



ERG S.p.A.
Presentation of 2015-2018 Business Plan
Conference Call
December 16, 2015

MODERATORS:

ALESSANDRO GARRONE, EXECUTIVE VICE CHAIRMAN

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Alessandro Garrone:

Thank you very much. Welcome and good afternoon to everyone. We had already met here in the same room on December 18, 2012, three years ago. And in that year we had introduced our 2012-2015 three-year plan, which we considered it was a good plan, but it also included some challenges and some things which needed further clarification.

Let me remind you that we still had a pretty relevant presence of the Oil business, we had a CIP6, a thermoelectric plant with a not too clear future plan, whilst developments in Renewables were just beginning to become relevant, especially outside Italy. At that time we had just completed a new Wind acquisition in Italy (which included a part of Operation & Maintenance activities) that we still had to prove it was worthwhile. And I believe that in the end, if we look at the situation today in 2015, we have done even better than we had committed to three years ago.

In the meantime, we totally exited the ISAB refinery of Sicily, whilst at that time we did not expect we would fully get out of that refinery. Together with the refinery, we also completely abandoned the CIP6 plant, which was quite challenging and it was deeply connected to the refinery itself. Then we totally deconsolidated ERG (which is an Oil business), we sold ERG Oil Sicilia, we closed a business in Oil supply and trading which did not have any reason in our history anymore. And in the meantime and not too recently, we started working in a new business, the Hydroelectric business (so a new technology in Renewables), and we did major deals to grow outside Italy in the Wind industry.

So today I can tell you we have accelerated what we thought we would do in these last three years. As you may remember, we were first born as an Oil Group, then at a certain moment in time, we started calling ourselves and defining ourselves as a multi-energy Group, and by multi-energy we meant we had some Oil, some energy that was produced from refining waste like gas, and some Wind power. And eventually, this strategy turned out to be rewarding when we were engaged in it. Today we define ourselves as an energy Group. We can actually say we are an Independent Power Producer and we do rely on different sources: so we do have a portfolio of production from different sources, which is very important and relevant. And, even if this may be a bit exaggerated, we can actually define ourselves as a small multinational Company, or at least a pan-European Company, whilst 3-5 years ago we could not possibly define ourselves that way. And I may add that we now are a Group which is simpler, more stable and easier to understand than it was three years ago.

Good, so why did we decide to adopt this strategy? Of course, the strategic decisions, the entrepreneurial and business decisions of any Group also depend on the scenarios that the Group take as their benchmark or the other way around, we make our decisions and confirm them by double checking them against the scenario.

So let us see the scenarios on Renewables: in the **slide no. 5** you see here two graphs. On the right hand side, the chart shows an analysis and a forecast of the cost of energy produced from renewable sources, the so-called “levelized cost of energy”, as against the cost of energy produced by gas or coal. As you can see, from 2020 onwards the

Renewables technology - thanks to better efficiency and cost containment - will become absolutely competitive vis-à-vis gas, and most importantly much more competitive than coal that - because of environmental reasons and challenges - requires big investments. So this is definitely one of the reasons why we decided to take a bet on Renewables.

On the left hand chart, we see the forecast of the increase of Renewables vis-à-vis conventional energy in the production of electricity worldwide. Here again, as you notice, the top shaded area shows that Renewables are expected to grow very substantially worldwide. And if we just focus our attention on Wind power, between 2012 and 2040 the installed capacity globally is expected to multiply by a factor of 7 as compared to 2012; and in Europe it is supposed to be multiplied by a factor of 4.

These projections do not include any forecast after COP21 (the Paris meeting), as it is too recent. However, I think it is quite obvious that after COP21 the forecast on the production of energy from Renewables can only increase globally. We all understand that COP21 did not really issue any binding agreement for individual countries. However every country undersigned the same commitments and there is a big drive - for climate related reasons - to adopt more Renewables. These are very positive signs: for the planet, for our health and also for ERG, because we have invested in this business. And, if I may, we actually anticipated the global trend some years ago, when people still thought this was more of a passing fad than a real opportunity. So I should say we anticipated this radical change because ERG has changed radically in turn.

I got really impressed by **slide no. 6** any time I look at it. On the left hand side, you see the disinvestments and disposals that the ERG Company did between 2008 and 2014, to get out of the Oil business. So in just 7 years, we disposed of assets for a grand total of €3.3 billion, and the lion share here is of course the Priolo refinery, but there is also TotalErg, the joint venture through which we sold a part of our retail network to our French partner. We also have ISAB Energy (the dark grey bar on the far right), which was a CIP6 plant and it was very tightly connected to the refinery, so that other companies actually consider it as a refinery accessory plant. And then we have the ERG Oil Sicilia network. So €3.3 billion worth of assets were disposed of. That amount basically corresponds to the ERG enterprise value right now: in fact if you take the stock price plus debt, you get more or less the amount.

In the same seven years, we reinvested not just the same €3.3 billion but actually €3.9 billion, in Renewables activities. We are talking about the Priolo electrical plant, which is a gas-fired power station; however, it is a high-tech installation that complies with very stringent environmental criteria. So I think this is something that really shows the total turnaround of ERG. If you look all the way on your right hand side, in 2015 we made a major investment in Hydroelectric power (so a new technology was acquired) plus another big investment which was made on wind farms outside Italy, whereby we acquired over 200MW in France and Germany. All in all, we distributed €650 million worth of dividends to our shareholders, so the overall sum (€3.3 billion less, but plus €650 million and €3.9 billion) is what we invested now. So the choice of transforming ERG actually has created value for the Company and for its shareholders, and the Company is still very robust and healthy financially. So if I may, I should say that in 7

years it is a bit like we have sold ERG and we then bought back a new ERG, which is certainly very different in terms of its assets, in terms of the stability of its performance and in terms of its prospective growth. Because in this activity in Renewables, we do have major growth perspectives than we had in the Oil business. In fact in the Oil business (which is extremely complicated and challenging), we only had a very limited potential for growth, whereas we do have a great potential for growth in Renewables. So the new ERG is totally different from the Company as we used to know it. The only thing that stays firm and robust - and I believe this is the reason of our success - is a very strong and deeply rooted 80 years-old Company culture and industrial heritage.

The **slide no. 7** shows a different take on what I have already told you, i.e. the transformation of our business and of the portfolio make-up we experienced from 2008 to 2015. I think it is visible at first sight: in 2008 almost 50% of the capital employed was invested in the Oil business, whereas in 2015 only 3% of the capital is employed in the Oil business, and it corresponds to our stake in TotalErg. In the chart representing 2015 you see that the production of electrical power accounts for nearly 97% of our business and it is subdivided in three major areas, which is Wind Power 58%, Hydroelectric 27% and Thermolectric 12%. So if you take another step forward, putting the light blue and dark blue slices together, you got the programmable part of the electrical production, whilst the green part is the non-programmable production part. Hydro electricity is programmable nearly as much as gas, even if not at 100%; so we currently have a very good mix of production sources, that we can rely on to really create substantial amount of value.

