



Press Release

Board of Directors approves 2015-2018 business plan

Geographical diversification: 600 MW growth in installed wind power capacity outside of Italy

Technological diversification: integration of 527 MW pertaining to the newly acquired Terni hydroelectric integrated system

Energy Management: integrated management of portfolio comprising over 8 TWh of electricity

Operating efficiency: insourcing of wind operations management activities in Italy and abroad

Financial stability: strong cash generation to support investments and the distribution of dividends

The Board of Directors has defined the conditions required to implement the 2015-2017 long-term Incentive Plan

Plan Objectives

- **Installed capacity: approximately 2,950 MW by end 2018**, + 62% compared to the end of 2014. Installed wind power capacity is expected to reach approximately 1,950 MW in 2018 (+ 45% compared to the end of 2014), of which around 44% located outside of Italy.
- **Group EBITDA expected to reach 450 million Euro in 2018, + 7% CAGR¹.**
- **Total investments envisaged during the plan period: 1.9 billion Euro**, of which 1.5 billion Euro in 2015 and approximately 400 million Euro, above all for organic investments, between 2016 and 2018.
- **Net financial position: increase to 1.9 billion Euro in 2015 and de-leverage of around 600 million Euro during the subsequent years to reach 1.3 billion Euro at the end of 2018.**
- **Dividend policy providing for a forecast minimum value of 0.5 Euro per share during the plan period.**

Genoa, 16 December 2015 – During its meeting held yesterday, ERG's Board of Directors reviewed and approved the 2015-2018 business plan.

¹ Based on 2014 pro-forma EBITDA

Luca Bettonte, the ERG Group's Chief Executive Officer, commented: “**during recent years the ERG Group has succeeded in radically changing its business portfolio, anticipating the long-term scenarios by investing rapidly and effectively in the renewables sector, where it has reached a position of leadership in the Italian and European wind energy market. The major strategic transactions carried out have made it possible to achieve two fundamental results: technological diversification in electricity generation, following the recent acquisition of the Terni integrated hydroelectric system, and geographical diversification, with a presence in the wind sector in five European countries, constituting 37% of overall installed capacity already in 2015. The objectives set in the plan provide for a major consolidation and integration of the assets recently acquired in both the hydro and the wind energy sector; as regards the latter sector, we also intend to further develop in Europe, according to an organic growth model. The strong cash generation leads us to predict an end-2018 debt of 1.3 billion Euro, less than three times the forecast EBITDA, at the same time ensuring an adequate and sustainable remuneration for shareholders throughout the plan period. I am certain that the financial resources generated, the high quality of our assets and the flexibility and determination of management will enable the Group to face the new challenges and take advantage of the opportunities that will arise in the near future in the electricity sector, which is presently undergoing a significant and profound change.**”

Strategies and objectives for the period 2015-2018

Non-programmable sources

Wind

- **To move from a growth model primarily based on Merger & Acquisition transactions to an organic growth model: over 200 MW in selected European countries - France, Germany, Poland and the United Kingdom - between 2016 and 2018.**
- **To further enhance geographical diversification, increasing from 37% in 2015 to 44% in 2018.**
- **To pursue maximum operating efficiency through the direct management of Operation & Maintenance activities and technical services.**

In 2015 the growth process in the wind power sector continued with important acquisitions abroad which enabled us to increase our presence in Germany (168 MW), in France (251 MW) and in Poland, where installed capacity will reach 82 MW by the end of 2015. These transactions will allow ERG Renew to achieve a total of around 1,712 MW installed by the end of 2015, including 1,087 MW in Italy and 625 MW in the rest of Europe. As a consequence, in 2016, the Group will be above all committed to consolidating and integrating the people and assets recently acquired. The Group will also continue to pursue growth via a new business model based on organic development as opposed to a model hitherto based primarily on the acquisition of facilities already in operation. The growth will be concentrated during the period 2017-2018 and by the end of the plan we expect to achieve an increase in capacity of over 200 MW, mainly in France, Germany, the United Kingdom and Poland, countries which offer interesting prospects in terms of wind power development. This will enable ERG Renew, by the end of the plan, to achieve an installed capacity of around 1,950 MW and to enhance its geographical diversification, increasing the MW installed abroad from the present 37% to 44% in 2018.

Another fundamental aspect of the plan will be the pursuit of operating efficiency in managing its assets. The gradual insourcing of Italian operation and maintenance activities, concerning over 1,000 MW, should be completed in 2015 and, at the same time, the possibility will be considered of also internalizing these activities abroad, commencing with France and Germany. Moreover, following the integration of two companies, one in France and one in Germany, which already provide operational and commercial technical assistance in France, Germany and Poland, for approximately 800 MW, consideration will be given to the possibility of further extending these services to other customers abroad.

