



ITALIAN SUSTAINABILITY DAY

MILAN, 10 JULY 2017





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 transformation into Green
- ERG Sustainability
- ERG in a nutshell as at 31.12.2016



A SUCCESSFUL TRANSFORMATION INTO GREEN



2008-2015: INDUSTRIAL REPOSITIONING



2008

2012

2016

2008-2016 EBITDA and Net Income evolution

Refining & Marketing

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

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

- No more exposure to Refining
- 51% stake in TE, equity consolidated. Mkt share 10.9%

Renewables

- ERG Renew ≈0.2GW
- EBITDA ≈€20mn

- ERG Renew ≈0.6GW
- 3rd wind player in Italy
- EBITDA ≈€130mn

- ERG Renew: 1,720MW
- 1st wind player in Italy
- 8th EU wind player
- EBITDA = €308mn

Thermoelectric

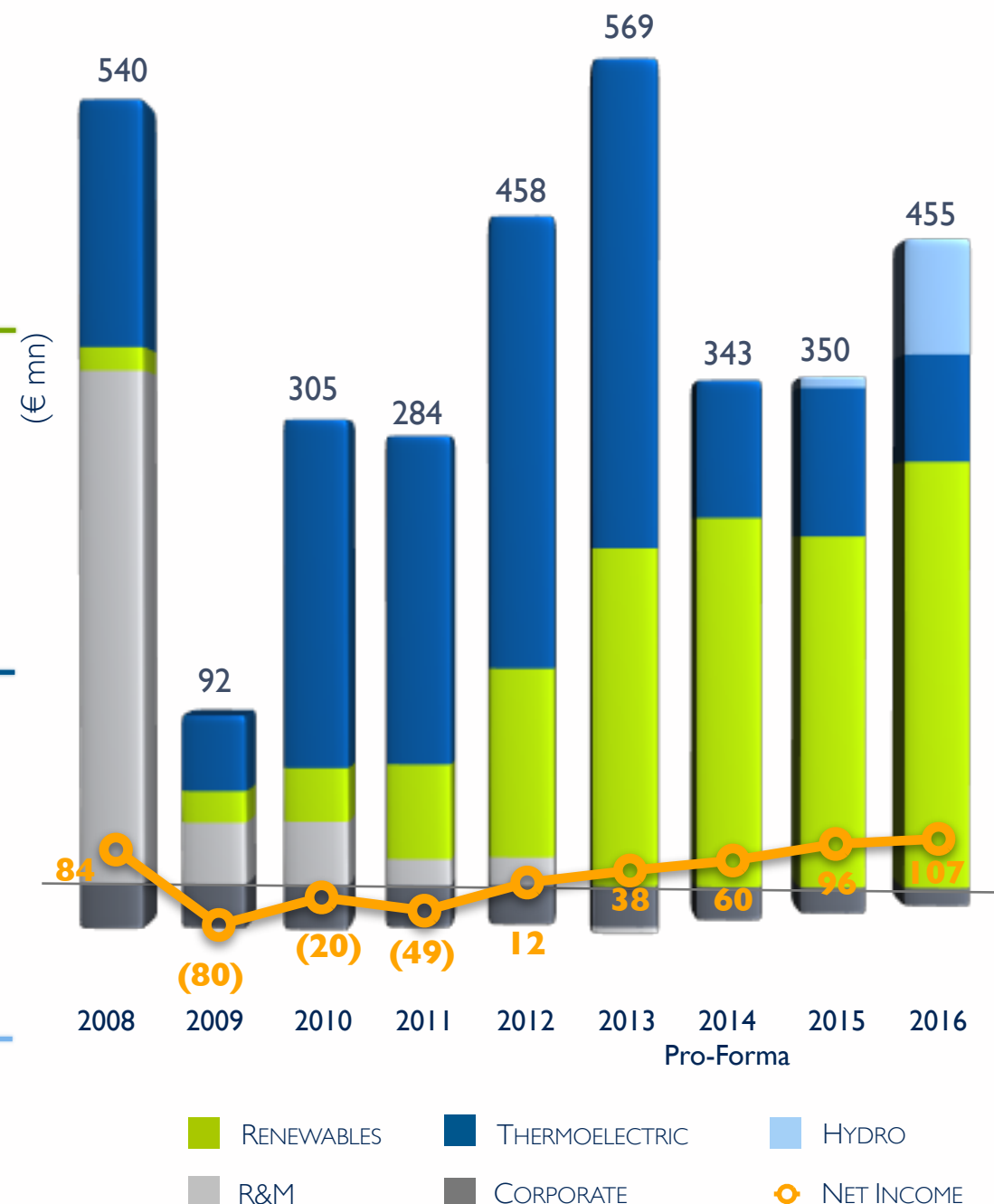
- Electricity produced by ISAB Energy / CTE
- Presence in gas logistics / trading projects and retail power

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

- 480MW high yield CCGT
- Best-in class profitability
- EBITDA = €77mn

Hydro

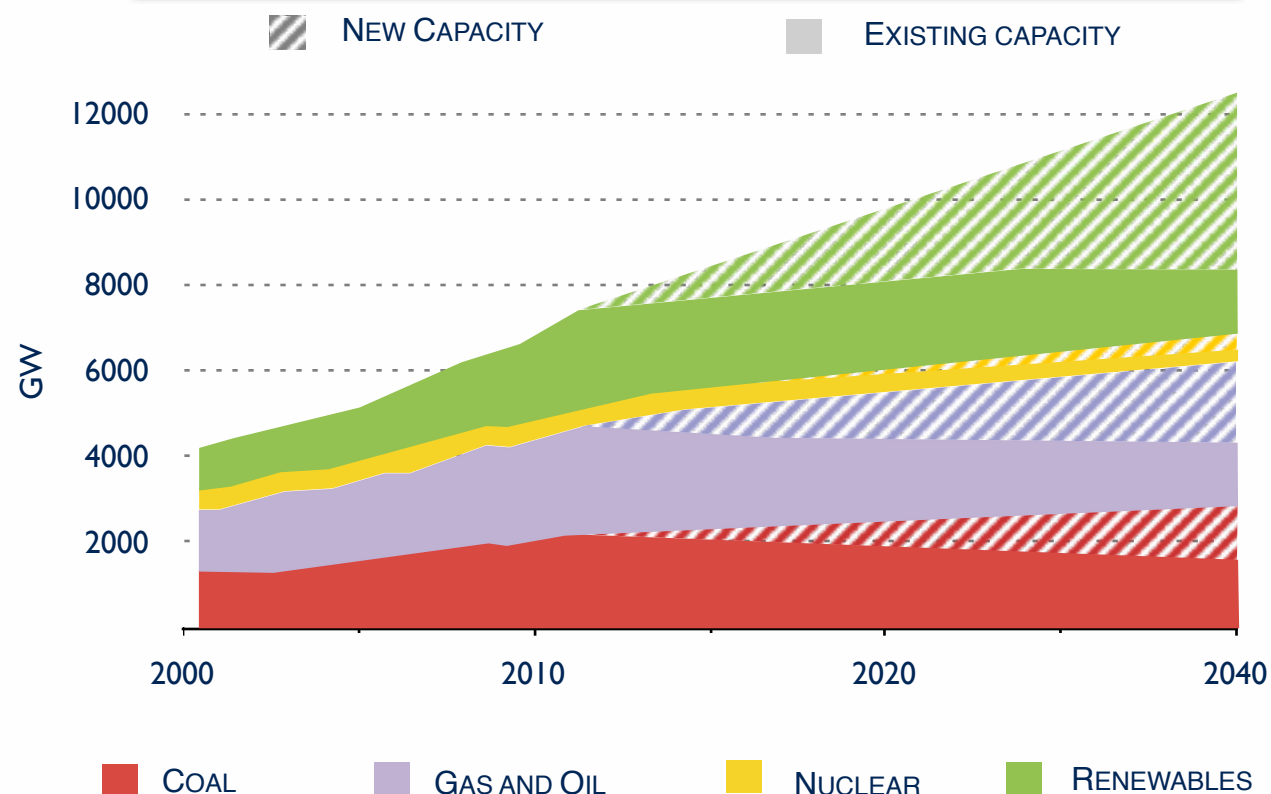
- 527MW Hydro integrated plant as of December 1, 2015
- EBITDA = €84mn





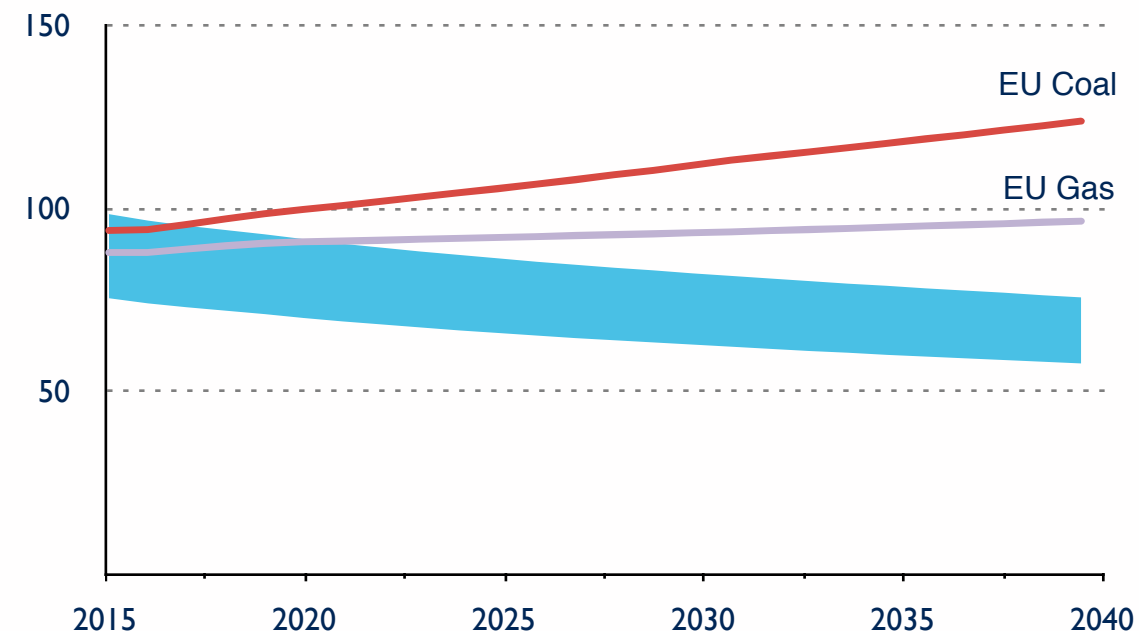
OUR STRATEGIC LONG-TERM VIEW DRIVEN BY RENEWABLES

Renewables to increase worldwide



Source: World Energy Outlook, IEA November 2015

Wind LCOE⁽¹⁾ (\$/MWh) cheaper than other sources



Source: New Energy Outlook 2015, Bloomberg

✓ **Worldwide wind** installed capacity: from 282GW in 2012 to 2,033GW in 2040⁽²⁾, more than 7x