The transformation of the Company - and we are very pleased at that - had also relevant impact on the effect of our business and our activity on climate, which is a very relevant topic right now. All of our corporate social responsibility indicators, environmental CSR indicators, have improved between 2008 and 2016. As you see in the **slide no. 8**, between 2008 and 2016 the avoided CO2 emissions have increased by a factor of 15: we have reached nearly two million tons of avoided CO2 emissions per year, just as a result of phasing out the Oil business and increasing Renewables.

This absolutely impressive transformation – and I beg your pardon, as I know that you should say that, and not myself - was made of important and relevant disposals which generated a large amount of cash in the Group, and gave us a lot of opportunities for investment. But of course you have to make the right investments even when you find yourself having a lot of liquidity in your hands, and it is not necessarily easy to do things right. I believe that the Group has managed to achieve this big transformation in the last few years also because – when compared to three years ago - our overall governance system (a very advanced system) has proved to function very well. I am talking about governance, not just about the Board of Directors, the committees and so on: I am talking about the whole management of the Group altogether, that really functions very well, and allows the Group - starting from managers all the way to the Board of Directors - to assess and evaluate such substantial investments in a very quick manner, and with an information base which is absolutely reliable and very useful.

So how does our governance system work? It is shown in **slide no. 9**. As far as investments are concerned, we do have a procedure which is not just a formal procedure, but a very practical one. We have an Investment Committee that thoroughly analyzes and splits hairs really in all possible investments, so if the Investment Committee approves an investment, then it is passed on to the Strategic Committee, which includes Board members. Then if the Strategic Committee also approves that investment, then it is submitted to the Board of Directors. The Board of Directors is fundamental for the Company, and it is a real organism (it is not just formal), with 12 directors sitting on it. The Board was renewed in April this year, when five former Directors were replaced by five new Directors; all five new Directors are independent Directors. And amongst them, 3 are women: not because we want to retain gender parity, but because these three ladies can give a very good and very useful contribution to the Board. So we now have a Board of 12 members, 7 of which are independent directors. This Board of Directors really works hard: some of the new Directors are sitting in this meeting room, and they can confirm they do put all of their commitment in their work.

Also Risk Management is very strictly governed. We have a Risk Committee, and an Internal Control and Risk Committee. We have a Nomination and Compensation Committee, which also works very hard on everything they do. The Nomination and Compensation Committee and the Board of Directors have just met recently, and - this is another innovation we brought in to the governance of the Group - they have approved a long-term incentive plan for top managers. And so, for the first time vis-à-vis the previous plans, we have put an incentive and measurements to assess the Group's management not just on the basis of the value created by their work (which is certainly very important), but calculated also - at a 40% stake - on the total shareholder return for the Company. So the management is actually motivated and compensated based on the overall performance of the Company, on the share price performance and on the dividends that the Company pays out to shareholders. Just to give you an idea, there is a whole formula to get the reference price on which in a three-year time we shall calculate the bonus compensation: the reference price of ERG shares is €12.1, which is the average in the last six months. So certainly the challenge that the management will have to take to create more value for the Company is very demanding and very ambitious.

Now, having commented what we have seen and what happened so far, I am sure that Luca will be able to tell you very well about what we are planning to do in the next three years. In fact, you will have already noticed that the business plan period (i.e. 2015-2018) includes also 2015, even if we are close to year-end. By the way, let me take this opportunity to apologize for delaying this presentation: it was originally scheduled to happen at the beginning of the year, but then of course all the deals we were engaged in throughout 2015 - and in particular the Hydro deal - prevented us from telling you about a plan, which could not be fully disclosed at that time. And this is just the reason why we are meeting in December, and not in March: now we can finally provide you with an exhaustive and different plan. And also I know that some people complained - and I frankly agree with them - that over the last few years we have not been very active in talking to the financial community, apart from meetings like this one. To the contrary, I

confirm that for us the relation and the dialog really should be much more frequent and much intense. Now - considering the transformation we have gone through, with the perspective of much clearer growth in our future - we are prepared to intensify this Investor Relations activity from our side.

So 2015 is the first year in the Business Plan, and the starting point is a very clear one: we have a set-up of assets which is very clear, the financial structure is robust, the management team and the governance system for the Group are definitely well established, well tested out, advanced and ready to take up the challenges that lie ahead of us in the future. Definitely 2016 at least, and possibly also the years after it will be years when we will have to consolidate and integrate our businesses, not just in terms of assets, but - most importantly - in terms of human resources, that are of course the most important assets in the Group. So we have to enhance the production mix we created and exploit it at best, so we should not see just individual assets separately, but all assets together in terms of production sources and different geographic areas where we are active. We need to capitalize and leverage on our experience in Energy Management and O&M in the Wind industry: we have already very good results there, and we need to use them all on the newly acquired assets. And also, we need to enhance and to leverage on the experience we have gathered over the last few years, especially in the Wind industry, to go on and grow certainly in Europe, with a MAKE profile rather than BUY. I think we have learned through experience to develop things and build them and then run them, and this is where we can draw all of the untapped value in our business.

So thank you very much for your attention. Let me now give the floor to Luca, who is going to present the 2015-2018 Business Plan. Thank you.

Luca Bettonte:

Well then, good afternoon everyone and thank you for joining us. As Alessandro reminded you, we met here three years ago. And I would like to recall that time too, because three years ago we were in this very same room presenting our Business Plan. And three years ago, just like today – or today just like three years ago - we kept postponing month-after-month because we had an important deal to close. In 2012 in fact we had bought the Gaz de France Wind assets, and that had happened just before Christmas.

Today we are in a very similar situation: it is almost as if history repeats itself. The three following years were quite exciting, and I am saying that history has repeated itself until 2015 but I do not want to raise too many expectations. But this is just to say that, today like then, the first year of the Business Plan, 2015 already spells out quite clearly. But that is what underlies the decisions we made with reference to the main guidance of the Business Plan we are going to talk about together. That is why it makes sense to quickly review what happened throughout 2015, so that you can fully understand why we made these choices which we included in our Business Plan for the year between 2015 and 2018.

The first thing I would like to emphasize is that 2015 was once again a year of major transformation for ERG. In that year we met two major goals, two things we had been clearly asked by our shareholders, namely a technology diversification of our production portfolio and assets, and also a great geographical diversification since we were mainly biased towards the Italian market. The **slide no. 11** clearly shows what we did in 2015. In numerical terms - and here I am referring to the part of the chart about technological diversification - we went from 1,821 to 2,720MW installed, so it was indeed a plus 49% growth.

Then a new technology was introduced: Hydropower, which is totally consistent with the business portfolio we were aiming for. I am sure that you remember how determined we were to pursue this investment. The first bid we made to EON was in August 2014, and we closed the deal in November 2015: we wanted it strongly. We are happy we did it, and I think the market appreciated it too, as we saw in the days following the acquisition.

