



COMPANY OVERVIEW

PRESS MEETING

20 OCTOBER 2018, GENOA





DISCLAIMER

This document contains certain forward-looking information that is subject to a number of factors that may influence the accuracy of the statements and the projections upon which the statements are based.

There can be no assurance that the projections or forecasts will ultimately prove to be accurate; accordingly, the Company makes no representation or warranty as to the accuracy of such information or the likelihood that the Company will perform as projected.



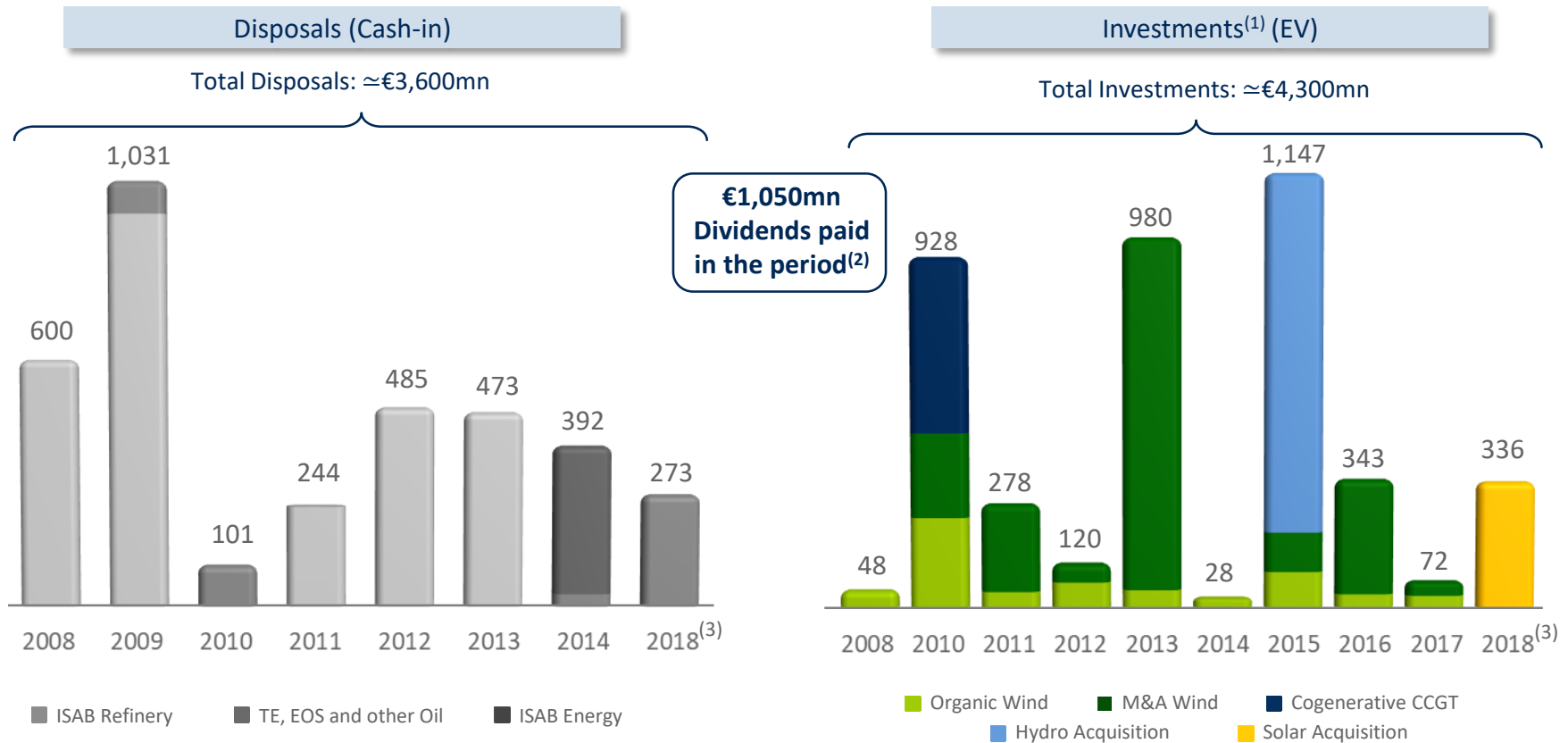
AGENDA

- ❑ A successful industrial transformation
- ❑ 2018-2022 Business Plan & recent Developments:
 - ✓ Business Model & Organization
 - ✓ Focus on technical know-how and expertise
 - ✓ The Energy transition: a profound change in competitive and regulatory Environment
 - ✓ 2018-2022 Business Plan Targets & recent Developments
- ❑ 2Q 2018 Results
 - ✓ Key Figures
 - ✓ Key Financials
 - ✓ 2018 Guidance and Conclusions



A SUCCESSFUL INDUSTRIAL TRANSFORMATION

ERG INDUSTRIAL TRANSFORMATION



Renewable diversification financed through oil-linked disposals and strong cash generation

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

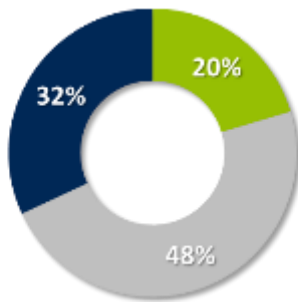
⁽²⁾ It includes dividends to be paid in May 2018 (ca. €171mn with ordinary DPS at €0.75/sh and extraordinary DPS at €0.4)

⁽³⁾ 2018 includes TotalErg Disposal whose closing took place on January 10, 2018 with a partial cash-in of €85mn in 2017, and ForVEI acquisition (EV €337mn) whose closing took place on January 12, 2018

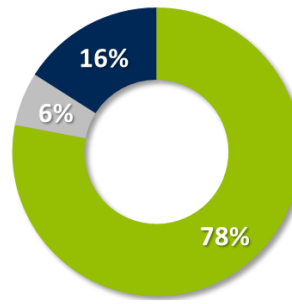
INVESTED CAPITAL FULLY ROTATED TO RENEWABLES

Capital employed

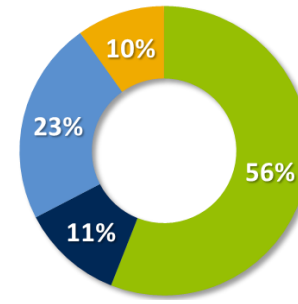
2008 (€2.2bn)



2014 (€2.1bn)



Pro Forma 1/1/2018⁽¹⁾ (€3.3bn)



