



# COMPANY OVERVIEW

JANUARY 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:
  - ✓ Abroad: focus on Co-Dev & Greenfield
  - ✓ Italy: focus on Repowering & Reblading
  - ✓ Focus on M&A
  - ✓ 2018-2022 Business Plan Targets
- ❑ 3Q 2018 Results
  - ✓ Key Figures
  - ✓ Key Financials
  - ✓ 2018 Guidance
- ❑ Appendix
- ❑ Management Profiles



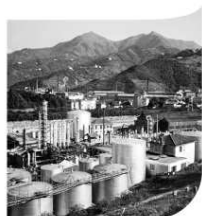
## A SUCCESSFUL INDUSTRIAL TRANSFORMATION





# OUR 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 transfer the ISAB Energy plant and the fuel network of ERG Oil Sicily.



2014



ERG enters the wind market in the United Kingdom with a 47.5 MW project.

At the end of 2016, installed wind capacity is 1,721 MW.

2016

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



2008



ERG sells 49% of the ISAB Refinery to LUKOIL

2013

ERG becomes the leading wind operator in Italy with an installed capacity of 1,087 MW and among the top ten in Europe (total of 1,340 MW) and acquires a company for wind farm operating and maintenance 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 (527 MW).



ERG acquires 6 wind farms in France (64 MW) and constructs 3 wind farms in Poland for a total of 82 MW.

At the end of 2015, installed wind capacity is 1,506 MW.

2017



ERG's growth in the wind sector continues: 48 MW in operation in Germany; 16 MW in operation in France.

At the end of 2017, installed wind capacity in Europe is 1,814 MW.

# 2008-2018: INDUSTRIAL REPOSITIONING



## 2008

- ISAB Refinery 100% controlled
- 7% Retail market share

## 2012

- 20% in ISAB, with put option to fully exit
- Rome Refinery closure; transformation into a logistic hub ongoing
- TotalERG + EOS: 12% combined market share

## Today

- Fully exit from Refining
- Fully exit from TotalERG

### Wind

- ERG Renew  $\approx$ 0.2GW
- EBITDA  $\approx$ €20mn

- ERG Renew  $\approx$ 0.6GW
- 3<sup>rd</sup> wind player in Italy
- EBITDA  $\approx$ €130mn

- $\approx$ 1.8GW Wind installed capacity
- 1<sup>st</sup> wind player in Italy,
- Amongst first 10 EU wind players

### Thermoelectric

- Electricity produced by ISAB Energy/CTE
- Presence in gas logistics/trading projects and retail power

- 1GW installed capacity: 480MW CCGT and 528MW CIP6
- Best-in-class profitability

- 480MW high yield CCGT
- Best-in-class profitability

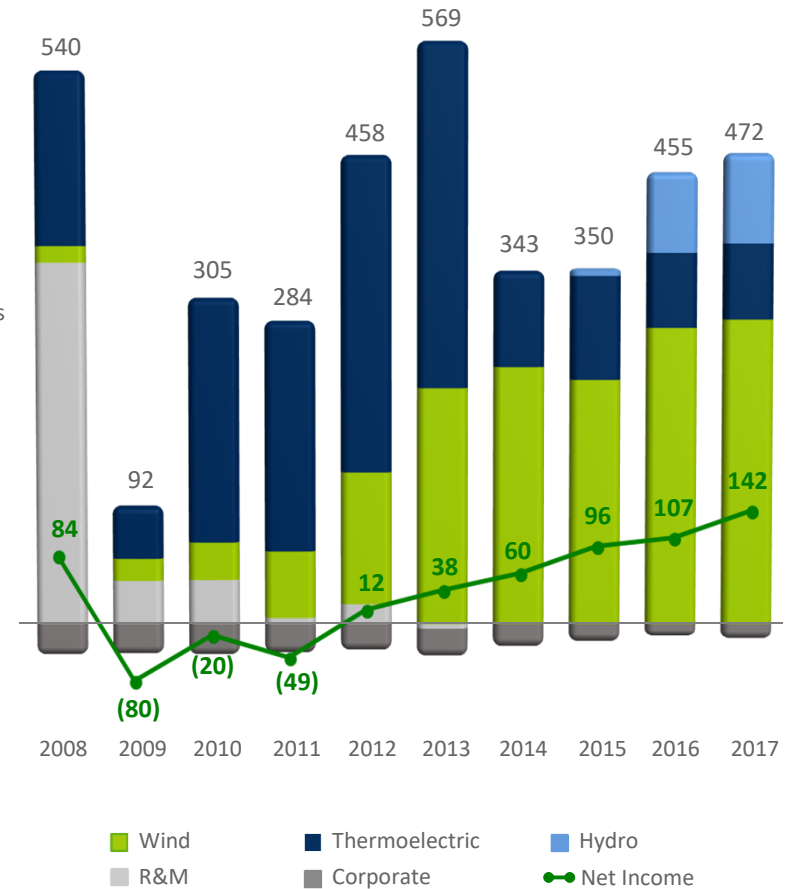
### Hydro

- 527MW hydro integrated plant

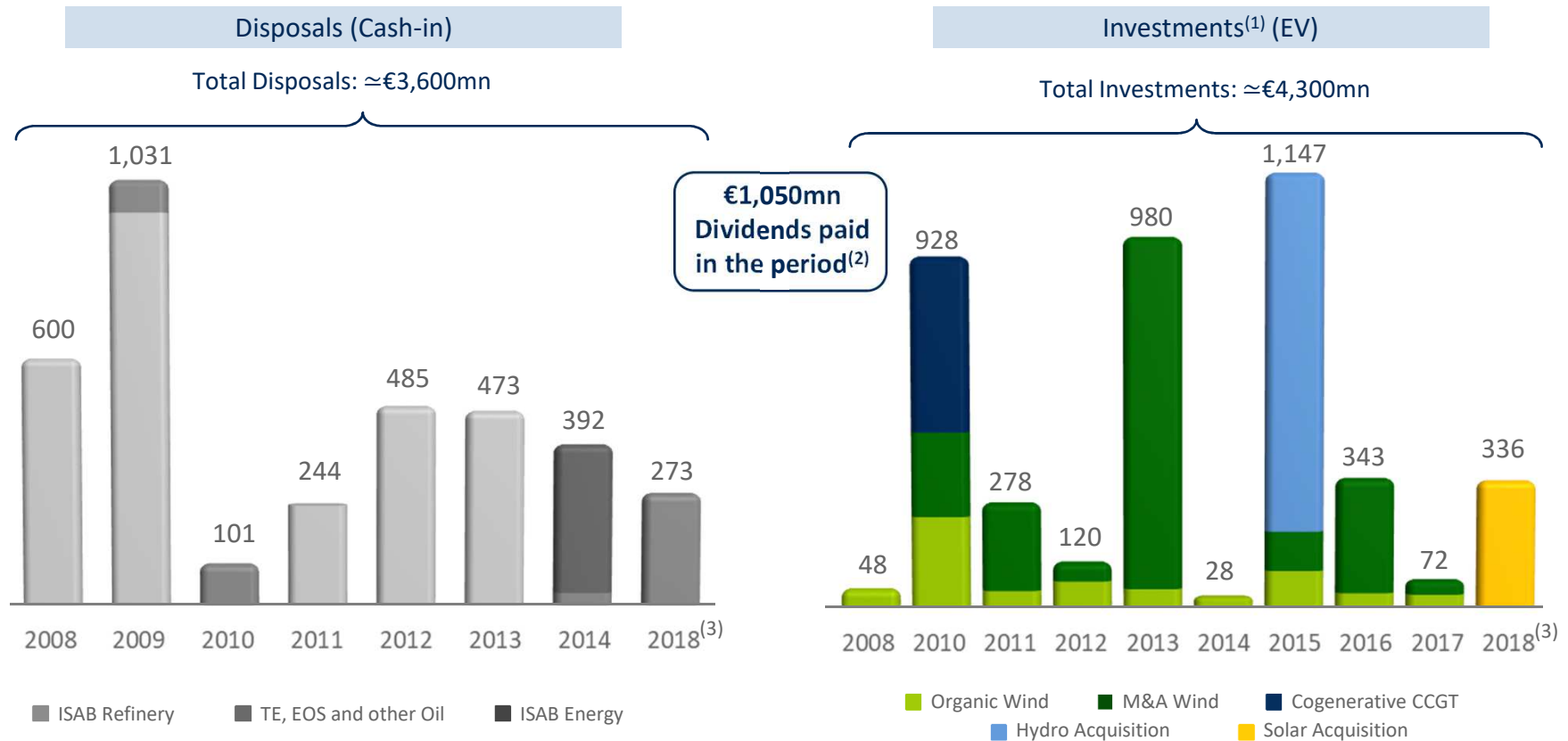
### Solar

- 90MW solar installed capacity

2008-2017 EBITDA and Net Income Evolution (€ mn)



# 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

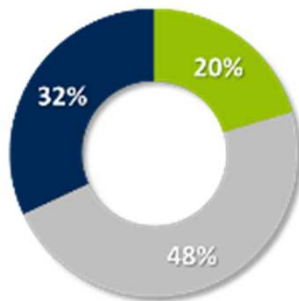
<sup>(2)</sup> It includes dividends to be paid in May 2018 (ca. €171mn with ordinary DPS at €0.75/sh and extraordinary DPS at €0.4)

<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 €337mn) whose closing took place on January 12, 2018

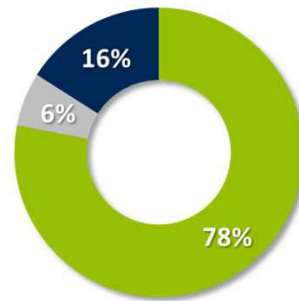
# INVESTED CAPITAL FULLY ROTATED TO RENEWABLES

Capital employed

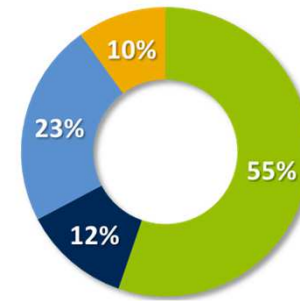
2008 (€2.2bn)



2014 (€2.1bn)



30/9/2018 (€3.2bn)



● Oil

● Natural Gas

● Water

● Wind

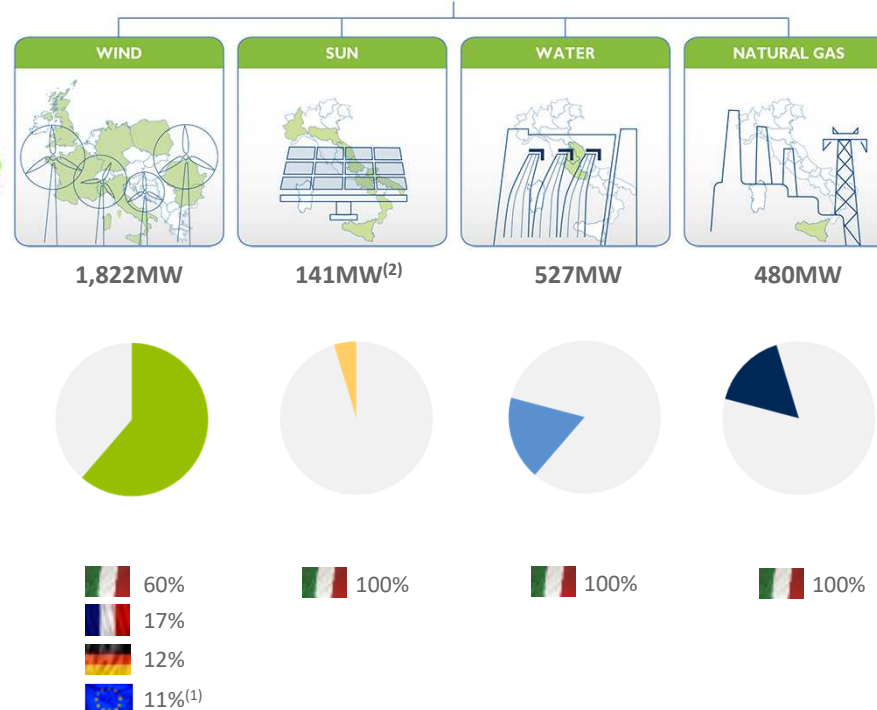
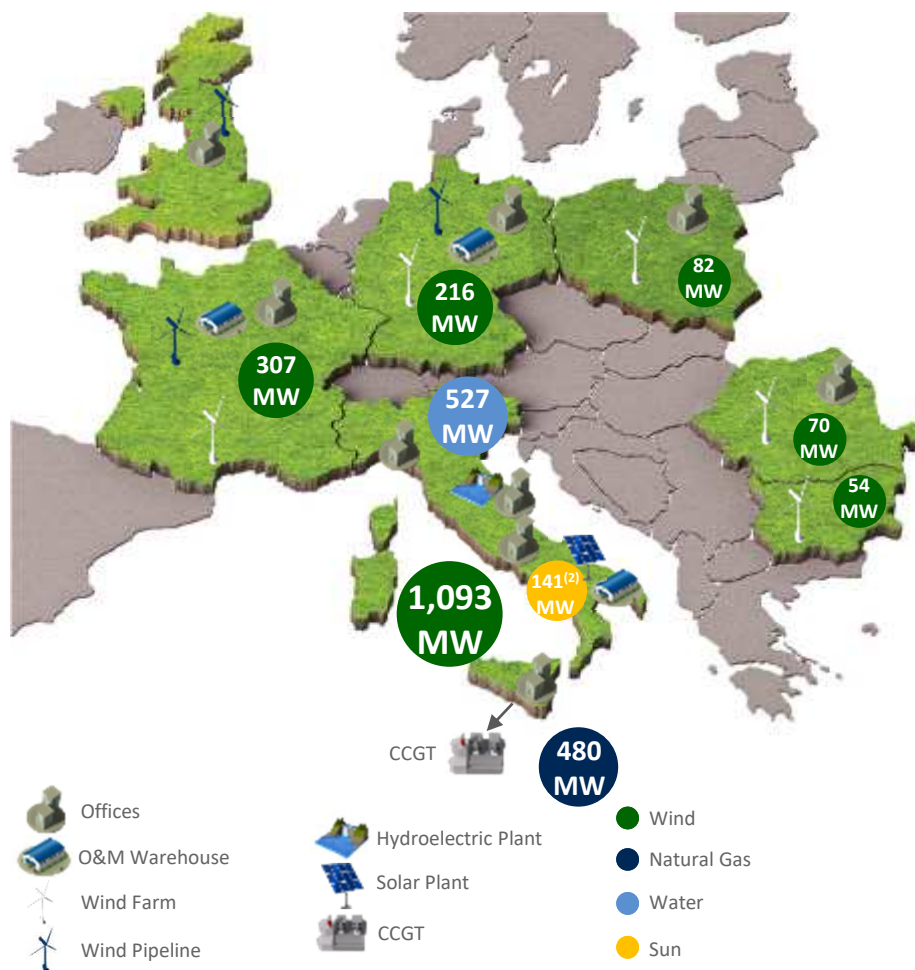
● Sun

**From Oil to Renewables**





# EU LEADING RENEWABLE IPP



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

<sup>(2)</sup> It includes 51.4MW of Andromeda, whose acquisition will be closed by 1Q 2019.