The other goal was a geographical diversification, and here we are just talking about the Wind industry. In 2015 we have grown by 370MW, namely plus 28%, and everything was done abroad. We have almost 200MW in France, 168MW in Germany, and have a presence in Bulgaria and Poland: so our installed capacity abroad went from 19% to 38% of our total installed capacity (i.e. ca. 1,700MW), so basically in one year we doubled our exposure abroad. And these are key elements in terms of our profitability, risk management and liquidity management.

How does the ERG Group look like today? To comment the **slide no. 12**, I would like to refer to what Alessandro told you: so, starting from 2008 and going up to 2015. In that period we have quadrupled our installed capacity (ca. 2GW), but what mostly comes out clearly is that we have become an Independent Power Producer with a well-established, well distributed European platform, which is poised to keep on growing just in the Wind industry, and – I would say exclusively - abroad.

But it beholds me also to remind you of our industrial position, and here we are mainly referring to what we are in Italy. We had shown you the **slide no. 13** also three years ago: showing it again today, we realize that in the Thermoelectric power segment we have confirmed a very high level of profitability per MW. Three years ago we were in the same ranking that has been confirmed once again, despite the ups and downs of the zonal price, the effects of the Mucchetti Decree – so, of the essential units in Sicily - and of Power scenarios less profitable than in the past.

We have grown in the Wind segment too; by the way, ERG data in the chart refer to 2015. So we went up to 1.7GW and, as you can see, we climbed the ranking. Three years ago we were second to last, and we have climbed the charts since then, but I would like to emphasize that we wish we could compete also in volume with those who are before us, in terms the size, capitalization and business type. However we can only compete in quality, because here we are talking about multi-utilities and multinationals, so with a global footprint, whilst we are only European players and we only focus on Wind energy.

And finally, we have entered the Hydro power market. As you can see on the right hand side, with the data referring to 2014 production, we are a new entrant but we immediately reached an industrial size, which is quite consistent with our remaining assets. Someone may remember - or someone has already asked us - a question as to what the future ERG developments might be, since we were too much focused on the Wind energy. That is why we pursue the Hydropower, because that quickly allowed us to have access to this segment with an industrial size that is in line with what we achieved, and with the industrial Group we want to be.

Had we pursued other targets, such as solar energy, it would have taken us longer. That does not mean that we will never go back to solar energy; however, as of today we want to focus on this asset portfolio, we want to grow in the Wind segment, because we think it is well balanced - as we will see later on - and we think that it is also safe and high in terms of quality.

We then tried to graphically plot or draw the ERG business model. Today - for the first time, with respect to the past, to the last Business Plan, and also to the various conference calls made with you – in our financial statements we talk only about Power. So that is why we thought it was important for us to explain how we intend to manage this business.

Therefore we have prepared the **slide no. 14**, which I hope is quite self-explanatory. We have two major grey blocks, which read “intermittent” and “programmable”. This is our portfolio split between intermittent business (i.e. Wind) and programmable or plannable, which embodies Hydropower and turbo-gas. In-between these two electricity production systems, there is Energy Management, which is going to be one of the key drivers for the Groups’ growth in the next future, in order to fine tune and optimize the production profiles of our portfolio. The whole thing is underpinned by activities such as ERG Services (a company we set up two years ago that manages transversal services for all the Group, and looks after our facilities management) and then of course Human Capital, Financial Risk and Public Affairs.

I think it is quite self-explanatory, however I would like now to focus on the Human Capital section. You have always heard me saying that we can compete in quality, that we have quality assets, but let me also stress how we have got also quality people. I always remind my co-workers that the ERG Group does not hold exclusive patents or technologies. We do what other people can do as well, so if we want to excel, we need to do it better than others. I leave it to you to decide whether we were successful in this respect, anyway we want to keep on investing in our people.

Going from left to the right, we have an organizational structure, which is consistent with our business. We have always paid a lot of attention to adapt our organizational size to our business model, but what I like most is to invest in the quality growth of our people. We designed or invented a new internal indicator, called Human Capital ROI, where we measure the extent of the technical and human skills necessary for our business. So we establish an internal database, mapping out all the various skills and “crafts”, as Alberto Fusi likes to call them. For each position, we identify the required skills and we made a

snapshot of the situation with reference to the people we have in our Group: today we have a 84% coverage. This is an important tool, because it allows us to understand how big our coverage is in terms of internal human resources, so to know where we need to invest both hiring outside people or educating in-house people. It is a fundamental asset for us, and I just deemed it worth of your attention.

But before delving into the plan details, let us see how we look like. Today we have a new generation portfolio. The **slide no. 15** show our various production units: as you can see, our portfolio generates about 7.5TWh per year, which is a substantial amount. If we add other 0.5TWh - because our CCGT plant is cogenerative and uses part of its power to produce steam, that is then sold to local operators - we can go up to 8TWh. With the origination activity, so with the acquisition and sale of electrical power in terms of portfolio balancing, we can say that next year we are planning to manage about 10TWh of production, placing us among the first five or even three Italian players, with an amazing growing pace in the recent years.

But the most amazing thing is that our asset portfolio is a green portfolio. The turbo-gas plant uses gas but it is a cogenerative plant, producing clean energy: therefore we are totally a green player. We have complimentary and integrated plants – and we will see later on what that means – and the installed capacity is almost fully managed there with in-house O&M activities. This is easily understood as for Hydro and Thermal electric power, whilst it is less clear with reference to Wind farms; however those who know us should remember that we have strategically made this choice... but I will pick up this issue again later on.

So that is where we started from for designing our Business Plan: we had to close the E.ON deal and then identify some strategic guidelines of growth, which have to be consistent with the idea that we wanted to be a European Independent Power Producer, which only produces green energy or clean energy.

Where are we headed? In the **slide no. 16** we split into five dimensions our strategic guidelines for the following years, to pursue a further growth for the Group.

In Wind energy, we want to shift to a new growth business model, so from a growth based only on M&A to an organic growth business model. This organic growth business model should help us to grow more - at least 200MW in addition to the 370MW added in 2015 - exclusively abroad.

In Hydropower, we need to consolidate and integrate the Terni plant, trying of course to optimize its management. Here too, if you want I can draw a comparison to what happened three years ago. Three years ago when we acquired the Gaz de France Wind farms, we said “we are confident we can manage them better”: not because Gaz de France could not, but because that business for Gaz de France was surely important but also just one of the many businesses they have in a global portfolio. Whereas for us it is actually an essentially fundamental item: so that is why we paid a major attention to make it more profitable. And the same will be for Hydro power: The Terni plant can be highly modulated, and it used to be part of the global E.ON Energy Management

system, as it was in direct connection with Germany. In some ways, it may not have been as profitable because it was part of a bigger group, and therefore they did not always take care to the single unite hedging and dispatching. That plant is instead going to be key for us, it will be connected to our unified Italian Energy Management system, and that is why we are confident that we can maximize its value.