Oil

Natural Gas

Water

Wind

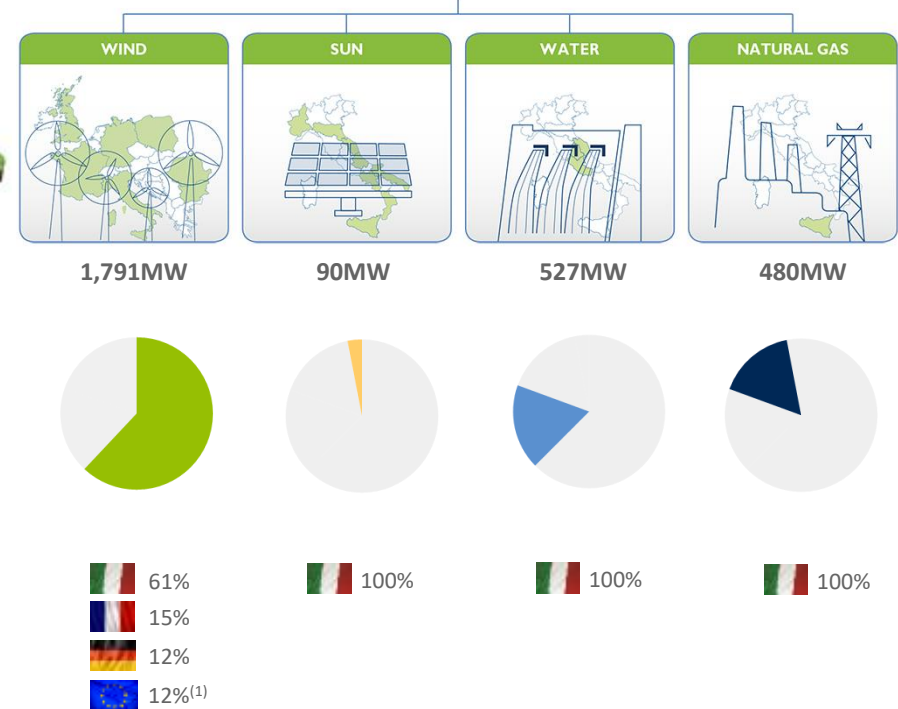
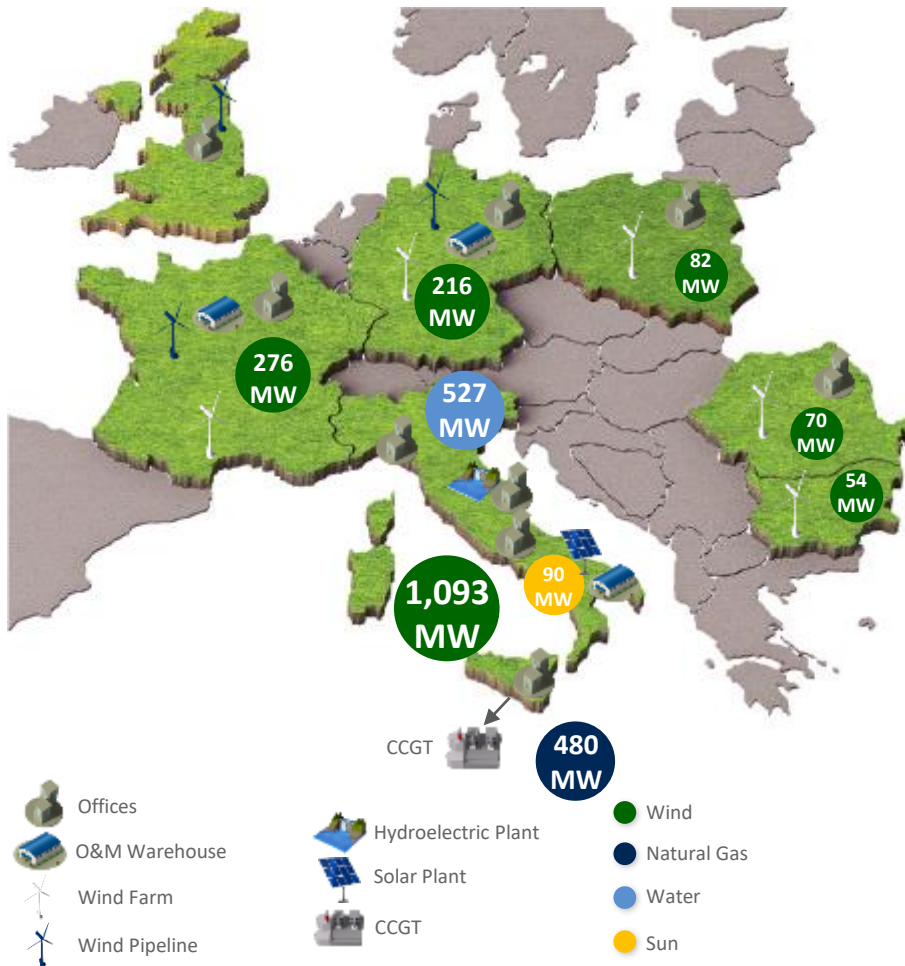
Sun

From Oil to Renewables

⁽¹⁾ It includes TotalErg Disposal whose closing took place on January 10, 2018 with a partial cash-in of €85mn in 2017, and ForVEI acquisition whose closing took place on January 12, 2018