# ERG STRICT CORPORATE GOVERNANCE MODEL



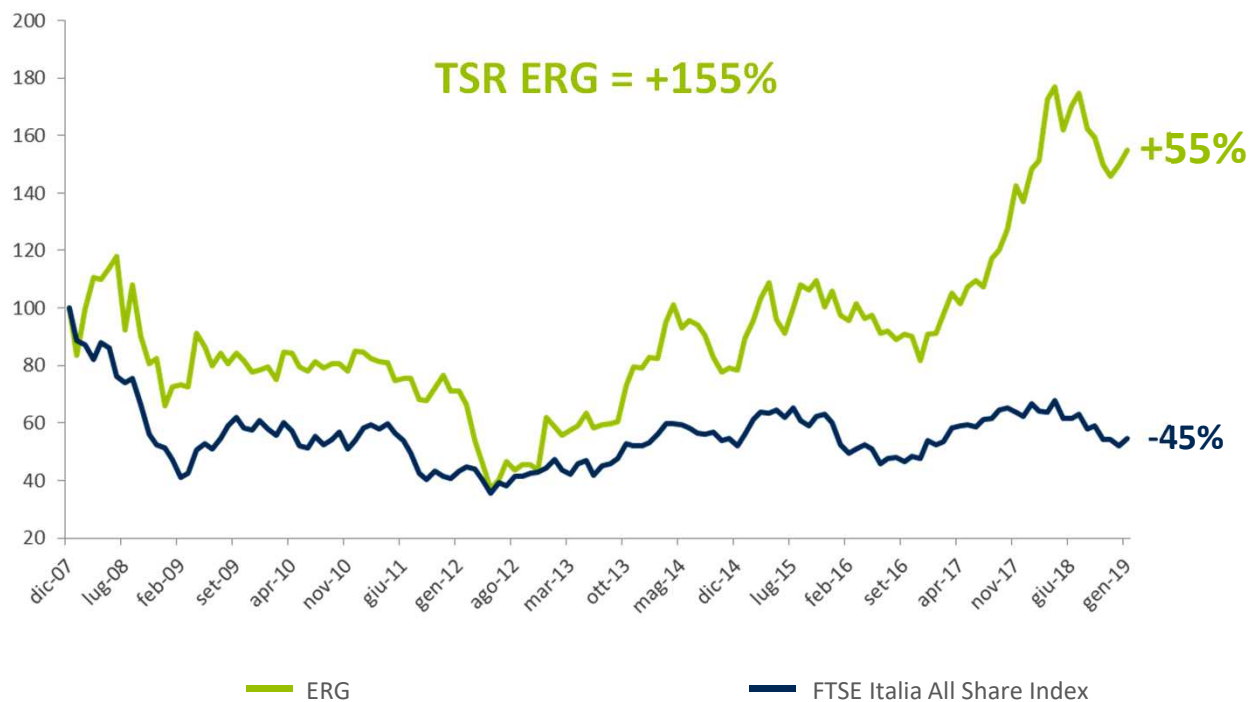
- A strict financial discipline on investments (organic and M&A) through:
  - **Strategic Committee** (EVP, CEO, CFO, 3 Board Members)
  - **Investment Committee** (CEO, CFO, Management Team)
- **Strong risk management policy:**
  - **new risk policy** to ensure the hedging policy of the generation portfolio
- **Full Alignment of interests between Top Management and shareholders through:**
  - a launch of a new **LTI compensation scheme** subject to EGM approval **fully based on shares**



# SHAREHOLDING STRUCTURE



ERG performance vs FTSE Italia All Share (2008 to date)

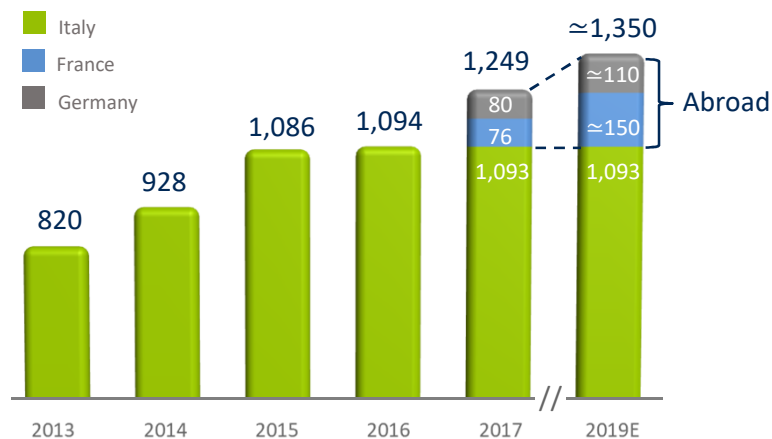


<sup>(1)</sup> ERG owns 0.965% of own Shares

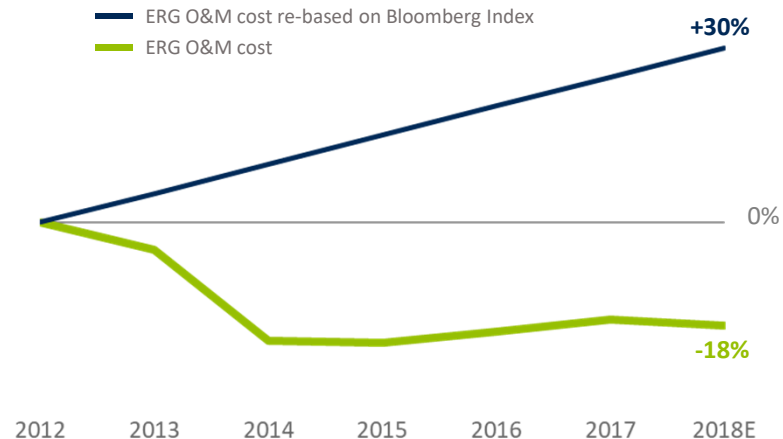


# BEST IN CLASS TECHNICAL EXPERTISE

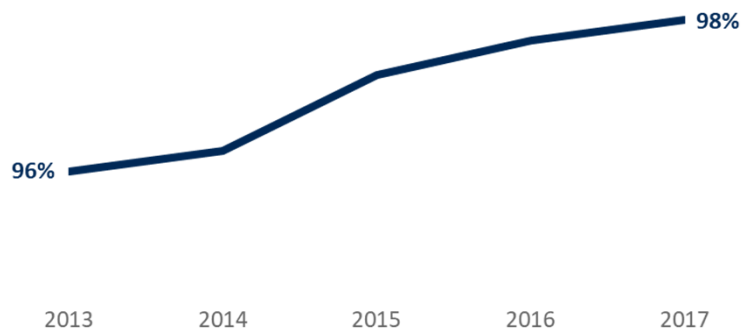
### Progressive O&M internalization (MW)



### O&M operations cost reduction (%)



### Wind farm availability factor (%)



- ✓ Significant O&M costs reduction in Italy (down 25% on average)
- ✓ Constantly delivering excellent performance of wind assets



## 2018-2022 STRATEGY & RECENT DEVELOPMENTS



# ERG 2018-2022 STRATEGIC OPTIONS



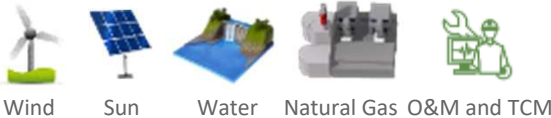
## ERG Group current geographical presence



### Geographical presence



### Business/Technology



## Country/Business attractiveness for ERG

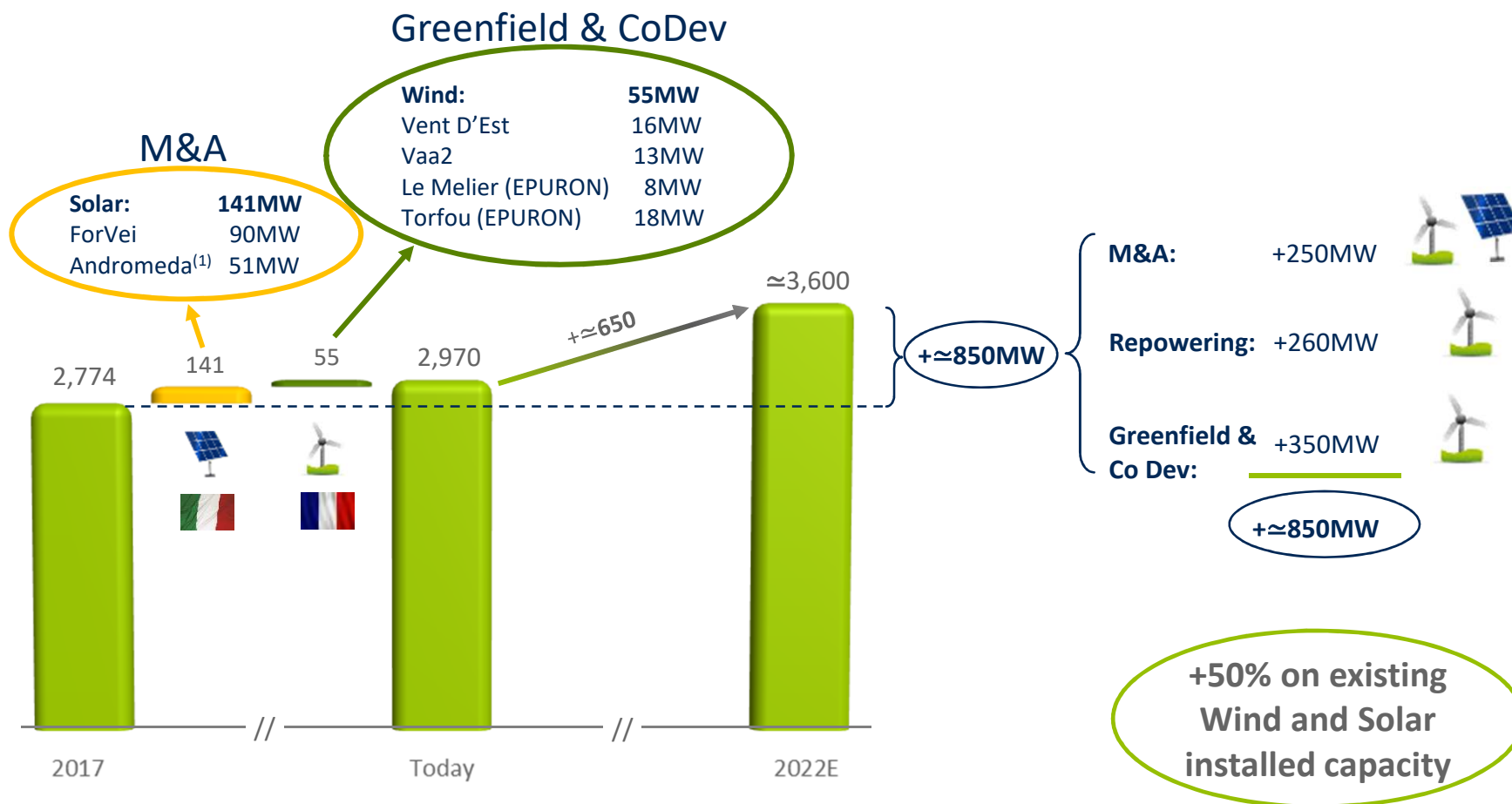
Business/Technology		Reference Geographies			
 Wind	Co-development & Greenfield	✓	✓	✓	✓
	Repowering & Reblading	✓	✓		✓
 Wind  Solar	M&A	✓	✓	✓	
		✓	✓		✓
 O&M and TCM	Focus on technical operating efficiency	✓	✓	✓	✓