The CCGT is still a plant we need to fine tune to maximize liquidity production. It is located in Sicily, a location that used to be quite lucky, but is bound to be less so in the near future: because there is no longer the protection of the special law for essential units, and because in the 2H 2016 the new cable connecting Sicily to the rest of Continental Italy should be completed. In there we endeavor to keep on improving the plant efficiency in order to extract the utmost cash flow generation, considering the complexity and lower profitability of that scenario in comparison with the past.

Considering our size, and the fact that - as time goes on - the incentivized component is slowly declining (and therefore our plants will sell their energy production more and more on a market price base), we have to concentrate on Energy Management in order to better manage - in terms of production and sales - the energy deriving from these plants.

We already got beneficial effects when we designed the 2016 budget. In fact assembling the three areas of production, we had seen that our PAR (i.e. the profit at risk) has gone dramatically down: that makes us confident that we will be able to generate substantial cash flows.

And then the Operations & Maintenance. Our guideline is “we need to complete what we began in Italy”: so, we need to in-source maintenance operations for all of our 1,094MW in Italy, but also to concentrate on our Wind farms in other countries. We acquired two technical services companies, one in France and one in Germany - the closing is expected in the next few weeks, so we are about to acquire them - and we like that, because it will allow us to replicate our Italian model, which makes us the player with the highest operational profitability in Wind farms, in Italy. We will see this better later on.

Let us now see in the **slide no. 17** what happens in the Wind sector: let us proceed one-by-one, per single production unit. This is going to be a year of consolidation also for Wind energy, with major investments in 2015. So in that year 2015 we have to consolidate our operations outside Italy. However, in that year we have also to lay the foundation for future growth, going from the M&A growth model to the organic growth-based business model. So we have to build a sustainable and sizeable pipeline so as to draw from that for our investments. We have already started doing that. We already have a pipeline we have been working on, and from that we have drawn our growth estimate for the business plan: about 200MW will be added over the following two years, in 2017 and 2018 in particular. This change in growth model includes also a different time to market – from acquiring the right to build a plant to its entering into operations – and a building path as well. The growth in the Wind will be mostly in 2017 and 2018. And then once again I focus on our Operation & Maintenance activity, whereby we are

planning to complete the internalization of our Italian Wind farms and then to expand this activity also abroad.

In the **slide no. 18** you see the main differences between the M&A and the organic growth-based business models. I mean that M&A model takes shorter, but the value added is smaller; whilst with organic growth it takes longer, but you are also creating greater value, even if taking greater risks. There are also other reasons underlying this choice, which depend on how we see the Wind energy development in Europe, where we aim to go.

As you can see in the **slide no. 19**, three of the main countries where we want to grow are Germany, France and the UK. Apart from the current regulatory uncertainties in the UK - which we consider to be temporary - these are quite stable countries which have been focusing on Renewables, and where the regulatory framework is quite stable. Therefore, they attract many financial investors.

Of course we could not, we would not even want to compete with financial investors in making mergers and acquisitions, because we might even get a negative value, if you consider how much we pay for the capital. And therefore, organic growth is our response to the greater competition coming from other parties, whose gross profitability, cash flow and returns on investments are quite different from ours. That is why we have no intention to compete with them.

And that is consistent with the fact that ERG Renew has reached the industrial size we were aiming at: a complete industrial size. Today ERG Renew develops, builds and manages its assets. It creates a significant cash flow, and its growth needs to be consistent with its business model.

As you will see, this Business Plan generates a lot of liquidity and we will be able to speed it up. Of course should a good M&A opportunity appears in front of us, we would still be interested in evaluating it; anyway, we want to focus mainly – if not almost exclusively – on an organic growth model.

We have a pipeline of about 300MW work in progress, which originates from a scouting activity we did in the last six months of 2015, when we decided to change our business model. And from that pipeline we have extracted a growth of 200MW, as shown in the **slide no. 20**. Substantially, this pipeline is well structured and we think we should be able to develop it. As you know, pipelines at the beginning may have a high mortality rate: of the 1,000MW we scrutinized, only 300MW were left, and we have decided to take from them only 200MW. Some people said that we may be too conservative, but I can simply reply that we are ERG: even if last year we built 80MW, and the same we did two years ago in foreign countries, when we used to have a different business model, perhaps now - with a more focused business model - we might do even more and better. So for the time being, we can show you this expected growth, which we are confident we can accomplish.

Why have we gone to these countries specifically? It is easy to say. UK, France, Poland and Germany have clearly declared targets and growth rates for wind energy. Some of these countries may be at different regulatory stages: for example Poland is probably suffering a bit more, because it still has many coal-fired plants (as shown during the COP 21 meeting), but that is why they should actually revamping their production units, and for sure Renewables are their future.

France and Germany are sound and stable, they want to keep on growing and we are growing in those countries. The UK is a new entrant. We are not yet present in the UK, but we like it, because the UK - especially Scotland - has a lot of wind. And over and beyond the results of any ongoing regulatory changes - which then cause the UK, just like the other countries, to go from FIT-based incentives or from green certificates into auction awards, which imply greater efficiency by the peers - we like the UK because there is a lot of wind. Apart from future change from ROC (their green certificate-based incentive system) on to reverse auctions, we like it, because it is a very windy country, and I think we can be quite competitive there, even in the absence of incentives of any kind.

Having said that, this is the growth we expect in terms of installed capacity. Now, considering that we are talking about installed capacity that grows mainly through Green field projects, we report both types of data: the darker bar charts are the MW installed at the end of the year, the lighter colored bar charts are the average MW installed throughout the year, which are a better representation of our growth, because they are producing progressively over individual months in the course of the year. So the forecast for 2015 (even if it is almost a final balance) is 1,400MW, then will increase by 21% in 2016, to reach 1,700MW, and then will grow by another 12% up to an average installed power of about 1,900MW (1,940MW as a punctual figure) in 2018. We have discussed whether we should say 2GW, as this is the actual target we have in mind. But we wanted to keep true to our habit of giving projections that are absolutely achievable, and so we decided to just write 1,950MW.

So apart from the growth in geographical diversification, what is going on for us – as for other players in the Wind sector - is that, as time goes by, we are getting to the end of the rights of receiving incentives under Wind farms installed in the past. We have shown that when providing information on the EBITDA of ERG Renew in the right hand side of slide no. 20, where you see that, in Italy - where we do not want to grow - the EBITDA is inevitably destined to decrease. So there is a first reduction of incentivized MW in 2018, then in 2022 we will have a second reduction. Afterwards the incentivized part should stabilize, so we will replace it with the EBITDA produced outside Italy. So all in, and altogether, here we are looking at constant, continuous reduction of our exposure to revenues coming from subsidized sources: that will be at 66% in 2015, and by the end of this Business Plan period, it will decrease at about 55%, so a pretty sharp reduction.

Now, before we speak about the economic and financial perspectives for Renew, let me spend a couple of words on the other driver we want to rely on to create value in the Wind area, which is O&M. We asked ourselves how we could represent the competitive edge we have here; however, you can certainly see that on your own in our financials, if

you extrapolate the values related to operating profitability of ERG Renew. We made an external benchmark to represent the data we are providing you with here, in the **slide no. 21**. First of all, before year-end we are going to complete O&M internalization in all the 1,094MW we have installed in Italy. And let me remind you that those 1,094MW are installed in three different plant-technologies. This is important, as whilst internalizing O&M activities, we acquired more and more know-how that we may be able to use in other parts of Europe later on in time.