✓ **Europe** to post a significant growth: from 110GW to 400GW⁽²⁾, almost 4x

EU 2030 Targets:

- ✓ 27% of Renewables
- ✓ 40% reductions of emissions

⁽¹⁾ Levelized Cost of Electricity: generation cost including initial investment, return on investment and OPEX

⁽²⁾ Sources: New Energy Outlook 2015, Bloomberg

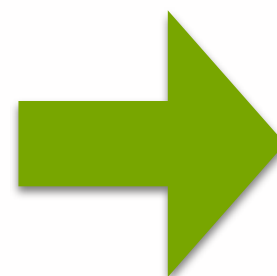


WINTER PACKAGE - POSITIVE ELEMENTS FOR RENEWABLES



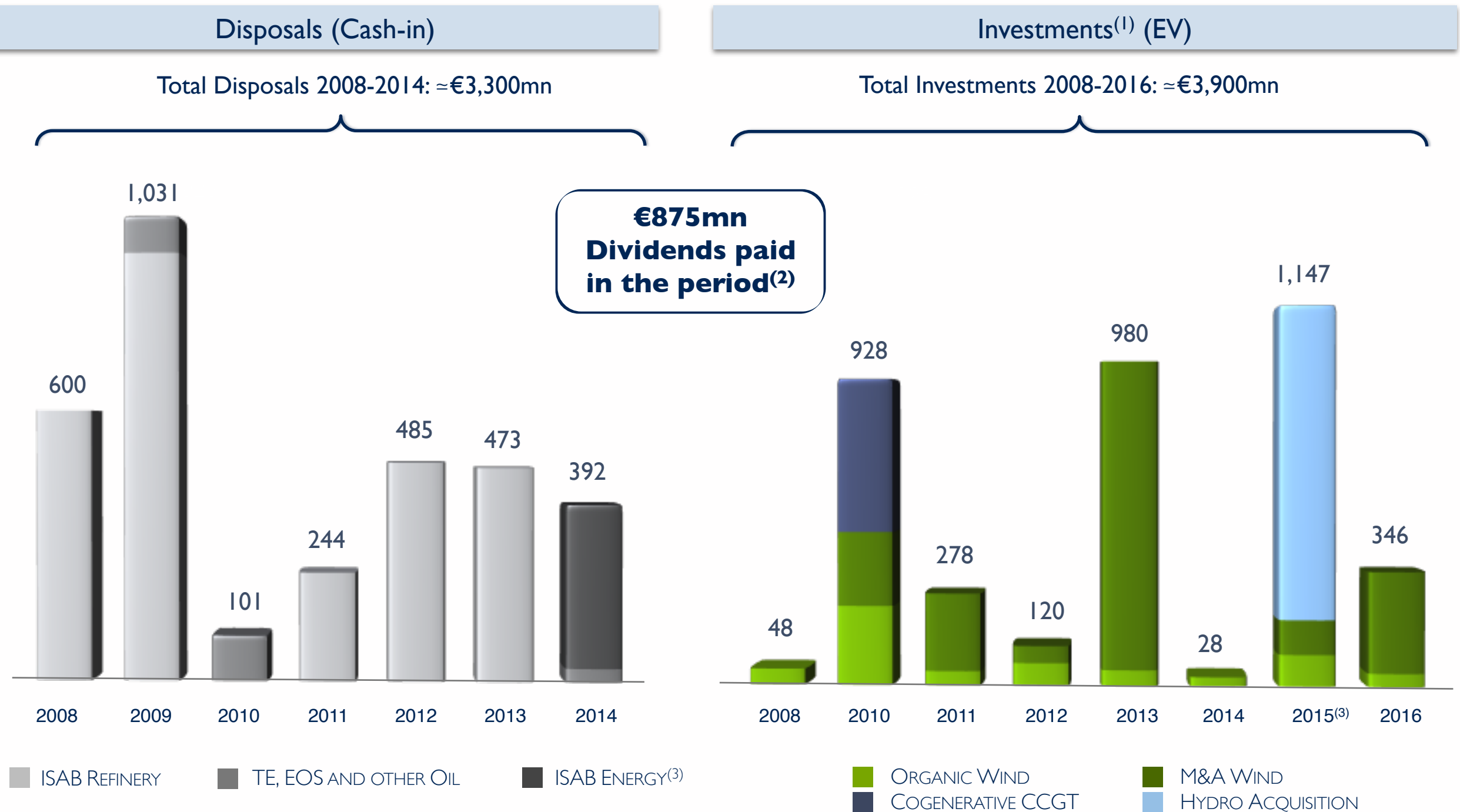
EU 2030 Target

27% RES share in gross
final consumption



Develop and **integrate**
renewable energy into
the market

- + **Priority of dispatch** for existing wind energy installations
- + **Access to balancing and ancillary services** market
- + **3-year (minimum) tender schedule** for expected allocation of support
- + **Simplification** to the permit granting process for RES projects (including repowering)
- + **Grandfathering clause - no retroactive measures**



✓ **Proceeds from disposal of oil-linked assets fully re-invested into “green”**

⁽¹⁾ It refers only to M&A and organic growth CAPEX

⁽²⁾ It includes dividends to be paid in May 2017 (ca. €74mn)

⁽³⁾ Cash-in net of minorities buyback from GDF

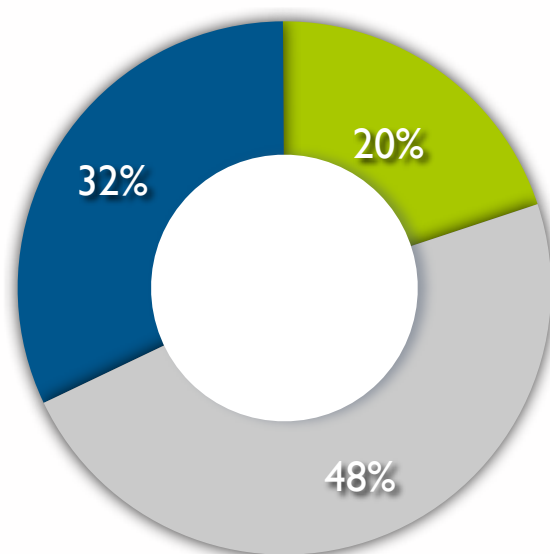


INVESTED CAPITAL ROTATION TOWARDS RENEWABLES



Capital employed

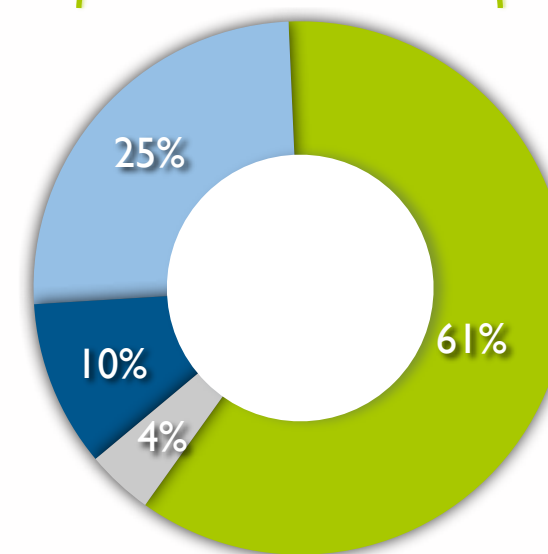
2008 (€2.2bn)



● OIL
● THERMO
● HYDRO
● WIND

2016 (€3.3bn)

