



Press Release

Board of Directors approves 2018-2022 Business Plan

Growth of 850 MW via

Repowering and Re-blading in Italy, Greenfield and Co-Development overseas and M&A

Growth: investments totalling €1.68bn, of which 92% allocated to development: €444 million for organic growth in overseas Wind power via Greenfield & Co-Development projects; €418 million for technological renewal of the Wind power fleet in Italy via a Repowering e Re-blading Plan; €350 million for M&A, in addition to the amount of €337 million recently invested to acquire Forvei in the solar energy sector, giving priority to Wind power overseas and solar energy in Italy.

Progressive increase in EBITDA to €500 million in 2020 and to €560 million in 2022

Operating efficiency: insourcing of O&M activities overseas to continue

Energy Management: integrated management of portfolio comprising over 15 TWh (approximately +25%) of electricity

Financial stability: strong cash generation during the plan period with a Net Debt to EBITDA ratio of 2.1x by 2022 and constantly below 3x throughout the Plan period

Dividend policy: proposed increase in ordinary dividend to €0.75 per share, sustainable over the plan period and in keeping with the existing core business, plus a proposed extraordinary dividend in 2018 of Euro 0.40 per share, linked to the sale of TotalErg.

Genoa, 8 March 2018 – During its meeting held yesterday, ERG's Board of Directors reviewed and approved the 2018-2022 Business Plan.

Luca Bettonte, Chief Executive Officer, commented: **“During recent years ERG has radically changed its business model, anticipating long-term energy scenarios and achieving a position of leadership in renewables, not only as regards the Italian market but also at European level.**

Today the Group has its own industrial know-how and a portfolio of assets that is well diversified, from both a technological and a geographical standpoint, with a good balance between programmable and non programmable sources.

We have decided to bring forward our drafting of the new Business Plan by a year, not just because we have already achieved the objectives included in the existing Plan, but to adapt our programmes to the recent evolution of the regulatory and competitive context in which we operate.

This is a five-year Plan focused on overseas expansion and the technological renewal of our Wind power fleet in Italy.

Industrial excellence, flexibility as regards our assets and strong Energy Management skills are the characteristics we intend to use for targeting the important new Plan objectives. We in fact anticipate a strong growth of around 850 MW via three different channels: organic growth and co-development agreements in Europe, new acquisitions in target countries and a major Repowering and Re-blading project for our Italian wind farms.

Thanks to this expansion we forecast EBITDA of around 500 million Euro in 2020 and approximately 560 million Euro in 2022, despite our gradual exit from incentives in the Wind power sector and the expiry, starting from 2020, of energy efficiency certificates in the thermoelectric power sector. The strong cash generation leads us to predict, again by the end of 2022, a debt of 1.2 billion Euro, with a multiple corresponding to 2.1 times expected EBITDA, at the same time ensuring for our shareholders an adequate and sustainable remuneration, competitive with that of the Utilities sector. The financial resources generated, the high quality of our assets and the flexibility of our organisational structure will enable the Group to face the new challenges and take advantage of the opportunities that will present themselves in the near future within a sector, the electricity sector, in rapid and constant evolution.”

Plan objectives

- **Installed capacity: approximately 3,600 MW by end 2022 (+ 850 MW)**
- **Group EBITDA expected to reach Euro 560 million in 2022 (+ 18%); Euro 2.5 billion over the Plan period**
- **Total investments envisaged during the Plan period: Euro 1.68 billion, of which Euro 1,561 million for growth and Euro 117 million for maintenance.**
- **Net financial position: amounting to Euro 1.2 billion at end 2022, thanks to a strong operating cash generation already net of financial charges, taxes and changes in working capital. Deleverage of around Euro 2 billion.**
- **Dividend policy: increase in ordinary dividend to Euro 0.75 per share sustainable over the Plan period, and an extraordinary dividend linked to the sale of TotalErg in the amount of Euro 0.40 per share, paid in 2018.**

Strategies and objectives for the period 2018-2022

The objectives for the Plan period are as follows:

