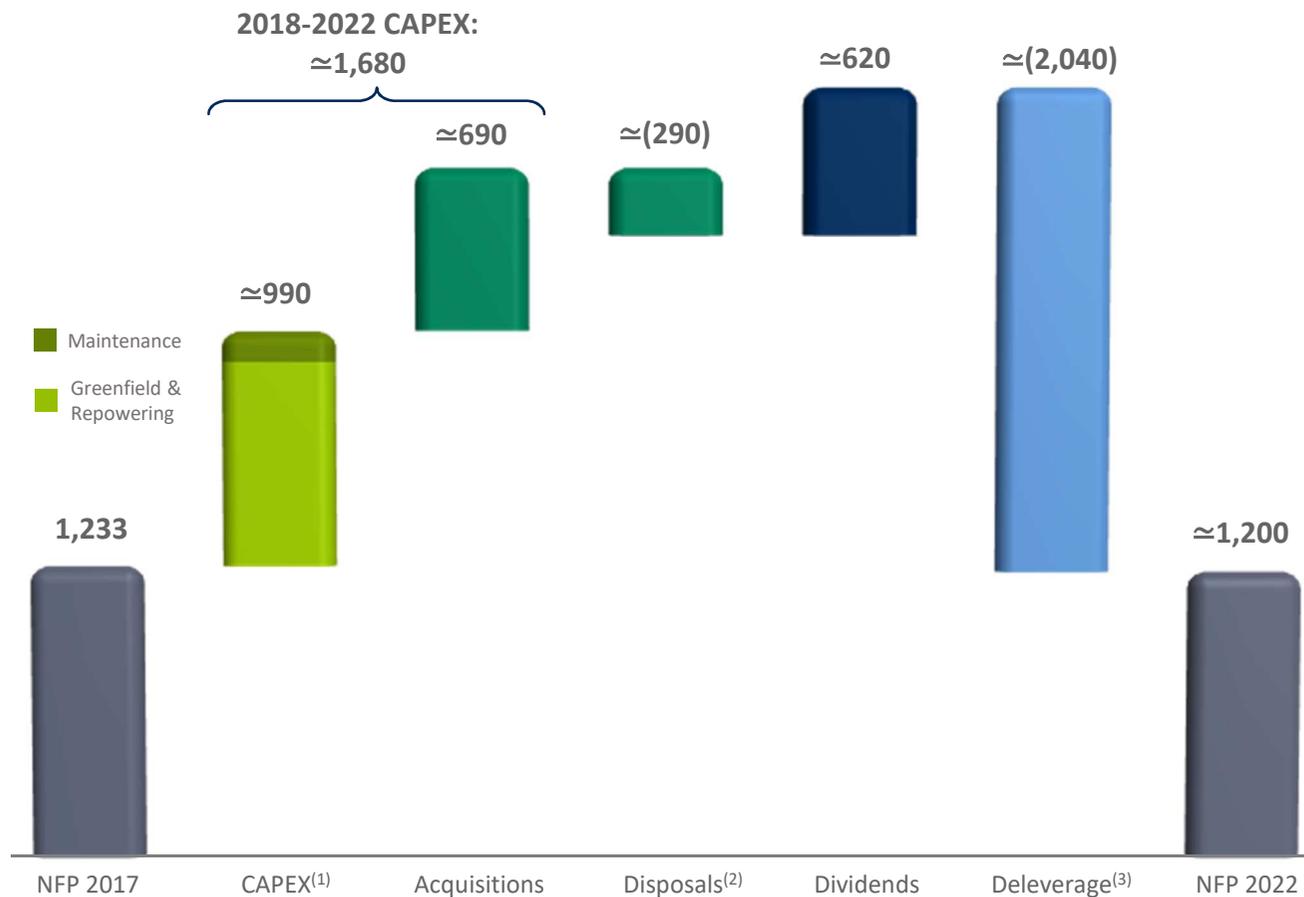
- 1 Corporate Loan / Bond Issue
- 2 Project Finance for incentivized assets
- 3 Liability Management



From an Asset based financing  
to a Corporate/Debt Capital Market based financing