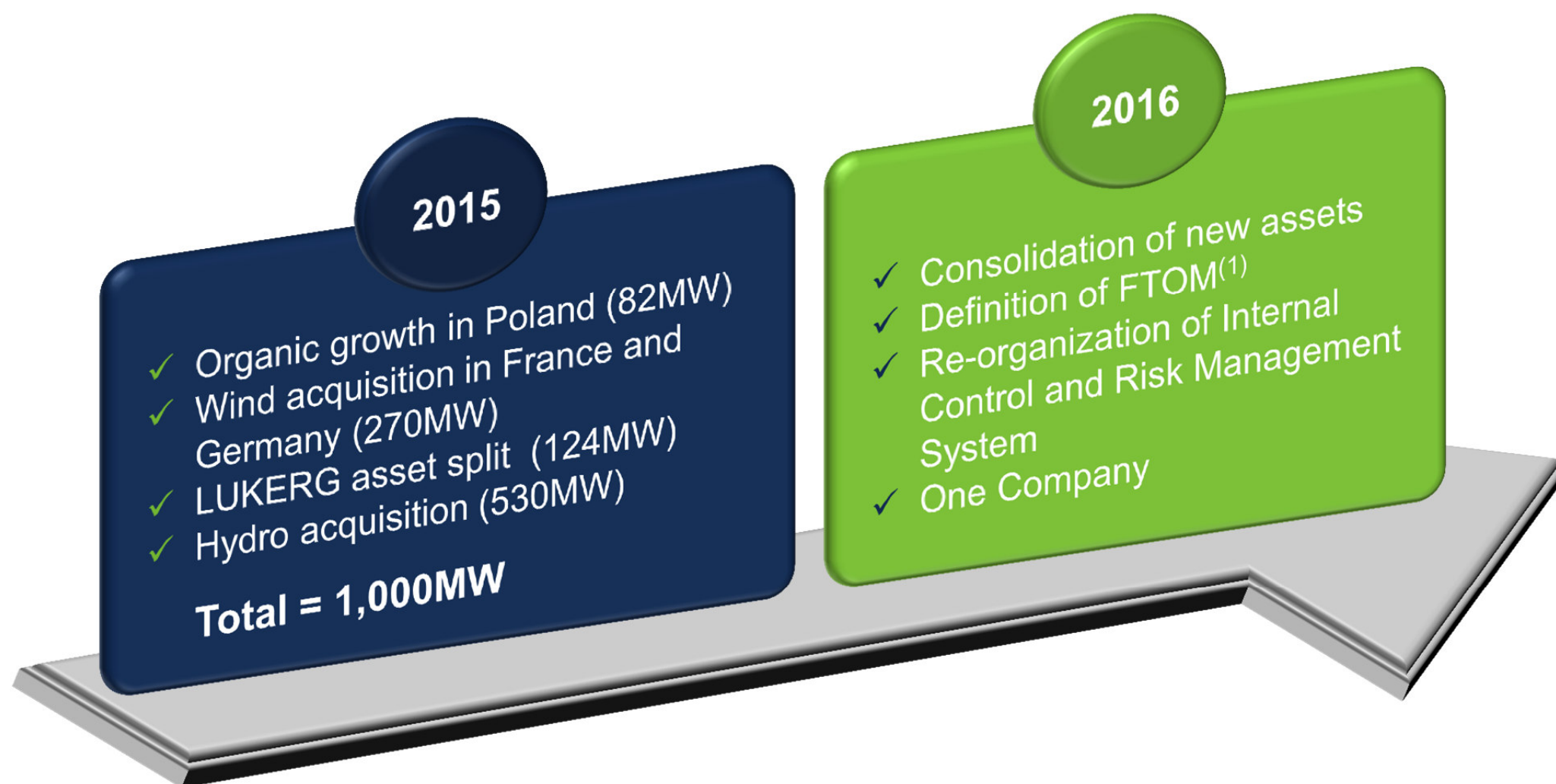
Renewables = 86%



✓ **Built-up a solid platform of renewable assets in Europe**



GROWTH AND CONSOLIDATION



⁽¹⁾ Financial Target Operations Model

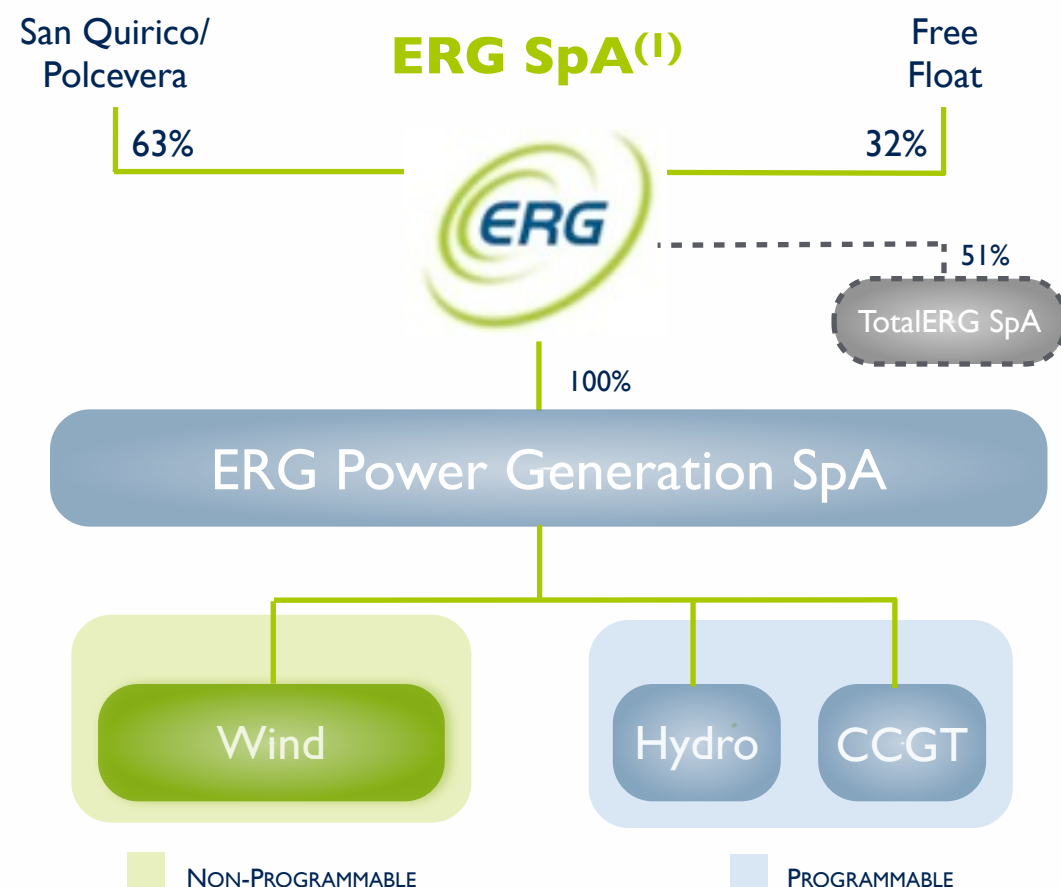


ONE COMPANY: A LEANER GROUP STRUCTURE

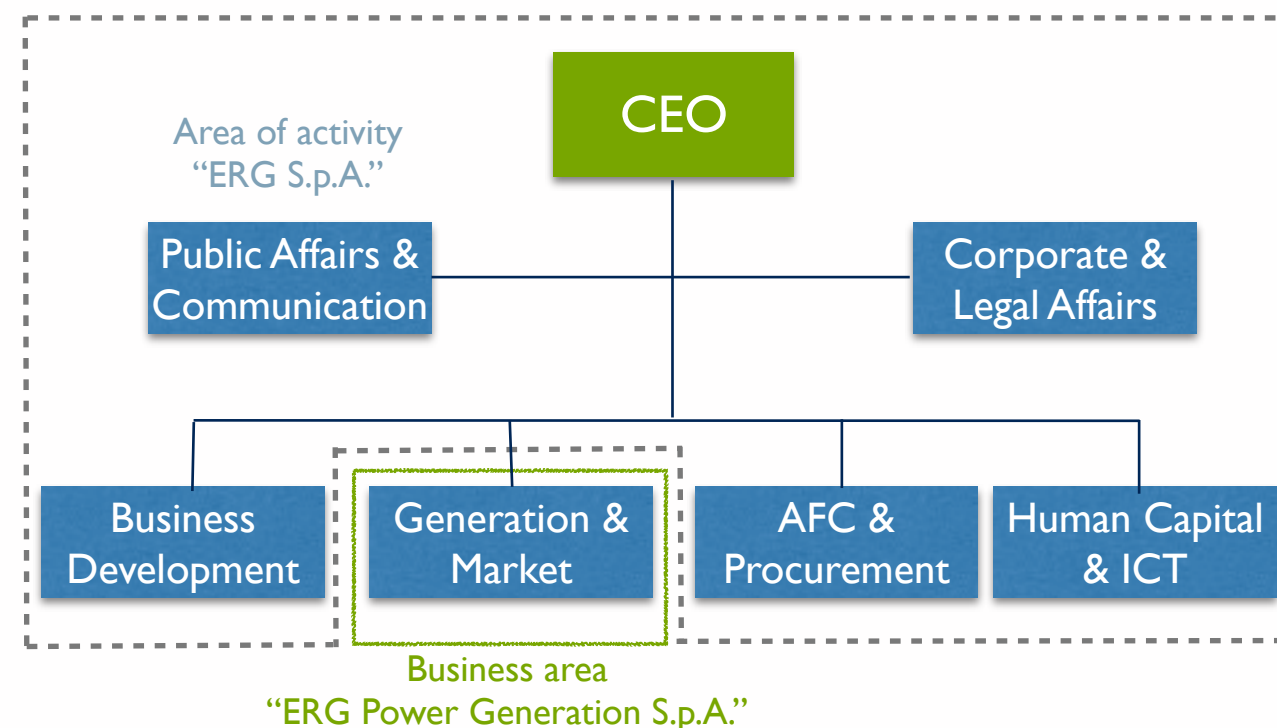


- One Company: a complete Group re-organization aimed at creating a leaner Group structure more consistent with the new business model (IPP mainly based on renewable sources)
- Board of Directors approved merger of ERG Services into ERG S.pA. effective as of January 1, 2017
 - creation of a Business Development Unit
 - creation of an integrated Risk Management Unit
 - centralization of the procurement, the Legal Services and the IT units
 - efficiency improvement, optimization of decisional processes and synergies expected
- ERG subsidiaries Board of Directors approved merger of ERG Renew and ERG Renew O&M into ERG Power Generation, effective as of January 1, 2017:
 - unique generation company for the 3 complementary technologies (CCGT, wind and hydro)
 - unique energy management

ERG Group Structure



The new organizational/corporate model



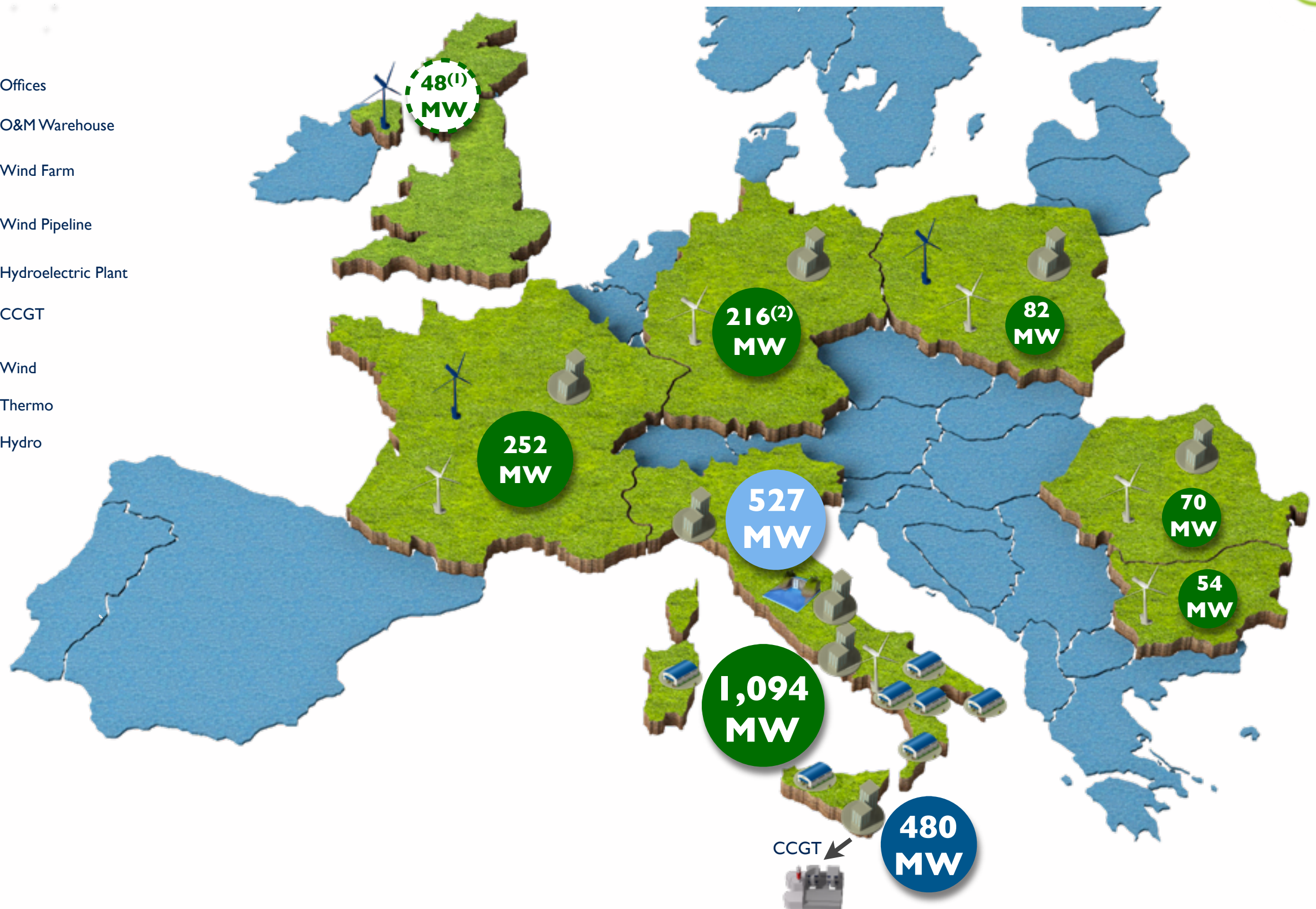
⁽¹⁾ ERG owns 1% of own shares. Unicredit owns 4% of ERG