# ERG 2018-2022 CAPACITY EVOLUTION

## **STRONG EXECUTION IN 2018**

Growth in installed capacity (MW)



<sup>(1)</sup> Closing to take place by 1Q 2019



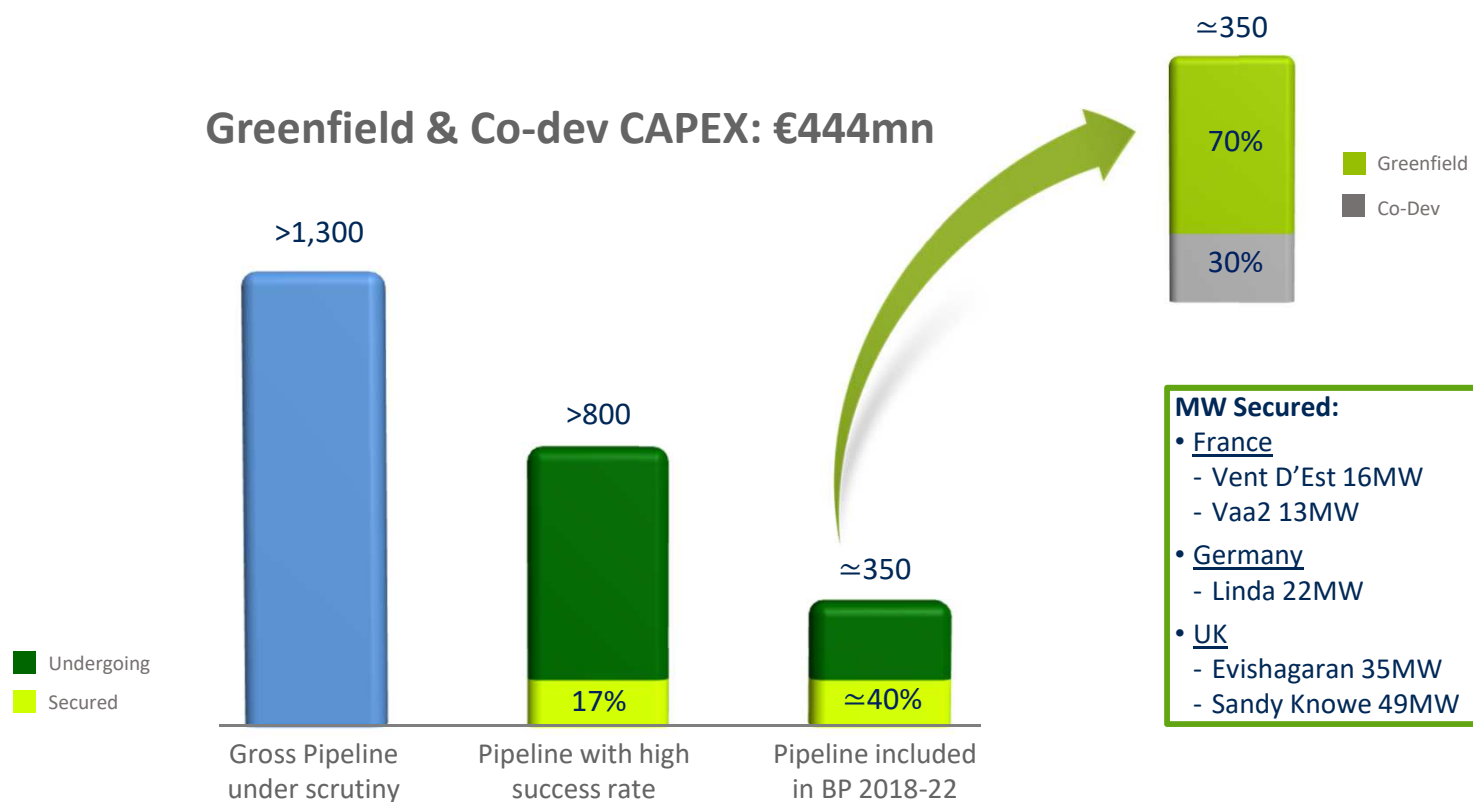
ABROAD  
FOCUS ON CO-DEV & GREENFIELD







# A SOLID PIPELINE TO SUSTAIN GROWTH



Pipeline creates the basis for a sustainable long term growth

# BOOSTED GROWTH IN UK



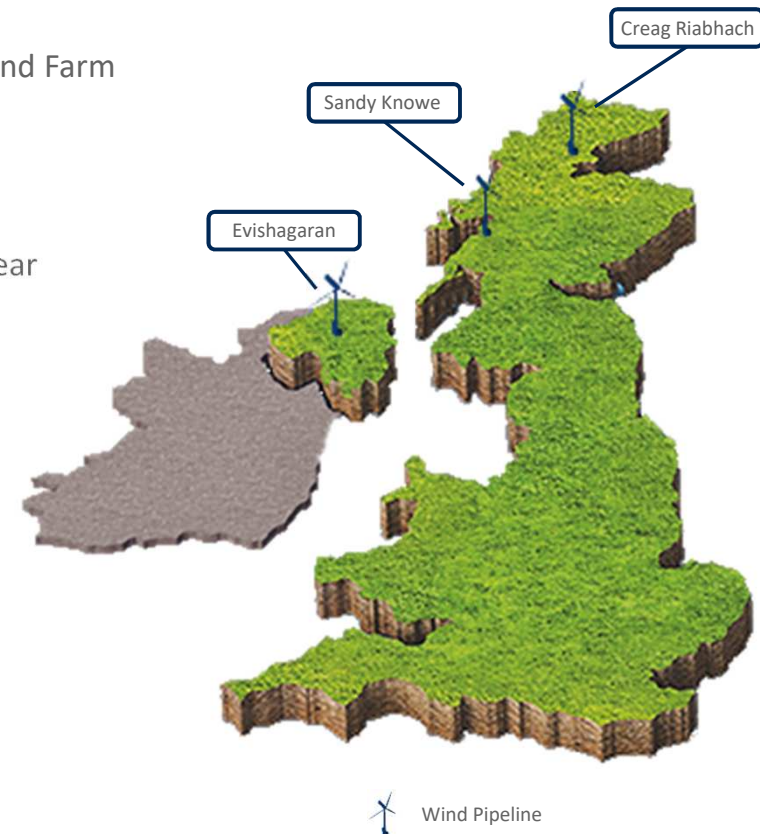
## Deal description

On August 2, 2018 ERG acquired 100% of Creag Riabhach Wind Farm

- 79.2MW authorized project in Scotland
- Construction to start in 2020
- Entry into operation by March 2022
- Expected production: 250GWh, more than 3,000 heq per year
- Total Capex: 89mn GBP (€98mn)

## Strategic rationale

- Boosting ERG growth strategy in UK
- Secured pipeline in UK to increase from 84MW to 163MW
- The project will enable to accelerate the path towards the 2018-2022 BP targets

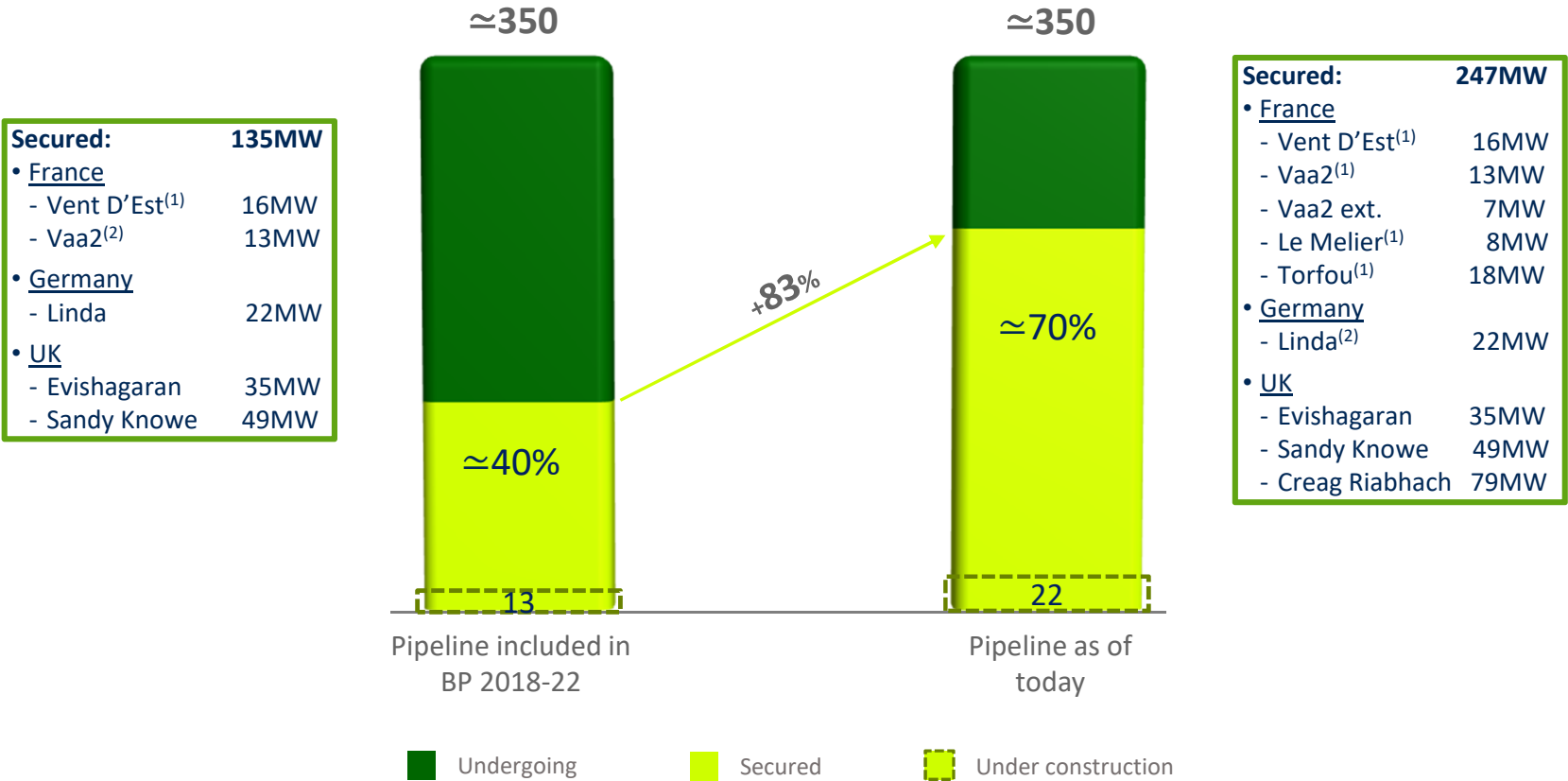


# GREENFIELD DEVELOPMENT WELL ON TRACK



Pipeline included in BP 2018-22

Pipeline as of today



<sup>(1)</sup> In exercise  
<sup>(2)</sup> Under construction

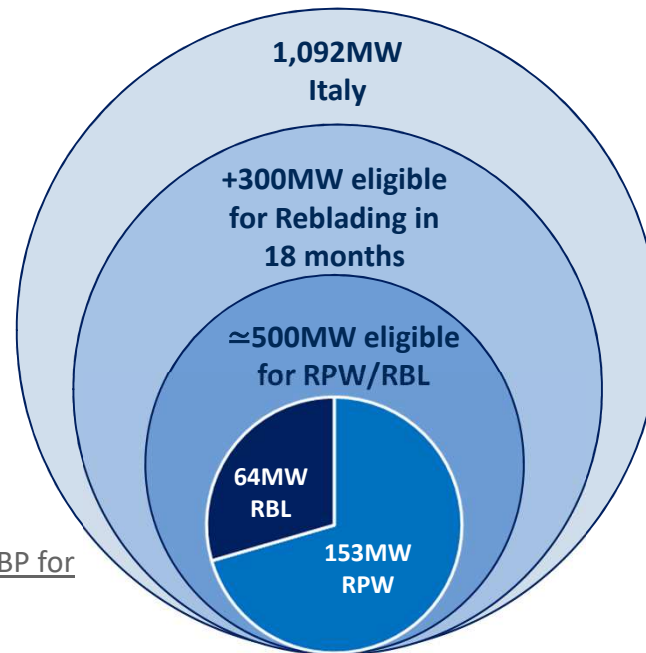


ITALY  
FOCUS ON REPOWERING & REBLADING





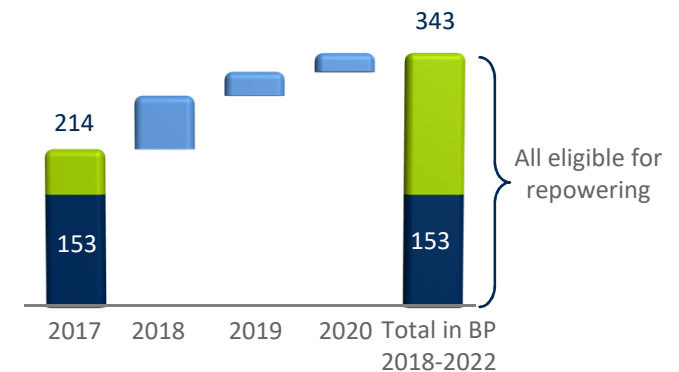
# REPOWERING & REBLADING



## Criteria to include MW in BP for Reblading:

- Incentives beyond BP
- technology fitting to V47 technology
- quite comfortable success rates
- low double digit returns