EU LEADING RENEWABLE IPP



⁽¹⁾ It refers to Romania, Bulgaria and Poland

ERG STRICT CORPORATE GOVERNANCE MODEL

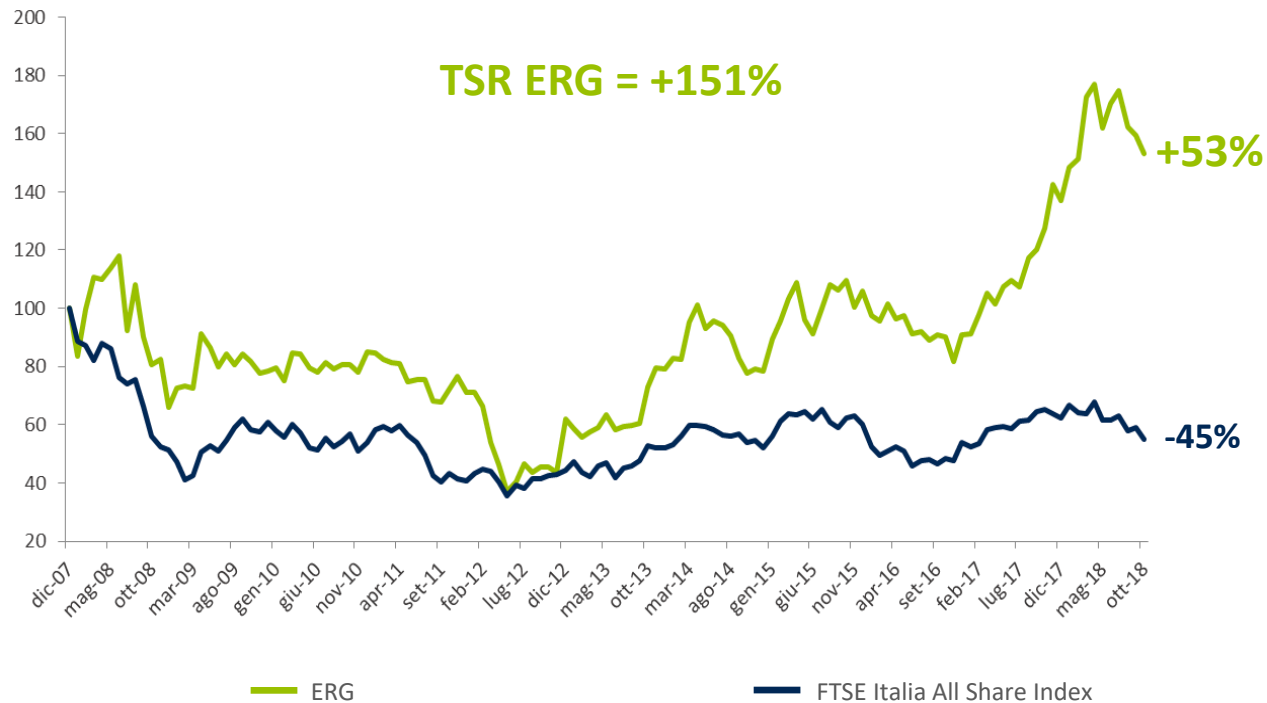


- A strict financial discipline on investments (organic and M&A) through:
 - **Strategic Committee** (EVP, CEO, CFO, 3 Board Members)
 - **Investment Committee** (CEO, CFO, Management Team)
- **Strong risk management policy:**
 - **new risk policy** to ensure the hedging policy of the generation portfolio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

SHAREHOLDING STRUCTURE



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



⁽¹⁾ ERG owns 1% of own Shares



2018-2022 BUSINESS PLAN & RECENT DEVELOPMENTS

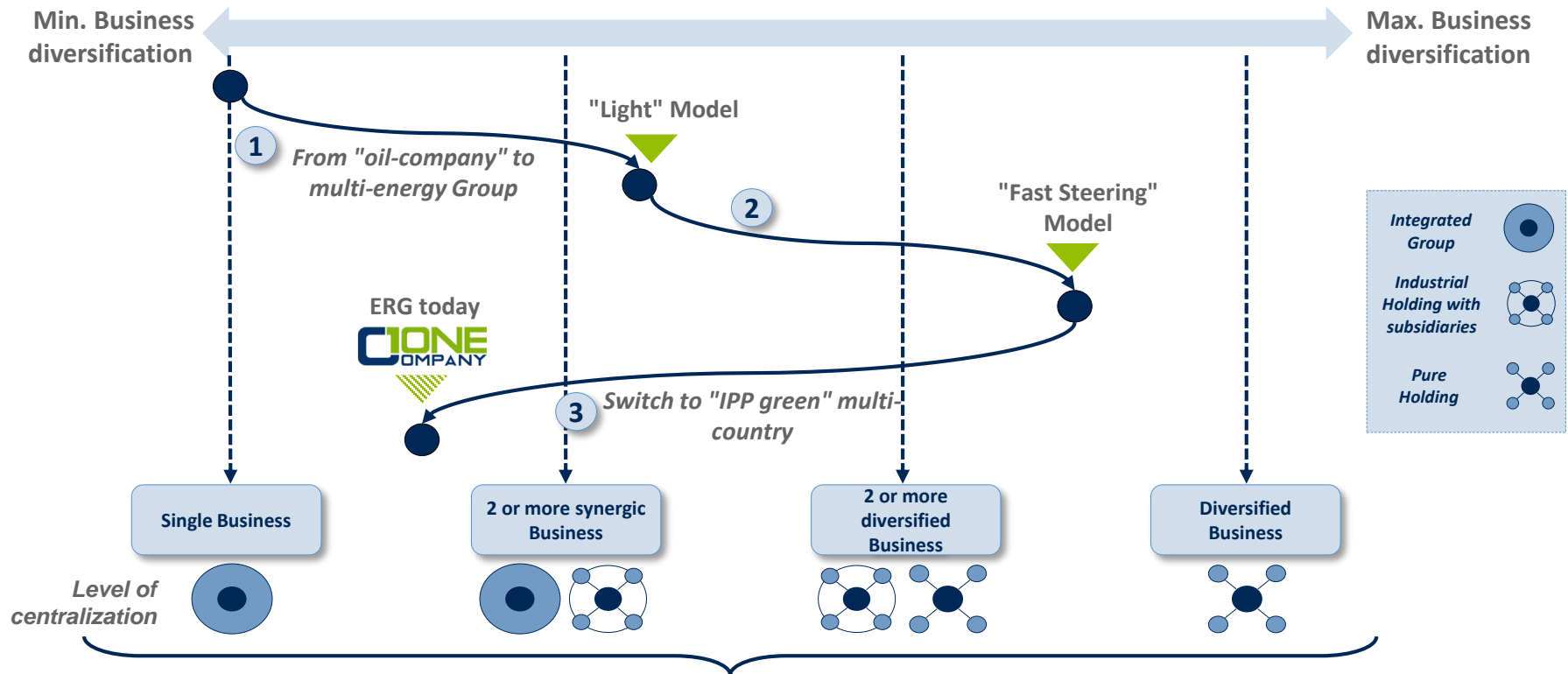


BUSINESS MODEL AND ORGANIZATION



ERG CHANGE MANAGEMENT APPROACH

FLEXIBLE MINDSET



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

WHERE LEVERS MATCH ACCOUNTABILITY

		GEN & MARKET	AFC & PROC	HC & ICT	PA & C	BD	CORP & LEG AFF	
ERG Power Generation Spa	Business levers	Energy Management	✓					
		Market (Com.al)	✓					
		Regulatory	✓					
		Operations / Asset Mgmt	✓					
		Maintenance	✓					
		E&C	✓					
		Procurement		✓				
		Business Development					✓	
ERG Spa	Corporate levers	Energy Risk Management		✓				
		Finance		✓				
		M&A		✓				
		Institutional Relations				✓		
		Human Capital & ICT			✓			
		Legal Risk Management						✓
				6	3	1	2	1