ERG: AN IPP WITH A EU ASSET PLATFORM



- Offices
- O&M Warehouse
- Wind Farm
- Wind Pipeline
- Hydroelectric Plant
- CCGT
- Wind
- Thermo
- Hydro

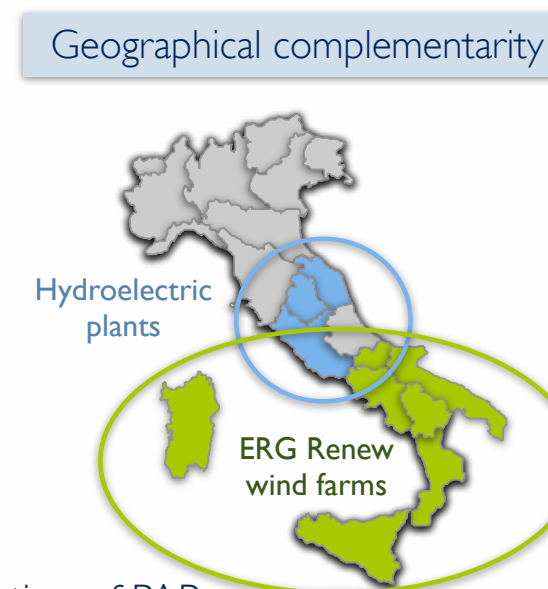
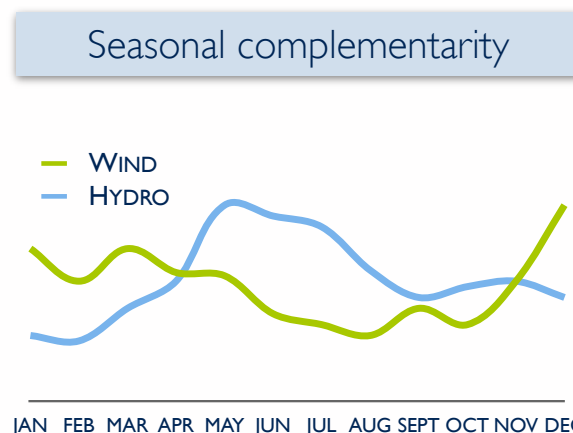
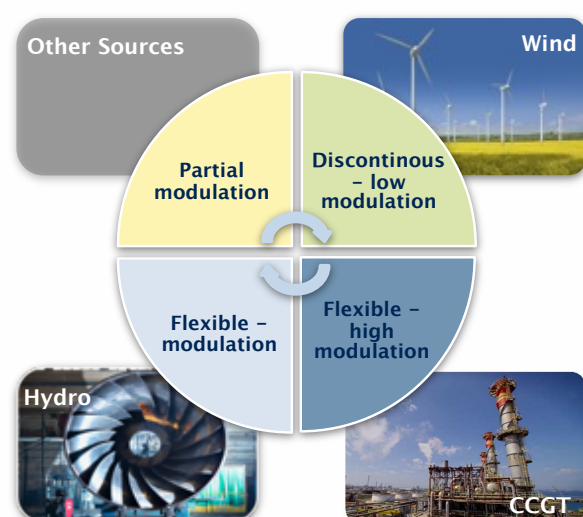
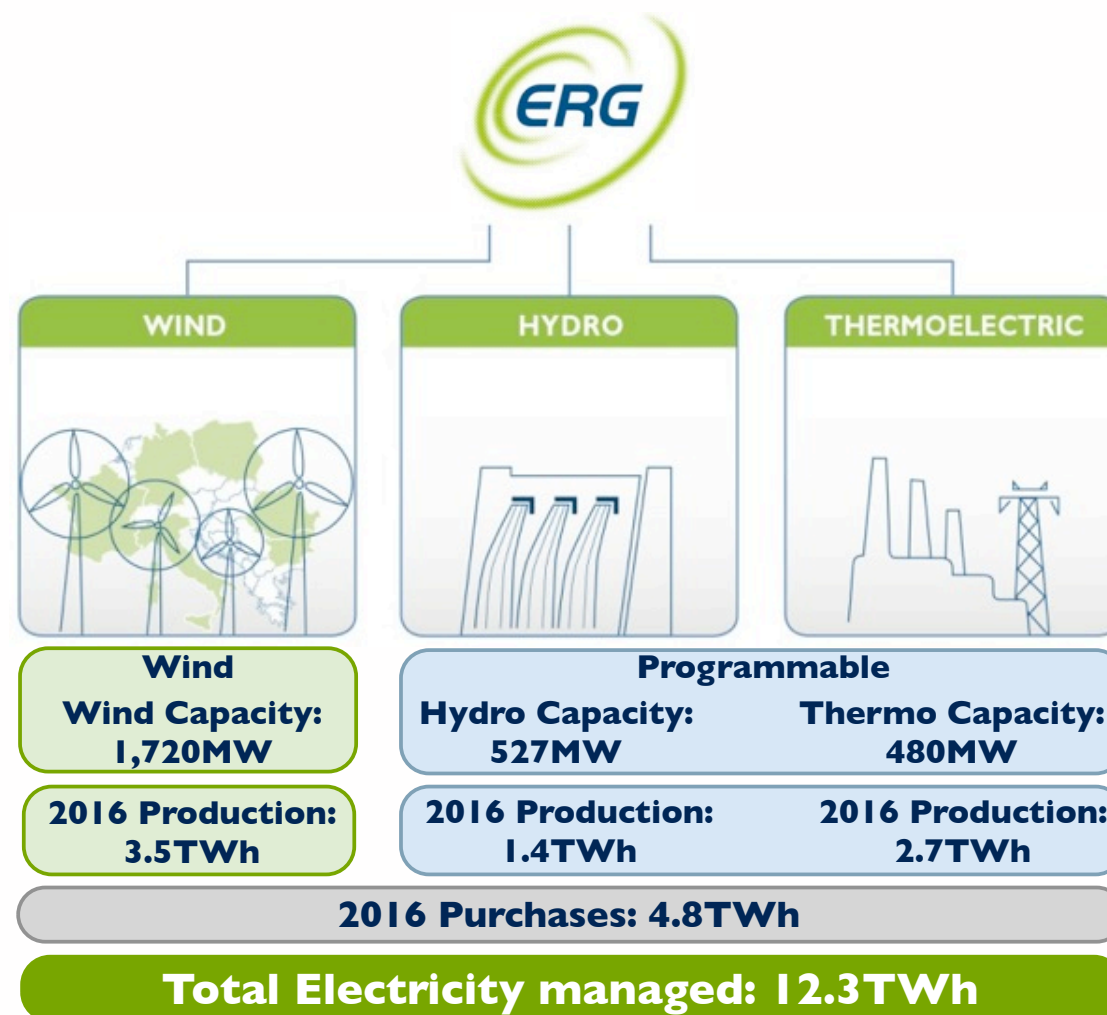


⁽¹⁾ It refers to Brockaghboy wind farm, currently under construction

⁽²⁾ It includes 48.4MW acquisition in Germany, whose closing will take place within 2Q 2017



A BIGGER AND DIVERSIFIED ELECTRICITY PORTFOLIO



- Energy Management based on a larger and diversified portfolio
- Development of a portfolio for electricity sales and modulation
- Integrated Energy Portfolio Management leads to a significant reduction of PAR

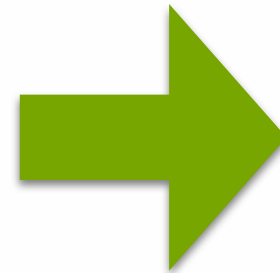
Adding value through enlargement of electricity portfolio



ERG SUSTAINABILITY



SUSTAINABILITY IN ERG



Our “Sustainability Tree”



ERG Sustainability Policy

- ERG adopted a Sustainability Policy in 2015 to assess its engagement towards Stakeholders
- The policy has been approved by the Sustainability Committee, and signed by ERG Chairman



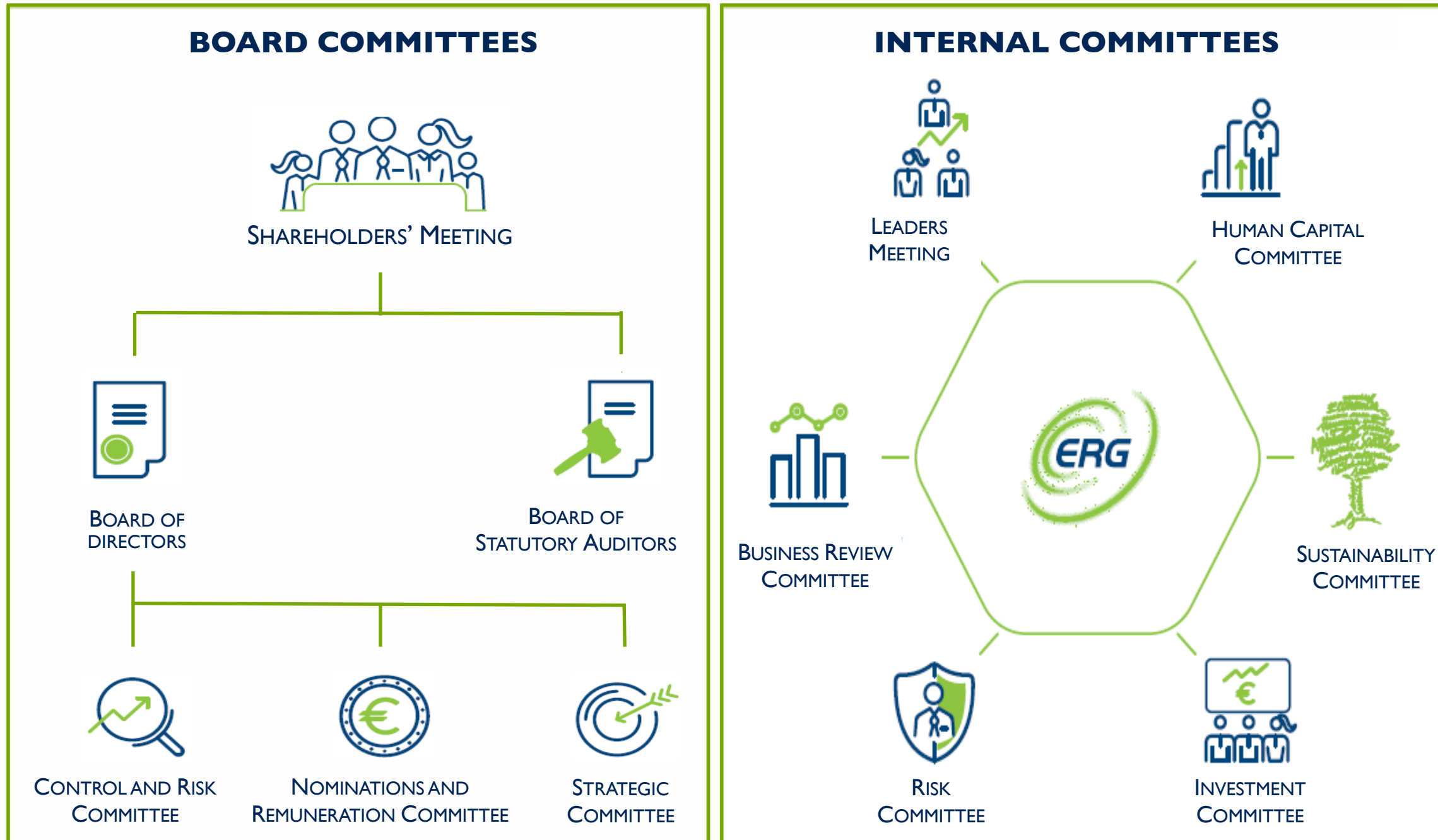
A word cloud of CSR-related terms. The words are arranged in a circular pattern. The largest word is 'Economic'. Other prominent words include 'Transparency', 'Environmental', 'Social', 'Welfare', 'Health and Safety', 'Sustainable', 'Renewable', 'Strategies', 'added responsibility', 'value created', 'responsibility', 'in the environment', 'Sustainable development', and 'corporate governance'. The words are in various shades of gray and black, with some words being larger and bolder than others.