MW ending incentives in the Plan period



## Criteria to include MW in BP for Repowering:

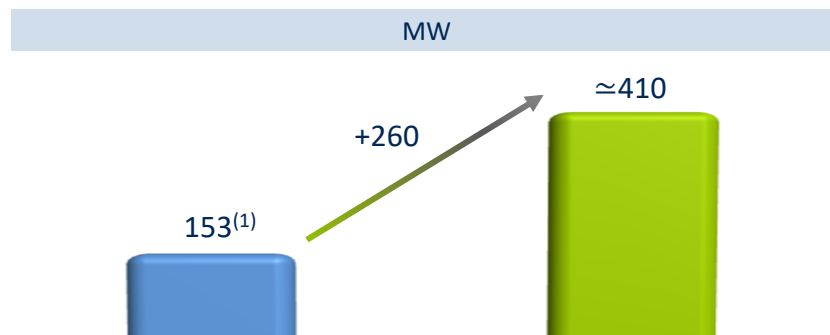
- end of incentives
- technology below 1MW
- quite comfortable success rates
- low double digit returns

**Repowering & Reblading as a way to exploit asset base with new technologies and extend its technical life**  
**Flexible investment plan potentially upgradable**

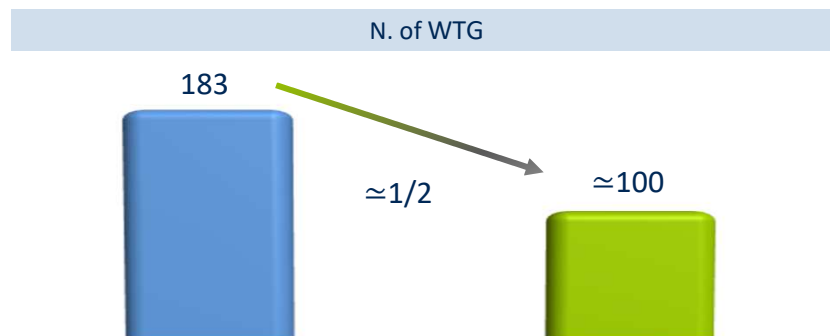
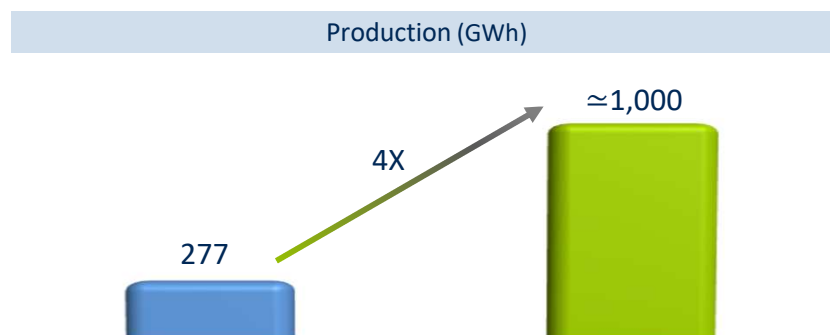


# REPOWERING IN A NUTSHELL

**2018-2022 CAPEX:  
€402mn**



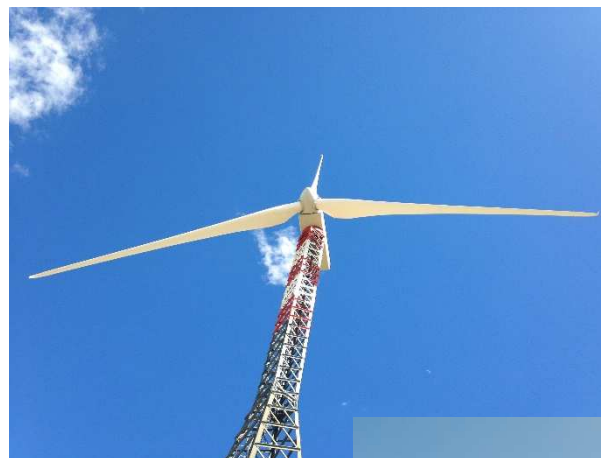
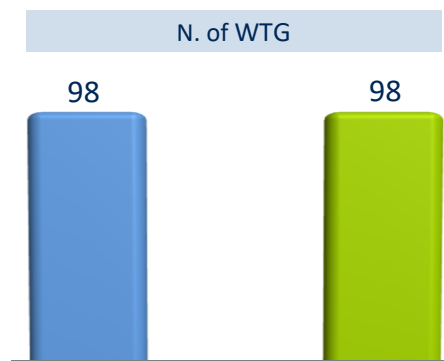
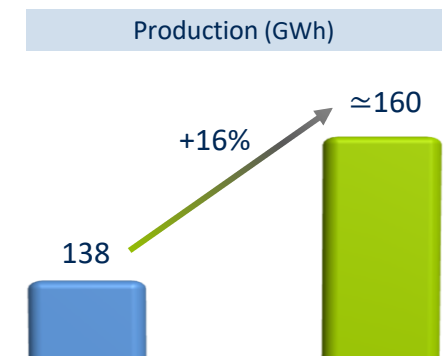
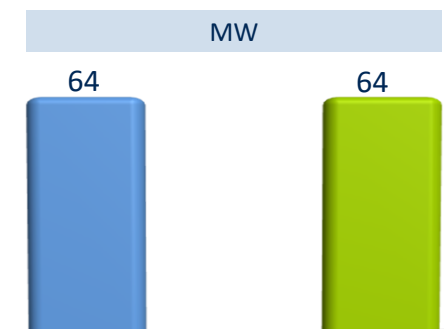
<sup>(1)</sup> Repowering on 6 wind farms



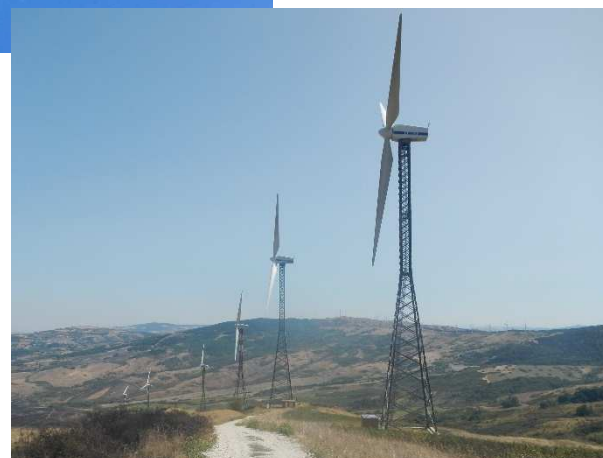
■ Post-Repowering  
■ Pre-Repowering



# REBLADING IN A NUTSHELL



■ Post-Repowering  
■ Pre-Repowering

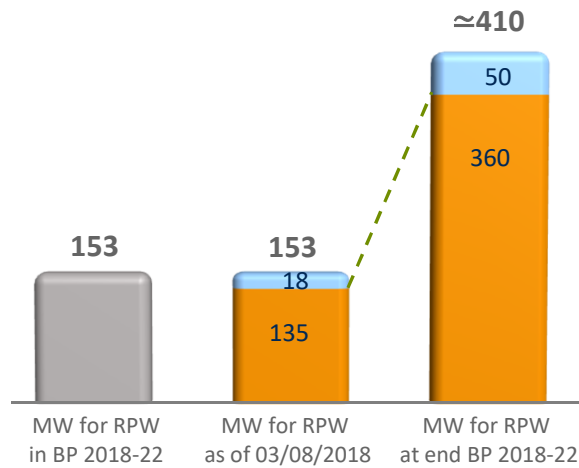


- 2018-2022 CAPEX for Reblading: €16mn
- Reblading ready in 14/18 months
- Mainly based on V47 WTGs as technology already secured
- MWs benefiting of incentives ending beyond BP

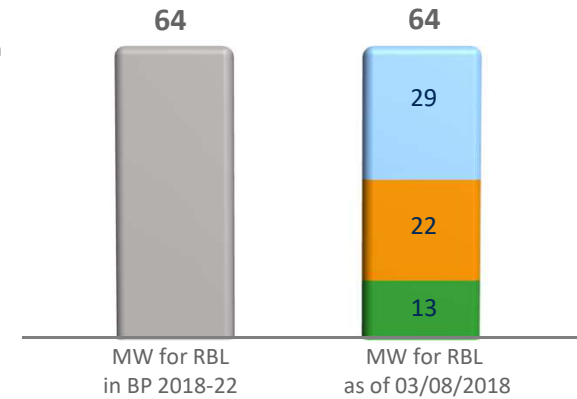
# REPOWERING & REBLADING IN PROGRESS



## Repowering



## Reblading



■ Engineering for Authorization  
■ Authorization process  
■ Construction

- 4 projects entered into the permitting phase
- 1 project to apply for authorization by 3Q 2018
- Engineering in course for 1 project, to start permitting by year end

- 1 project under construction
- 2 projects in the permitting phase
- 1 project in the engineering phase

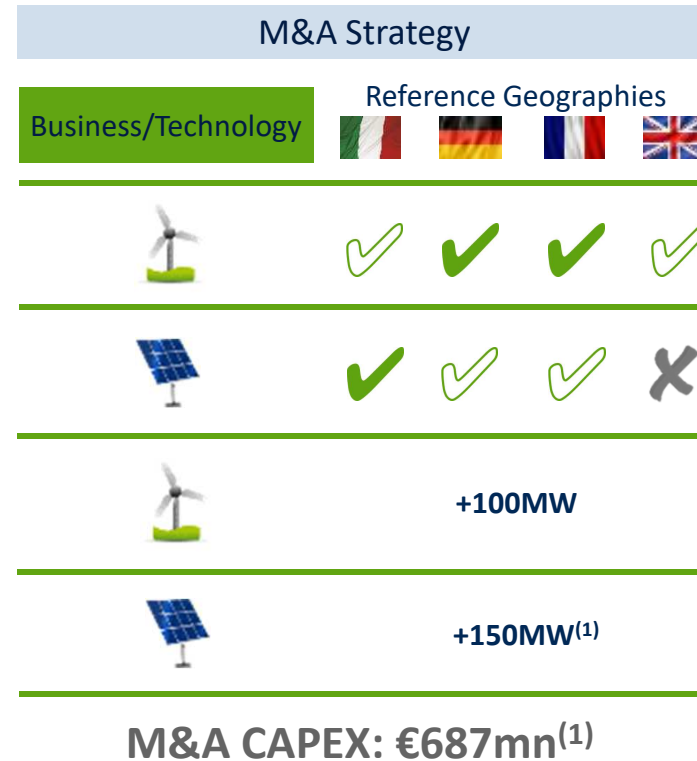
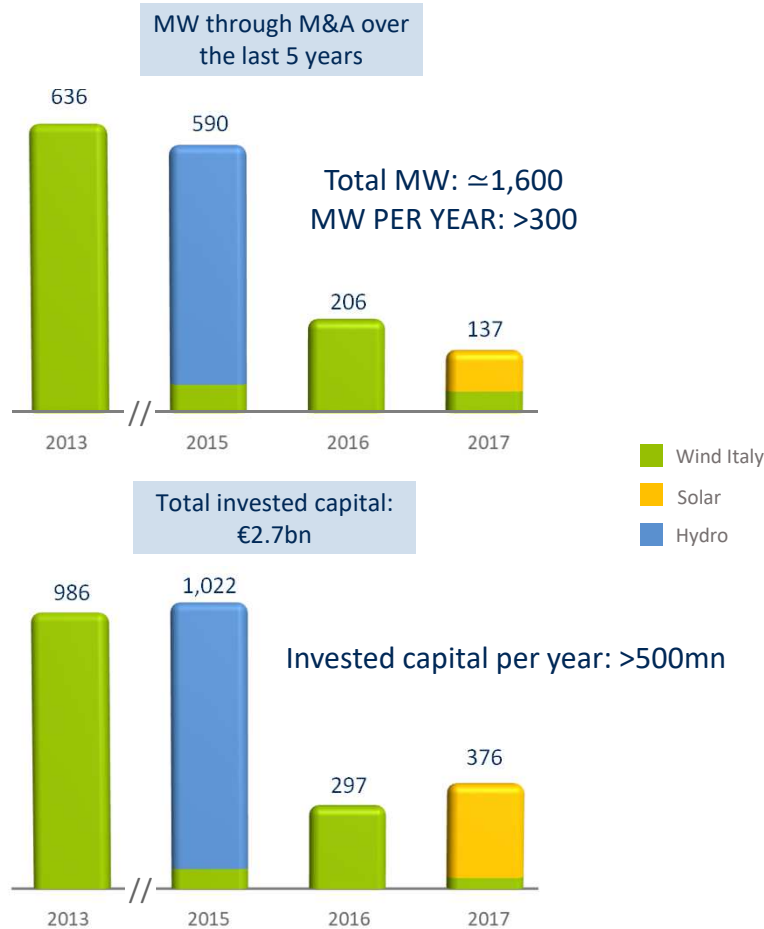




FOCUS ON M&A



# M&A TO SUPPORT ERG GROWTH IN KEY COUNTRIES



- Opportunistic approach to consolidate leading positions in the core countries
- Short term growth approach to support greenfield

## Value creation leveraging on strong M&A track record

<sup>(1)</sup> It includes ForVEI acquisition in Italy (89MW) for an EV of €337mn