# STRONG CASH GENERATION



**Average annual FCF Yield<sup>(4)</sup> at 16% in the plan period**

<sup>(1)</sup> CAPEX includes Greenfield & co Development and Repowering

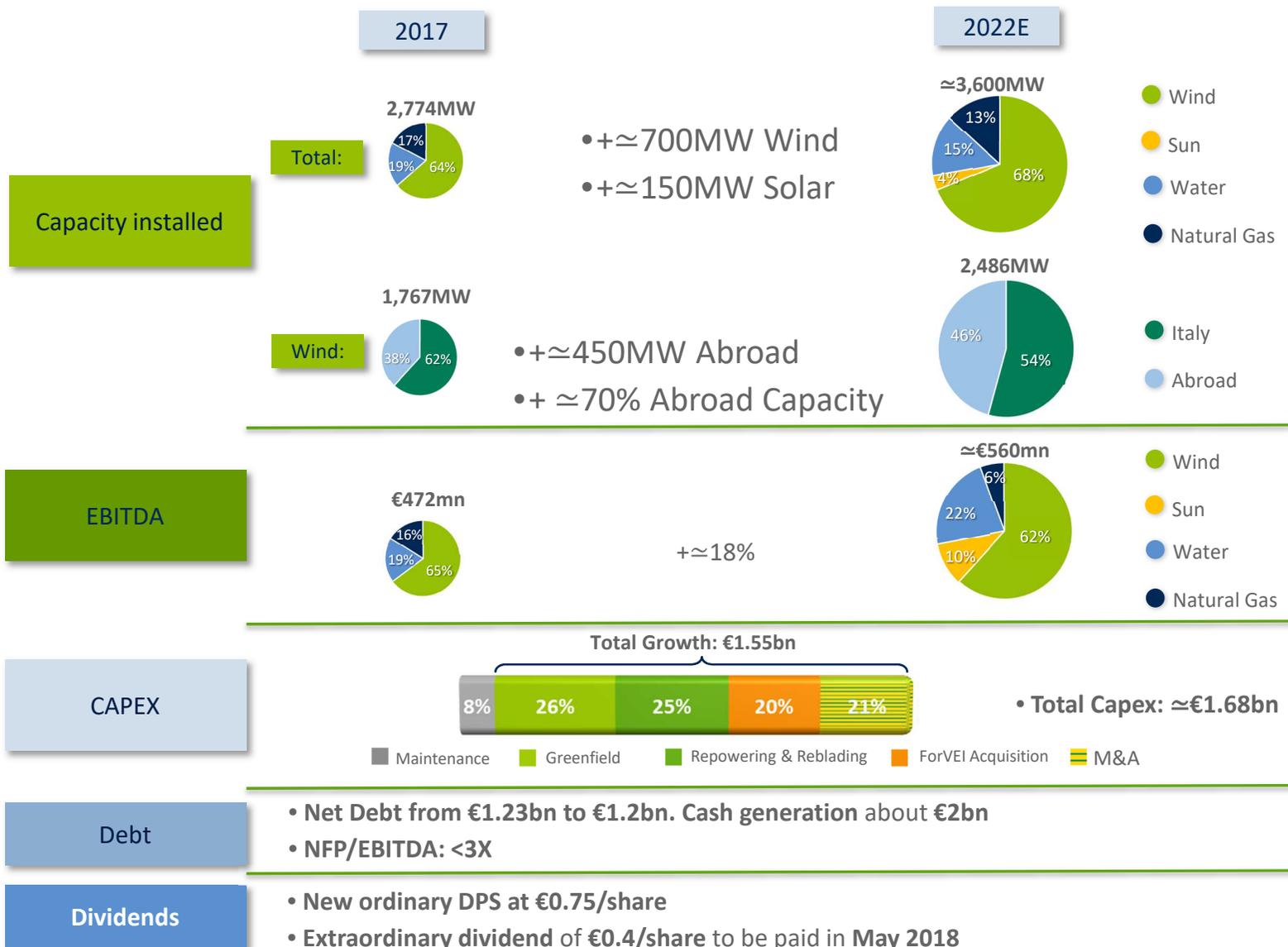
<sup>(2)</sup> Disposals include: 2018 proceeds related to TotalErg Disposal (€180mn) and Brockaghboy wind farm disposal (ca. €108mn)

<sup>(3)</sup> It includes net working capital, taxes and net financial costs

<sup>(4)</sup> FCF Yield: EBITDA after working capital, taxes and net financial costs, deducted maintenance CAPEX, on market cap (share price at €16.4)



# KPI IN THE PLAN PERIOD





## MANAGEMENT PROFILES



# LUCA BETTONTE - CEO



Born in Rovigo on 30<sup>th</sup> September 1963.