No Overlapping levers

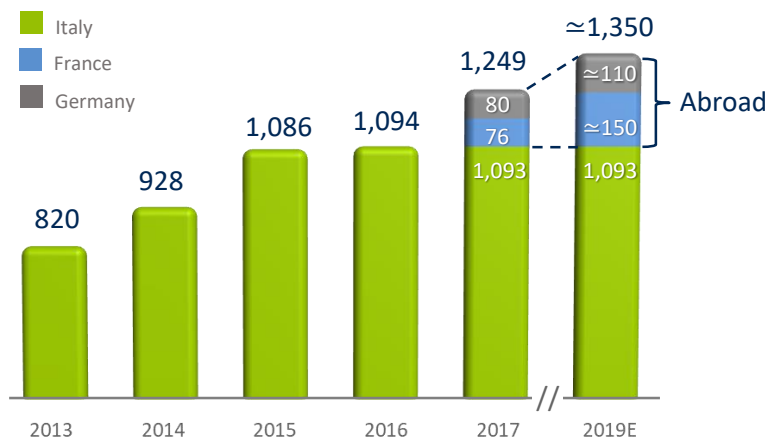


A BEST IN CLASS TECHNICAL EXPERTISE

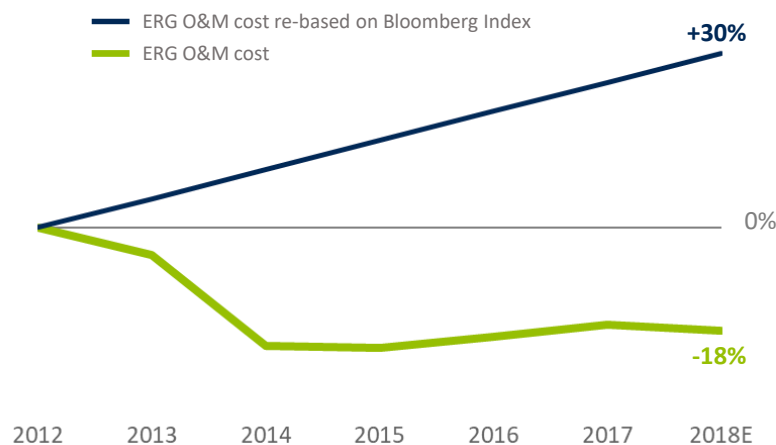
WIND O&M INSOURCING AS A VALUE LEVER



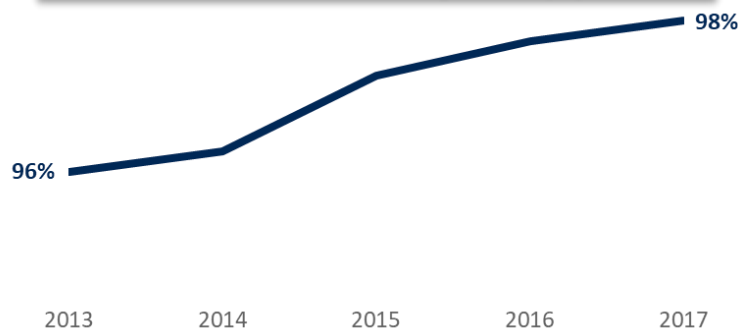
Progressive O&M internalization (MW)



O&M operations cost reduction (%)

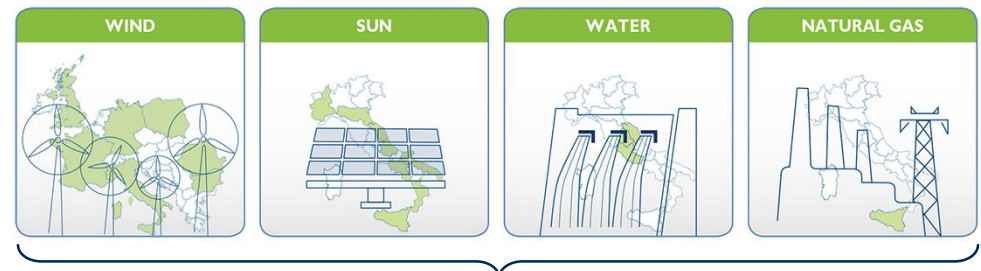
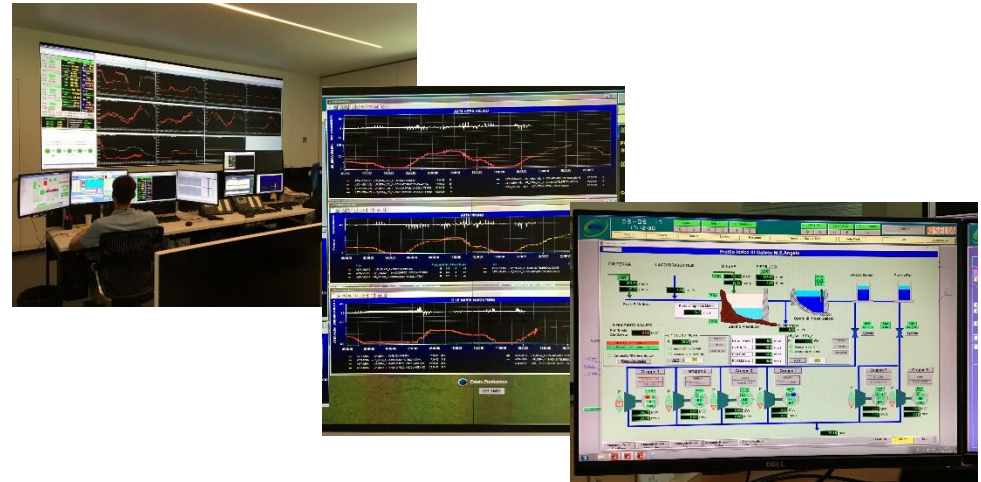
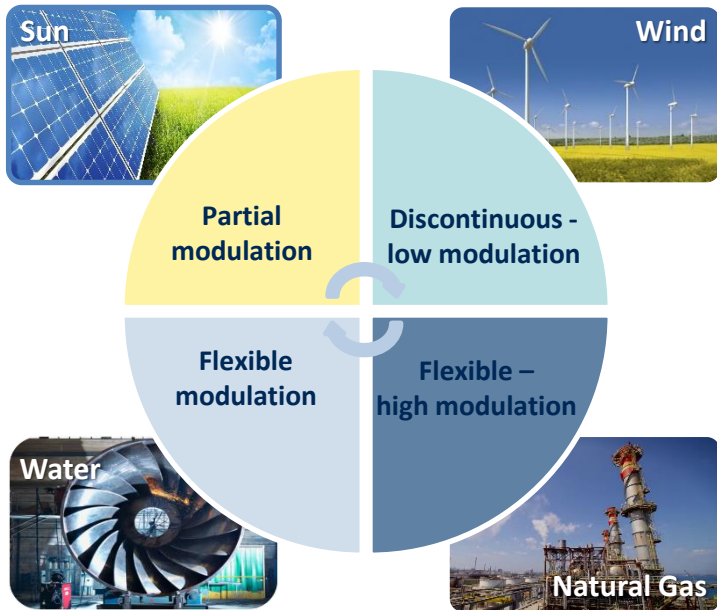


Wind farm availability factor (%)