# BOOSTED GROWTH IN FRANCE

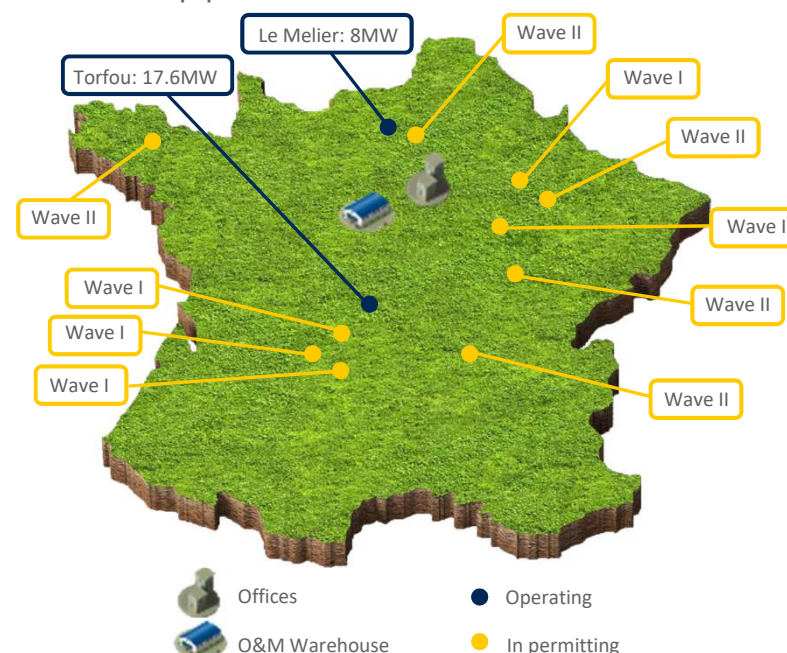
## Deal description

On April 6, 2018 ERG reached an agreement with IMPAX Energy Holding Cooperatief for the acquisition of:

- Melier wind farm: 8MW COD November 2016 (estimated annual production = 23GWh)
- Torfou<sup>(1)</sup> wind farm: 18MW under construction COD expected by 2018 (estimated annual production=48GWh)
- Pipeline of about 750MW made up as follows:
  - Wave I: 101MW at an advanced stage of development, expected on stream in 2H 2021
  - Wave II: 143MW at an intermediate stage of development, on stream in 2H 2022
  - Wave III: 500MW early stage, beyond BP period
- Included in the transaction a team of 12 people with a proven track record in greenfield projects
- EV at €57mn, of which €17mn of PF, plus €5mn earn out related to the pipeline

## Strategic rationales

- Boosting ERG growth strategy in France with installed capacity to reach 300MW at Closing
- Internalization of a team of proven experience in the Sector and its know-how
- The pipeline will enable to pursue organic growth as envisaged in ERG's 2018-2022 BP



<sup>(1)</sup> In operation as of end of 2018.

# ERG PURSUES GROWTH IN THE SOLAR BUSINESS



## Key transaction terms:

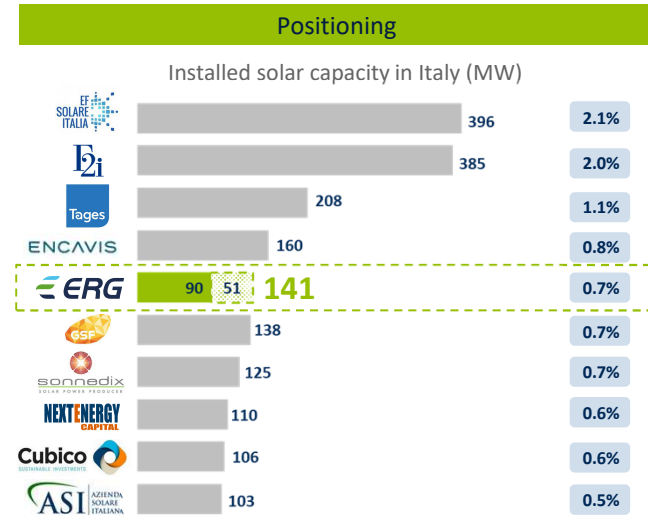
- On January 11, 2019 ERG signed an agreement with Soles Montalto GmbH to acquire 78.5% of Perseo, owner of 100% of Andromeda PV S.r.l.
- EV: €221mn
- Equity: €96mn
- Closing by 1Q 2019

## Andromeda description:

- Andromeda owns 2 solar plants with an installed capacity of 51.4MW
- Assets in operation since 4Q 2010, located in Montalto di Castro (Lazio)
- Equipped with SunPower technology and monoaxial tracker
- 2017 production of 95.9GWh
- 100% of capacity is entitled to receive incentives «Conto Energia II» until 2030
- 2017 EBITDA of €31mn

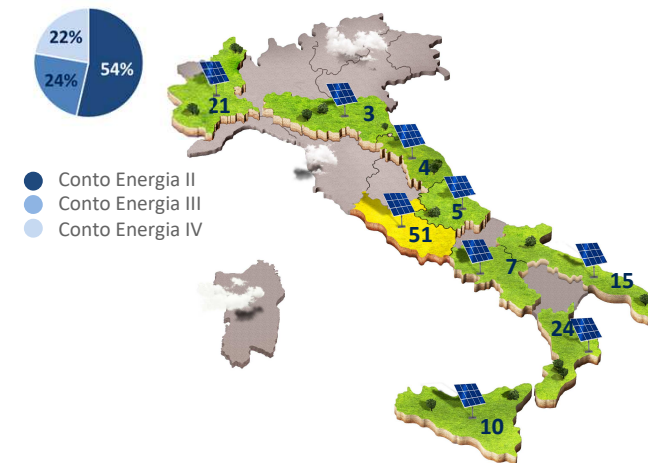
## Strategic rationales

- Very high quality assets
- ERG to become one of the five leading solar operator in Italy
- Achievement of BP targets ahead of schedule
- Optimisation of Energy management portfolio
- Pursuing technological diversification strategy



Source: last available public information at 31.12.2018

### ERG solar installed Capacity: 141MW



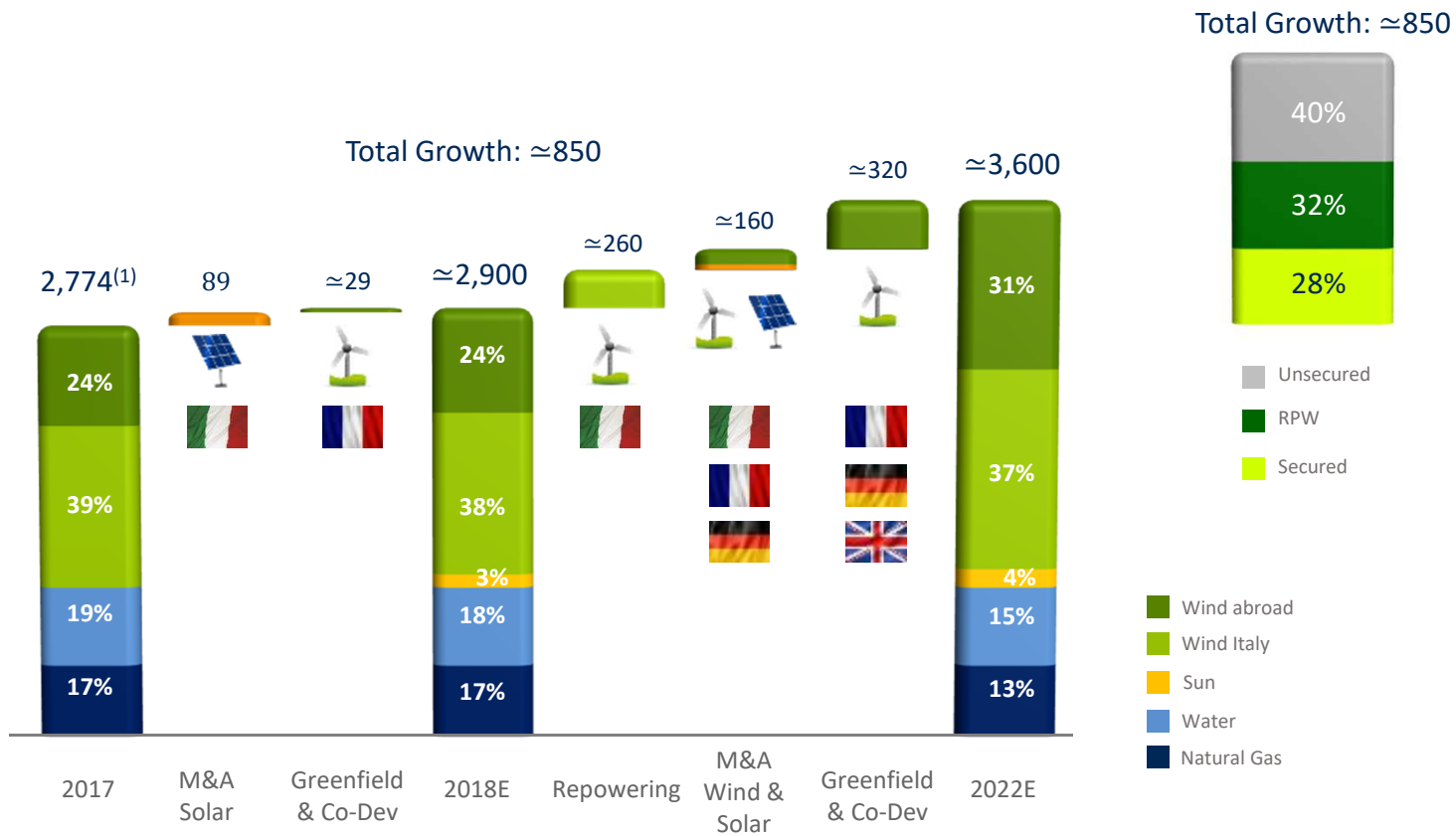


## 2018-2022 BUSINESS PLAN - TARGETS





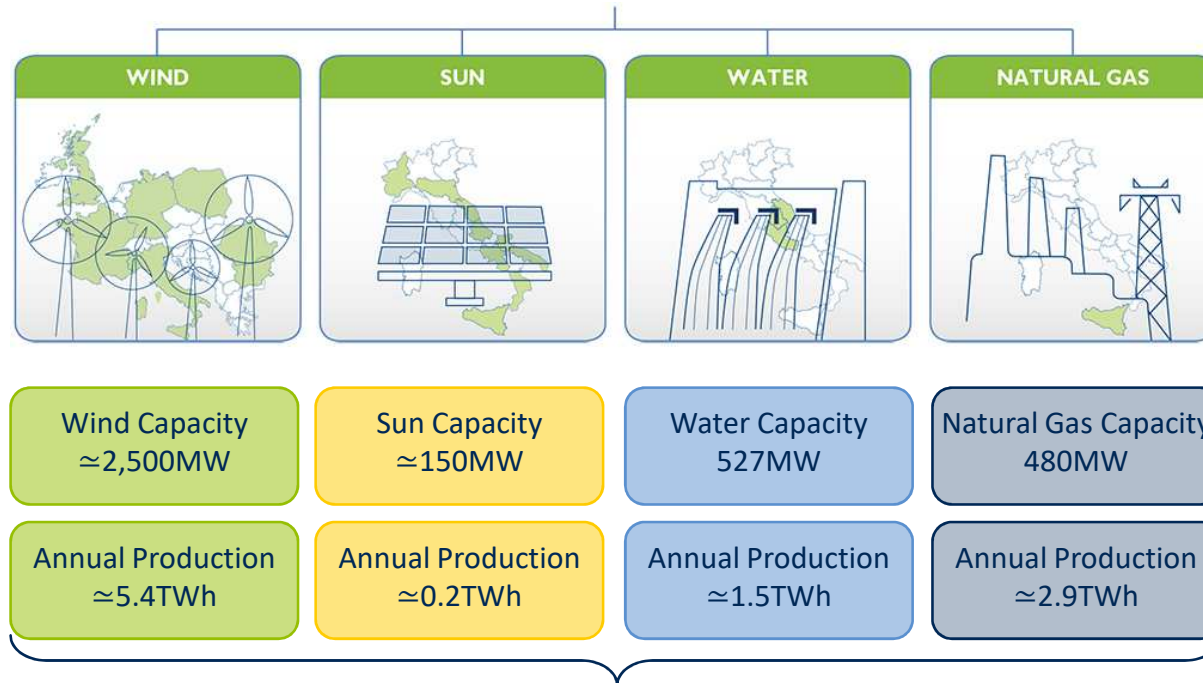
# INSTALLED CAPACITY EVOLUTION



A solid growth path leveraging on greenfield, repowering and M&A

<sup>(1)</sup> 2017 Capacity net of Brockaghboy wind farm in UK (47.5MW)