- Maintaining over time **a strict financial discipline on investments** (organic and M&A) through:
 - **Strategic Committee** (EVP, CEO, 2 Board Members)
 - **Investment Committee** (CEO, Management team)
- A **BoD** with **7⁽¹⁾ Independent Board Members out of 12** (25% women)
- **Nominations and Remuneration Committee** composed by **3 Independent members⁽²⁾**
- **Increasing focus on risk management:**
 - **Control and Risk Committee** composed by **3 Independent members⁽²⁾**
 - **Strengthening Risk Committee** towards Energy Management
- BoD approved a **LTI compensation scheme** for Top Management, **40% based on TSR** (reference price based on last 6 months average price)

(2) Only 2 Independent referring to both the Finance Consolidation Act and the Self-Discipline Code set out by the Italian Stock Exchange

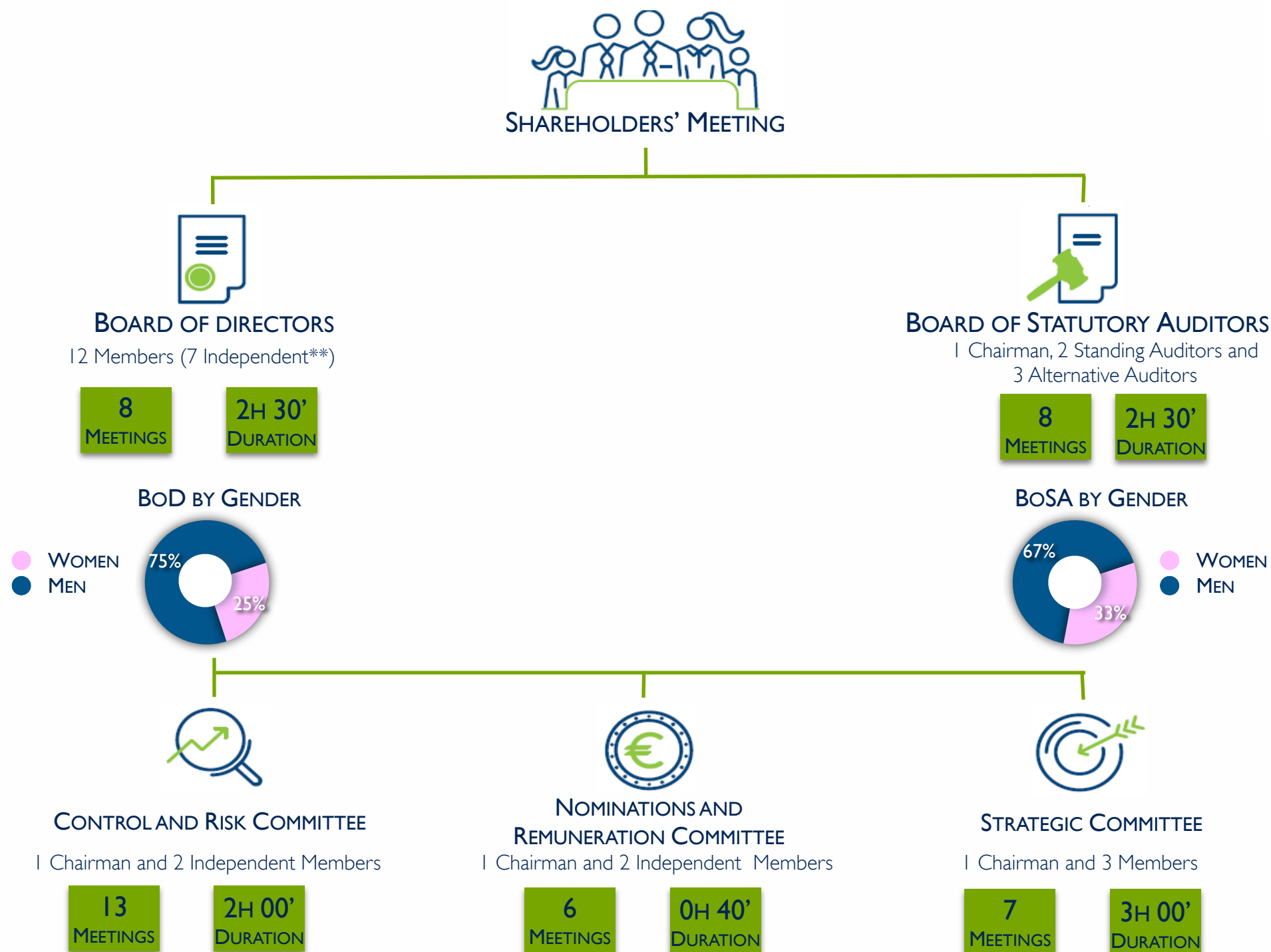


CORPORATE GOVERNANCE MODEL



- Strong ethical heritage
- A solid structure based on transparency and honesty criteria

CORPORATE BODIES AND BOARD COMMITTEES*



* Data as of December 31, 2016

** As of June 30, 2017 4 Independent referring to both the Financial Consolidation Act and the Self-Discipline Code set out by the Italian Stock Exchange, and 3 Independent referring only to the Financial Consolidation Act



REMUNERATION POLICY



SHORT-TERM INCENTIVE PLANS (MBO)

Short-term incentive plans
Bonus cap



LONG-TERM INCENTIVE PLANS (LTIP)

Long-term incentive plans
Bonus cap



LTI VEHICLES

Cash

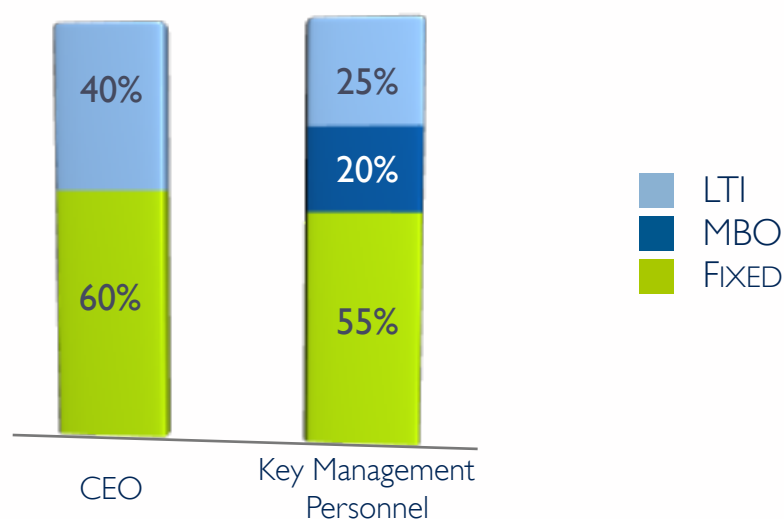


SHORT-TERM INCENTIVE PLANS (MBO)

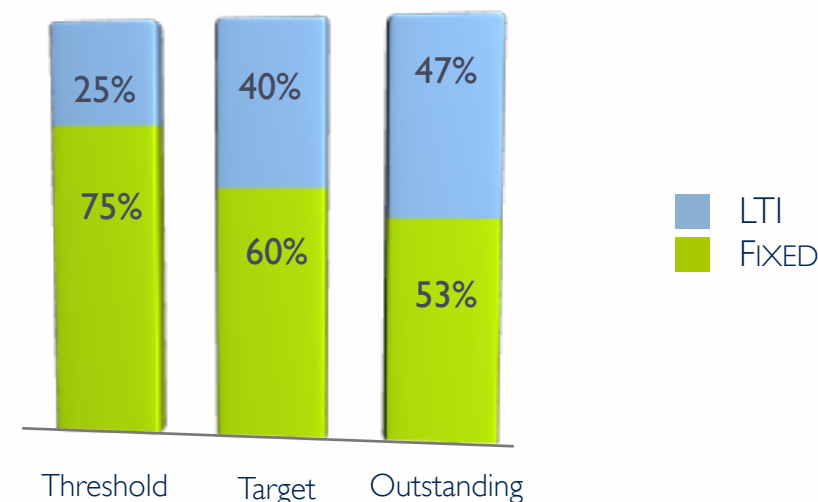
| MBO Parameters | Weight |
|--|--------|
| Group EBT ⁽¹⁾ | 30% |
| Individual Objectives e.g. EBITDA, PFN, OPEX, etc. | 70% |

| LTI Parameters per CEO | Weight |
|------------------------|--------|
| Δ EVA | 60% |
| TSR | 40% |

Theoretical pay mix for CEO and Key Management Personnel



Remuneration for CEO depending on achievement of targets



⁽¹⁾ IAS pre-tax profit at replacement cost net of income (loss) deriving from the equity investment in TotalERG S.p.A.