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

ENERGY MANAGEMENT AS A KEY SUCCESS FACTOR



Production 2017: $\approx 7\text{TWh}$
Total Energy Portfolio including Hedging: $\approx 12\text{TWh}$

2018 expected PAR @YtDay down 50% thanks to hedging strategy



THE ENERGY TRANSITION: A PROFOUND CHANGE IN COMPETITIVE AND REGULATORY ENVIRONMENT

REGULATORY AND COMPETITIVE GAME CHANGERS



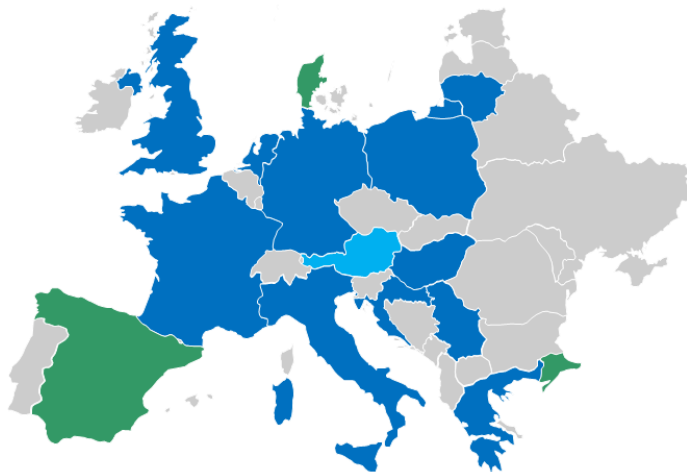
FROM INCENTIVES TO AUCTIONS

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

WIND & SOLAR COMPETITIVE VS. TRADITIONAL SOURCES

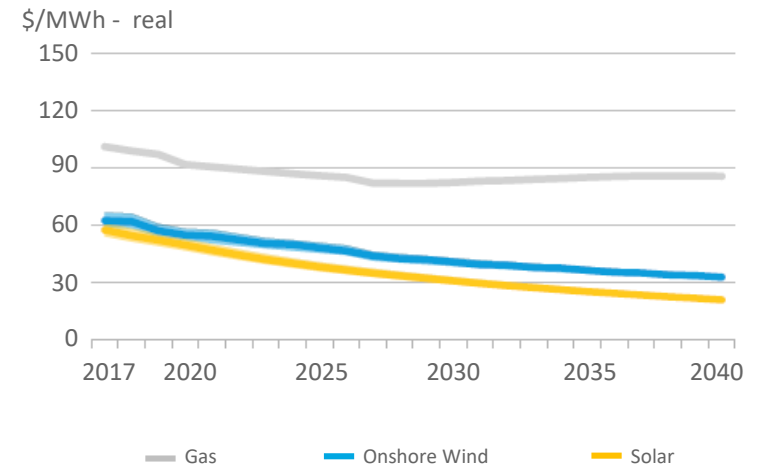
- Competition amongst technologies based on costs, efficiency & dispatching strategy