# A BIGGER & DIVERSIFIED ELECTRICITY PORTFOLIO

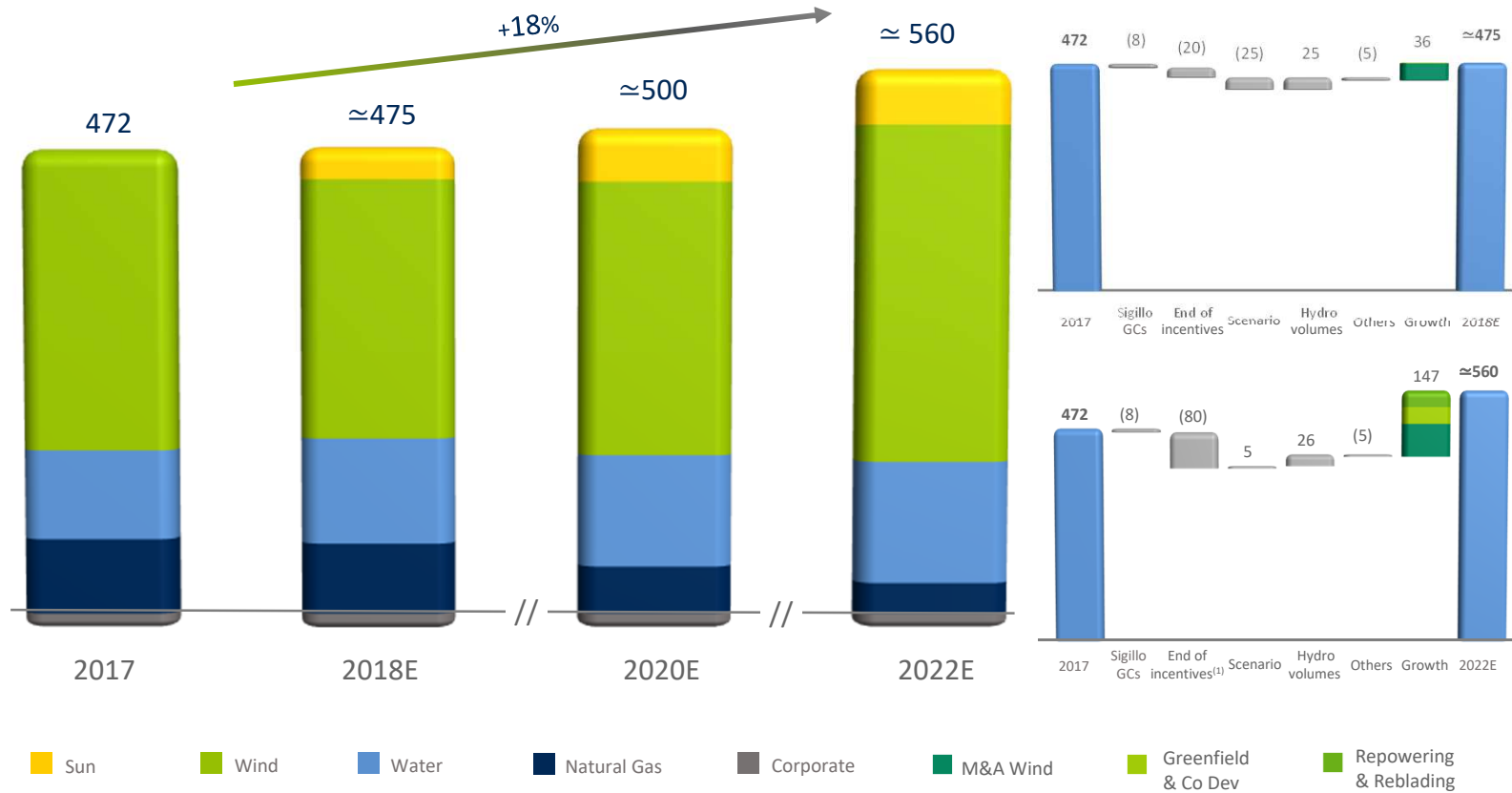


**Total 2022 Expected Production: ≈10TWh**

**Total Energy Portfolio including hedging & other sales: ≈15TWh**



# 2018-2022 EBITDA EVOLUTION



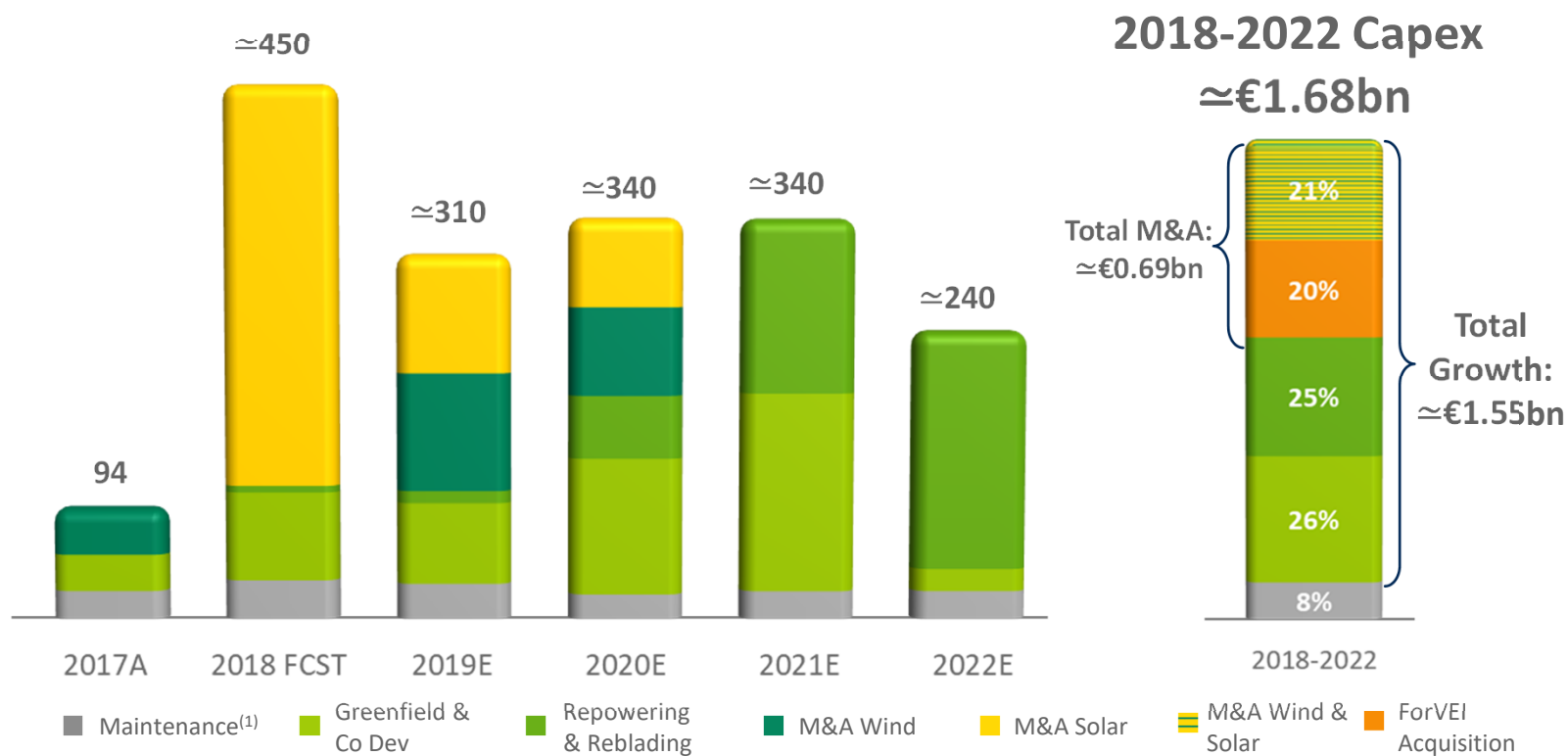
**EBITDA growth based on industrial efficiency and strong rise in renewable asset base**

<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

# ERG 2018-2022: FINANCIAL STRATEGY

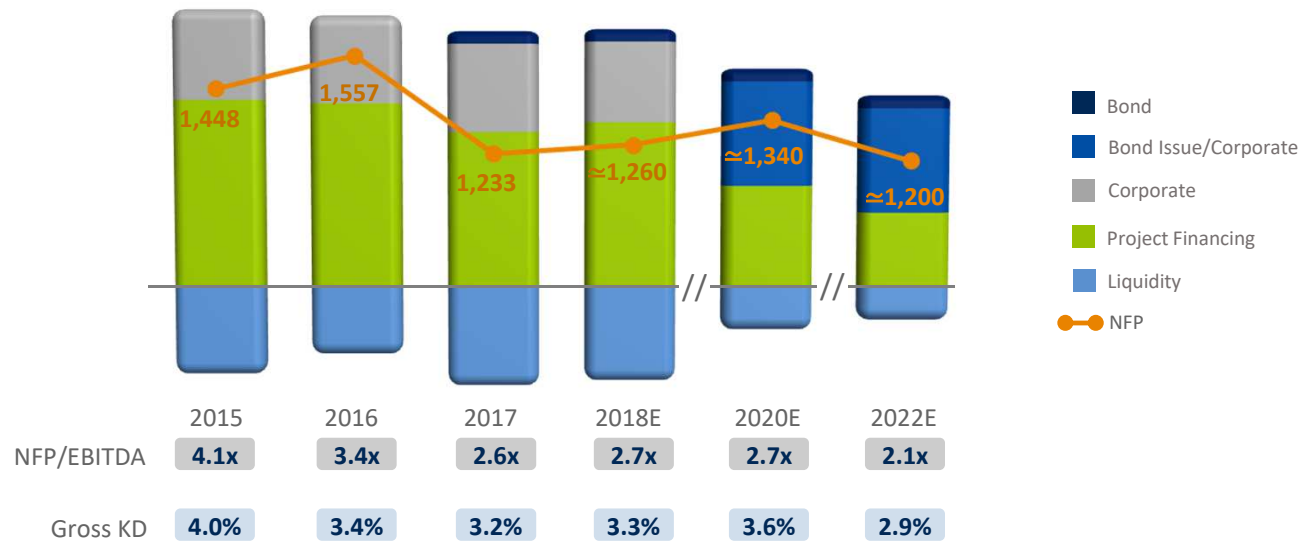


## 2015-2017 achievements

- 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

# EFFECTIVE LIABILITY MANAGEMENT



## Actions

- 1 Repricing of PFs for €190mn, mainly for solar assets
- 2 Early settlement of the lease agreements for solar assets and replacement with corporate loan for €70mn
- 3 Refinancing of ERG Eolica Adriatica PF for €98mn
- 4 Corporate loan refinancing for €150mn
- 5 Launched an EMTN Programme for a maximum amount of €1bn

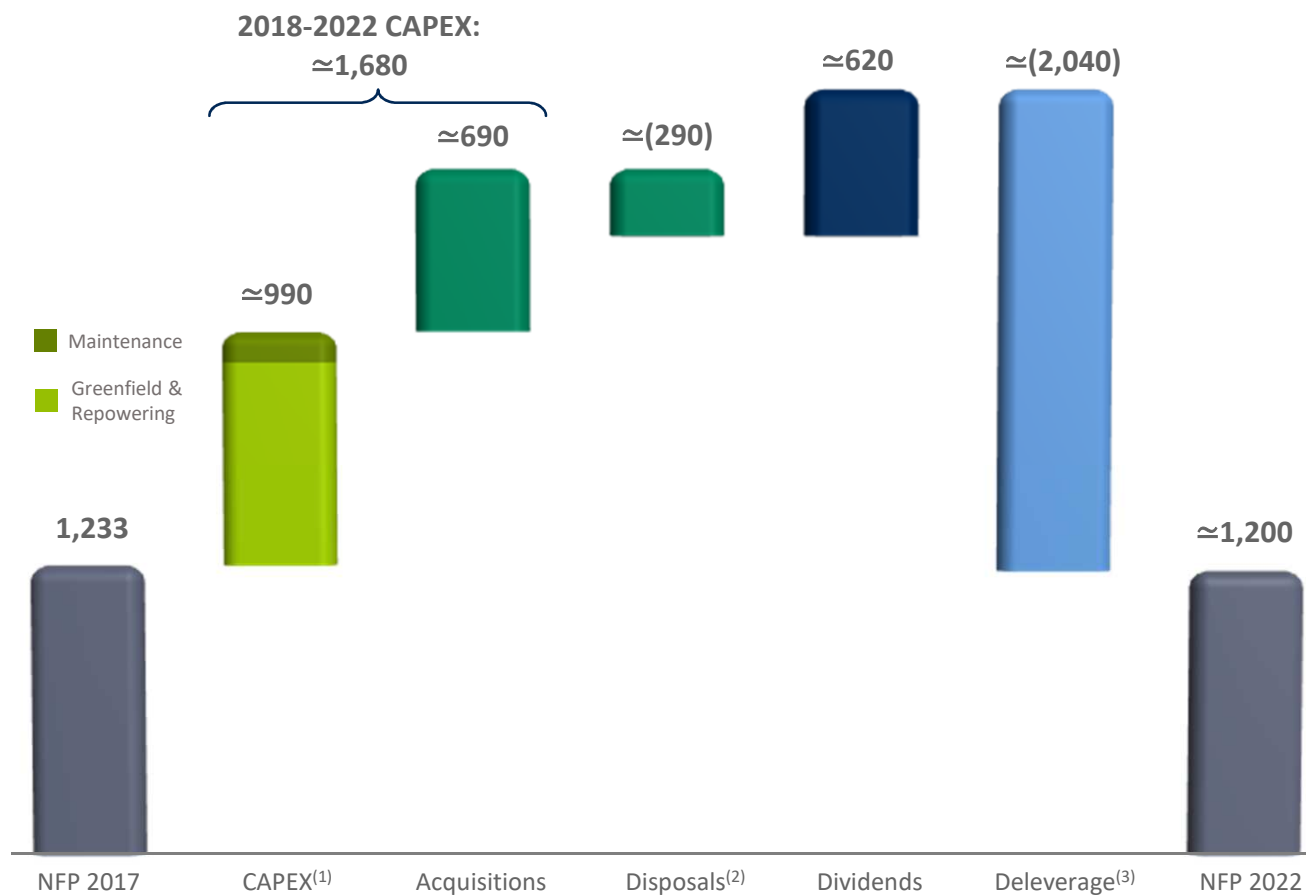
## Results

- 1 Net KD reduction of 1% as of 2H 2018
- 2 1 year extension of debt duration
- 3 €4.5mn reduction of net financial costs per year
- 4 Optimising of funding opportunities on the capital market