In the top right part of the chart we are trying to express our competitive edge, and to do that we sought help from Bloomberg. Bloomberg did a very in-depth survey with all players and asked them about the cost of O&M per MW, based on the age of any individual MW installed from its commissioning onwards. Then we estimated what – based on that indicator - might be the growth in the O&M costs during the Business Plan period for ERG Renew. And once again, consider that the survey has been done with players whose understanding of in-house Operations and Maintenance activities is not as deep as ours.

In the lower part of the chart, we see what we actually do: there is a really significant differential, it is nearly by 50%. This is very visible in our numbers, in our profitability and in the cash flow of ERG Renew. And this is particularly important, because it allows us to optimize production control: in fact, together with O&M activities, we actually perform control on producibility, on the technical availability of our plants, which now grew from 95% to 97% in the last four years, as you can see in the chart below. And each 1% more actually translates into a few million euros of EBITDA.

Finally, in the **slide no. 22** we find the numbers with reference to the ERG Renew plan. Here, we are seeing an assumption in the growth of the average installed capacity by 42%. So we expect a linear but also really relevant growth throughout the Business Plan years. We also expect a 15% growth of the EBITDA of ERG Renew, that at the end of the plan period will reach €310 million as against €260 million now. That growth will more than offset the decrease of EBITDA we will have to support in Italy for the obvious reasons I mentioned before. Thanks to this growth, we will get to a capacity of 2GW by the end of 2018, and to do that we will invest about €870 million in CAPEX between 2015 and 2018. This is all as far as our intermittent energy sources are concerned.

Let us now switch to the programmable energy sources, commenting the **slide no. 23**: our strategy here is to extract as much value as possible from the Terni Hydro integrated system. For us the Terni plant is key in our portfolio, key in our invested assets, and it is a key element in our industrial structure as well. So the attention we will devote to manage the plant, and in particular to get the best from its modularity, allows us to say that we will be able to provide a very relevant level of profitability, much higher than in the past.

As far as the CCGT plant is concerned, we want to maximize its profitability, but the CCGT plant will also play a very important role as a very flexible tool for the production of electrical energy, that will allow us to fully tap the Energy Management activities in the management of our integrated portfolio. So over and beyond its decreasing profitability,

the role of CCGT is very important, in terms of hedging and in terms of the overall management of the production profile.

Speaking of Hydro power, let me share with you the **slide no. 24** to try and tell you about this integrated system that comprises rivers, canals, dams, and reservoirs that actually allows us to have a very flexible system. What we see here is that we have 38 production plants, seven dams, three reservoirs, three Hydroelectric basins, where rivers are combined. We also have 150 kilometers of canals connecting those resources: canals connecting the rivers outdoor, but also canals connecting individual reservoirs to each other, so that we can – to say it simply - exploit several times the same droplet of water. And just to give an idea of the size of this plant, when the droplet of water runs down from High Velino to all the way down to Galleto, it takes 10 hours to do all that trip, all that journey. To give you an order of magnitude, that pipe is a full tunnel dug in through the rock, it is 6 meters high and more than 40 kilometers long.

We are talking about Umbria here, in Central Italy, and about a plant which is well integrated in the local land, and it is basically the most advanced type of storage that our electrical generation system can provide, in Italy but also worldwide today. Mr. Tittoni - the Managing Director in charge of this plant - told me straight away that I should see it as electrical energy, rather than simply water. It is not that immediate, but that is the truth. The big advantage is that it is actually a well-integrated plant, so it can really modulate, follow pricing fluctuations very quickly, and it has a very high production.

Well, I am not sure I was able to explain this complex but also amazing integrated system, so I would suggest that we see a short video to have a visual explanation of what we are talking about.

[*video playing*]

There is something else I forgot to tell you, but it was very well highlighted in the video: this whole big facility is managed through a single computerized operational station that with its monitors in real time opens and closes down the dams, shifts water around and follows production, etc. It is a very efficient system: that is why I consider it as a single large electrical power production plant, and a very modular system.

Now of course, all of it eventually has to be run by Energy Management, which is going to be our main focus. Please also consider that we have been managing all you have seen just for 15 days now, so we need some time to take full control of the whole plant. However, it is already clear that it is a fundamental component in our production portfolio which - before this acquisition - was 5.5TWh, and it is now 8TWh, as well shown in the **slide no. 25**. 8TWh that are produced by systems that are naturally complementary with each other: so they are complementary in terms of the geographical location (as it is shown in the map of Italy on the right hand side), and they are complementary in terms of seasons (normally, when there is not much wind in the summer, there is more water and *vice versa*), and they are also complementary in terms of their technology, as you see on the left hand side of the slide. So today, we have an opportunity to fully exploit and tap a portfolio which is naturally integrated and should form the basis for us to build

on an Energy Management organization, that will allow us to reduce profit at risk, and also to extend it to other segments of the value chain in the distribution and sale of electrical power.

Having said that, you see in the **slide no. 26** how the programmable part looks like on an installed capacity base: increased from 480MW up to 1,000MW of power, and with the EBITDA profile shown in the right hand side. As anticipated, the dark blue columns show the EBITDA from CCGT, which is basically the nearly exclusive component in the P&L of this business unit, and over time it will be reduced and replaced by profitability from the Hydro plant. By 2018, we will have reached a situation which we consider to be basically stable from then on.

Afterwards there should be a reduction and hopefully, thanks to the Energy Management, a new increase. However, the Energy Management cannot be isolated in terms of profitability. It is a component of the P&L of all the business units based on the modulation levels, on the production profiles and on the distribution profiles. Here we have invested €950 million, mainly related to the acquisition of the Terni Hydro plant we have just looked at.

Now, we can take a look at our consolidated results. However, before we do that, I will talk about the TotalERG, commenting the **slide no. 27**. As you know, starting this year, we have decided that for obvious reasons - and I think I do not need to repeat myself - TotalERG is no longer a core investment in our business, because we decided to turn to Renewables very decisively. However, I would like to point out that this joint venture is still an important endeavor for us, and it is getting to the results we were targeting three years ago.

Very briefly, three years ago we said this Company needed to improve the profitability and network efficiency, to reduce costs and to get to a higher level of profitability. We have formed this joint venture with Total in 2010, and at that time the biggest challenge was that of getting these results. And I am happy to report we did manage to get the results we aimed at. This joint venture has gathered two companies that were medium to small-sized (6% to 7% market share each), and since then it has experienced a process of efficiency increase, confirmed also by the plan that TotalERG is working on, to reduce the number of unprofitable service stations. In fact, as you may notice at top left, there is an increase in the market share of the more profitable points of sales, i.e. the retail outlets directly owned by the Company. TotalERG EBITDA grew from €84 million in 2012 to €150 million this year, and will further grow to €170 at the end of 2018, with a costs reduction respectively by 21% and 29%.