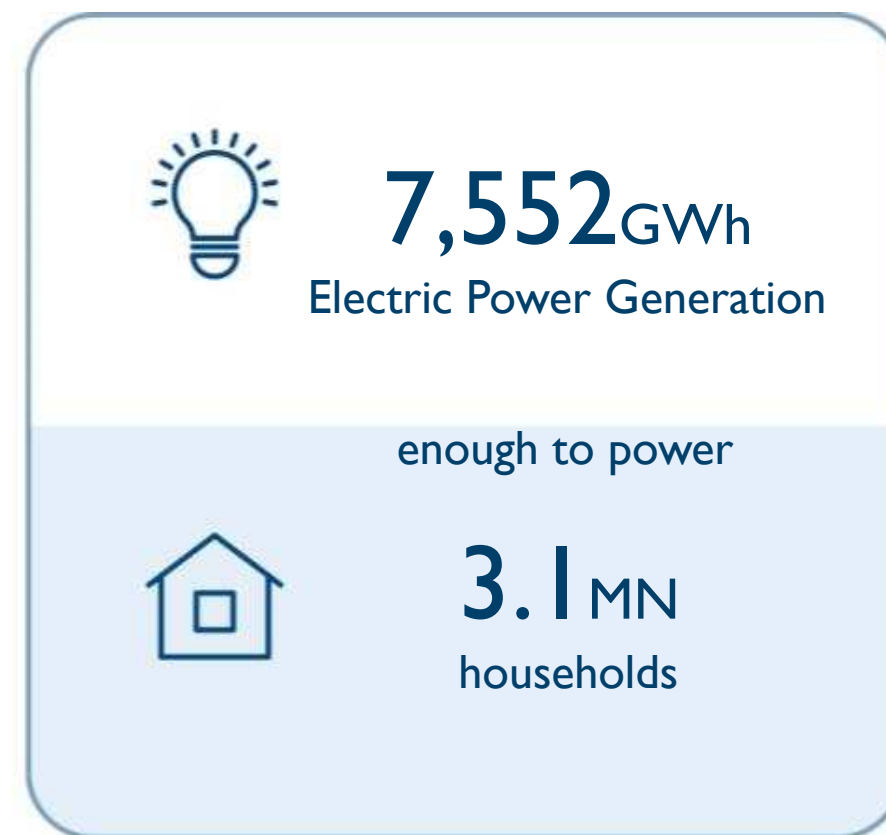
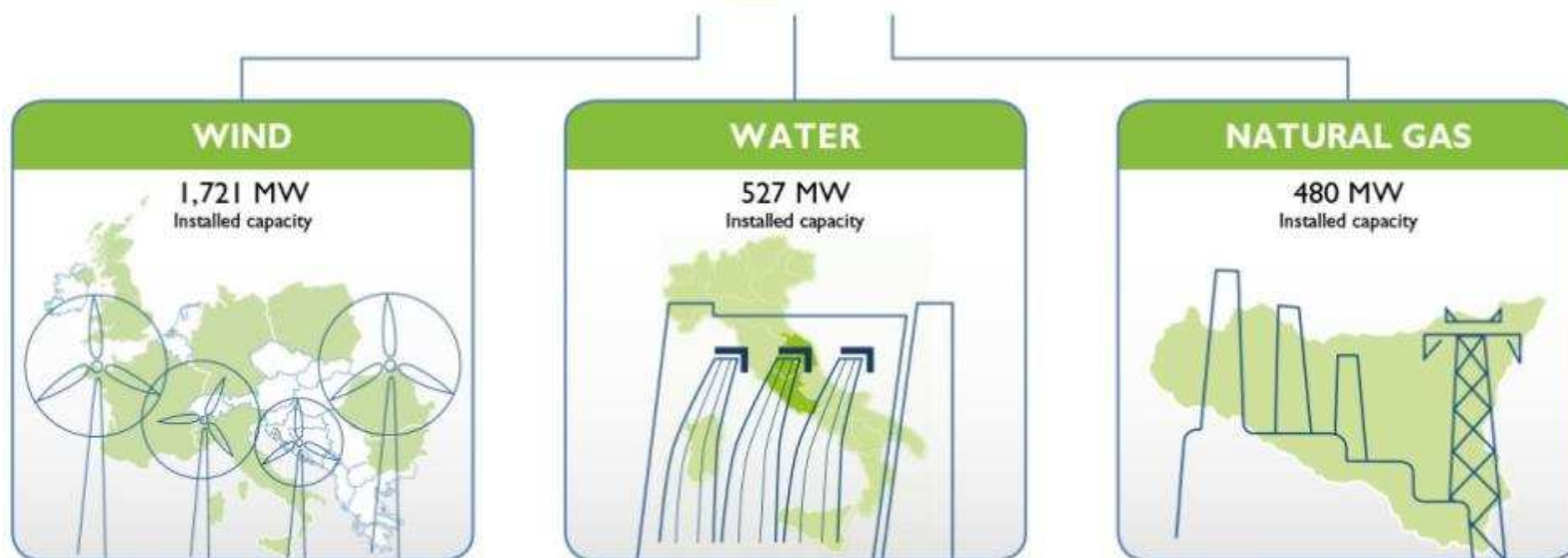
THE ECONOMIC RESPONSIBILITY: MAIN TARGETS



| UN SDGs | | Areas of commitment - 2016-2018 | Status as at 31/12/2016 |
|--|--|---|---|
| 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | GOVERNANCE AND SUSTAINABILITY APPROACH | |
| | | Pursuing the internal and external dissemination of the Group's principles expressed in the Code of Ethics and the Sustainability Policy. | Producing and releasing a Sustainability Policy video on the website and social network. |
| | | Implementing a new Enterprise Risk Management (ERM) system. | Implementing the Group's ERM methodology, performing the risk assessment activity, defining the Group's new risk management policy; implementing a reporting system for the Control and Risk Committee and the Board of Directors. |
| 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | Continuously updating the 231 Models and Anti-corruption Guidelines of the Group's companies and organising training sessions for the personnel | Released the Model 231 for ERG Hydro. Updated and simplified the model for ERG S.p.A. |
| | | Expanding and integrating the existing certifications in the field of environment, health, safety and sustainability. | Starting the integration procedure for the existing certifications following the One Company project. |
| 4 QUALITY EDUCATION | 7 AFFORDABLE AND CLEAN ENERGY | BUSINESS STRATEGY | |
| | | Consolidate the Group's business leadership in the production of electricity from renewable sources. | Continue the increase in installed power: in 2016 new wind farms were acquired for a total of 215 MW and a new wind farm is Under construction in Northern Ireland. |
| | | Support the Group's strategies through scouting activities, while identifying and assessing innovative technologies/new business opportunities. | Start a start-up scouting activity at international (XEI project) and local level (Re-Generation Challenge project). |
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | | Enhance the partnerships with Universities, Foundations, think-tanks and Research Institutes. | Start and consolidate the cooperation with Universities and associations to organise post-degree master courses (Master SAFE, Master Mager). Set up cooperation projects for industrial development with the CIMA Foundation, Politecnico di Milano. |
| | | | |
| 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | OPTIMISATION AND ENERGY EFFICIENCY | |
| | | Meet the Group's needs with Green energy. | Energy consumption of the auxiliary services of the ERG Group in Italy have been covered by green energy since 2016. |
| | | Implement energy efficiency projects in the Group's plants and offices. | Actions reducing indirect CO ₂ emissions have been implemented. Installation of micro-hydro plants downstream of the dams is being assessed. |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | | Support programmes to favour the access to energy by disadvantaged peoples. | Currently being evaluated. |
| | | | |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | | SUPPLIERS | |
| | | Consolidate a supplier qualification and assessment system, with particular attention to Health, Safety, Environment and Sustainability. | Increased the number of qualified vendors. Reduced the qualification time for new suppliers, while keeping HSE standards among the qualification elements. |



GREEN ENERGY PRODUCTION



Power from Nature with Wind, Water and Natural Gas,
through a high efficiency cogeneration CCGT



INNOVATION AND START-UPS






- Support to entrepreneurial initiatives
- Special focus on technological start-ups
- Embrace disruptive ideas for competitive advantage



THE ENVIRONMENTAL RESPONSIBILITY: MAIN TARGETS



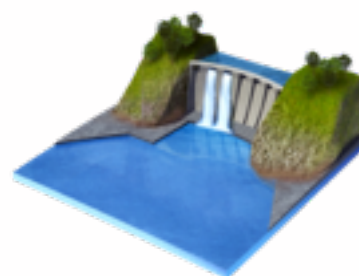
| UN SDGs | | Areas of commitment - 2016-2018 | Status as at 31/12/2016 |
|--|---|---|---|
| <div>6 CLEAN WATER AND SANITATION</div>  | <div>13 CLIMATE ACTION</div>  | EMISSIONS AND WASTE | |
| | | Avoid CO ₂ emissions for 9,000 kt in the plan period, for a total of approx. 13 million t from entry into the renewable energy sector (baseline 2006). | 2,993 kt avoided CO ₂ emissions during 2016, adding up to more than 7.3 Mt avoided since 2006. |
| | | Implement activities to protect biodiversity in areas which are particularly important from the environmental point of view, in the areas where our plants are located. | Support the activities performed at the Oasis of Alviano (WWF). Bird monitoring within our wind farms. |
| <div>15 LIFE ON LAND</div>  | | Consider suitable initiatives to increase the percentage of waste to be recycled. | A recovery procedure for the waste produced by the grate cleaners in the Hydroelectric plants has been implemented. |



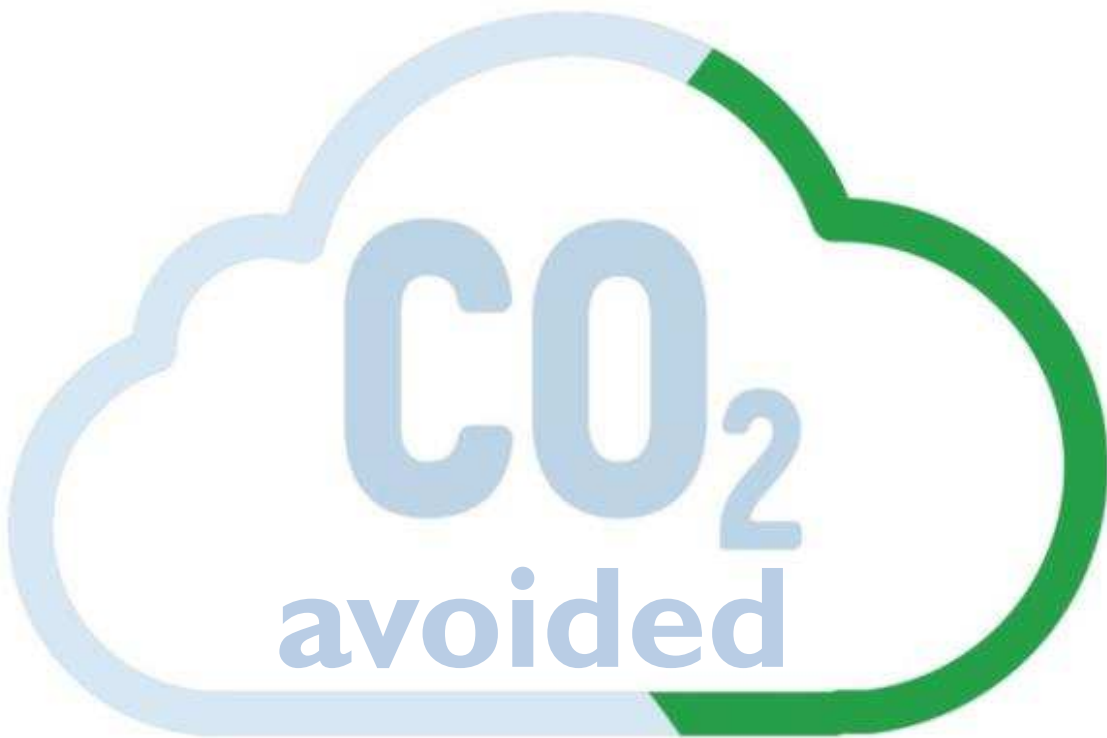
2015-2018 STRATEGY AGAINST CLIMATE CHANGE



- Emission reduction leveraging on increased renewable installed capacity
- Increase plant efficiency
- Other efficiency actions:
 - ▶ supply all plants and offices with renewable energy: 2016 saving was 9Kt of CO₂
 - ▶ switch the lightning systems to LED technology: savings for about 250t/year of CO₂
 - ▶ studying possible usage of the potential energy contained in the minimum vital flow released from dams