- 1) To increase the generation portfolio by 850 MW via three channels:
 - a. **Greenfield and Co-Development +350 MW:** expansion by way of organic growth and/or co-development agreements in Wind power as regards France, Germany and the United Kingdom.
 - b. **Repowering and Re-blading in Italy +260 MW:** interventions concerning wind farms with obsolete technology (turbines having a capacity of less than one MW) and at the end of their incentive period acquired in 2013 from Gaz de France, but characterised by good wind conditions and therefore higher profitability.
 - c. **M&A + 250 MW:** growth overseas in wind power in target countries and as regards solar energy in Italy, drawing on industrial experience acquired and the synergies deriving from consolidation of our portfolio.
- 2) Focus on **operating efficiency** both through **insourcing of O&M**, which has been completed in Italy and is underway in France and Germany, and via the development of **predictive maintenance**, aimed at enhancing availability of the plants and **extending their useful life**.

In particular, insofar as concerns the increase in installed capacity from the current 2,774 MW to **3,600 MW**, we intend to proceed via three growth channels as outlined below.

Greenfield and co-development

ERG has created a development organisation with a view to continuing organic growth in France, Germany and the United Kingdom, countries which offer a high wind power potential combined with regulatory stability. The objective is to pave the way for sustainable greenfield growth over time by implementing a local organisational structure capable of ensuring the Group's long-term expansion. The Plan target is to install around 360 MW, between greenfield projects (70%) and co-development agreements (30%), 40% of which is already secured via an owned pipeline, with overall investments of **444 million Euro**.

Repowering & Re-blading in Italy

As regards Italy, ERG plans to carry out interventions on wind farms that have terminated or are soon to leave the incentive system (around 500 MW), which have technologically obsolete turbines, with a capacity of less than 1 MW. On the strength of its industrial know-how, the Group is ready to renew its wind power fleet with the dual result of significantly increasing installed capacity and expanding the horizon of the plants' useful life.

During the Plan period Repowering will initially concern 6 wind farms, whose installed capacity will increase by 260 MW, from their initial 150 MW, with an approximately 4-fold growth in output, at the same time halving the number of turbines and without actually increasing the land occupied.

The other type of investment used by ERG in order to increase the productive capacity of its Italian assets is “Re-blading”, which will involve facilities totalling around 64 MW. With this intervention there is no change to the capacity of the machinery, but output can be increased by up to 16%.

The total investment anticipated for Repowering and Re-blading interventions amounts to **418** million Euro, of which **402** million Euro for Repowering and the remaining **16** million Euro for Re-blading.

M&A

Regarding M&A operations, on the strength of its significant track record, investments will be carried out with a view to supporting growth in the target countries, above all during the first three years of the Plan. By way of these transactions, we expect to further expand by 105 MW in wind power and to reach a dimension of approximately 100 MW in the solar energy sector (including the acquisition of 89 MW in Italy completed in January 2018). Overall investments will amount to approximately 687 million Euro (of which 337 million Euro already invested for the 89 MW acquired in Italy during the month of January 2018).

A further investment of 13 million Euro is planned for the construction of mini-hydro plants within the Terni hydroelectric complex in order to make the most of the hydroelectric integrated cycle.

The investments pertaining to the strategy described amount overall to around Euro 1.68 billion, including Euro 1,561 million for growth and Euro 117 million for maintenance, with 2022 EBITDA forecast at Euro 560 million.

Over the course of the Plan period we shall continue to enhance **Energy Management** activities which, with entry into the solar power sector, can rely on a portfolio that is increasingly more ample, technologically diversified and balanced. Moreover, the unitary and integrated management of the energy portfolio will enable an improved control of the risks associated with individual businesses.

By 2022, the total electricity handled by Energy Management will amount to around 15TWh, of which more than 10TWh pertaining to the Group’s production portfolio, with a growth of around 25% with respect to 2017.

This press release, issued at 7.55 a.m.(CET) on 8 March 2018, has been prepared pursuant to the Issuers’ Regulations. It 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”.

The 2018-2022 Business Plan will be illustrated at 2 p.m. (CET) 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.

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