



LETTER TO SHAREHOLDERS

Dear Shareholders,

The year 2019 was filled with important targets down our path of growth outlined by our Business Plan. We went beyond 3,000 MW of installed power and EUR 500 million of EBITDA, thus consolidating our position as European renewable energy operator and key player in the energy transition and battle against climate change.

Our business model, which is strongly steered toward sustainable development, achieved important acknowledgements on the subject of CSR and ESG coming from the world of finance and the leading rating agencies during the year that has just elapsed.

In 2019, we increased installed power by a total of 158 MW in wind power and in the solar sector and took determined steps forward in organic development abroad and in Repowering in Italy, in line with the time frame set out in our Business Plan. In fact, we completed the authorisation processes that allow us to start up work sites for the construction of 285 MW between the United Kingdom, France and Poland in 2020.

In 2019, the economic and financial results show an EBITDA of EUR 504 million, up compared to the 2018 figure of EUR 491 million, positioned in the highest portion of the guidance provided at mid-year and within the indications of the beginning of the year. The good amount of wind in Italy and abroad, the important result attained in the thermoelectric sector and the full contribution of the larger installed capacity in both wind and sun power allowed to compensate for the negative effects due to the low level of rainfall, which negatively affected performance in the hydroelectric sector, and the weak trend of energy prices.

Adjusted EBIT was EUR 205 million (EUR 216 million in 2018) after amortisation and depreciation of EUR 299 million, up EUR 24 million compared to 2018, mainly attributable to the new investments made in solar and wind power in France and Germany.

Adjusted Group net profit totalled EUR 104 million, down compared to EUR 107 million in 2018. This was mainly due to the greater amortisation and depreciation, partly offset by the decreased financial expense.

Indeed, in spite of growing indebtedness, financial expenses were markedly lower than in 2018 due to the reduction in the cost of debt thanks to the important liability management transactions carried out in 2019 and the concurrent issue of a Green Bond under definitely improved conditions. Furthermore, the effective tax rate was in line with 2018 following re-introduction of the tax relief tied to economic growth (ACE).

In 2019, investments amounted to EUR 432 million (EUR 510 million in 2018) and mainly refer to the acquisition of two photovoltaic plants in Italy, wind farms in France and Germany, a project to build a wind farm in the United Kingdom, and a 224 MW pipeline in Germany.



Adjusted net financial indebtedness totalled EUR 1,476 million, up compared to 31 December 2018 (EUR 1,343 million) and it mostly reflects the investments of the period, the distribution of dividends, the extraordinary expenses incurred in the course of the significant liability management transactions and the payment of taxes. All of this was partly offset by the positive cash flow of the period.

In April last year ERG took a major step forward in its financial strategy by debuting in the *Green Bond* market with an issue of EUR 500 million to finance, or refinance, Group wind and solar energy generation projects. Demand was over six times higher than supply, and the highest regarded investors in the major European countries showed their interest. This result is fruit of the credibility of our Business Plan and of the acknowledged sustainability of our business model. In June, the rating agency Fitch Ratings confirmed an Investment Grade rating for ERG.

We are expecting even better results for 2020, with EBITDA falling between EUR 500 and 520 million, and net indebtedness down, between EUR 1,360 and 1,440 million, following investments between EUR 185 and 215 million for the building of new wind farms in Great Britain, Poland and France.

Nonetheless, these expectations will be verified during the year in order to allow for the world health emergency presently in progress.

The Board of Directors proposes to the Shareholders' Meeting a dividend of EUR 0.75 per share, as specified in the Business Plan.

The Board of Directors approved the Consolidated Non-Financial Statement along with the Financial Statements.

The Sustainability goals that ERG has set for itself, increasing at the core of our strategies, form an integral part of the 2018-2022 Business Plan. They are in line with the sustainable development goals set by the United Nations (UN SDGs) and see the Group engaged in three main areas: the development of electricity production from renewable sources, which well represents our commitment to the climate change battle, attention paid to the environment, to work conditions and to welfare, and lastly, implementation at Group level of the new Anti-Corruption Policy and new supplier selection procedures.

Since it entered into the renewable energy field, ERG has reduced the *Carbon Index* by 90% and by generating energy using plants powered by renewable sources, every year the emission of over 3 million tons of CO₂ is avoided.

All of this was made possible by ERG's people, who are a key factor for the company's life and to whom we have always dedicated sizeable resources for personal, professional and managerial growth. One figure for everyone: in 2019 over 46,000 hours were given over to training, involving 98% of the company's workforce, with an average of more than 7 dedicated days per person.

Our relationship with the local communities where we are located is another aspect that we pay enormous attention to, particularly through activities supporting the young generations, culture and the start-ups in the energy sector. Our initiatives involved over 10,000 young people in 2019.

ERG's commitment to sustainable development and to the ESG world attained significant international recognitions such as, among others, its promotion to the "AA" rating (compared to "A" in 2018) by *MSCI ESG Research Ltd.*, confirmation for



the second year in a row of its positioning amongst the 50 most sustainable companies in the world (35th place) in the *Corporate Knights Global 100 Most Sustainable Corporations in the World Index* and lastly the “B” ranking for CDP - *Climate Change*, promoted by *Carbon Disclosure Project* to promote the battle against climate change.

ERG was also confirmed in the *Ethibel Excellence Investment Register* for the third consecutive year and was selected for the prestigious *Ethibel Pioneer Register*, where companies with CSR performance above average in their sectors and leading companies in the ESG (*Environmental, Social and Governance*) activities in their industries are respectively entered.

We have closed a year that gave us enormous satisfaction due to the results achieved and the recognitions received, and during which we created important preconditions that allow us to continue to grow. At this time the entire world, and in particular our country, are facing the serious Covid-19 emergency. We are committing ourselves to the utmost by fielding all of our resources in order to guarantee the availability of such an essential asset as energy, convinced that we will come out of this challenge, like the others of the past, even stronger.

Genoa, 30 March 2020

Edoardo Garrone

Chairman

A handwritten signature in black ink, appearing to read 'Edoardo Garrone', written over a horizontal line.

Luca Bettonte

Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Luca Bettonte', written over a horizontal line.