Fitch assigned BBB- Investment Grade Rating with Stable Outlook



# 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

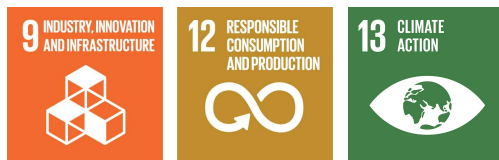
<sup>(4)</sup> FCF Yield: EBITDA after working capital, taxes and net financial costs, deducted maintenance CAPEX, on market cap (share price at €16.4)



# 2018-2022 CSR DRIVERS

## Tackling climate change

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



## People enhancing

- New leadership model
- Human Capital Coverage
- Skills development



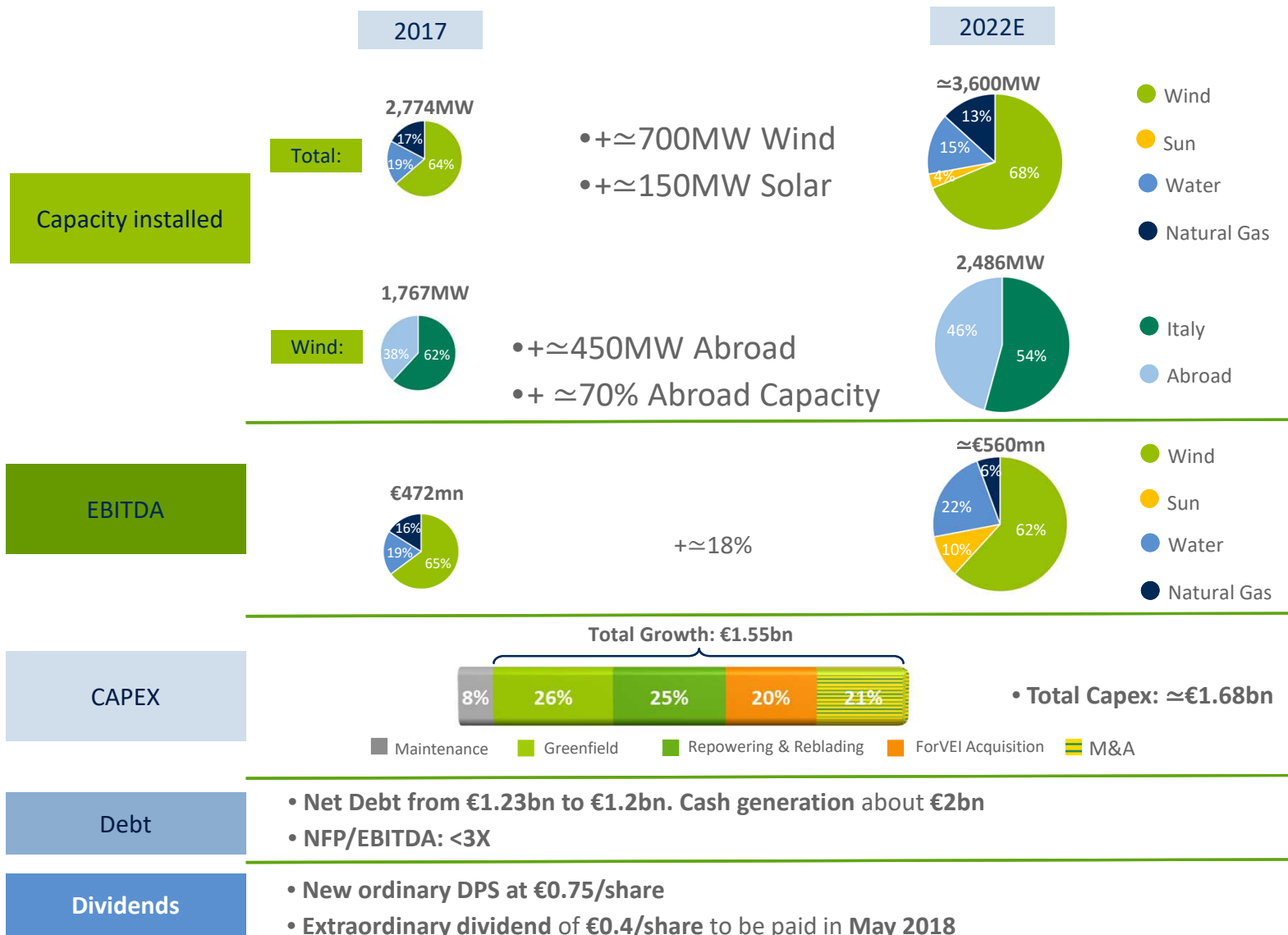
## Sustainable thinking sustainable acting

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





# KPI IN THE PLAN PERIOD



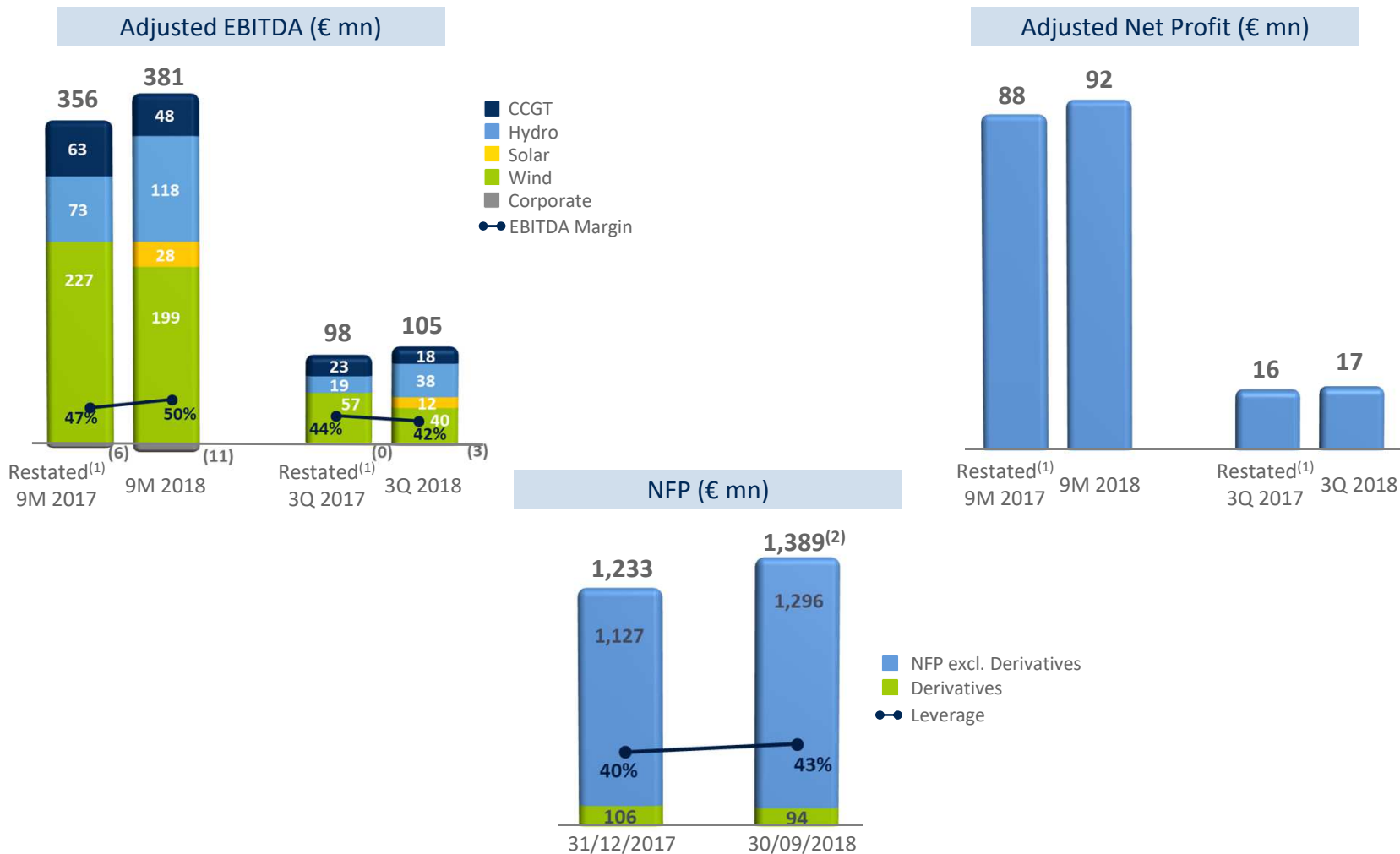


## 3Q 2018 RESULTS





# HIGHLIGHTS: KEY FIGURES



Good results thanks to ERG generation mix

<sup>(1)</sup> It excludes TE contribution for €10.1mn in 3Q 2017 and €25mn in 9M 2017

<sup>(2)</sup> It includes Vendor Loan to api for €37mn



# ADJUSTED P&L

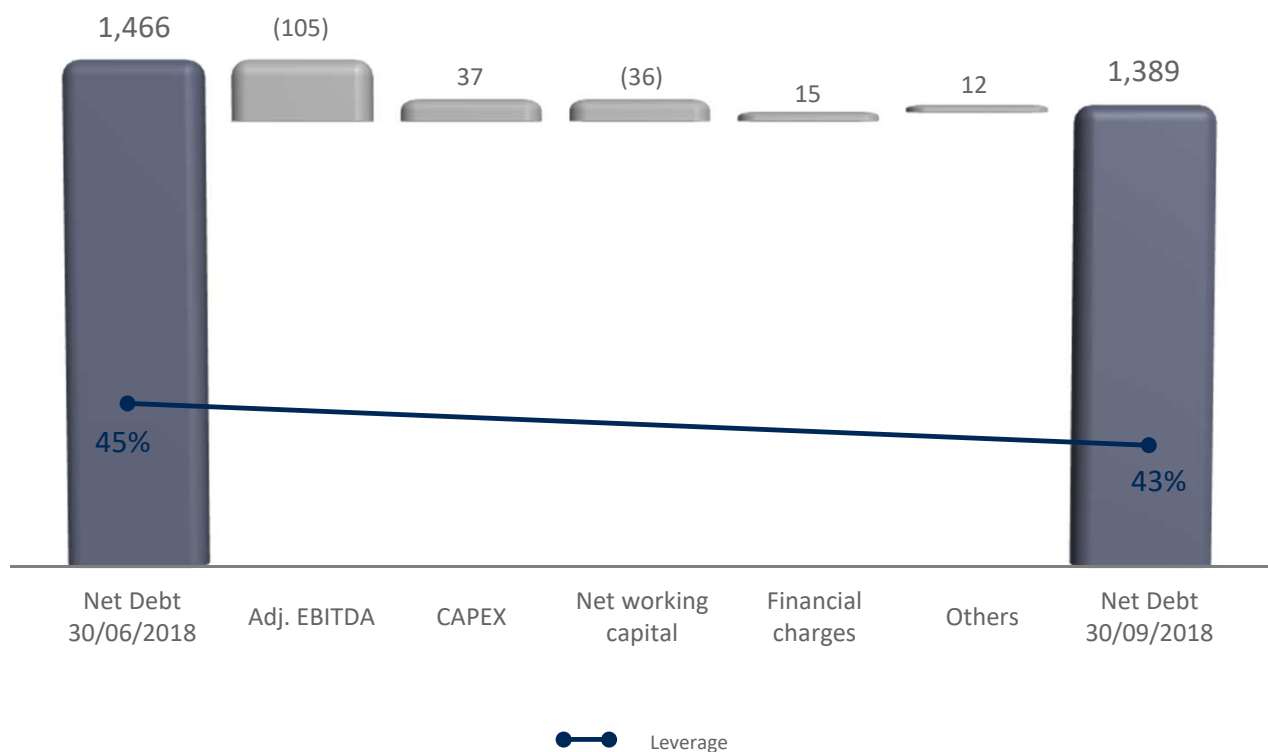


9M 2018	Restated 9M 2017	Euro millions	3Q 2018	Restated 3Q 2017
381	356	Adjusted EBITDA	105	98
(203)	(188)	<i>Amortization and depreciation</i>	(67)	(62)
178	168	Adjusted EBIT	38	36
(53)	(49)	<i>Net financial income (expenses)</i>	(15)	(15)
0	0	<i>Net income (loss) from equity investments</i>	0	0
125	119	Adjusted Results before taxes	22	21
(33)	(31)	<i>Income taxes</i>	(6)	(5)
92	88	Adjusted Results for the period	17	16
(0)	0	<i>Minority interests</i>	(0)	0
92	88	Adjusted Net Profit	17	16
26%	26%	Tax Rate	26%	24%