Graduated in economics and business at the University of Bologna.

Chartered Accountant and Auditor.

## **Chief Executive Officer of ERG S.p.A.**

From June 2012 to January 2018 Director of TotalErg S.p.A.

From July 2016 to December 2016 Chief Executive Officer of ERG Renew S.p.A.

From April 2012 to July 2016 Director of ERG Renew S.p.A.

From July 2011 to April 2012 Chairman of the Board of Directors of ERG Renew S.p.A.

From December 2009 to April 2012 General Manager Corporate and Director of ERG S.p.A.

From November 2007 to December 2009 CFO of ERG S.p.A.

As from 2003 up to 2007 he has been CFO of Atlantia S.p.A., Finance Director of Autostrade per l'Italia S.p.A., Chairman of Autostrade International US Holdings, Director of Impregilo S.p.A., Autostrade Sud America Srl and of Emittenti Titoli S.p.A.

As from 1998 up to 2003 he worked at Indesit Company S.p.A. both as Group Financial Controller at first and lately, starting from year 2000, as CFO, respectively.

As from 1990 up to 1998 he worked for Pricewaterhouse Coopers S.p.A. in Italy and Great Britain.

Professor at the Faculty of Economics and Commerce of the "Università Cattolica Sacro Cuore" in Milan from 2008 to 2010 and of the University of Bologna as from 2004 up to 2008, respectively.

# PAOLO MERLI - CFO



Born in Milan on 24<sup>th</sup> June 1971, he graduated in Electrical Engineering from the University of Pavia in March 1996. After doing his national service at the Italian Red Cross, in June 1998 he was awarded an MBA in Finance from the Eni "Scuola Superiore Enrico Mattei".

He joined the ERG Group in September 2006, where he is currently **Corporate General Manager and Chief Financial Officer**, in charge of activities pertaining to Investor Relations, Mergers & Acquisitions, Group Administration, Finance, Planning, Control & Reporting, Group Risk Management & Corporate Finance, Procurement and Human Capital & ICT.

He is member of the Strategic Committee, Board Director of ERG Power Generation S.p.A., beside being member of other internal committees such as Management Committee, Investment Committee, Risk Committee and Human Capital Committee. As from 2014 he is the Manager Responsible for preparing the Company's financial reports.

## **Other positions held in the past:**

From October 2015 to January 2018 he was a member of the Board of Directors of TotalErg S.p.A.

He previously worked for around 7 years as a financial analyst covering the European Energy and Motorways sectors at Intermonte, a leading brokerage firm owned by the Monte dei Paschi Banking Group. At Intermonte he was also a "specialist" in ERG stock when ERG joined the STAR segment.

From 1998 to 2000 he worked in the sales department at Snam S.p.A. (current Gas & Power division of Eni Group).

Outside of work, his biggest passion is sport, particularly cycling (racing and mountain biking) and skiing (alpine and cross-country).

He is married, with two children.

# EMANUELA DELUCCHI – HEAD OF IR



Born in Genoa on 18<sup>th</sup> December 1975, she graduated in Economics from the University of Genoa in March 1999. She joined the ERG Group in February 2008 where she is currently Head of IR, reporting directly to the CFO.

**Other positions held in the past:**

From February 2008 to January 2011 she was Head of IR and Planning & Control at ERG Renew.

She previously worked for 3 years as a financial analyst covering the Italian Utilities & Motorways sectors at Intermonete, a leading brokerage firm owned by the Monte dei Paschi Banking Group.

Prior to that she was a financial analyst covering European Utilities & Motorways sector at Lehman Brothers.

She is married, with three children.