Europe: Map of auctions



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

LCOE of new gas, onshore wind, and solar

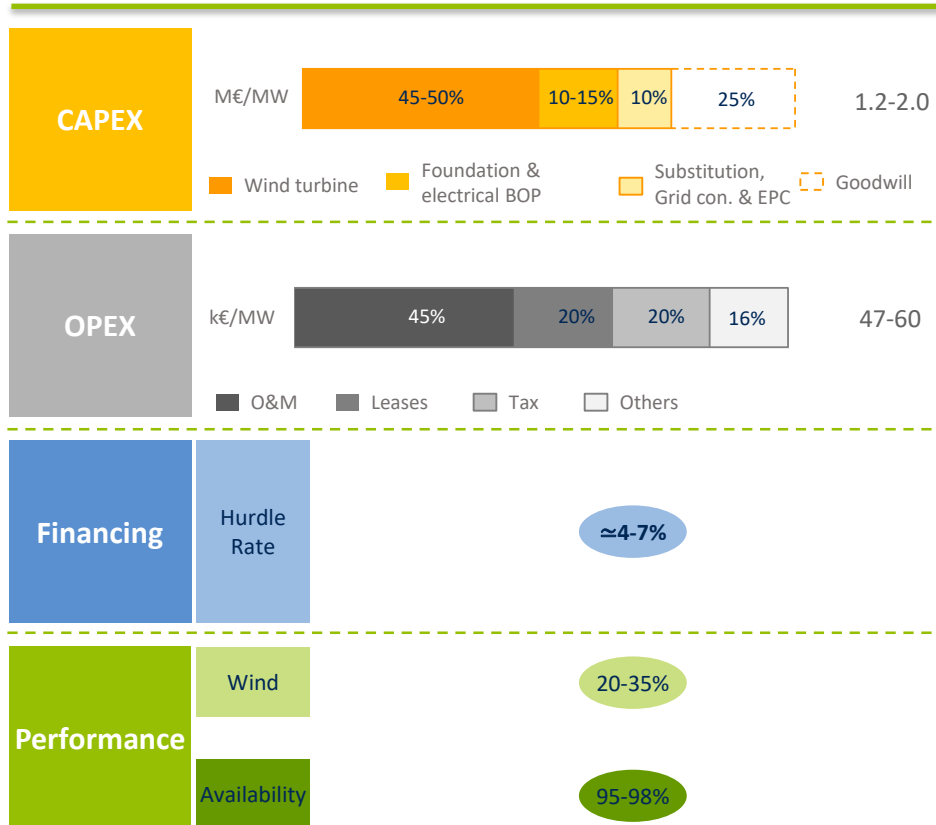


Source: Bloomberg New Energy Finance, 5/12/2017

Renewables evolution: from an infrastructural sector to a competitive industry

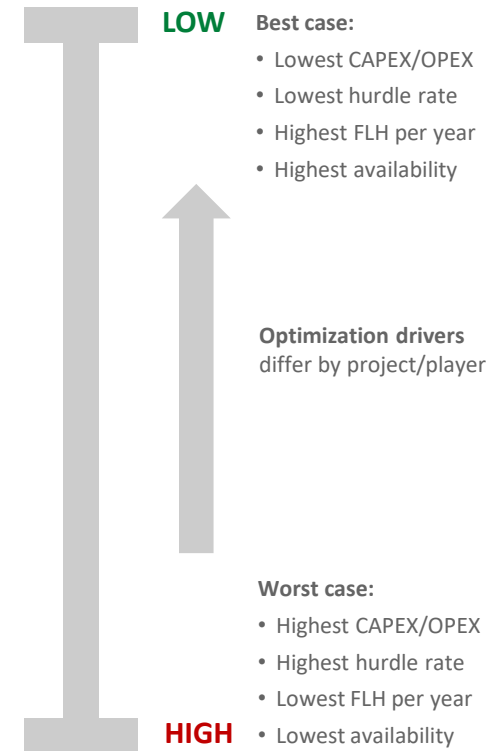
LCOE AS A KEY LEVER TO COMPETE

Key drivers affecting LCOE



Source: ETRI, EWEA, Irena, BCG analysis

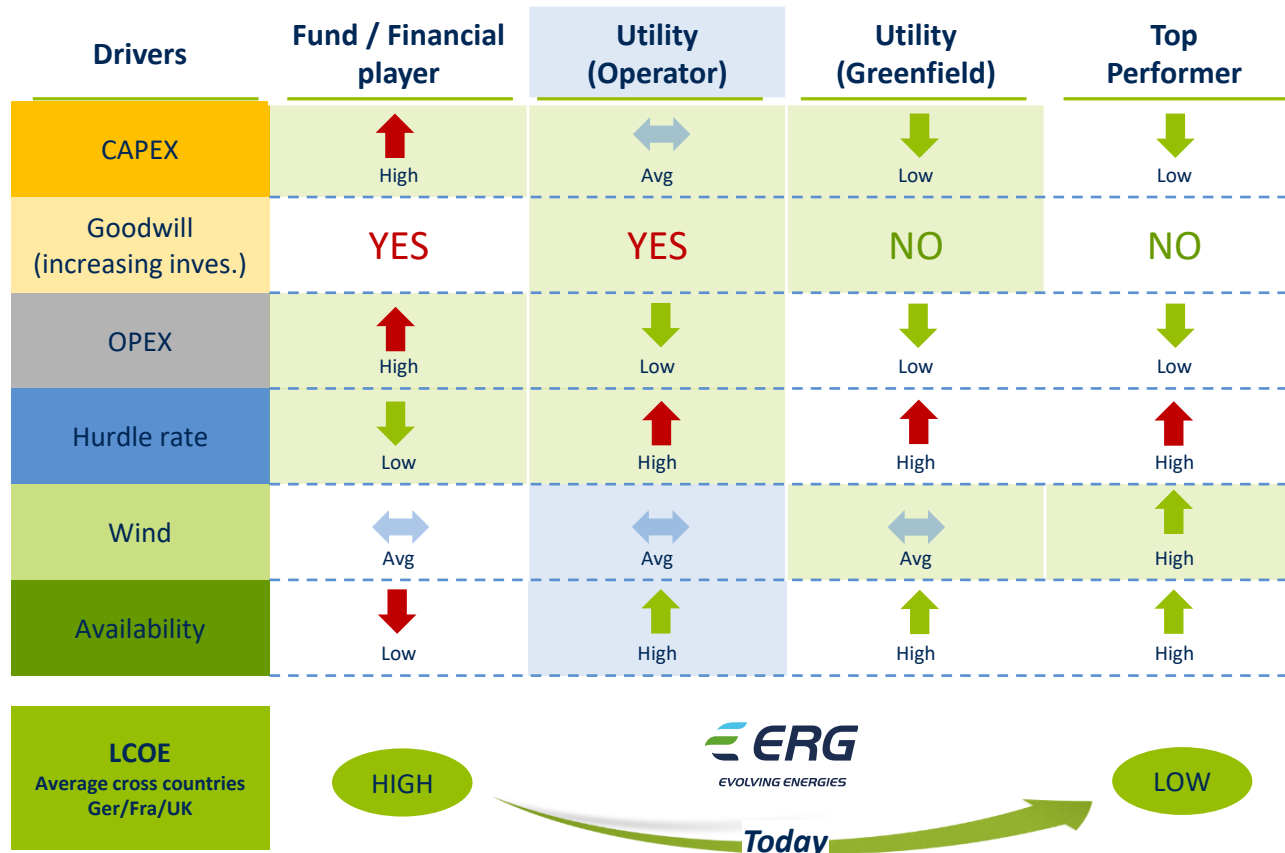
LCOE (€/MWh) Average cross countries Ger/Fr/UK