Of course that is also heavily influenced by the transformation of the Rome Refinery into the main import hub in the Mediterranean area. This allowed us to increase the efficiency index – i.e. the ratio between liters sold per service station as against the industry benchmark: we are above 1%, so that means our average is higher than the industry average – reducing by 18% the number of service stations, and automatizing them.

Now, I like to think that when we decided to set up the joint venture TotalERG, we did the right choice. In 2015, In fact when the market moved around more normal variables in terms of price of oil, for example in 2015 - let us not think of the \$35-40 we have now, let us think instead of the average price for the whole of 2015 - and also oil consumption increased slightly or recovered slightly in Italy, TotalERG put in place all its power, all its energy, all its capability of managing the business and generating profitability and liquidity. So today it is not a part of our core business anymore, but it is certainly a financial investment that is quite satisfactory for us. And we expect it to yield good dividends over the next few years too.

Let me now come to a conclusion by quickly commenting **slide no. 28**, going through some simple additions of the amounts commented so far, and speaking at a Group level. This is the EBITDA evolution: from about €350 million in 2015 up to around €450 million in 2018, so we are talking about a 29% growth. Let me say something about the guidance here: before the acquisition of the Terni Hydro plant, the guidance was €350 million. So we are confirming that guidance, but to do that we need to add about €10 million of EBITDA from the Hydro assets: in fact the wind level in December and November - absolutely very low - did not allow ERG Renew to obtain the results that we had expected in the guidance. So the EBITDA guidance is going to be €350 million (even if with a different make-up), whilst we confirm €450 million for 2018.

I think it is important to share with you how EBITDA is going to increase - we tried to show that in the right side of the slide – because, as I said before, there are some situations following which we naturally should reduce the EBITDA we expect. In particular, between 2015 and 2018 there are three big plateaus: a €37 million reduction, a €90 million growth - on top of the €10 million from Hydro – and a growth of €41 million from ERG Renew wind production. That €37 million reduction comes from the scenario of electricity, which we consider will be slightly worse than it was in the past, but also from changes in regulations. So that €37 million reduction includes the profitability decrease due to the discontinuation of the regulation on subsidies for essential production units in Sicily. The same is true for the change between €440 million in 2015 and €450 million in 2018: there again, we will pose a loss in profitability, as a consequence of the entrance into operation of the connection between Sicily and the Mainland (implying a lower profitability from the CCGT plant), but also a reduction of EBITDA deriving from green certificates, that are expiring in that period of time.

However, the investments we are making are in place to more than offset those profitability reductions. And please allow me to say that these projections come at the same time when we have just closed a relevant deal, and so they are a bit conservative, discounting a still limited familiarity with the business we have just acquired.

Everything needs big investments of course. So, let me briefly talk about CAPEX as shown in the **slide no. 29**. We are talking about €1.9 billion investments between 2015 and 2018 (more than our market capitalization): €1.35 billion is in M&A, and the rest is organic growth in the Renewables. So basically all of this CAPEX is going to be invested for development: some tens million per year is going to be invested in operational

maintenance, but the remaining 95% is basically investment earmarked for development.

Finally, this is our cash flow. Once again, the Company appears to be pretty similar in terms of liquidity development and liquidity management to what we had in 2012. Also at that time we had big investments, big leverage and then deleveraging. As summarized in the **slide no. 30**, this year will close with €1.9 billion debt, and it will go down to €1.3 billion at the end of the Business Plan period. €400 investments, €200 dividends (which we consider to be a floor) and a generation of liquidity – deriving only from operating cash flow, because we do not really want to engage in dismissals, or whatever - that will be of about €1.2 billion. So at the end of the plan period we will have €1.3 billion in terms of net financial position.

Let us now see (I am at the **slide no. 31**) how that net financial position is composed: the red line is net debt, and it is broken down components. This is a chart you have already seen three years ago actually. And this chart shows that our debt is mainly due to project financing (that is the blue bar), whilst the yellow bar shows the debt we incurred in for the acquisition of Hydro plants in Terni (about €700million).

And with that level of debt, I can tell you actually we have no problem in refinancing it, and this is a very important comment of course, because it allows us to look ahead with optimism - even though the capital structure maybe better optimized - at the light blue bar, which is very substantial liquidity we have access to. A part of that liquidity is frozen in project financing contracts, of course, but the biggest part of it is freely available during the years of this Business Plan. The cost of money is in line with the cost of money our peers have access to. Actually, there was a substantial re-leveraging here; the debt-to-EBITDA ratio at the end of the plan is 2.9x, which - for a business which is nearly infrastructural as ours - is actually a high quality performance.

Having said this, I will try to quickly draw some conclusions as per **slide no. 33**. And I did ask myself ultimately what is the story coming out of this new business plan? Well, the story tells us about a very challenging year - 2016 - where we have to go through the consolidation of the investments we made, but it is also going to be a very intense year in putting together the basic building blocks for future growth, because we want to shift from the existing model to organic growth based model. And we also want to optimize a coherent Energy Management of our 10TWh, in terms of IT systems, both in terms of working capacity and forecasting.

If we take a look at figures, we see that the installed capacity goes from 1.8GW to 3GW in the plan period, so a growth by 62%. The installed wind capacity grows by 45% (from 1,341MW to 1,950MW), and abroad grows by almost 2.5 times, from 254MW to 850MW.

As I said it is going to be a Business Plan based on consolidation, but also based on a large projected growth. The EBITDA has a compounded growth by 7% (from €343 million to €450 million), with a 65% Wind (intermittent) and 35% programmable component. Cumulative CAPEX amount to €1.9 billion, out of which €600 million for organic growth, which is larger than our market capitalization, with a very good ratio

between NFP and EBITDA lower than 3x at the end of the plan period, and also a dividend policy which will be more than sustainable over the next three years, that is therefore able to remunerate shareholders.

That is what this Business Plan tells us in quantitative and qualitative terms, but it tells me something more, something I would like to share with you. Namely, this Business Plan points out the ERG strengths (shown in the **slide no. 34**): we have got three main drivers we want to implement to keep on creating value in the next years.

First of all, the quality of our assets, which are diversified, both in terms of technology and geography: the bars clearly represent how we intend to diversify within the plan horizon. Just see how these 3GW split in terms of multi-generation, and of geographical position, in Italy and abroad. These are quality assets, because the load factors of our plants are much higher than the market average and the same is true for their profitability, thanks to the strategic choice we made two years ago to in-source O&M. The CCGT is highly flexible, and the same must be said about the well-integrated Hydropower plant.

The second driver is cash flow generation. In a nutshell, this integrated portfolio will allow us to have quite low PAR levels, with a very significant cash flow (about €1.2 billion) and an average free cash flow yield of 8.1% in the plan period.