CO₂ AVOIDED





2,993_{kt}
CO₂ avoided from ERG
renewable energy production

=



800 thousand
Equivalent Rome/New York
round trip flights

To calculate CO₂ avoided, we have used the gCO₂/kWh conversion factor published by Terna in its annual report and referred to the electrical output of each country.
Source: ERG 2016 Sustainability Report



CARBON DISCLOSURE PROJECT



ERG Best Newcomer Italy 2016



- Company's actions and strategies against climate change
- Disclosure transparency
- **Rating CDP** climate change **2016: B** (vs. business sector average C)



THE SOCIAL RESPONSIBILITY: MAIN TARGETS



| UN SDGs | Areas of commitment - 2016-2018 | Status as at 31/12/2016 |
|---------|--|--|
| | SAFETY | |
| | Consolidate the safety culture inside and outside the company, pursuing the goal for zero accidents caused by safety deficits in plants and offices. | No injuries resulting from a failure to comply with operating procedures or a lack of plant safety were recorded during the year. |
| | Consolidate the system to check suppliers' performance. | On-site supplier auditing procedure implemented at the Hydro-electric energy plants, in accordance with Group standards. Significant decrease in third-party's Injury Index. |
| | PEOPLE | |
| | Facilitate the dissemination of ERG's culture and values through inclusion and awareness initiatives. | Implemented onboarding and inclusion process for new colleagues. |
| | Spread a self-empowerment culture to build and maintain professional and managerial skills. | The training path "Boost your Energy" is up to speed. In 2016, over 31,000 hours of training provided at an average of 5.6 days per employee. |
| | Favour the growth of a sustainability and green culture within the Group. | Module in the training plan for the newly-employed staff focusing on Sustainability. Realised a sustainability "focus group" for colleagues. |
| | Consider the inclusion of CSR elements into the MBO/IQ system. | The MBO/IQ system includes safety targets. |
| | COMMUNICATION | |
| | Make contact with and inform the Group's stakeholders in a complete, transparent and timely manner. | ERG won the "Oscar Di Bilancio" award for financial reporting. ERG awarded as "Best newcomer Italy" by CDP. ERG awarded the Potentialpark prize for the "careers" section of its website. Improvement in the "Webranking" and "CSR on line awards" position. |
| | Support the ESG rating companies which are interested in the ERG Group. | In 2016, we answered 6 questionnaires sent by ESG rating companies or investors of the Group. |
| | COMMUNITY | |
| | Contribute to the development of local communities through social responsibility initiatives at a local level. | Carried out activities in the communities in compliance with the Sustainability Policy principles. Started the design phase of the "A tutta Acqua" project in the areas where our hydroelectric energy plants are located. |



8 DECENT WORK AND ECONOMIC GROWTH



SAFETY AND CERTIFICATIONS



#SAFETYFIRST

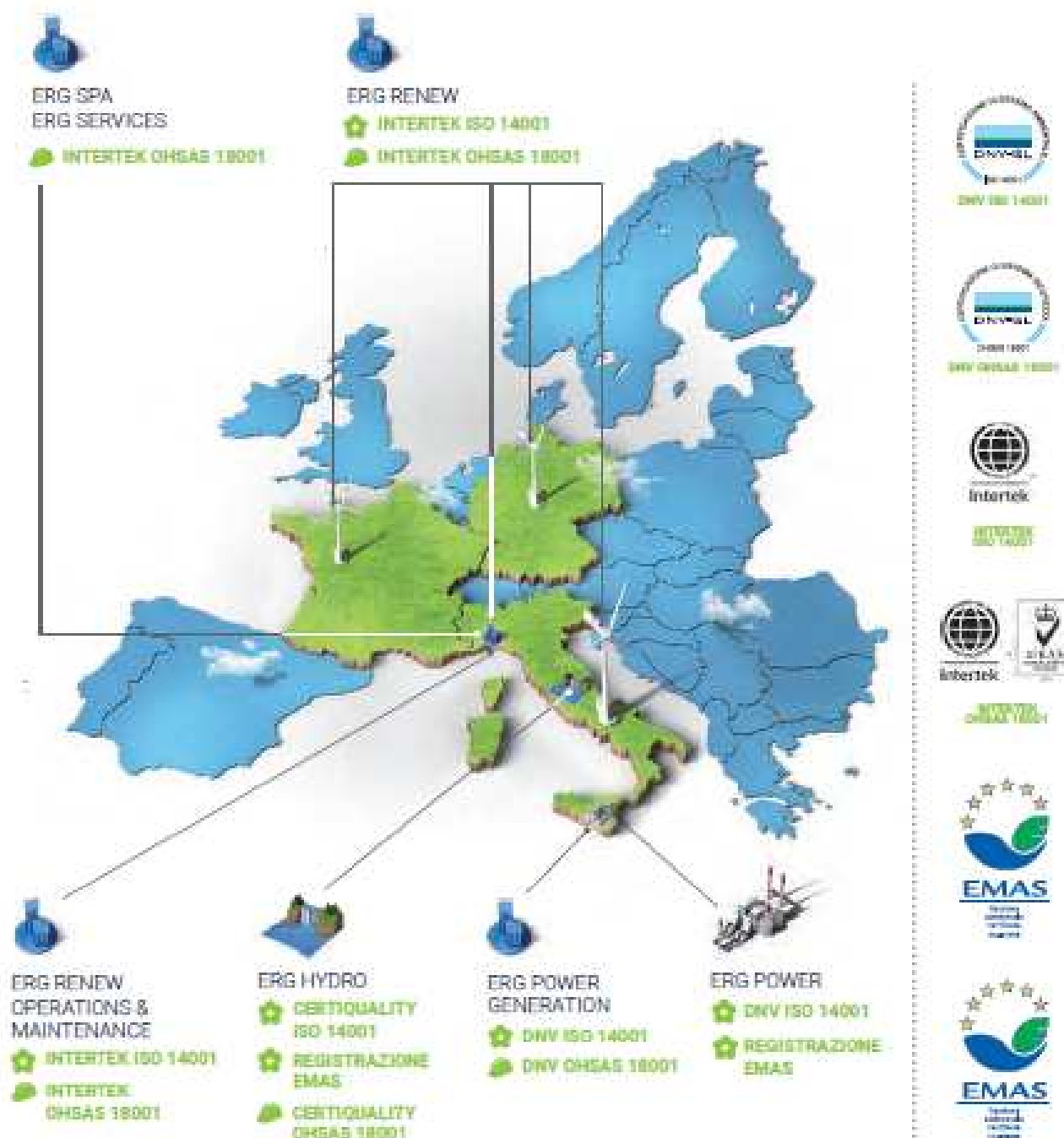
- informing
- training
- involving
- monitoring



100% ISO 14001
and/or
OHSAS 18001
Certified Italian Companies

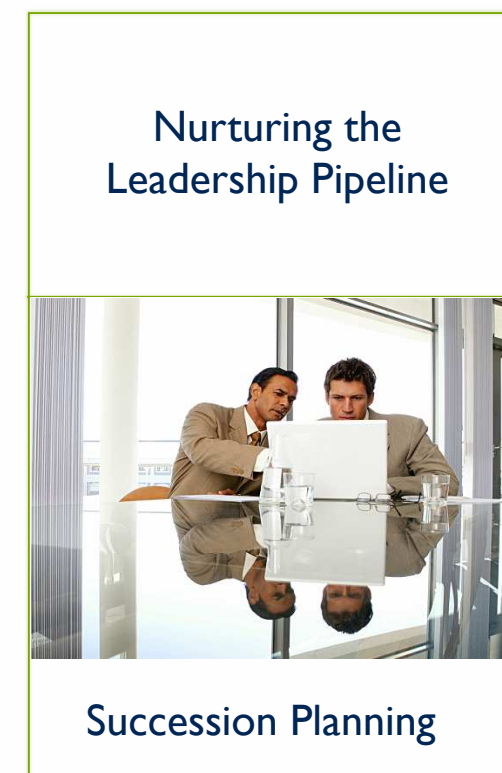
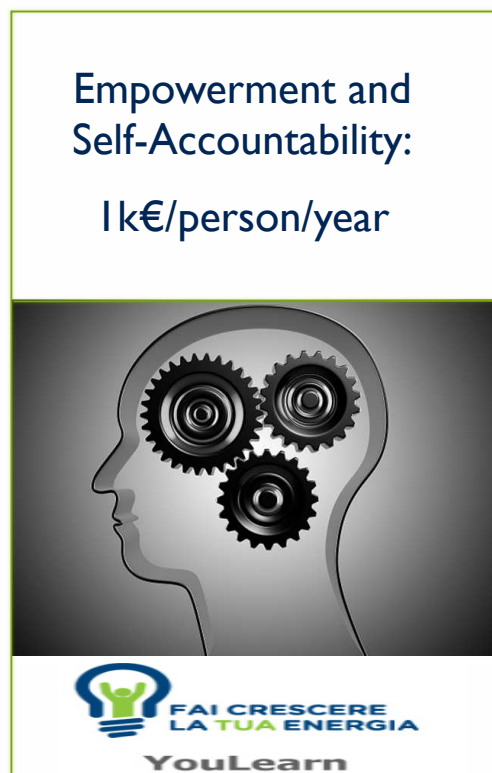
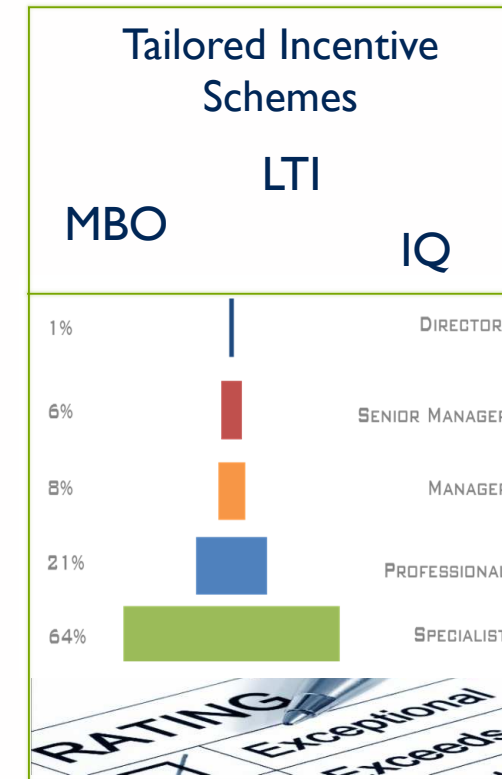
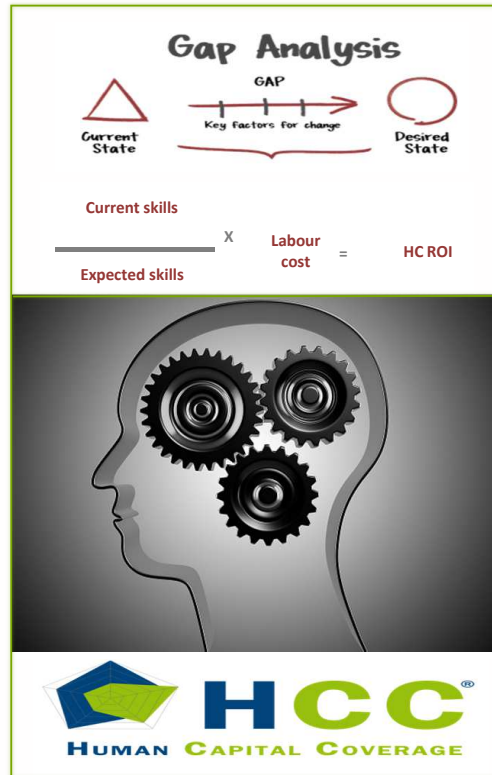