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



MOVING GREENFIELD TO REDUCE LCOE



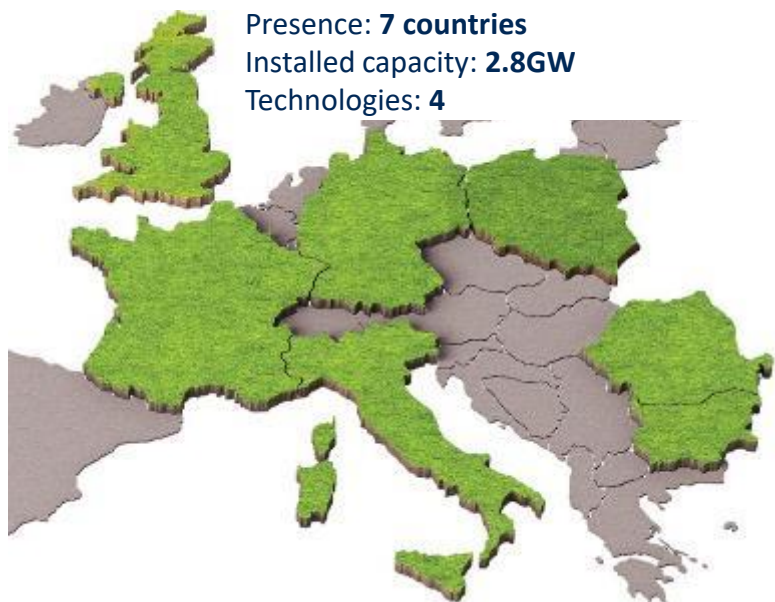


2018-2022 STRATEGY & RECENT DEVELOPMENTS

ERG 2018-2022 STRATEGIC OPTIONS



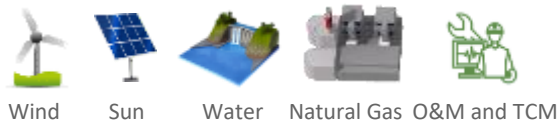
ERG Group current geographical presence



Geographical presence



Business/Technology



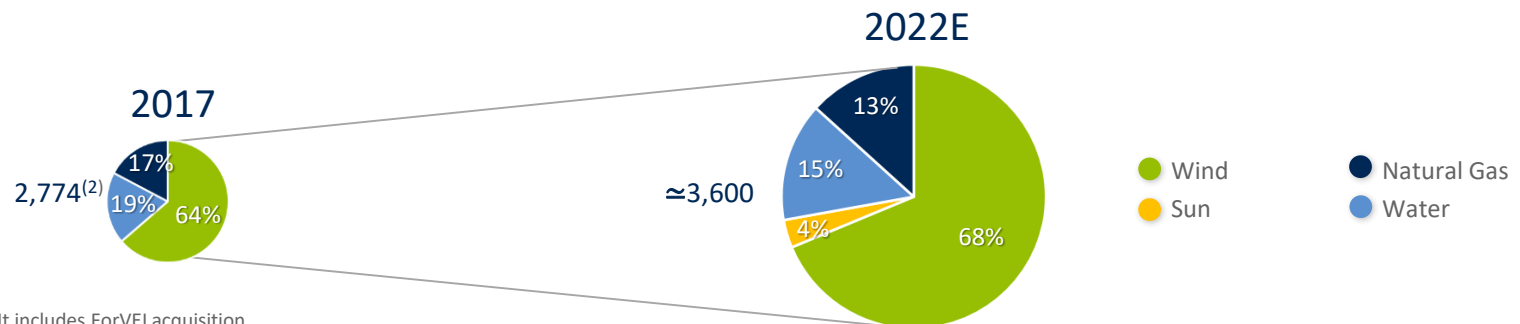
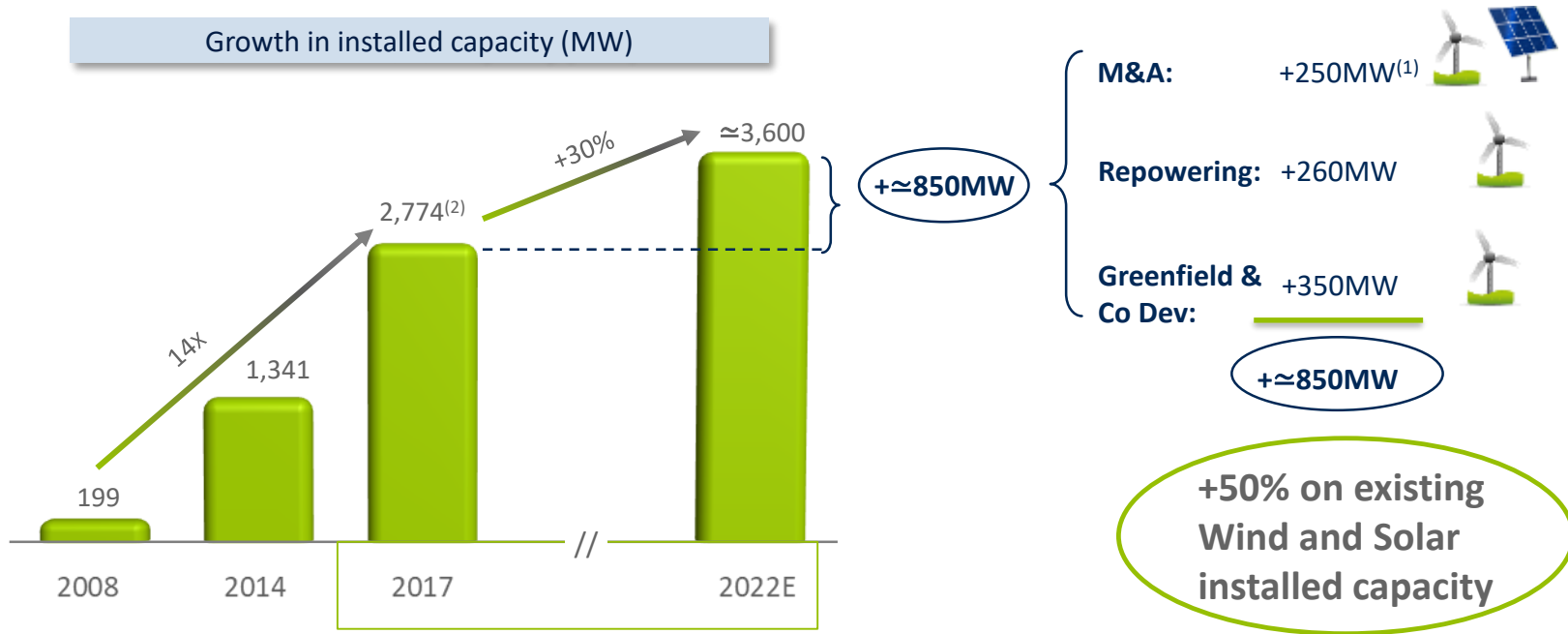
Country/Business attractiveness for ERG

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

ERG 2018-2022 CAPACITY EVOLUTION

THREE MAIN CLUSTERS TO GROW

Growth in installed capacity (MW)