And last but not least, our management team, our human resources. I mentioned them intentionally at the beginning of my presentation. And this is algebra: I mean, these people were able to anticipate, to predict trends and to manage the Oil and the CCGT – which is similar to Oil - and get the liquidity to invest in Renewables. I think that even much larger industrial groups did that only well after us. We closed €7 billion M&A deals, and I do not think we have suffered from significant impairment tests in our financial statements.

If we add further €2 billion not included there, we have got €9 billion in 7 years. So we have a great flexibility. Today, we are talking only about electrical power, whilst three years ago half of our production was based on Oil, and four-five years ago, it was fully an Oil-based production. And the brand has kept unchanged: so as you can see, there is a great flexibility of responsiveness in ERG's management to adapt to any emerging situation.

I feel that these strengths are certainly in line with the way we see the future, which – we are quite confident on that – is made of Renewables. Somebody said – and I have shown again in the **slide no. 35** – that the 19th century was the century of coal, and the 20th was the century of Oil, whilst the 21st century will probably be the century of green energies. And we will be there, with our skills and competencies, because more Renewables, more Wind, more aging plants, all that means that we will be able to have more opportunities to grow in O&M segment towards third parties.

Sooner or later, we will have batteries and that will dramatically change the power market. ERG cannot invest for research and development of batteries, but we can

generate such a cash flow to be able to acquire this technology quite quickly. And finally Energy Management: this is an additional qualitative setup in our asset management.

That is what I see for the future, and that is where we may be heading. This has not been written on paper, in our Business Plan, but that is in our mind. And this I think we would like to keep on doing, whilst keeping unchanged our conviction that we can only compete if we invest and if we do carry out quality and straightforward projects. And simplicity, as I speak, may be made simpler by the digitalization process, which cannot be stopped globally.

This is the thing I like best in the Business Plan: we are more than ready to go and seize any opportunity which is going to come, because electrical power market is experiencing a dramatic transformation, and we have got the flexibility, the expertise, the financial access to go and seize these opportunities. Thank you.

Emanuela Delucchi:

I think we are now ready to take your questions. Perhaps we can start from those here in the audience, and then we will move on to remote questions from confcall.

Questions & Answers

Roberto Letizia (Equita SIM):

My name is Roberto Letizia from Equita SIM. I have some follow-up questions.

First of all, a question about Hydro power. You told us quite well about the options of the strategic/organic growth for Wind power, but - over and beyond the consolidation - you said nothing about Hydro power. In the medium and long term, which are the growth prospects for Hydro power, also considering the calls for tenders, which are going to come in Italy within a few years?

How many green certificates will expire by 2018, and what happens to the ERG-ERG Renew control of governance structure? In the previous plan, you thought you may be re-listing ERG Renew: I would like an update on this issue.

And then something about dividends: it is true that you paid out just a minimum dividend at €0.5, but you did not give us any indication about a payout, not helping us to understand to which extent value generation may be returned to the shareholders. Could you please tell us some general guidance about the payout?

Luca Bettonte:

With respect to the Hydro power growth, we cannot give any indications (as we do not assume we will be making investments in Hydro power), other than - as you correctly pointed out - there would be some auctions for tenders. This is a very touchy subject: as you know, there is a very lively debate between the Italian Government and the European Union about the modalities for these auctions, so there is quite a lot of regulatory uncertainty. But apart from that, in industrial terms, we are not assuming we will be growing further in this area over the next couple of years, at least.

We have to wait and see what happens there, anyway we always have some cash provision there, and we might decide to use it for that purpose. But to address your question, we are not interested in growing in the Hydro power segment at the moment, also because we would have to increase the size of our plants coherently with the size of the recent acquisition, and it is not easy to find plants of that size and that might be properly integrated.

With reference to the subsidies that will expire within the plan period, we are talking about 270MW in the plan horizon; it will then get stabilized between 2020 and 2022, when there should be a further reduction of these incentives.

As for what you asked about ERG Renew, you recall something important which allows me to specify something else. At the time when we talked about the relisting of ERG Renew, and of a different corporate structure with ERG SPA, our Group did not yet have a clear business structure, whereby all business arms were coherent with each other. Today, since we only produce clean power, using only green modulable and non-modulable plants, I think the optional relisting in ERG Renew falls short. At that time the assumption was that, if ERG SPA - which had €1.5 billion available - had invested in diversified industries (as it was the assumption, before actually closing down our Oil business), we would have to propose to shareholders easily to identify actions in terms of risk reward ratio. As of today, the ERG stock does clearly represent a good risk profile in terms of the way we produce and sell our core product, namely electrical power. Your analysis on discount rates can confirm that, and it is confirmed also by having only one PAR, which was not possible within the Oil business.

As for your question about the dividend, we never gave any guidance about the payout. Our policy was always to keep a certain level of dividend as long as it is financially sustainable. Today we can say that our dividend is at €0.5 - which is higher than €0.4 used until some years ago – and it will not go down. Might it go up? Let me just tell you that in the past few years, the average €0.4 once became €0.9 and another time got to €0.1: that is the only guidance I can give you at the moment.

Roberto Ranieri (Banca IMI):

Good afternoon. My name is Roberto Ranieri, of Banca IMI. A couple of questions. The first one about the programmable capacity: could you give an idea of the extent this programmable capacity can affect the premium selling price vis-à-vis your assumption for PUN, can there be an upside effect vs the PUN, deriving from this programmable capacity? And what are your basic assumptions in terms of electrical power prices scenario for the plan horizon?

Then I have a second question too, about operational and market aspects of the Energy Management. You highlighted the effects of your Energy Management, and I am wondering whether this is just an operational relevance, or whether it might also affect an upside if any in terms of EBITDA on the plan objectives. Let me give you an example: does Energy Management also open to a trading activity of electrical power - with the liberalization of tariffs and disappearance of the protection tariff - thereby allowing you to seize opportunities in this business, or not? So, is there an upside coming from this activity?

Luca Bettonte:

As I said before, it is not easy to calculate an additional premium, because it depends on the production profile. So what the Energy Management can do at best is to monitor the production profiles thanks to programmable plants, trying to achieve the best price at any hour. It is not easy to calculate the difference versus the PUN, but I will give you an example. The programmability of CCGT plants – even before having an Energy Management similar to the one we are currently developing - in the past allowed us to have an EBITDA of around €15-18 million: that is the major impact we can have. Then you have to translate this into capacity management, or Energy Management to handle properly the production profile.

The scenario we envisage is very similar to what the major Italian players see: a slight increase for the next three years, something about a +2.5% growth up to 2018. And this increase should be interpreted also in the light of the forward options, which are currently below this growth rate.

But you need to consider there is a very depressed level of commodities, and we cannot take for granted that oil will stay at such a low price for a long time to come. I remember 2009, when LUKOIL had to pay for our refinery, and they could not put together the necessary cash, then you know how prices changed later on. So I do not think that the oil price will remain so low for a lot of time to come.

In any case, our portfolio structure apart, from the PUN - which is, as you know, the national unit price in Italy – has to be read in connection with how price of the single hour is made up, with our ability to modulate and therefore to get the best price at any hour.