Note: figures based on NO GAAP measures

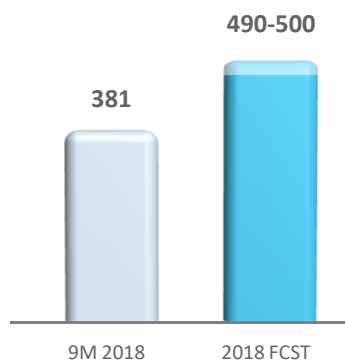


# 3Q 2018 CASH FLOW STATEMENT





# 2018 GUIDANCE



Adj. EBITDA:

✓ Guidance range confirmed at €490-500mn



CAPEX:

✓ Guidance range confirmed at €520-540mn



NFP:

✓ Guidance confirmed at €1.35bn

■ Guidance range  
■ Guidance  
■ Actual

<sup>(1)</sup> It includes Vendor Loan to api for €37mn



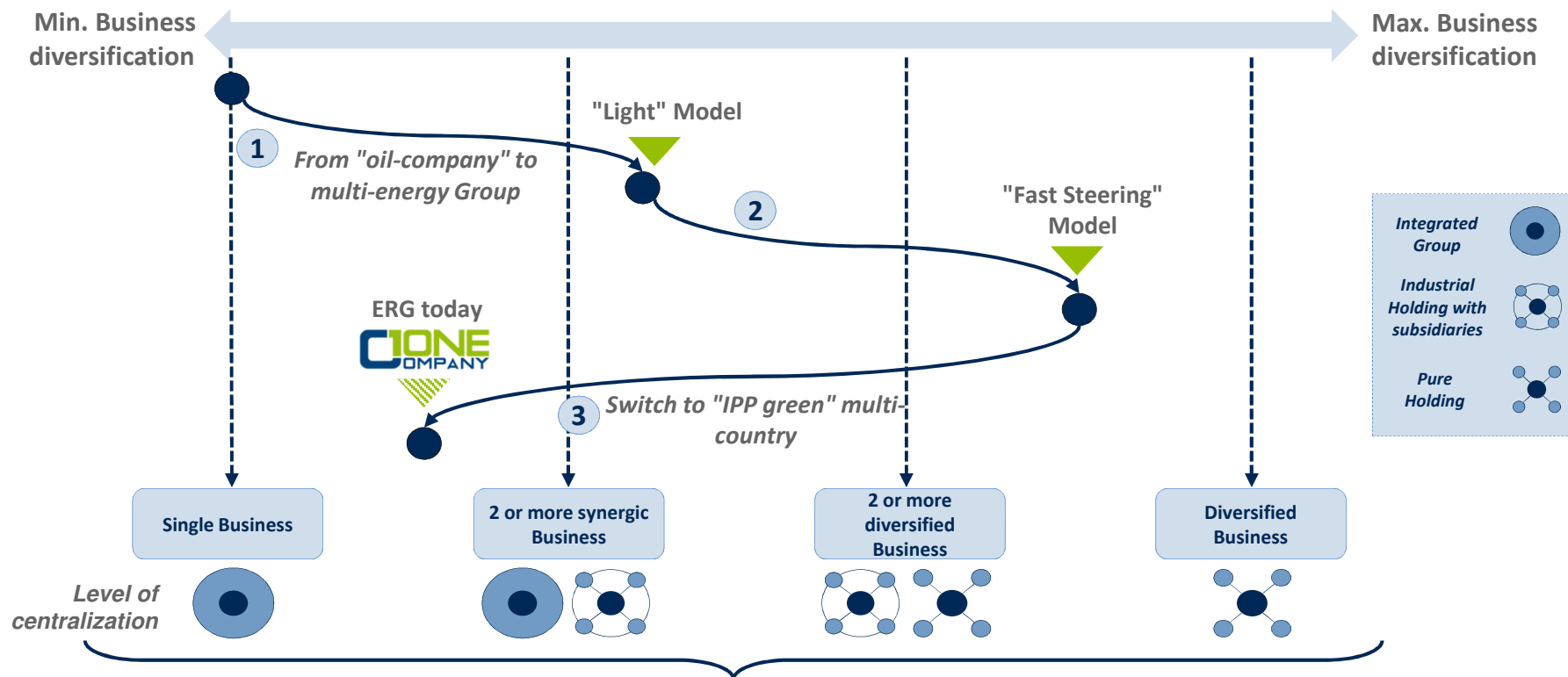
## APPENDIX





# ERG CHANGE MANAGEMENT APPROACH

## FLEXIBLE MINDSET



- **Organizational changes always consistent with business model** (from "Multi Energy" to "IPP green")
- Synergies between staff & lines
- **Flexible mindset** to cope with a changing business environment



## WHERE LEVERS MATCH ACCOUNTABILITY

		GEN & MARKET	AFC & PROC	HC & ICT	PA & C	BD	CORP & LEG AFF
ERG Power Generation Spa	<b>Business levers</b>	✓					
	Energy Management	✓					
	Market (Com.al)	✓					
	Regulatory	✓					
	Operations / Asset Mgmt	✓					
	Maintenance	✓					
	E&C	✓					
ERG Spa	<b>Corporate levers</b>		✓			✓	
	Procurement		✓				
	Business Development						✓
	Energy Risk Management		✓				
	Finance		✓				
	M&A		✓				
	Institutional Relations				✓		
Human Capital & ICT			✓				
Legal Risk Management						✓	
		6	3	1	2	1	1
<div style="border: 1px dashed black; padding: 5px; display: inline-block;"> <b>No Overlapping levers</b> </div>							

# REGULATORY AND COMPETITIVE GAME CHANGERS



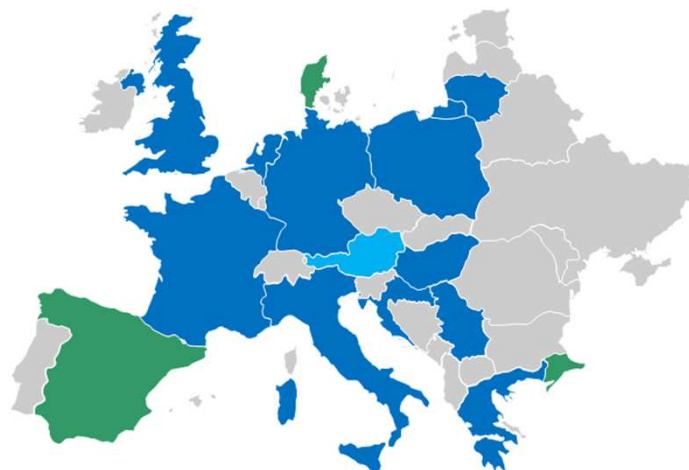
## FROM INCENTIVES TO AUCTIONS

- Competitive pressure and higher merchant risk
- Only partially mitigated by the possibility to introduce PPAs

## WIND & SOLAR COMPETITIVE VS. TRADITIONAL SOURCES

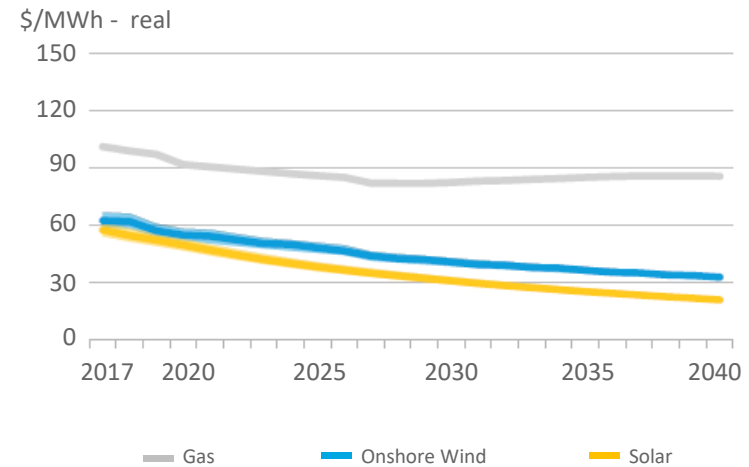
- Competition amongst technologies based on costs, efficiency & dispatching strategy

Europe: Map of auctions



- Auctions or tender in use prior to 1Q 2016
- Auctions or tender policy introduced between 1Q 2016 and 2Q 2017
- Auctions or tender policy in planning
- No auctions

LCOE of new gas, onshore wind, and solar



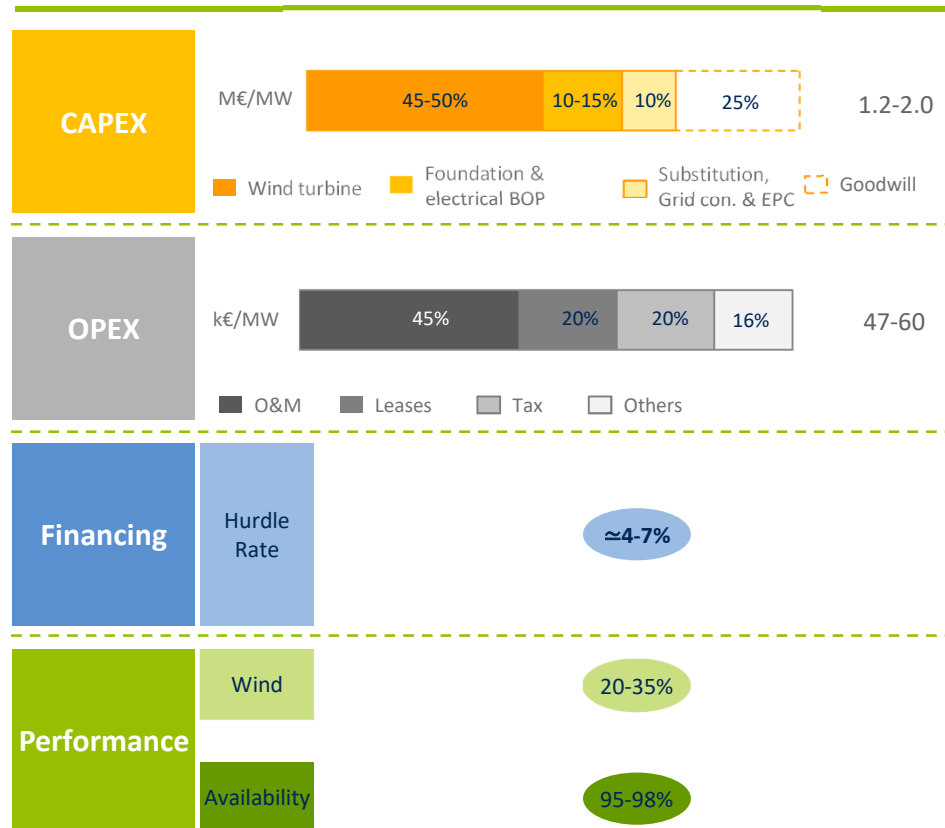
Source: Bloomberg New Energy Finance, 5/12/2017

## Renewables evolution: from an infrastructural sector to a competitive industry



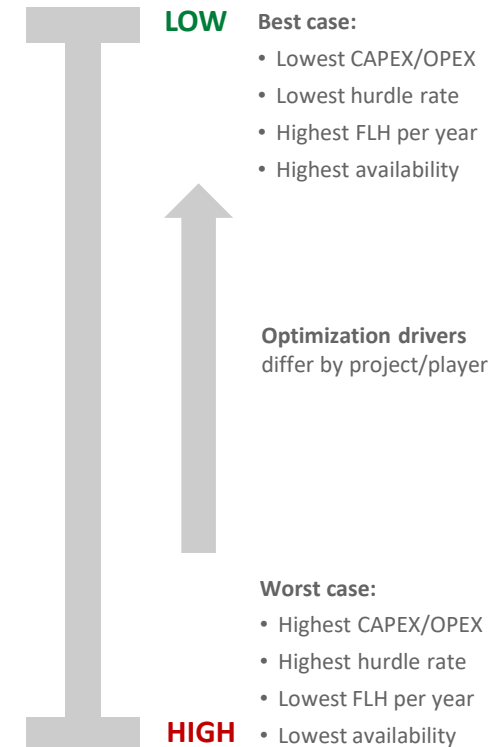
# LCOE AS A KEY LEVER TO COMPETE

## Key drivers affecting LCOE



Source: ETRI, EWEA, Irena, BCG analysis

## LCOE (€/MWh) Average cross countries Ger/Fr/UK



Broad range of LCOEs requiring specific valuation by project and type of players





# MOVING GREENFIELD TO REDUCE LCOE

Drivers	Fund / Financial player	Utility (Operator)	Utility (Greenfield)	Top Performer
CAPEX	↑ High	↔ Avg	↓ Low	↓ Low
Goodwill (increasing inves.)	YES	YES	NO	NO
OPEX	↑ High	↓ Low	↓ Low	↓ Low
Hurdle rate	↓ Low	↑ High	↑ High	↑ High
Wind	↔ Avg	↔ Avg	↔ Avg	↑ High
Availability	↓ Low	↑ High	↑ High	↑ High
<b>LCOE</b> Average cross countries Ger/Fra/UK				
	HIGH		LOW	



## MANAGEMENT PROFILES





## 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 **Chief Financial Officer**: reporting directly to the CEO, he is in charge of the Group Administration, Finance, Merger & Acquisitions, Procurement, Planning, Control & Reporting, Group Risk Management & Corporate Finance, Investor Relations.

He is a Board Director of ERG Power Generation S.p.A., beside being member of the Strategic Committee and 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.