The plan provides for investments of around 870 million Euro, of which approximately 500 million Euro concern the growth realized in 2015, and about 400 million Euro are primarily destined for organic development in France, Germany, Poland and the United Kingdom. Forecast end-of-plan EBITDA is approximately 310 million Euro, including 40% generated outside of Italy.

Programmable sources

Hydro

On November 30th of this year, through its subsidiary ERG Power Generation, ERG completed its acquisition from E.On of the latter's entire Italian hydroelectric business, comprising a portfolio of assets located in the Italian regions of Umbria, Marche and Lazio, with an overall capacity of 527 MW, for an investment of approximately 950 million Euro. The portfolio of assets includes 16 power plants, 7 dams, 3 reservoirs and a pumping station. During the plan period all activities required to promote the best possible integration of the people (around 100) and assets will proceed, with a view to maximizing the value of the transaction.

Thermoelectric

During the plan period activities will continue to enhance the quality and efficiency of the ERG Power combined cycle plant (480 MW) in Priolo (province of Syracuse) in order to optimize its contribution to the Group's economic results. The plant continues to maintain a significant role within the electricity generation portfolio owing to the following characteristics:

- it is a flexible and efficient asset for Energy Management activities
- it is a high yield cogeneration plant.

The economic results during the plan period will be affected by the construction of the new electricity line between Calabria and Sicily (Sorgente-Rizziconi) which is presently scheduled to come into operation by the end of June 2016.

Investments envisaged in the plan as regards the programmable sources amount to around 50 million Euro, mostly destined for maintenance activities.

Furthermore, over the course of the plan period, "**Energy Management**" activities will be intensified and will be able to rely on a more ample, diversified and balanced portfolio, with the presence of three different production sources: thermoelectric, hydroelectric and wind power. Due to the unitary and integrated management of the energy portfolio it will also be possible to improve risk control.

By 2018 it is estimated that overall electricity generation will reach 8 TWh. For the programmable production sources, 2018 total EBITDA is expected to exceed 150 million Euro.

TotalErg

From 2012 to date TotalErg (51% ERG and 49% Total JV) has been implementing a major streamlining of its Retail network, adapting it to the new market dynamics with the closure of sales outlets considered no longer profitable, which have decreased from about 3,250 in 2012 to the current figure of about 2,650. Moreover, the various typologies have been optimized, giving prevalence to owned facilities in order to enhance the Retail network's efficiency. ERG's objective, during the plan period, is to maximize the value of the investment by optimizing the Retail network, in a situation characterized by a still complex scenario.

Forecast end-of-plan EBITDA is approximately 170 million Euro (100% TotalErg), with a growth compared to the results anticipated for 2015 (around 150 million Euro). Starting from 2014

TotalErg is no longer considered a core investment and economic results are consolidated using the equity method.

Additional information

The Board of Directors, following a proposal by the Nominations and Remuneration Committee and having obtained approval from the Board of Statutory Auditors, has defined the conditions required to implement the 2015-2017 long-term Monetary Incentive Plan approved by the Board of Directors, again following a proposal by the Nominations and Remuneration Committee and having obtained approval from the Board of Statutory Auditors, on 11 March 2015 and by the Shareholders' Meeting on 24 April 2015 in accordance with Article 114-*bis* of the Consolidated Finance Act. Regarding the 2015-2018 Business Plan, approved by the Board of Directors, for Corporate Resources the percentage weight of the Group TSR and Δ EVA (Economic Value Added) performance indicators has been set respectively at 40% and 60%, whereas for Business Resources the percentage weight of the TSR and Δ EVA performance indicators pertaining to the specific Business Unit has been set respectively at 20% and 80%. In this connection, reference is made to the description given, for the purpose of the Shareholders' Meeting on 24 April 2015, in the information document drawn up pursuant to Article 114-*bis* of the Consolidated Finance Act and in the Remuneration Report prepared in accordance with Article 123-*ter* of the Consolidated Finance Act, available on the Company's website (www.erg.it). The Company will provide the market with the information concerning the 2015-2017 long-term Monetary Incentive Plan when making the disclosures set forth by Article 84-*bis*, paragraph 5, of the Issuers' Regulations.

This press release, issued at 7.45 a.m. (CET) on 16 December 2015, 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 Nis-Storage authorised storage mechanism (www.emarketstorage.com) and on the Company's website (www.erg.it) in the section "Media/Press Releases".

The 2015-2018 Business Plan will be illustrated at 2.30 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.it); 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 Nis-Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes prior to the conference call.

Contacts:

Alessandra Mariotti Media Relations Manager - tel. + 39 010 2401364 cell. + 39 335 8053395 e-mail: stampa@erg.it

Emanuela Delucchi IR Manager – tel. + 39 010 2401806 – e-mail: edelucchi@erg.it

Matteo Bagnara IR - tel. + 39 010 2401423 - e-mail: ir@erg.it

@ergnow - www.erg.it