As for the Business Plan, there may be a number of upsides, but they will depend on the Energy Management (and its IT development), and whether our leadership team will be able to achieve these goals at all.

Then you had a second question, if I am not wrong.

Roberto Ranieri (Banca IMI):

Yes, your scenario on change in tariffs.

Luca Bettonte:

Yes, right. I can tell you that everything should change in 2018 and by that time we should be ready to do so. If I may elaborate this idea - even though this is not a precise declaration of intent – there might be the possibility to enter other segments in the value chain of electric energy distribution. Today we are among the first 10 Italian energy producers, I think we rank third or fourth; all the others have a retail business, we are the only ones who are not exposed to the retail business, just because we are the new entrants, that is the point. And it is quite true to say there is never going to be our intention to grow in a retail business - or whatever you want to call it – as this could bring too complexity for the Group.

We are engaged to be efficient with our Energy Management: that is our challenge, to see if there are any opportunities to seize in this sense. But in any case they should be consistent with our Business Plan model, therefore to be simple because complexity does not pay. The solution could be digitalization or digital transformation.

We have had retail experience in the past, if you recall, and then we discontinued it because we clinched an agreement with IREN: we had 50,000 customers, then we passed them onto IREN. I did not like the complexity coming with us, and I thought we had to find a more efficient path. As I said when closing my presentation, we do have some potential and we will be working on it.

Niccolò Storer (Mediobanca):

Good afternoon, Niccolò Storer from Mediobanca. What are your implicit assumptions for CCGT by 2018? If I am not wrong, in 2017 the agreement you have with IREN will expire. So I wonder, what will happen after the expiry of the agreement, will it be renewed or extended?

Luca Bettonte:

I would not say there are any specific assumptions, so we are only planning to keep on increasing our efficiency in the normal CCGT operations: as you saw, the level of the foreseen profitability should be stabilized around 2017-2018.

For sure we will lose 2TWh of electrical power sale because of the expiring agreement with IREN. I think it unlikely that IREN might renew the agreement at those conditions - considering the current market conditions - because they depended on the terms and assumptions we made five years ago, which cannot be repeated today. The CCGT is a plant we want to operate as efficiently as possible, also for its contribution to the modulation of our integrated system.

We still have some major agreements with Versalis (a long-term agreement), with ISAB (a long-term agreement); we sell steam and energy, so - even though we have a loss in profitability - that is still a significant and important profitability for us. Consider that this investment is going to the end: it started in 2010, and during the last three years we had €100 million of EBITDA per year. So, I think it has already paid us back quite sufficiently.

Roberto Letizia:

If we do not have other questions here, I would have some follow-up questions. First of all I have a question for the Executive Vice President on the control of ERG as a whole. The Renewables sector is still incredibly fragmented: especially in Italy we have a lot of players - some of which are listed and public - but they have lost some appeal in the last few years. So I was wondering whether ERG is considering or whether the key shareholder is considering the opportunity to think about a possible integration of the Group, and how much would a possible dilution affect, if this is an issue, something that ERG can think about? Is it possible to create so much value and a more and more integrated management of larger portfolios?

And then if I may, I would like to have more details on the pipeline: many MW are under construction. So what is the likelihood for the assets you have scrutinized so far to be singled out, and of the 300 MW still missing from the GW you have told us about? How many are still being analyzed, and how many of them have already been authorized? So, can you please give us more details about the Wind power MW that are going to enter into operation?

Then may I have a clarification on the makeup of the EBITDA of Hydro power? I would like to understand how you behaved - for 2016 in particular - in the assumption about the entrance into operation of the connection. Especially for power, this year you are supposed to have €100 million - or a bit more, a bit less of that - and possibly a return of about €50 million by 2018. Well, I would assume some kind of number which is in between in 2016, but actually I think that the contribution of power to EBITDA in 2016 is a very conservative figure. So what is your assumption there, when do you assume the connection will start working? And what do you think about the phasing out of incentives deriving from the Mucchetti Decree, so can you please elaborate on that?

and then kindly would you please tell us about the tax rate you have assumed for the Business Plan period? Last time we met, the assumption was you would have major tax advantages in terms of the depreciation of hydroelectric assets. So what about that benefit, is it going to phase, at what level is it going to stay throughout the plan period? In connection with this question on hydro power, could you please give us an idea on the relevant depreciation? It is a bit confusing for me to determine the depreciation coming from the purchase price allocation of the goodwill plus anticipated amortization: so, could you please give us an indication of depreciation of Hydro only in 2016 and 2017? Thank you.

Alessandro Garrone:

Okay. First of all, congratulations, you hold the record for the most questions asked in just one round today. So you took advantage of your possibility to ask questions fairly enough.

Well, I would say that the Family has shown throughout the history of ERG that it is prepared to be very flexible in terms of partnerships and covenants with shareholders - even bigger shareholders - because our only objective is that of growing, diversifying and engaging in our businesses. At sometimes in our history, we engaged in partnerships and then we get out of them. This is our culture, up until now we never run into a partnership opportunity that also touched upon the shares held by the Family, which is currently 62% of the Group. However, the family has never decided on any kind of stringent regulation or stringent constraint: we never said we do not want to increase, decrease or dilute or whatever our assets. Our shares are a part of whatever we can actually invest for deals, provided of course these are outstanding, relevant, important and, above all, value-creating deals.

So certainly, there may be some integration, so there are smaller player that maybe listed or a private. And of course, they have to be comprised in our strategy, which - as you understand - today is growth, in particular growth outside Italy, with top quality

assets. So it is even more difficult to find the right subject or object to be aggregated with, than to decide to use ERG shares as a tool to be exchanged for acquisition purposes. So the key theme is: we need to find the right acquisition candidates in the first place.

Luca Bettonte:

Well, I will give you some information, and then of course, if you need more information, then our Investor Relations manager will be happy to get back to you. The tax rate we assume in the plan is about 30% to 32%, and as to amortization - including goodwill, which we assume today - the depreciation in Hydro is about €60 million per year.

EBITDA for Power in 2016 is about €63-65 million, and then we will go down to €40 million in the following years.

The pipeline, as I said, involves exclusive agreements with developers. We have already agreed on the individual steps on which we should perform together, in terms of support to CAPEX (i.e. investments) and support in getting the authorization and whatelse. We are talking about countries that are going towards the auctions systems, and so the main risk - in case we have no problems with authorization, but that is maybe a minor risk – is to participate into auctions and to win them. So we believe this is actually something we can do: from 1,000MW we have focused on those specific 200MW that we consider are the ones that are most likely to succeed.

Emanuela Delucchi:

Of course, I will be happy to take your questions, if you need further information, either right now here or through my office. And as Mr. Garrone was saying, we will be very happy to engage in road shows and marketing activities. So would you now kindly join us for a Christmas party. Thank you very much.

Luca Bettonte:

Thank you also from me as well, and of course let me wish all the best to all of you for the upcoming Christmas season, and a wonderful 2016. Thank you.

Alessandro Garrone:

All the best. Thank you.