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Safety Walks



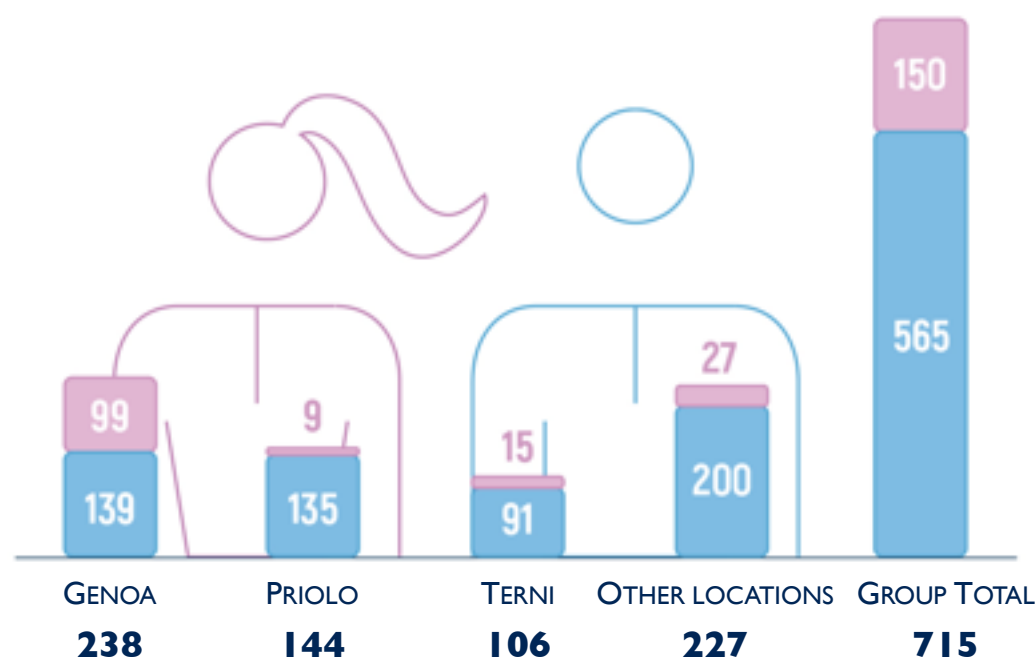
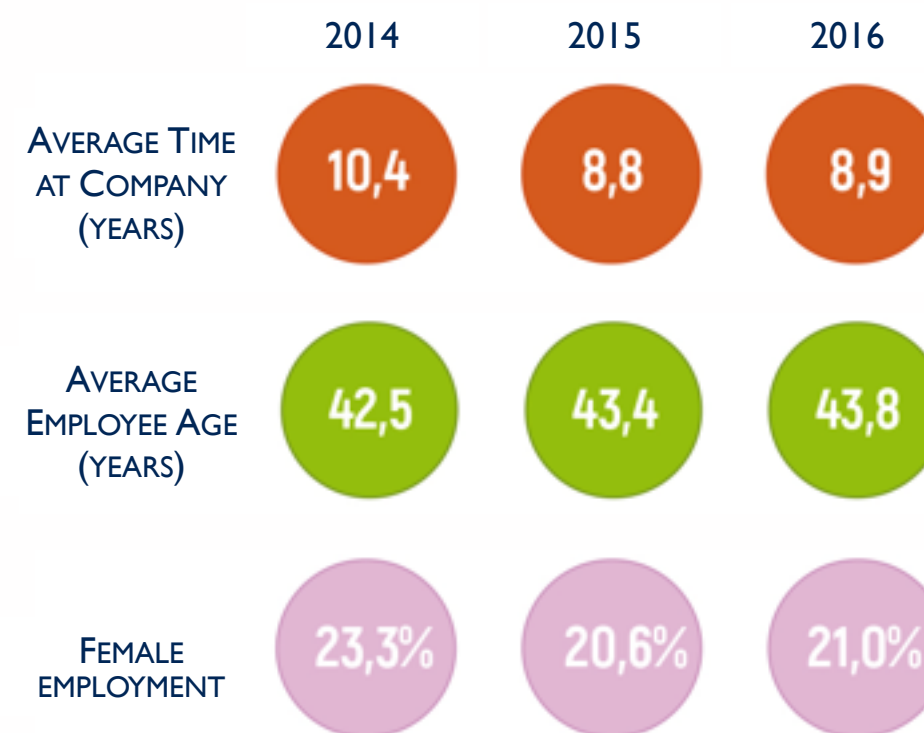
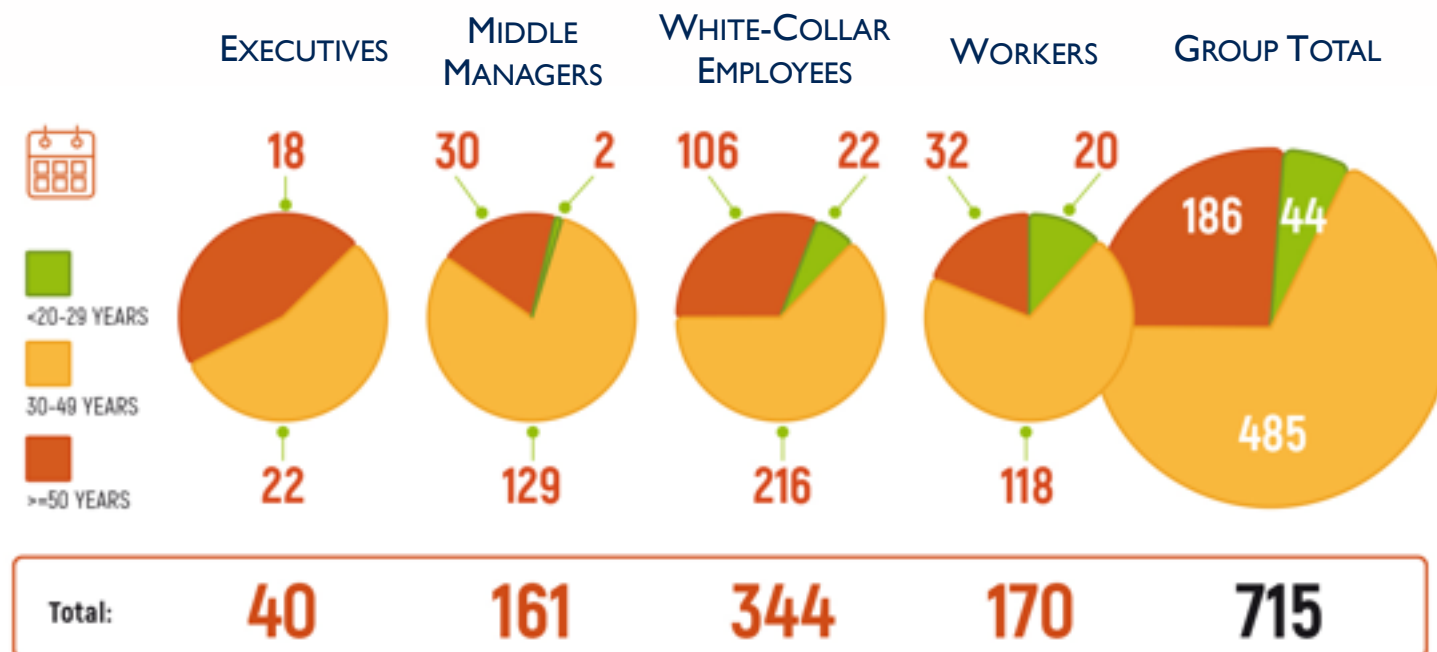


A STRONG FOCUS ON HUMAN CAPITAL DEVELOPMENT





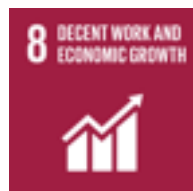
DATA BREAKDOWN ON PERSONNEL



- Women employment at Group headquarter is over 40% of total workforce



ERG PEOPLE & TRAINING



Empowerment &
Self Accountability
1 K€/person/year



Continuously setting
aspirations and
expectations



**Management
Feedback**

Nurturing
the leadership
pipeline



**Succession
Planning**

*“We are not looking for Talented People,
but rather for the Talent hidden in each Person”*

ERG Training in a nutshell

| | Training working days provided | Man/days index of average training | People who attended the training courses |
|------|-----------------------------------|---------------------------------------|---|
| 2016 | 31,787 | 5.6 | 96% |

- Every year all of our people are invited to design their own training path
- A managerial attitude is required from all the employees



EDUCATIONAL PROGRAMS



@Syracuse

3,000
Students



@Wind Farms
Territories

1,500
Students



@Genoa

over
5,000
Children



@Terni
@Melilli and Carlentini

400
Students



@Hydro Plants
Territories

600
Students



- In 2016 **more than 10,000** students got acquainted with our CSR activities
- Future generations training and education on environmental matters
- Special attention to younger people supporting sport values



2016 AWARDS



ERG wins
2016 Financial Report Oscar
for the “Companies and
Large Enterprises” category



www.erg.eu



#8

#14 in 2016

Webranking
by Comprend

#1

#18 in 2016



potentialpark

#8

#14 in 2014

Lundquist
CSR Online
Awards



ERG IN A NUTSHELL AS AT 31.12.2016

Financial Highlights



€455MN
EBITDA at
replacement cost

€202MN
EBIT at replacement
cost

€107MN
Group net result at
replacement cost

€3,286MN
Net Invested Capital

€1,557MN
Net Financial Debt



715
EMPLOYEES

Business Portfolio



1,720MW
Wind
installed capacity

3,501GWh
Wind energy
production



480MW
Thermo
installed capacity

2,693GWh
Thermo energy
production



527MW
Hydro
installed capacity

1,358GWh
Hydro energy
production



ERG 2016 SUSTAINABILITY



€ **1,041** MN

Total adjusted
consolidated Revenues



€ **748**

Economic Value distributed



2,993 KT

CO2 avoided by using
renewable energy



800 THOUSAND

Equivalent Rome-New York flights



1,720 MW

Installed power from
non-programmable sources



1,007 MW

Installed power from
programmable sources



100%

ISO 14001 and/or OHSAS 18001
certified Companies



424

Safety checks on site



7,552 GWh

Electric Power Generation



3.1 MN

Equivalent Households with
their own electrical production



715 EMPLOYEES



5.6 DAYS/YEAR

Training per employee