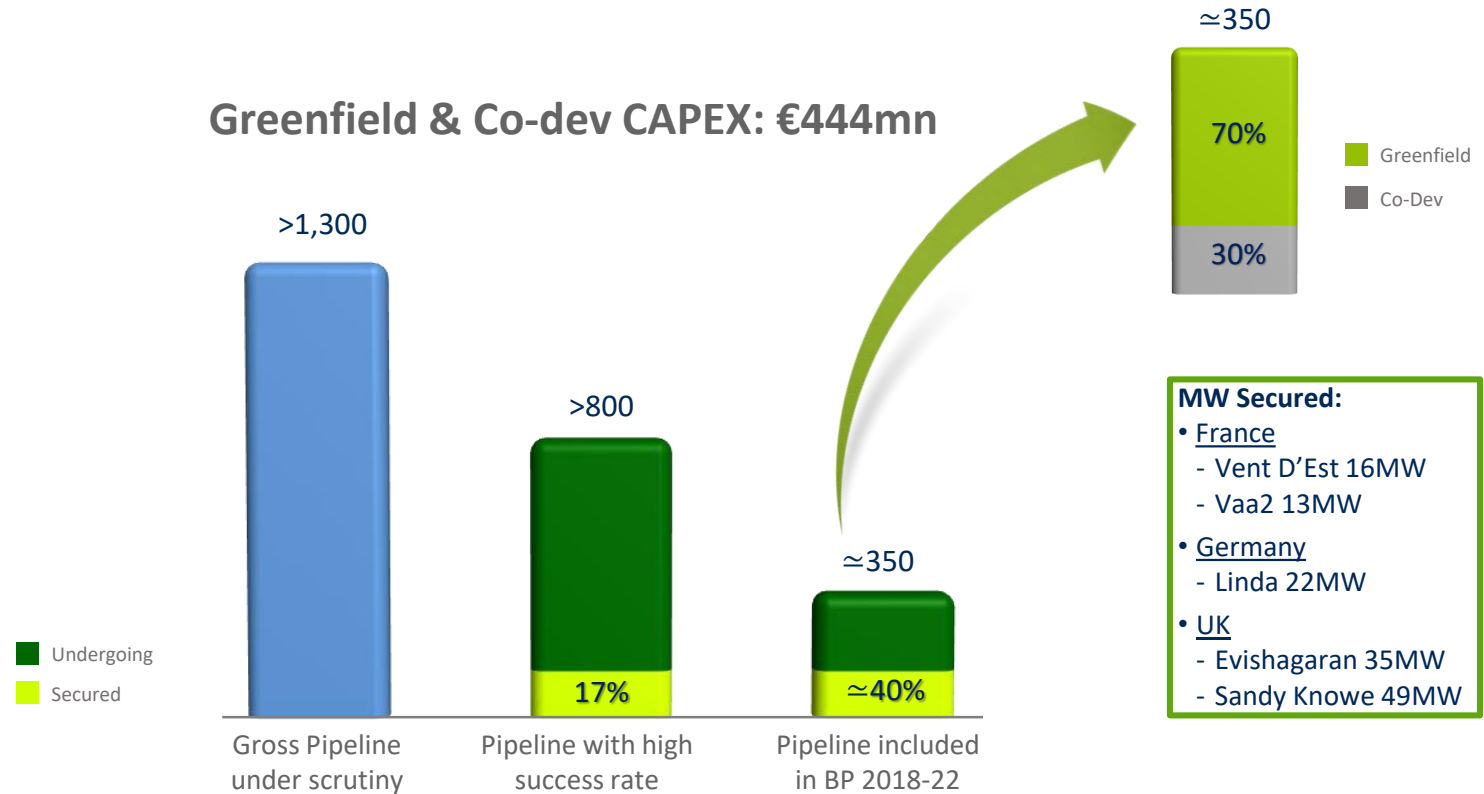
⁽¹⁾ It includes ForVEI acquisition

⁽²⁾ 2017 Capacity net of Broockghboy wind farm in UK (47.5MW)



ABROAD FOCUS ON CO-DEV & GREENFIELD

A SOLID PIPELINE TO SUSTAIN GROWTH



Pipeline creates the basis for a sustainable long term growth

BOOSTED GROWTH IN UK

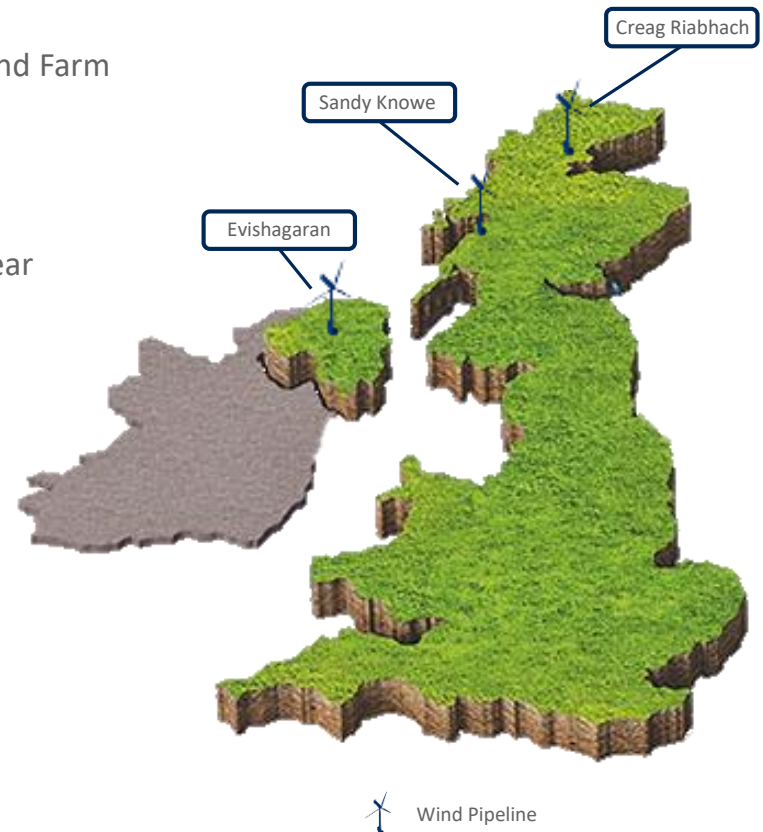
Deal description

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

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

Strategic rationale

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



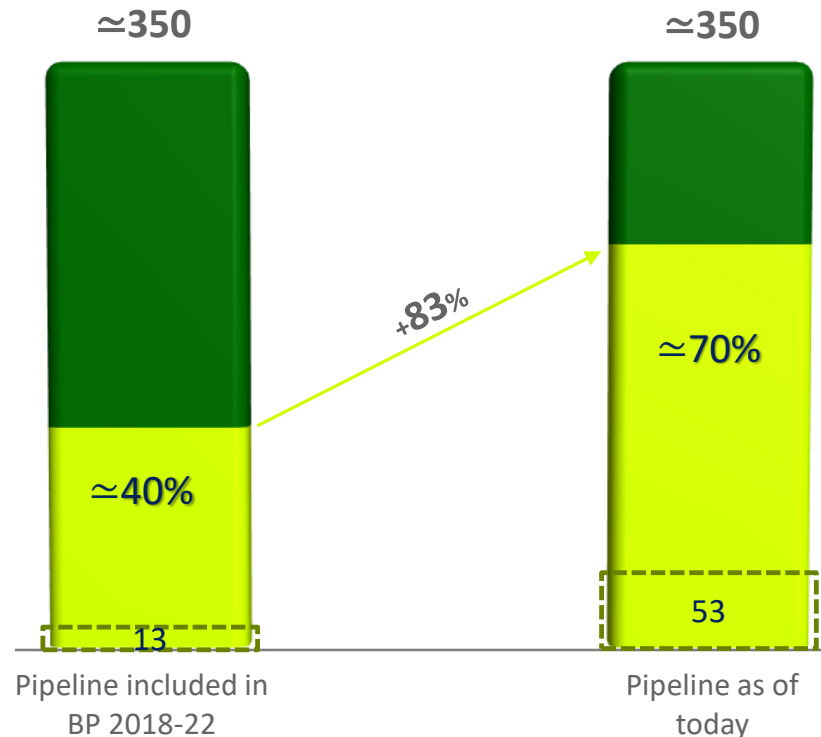
GREENFIELD DEVELOPMENT WELL ON TRACK



Pipeline included in BP 2018-22

Pipeline as of today

Secured:	135MW
• <u>France</u>	
- Vent D'Est ⁽¹⁾	16MW
- Vaa2 ⁽²⁾	13MW
• <u>Germany</u>	
- Linda	22MW
• <u>UK</u>	
- Evishagaran	35MW
- Sandy Knowe	49MW



Secured:	247MW
• <u>France</u>	
- Vent D'Est ⁽¹⁾	16MW
- Vaa2 ⁽²⁾	13MW
- Vaa2 ext.	7MW
- Le Melier ⁽¹⁾	8MW
- Torfou ⁽²⁾	18MW
• <u>Germany</u>	
- Linda ⁽²⁾	22MW
• <u>UK</u>	
- Evishagaran	35MW
- Sandy Knowe	49MW
- Creag Riabhach	79MW

Undergoing
 Secured
 Under construction

⁽¹⁾ In exercise

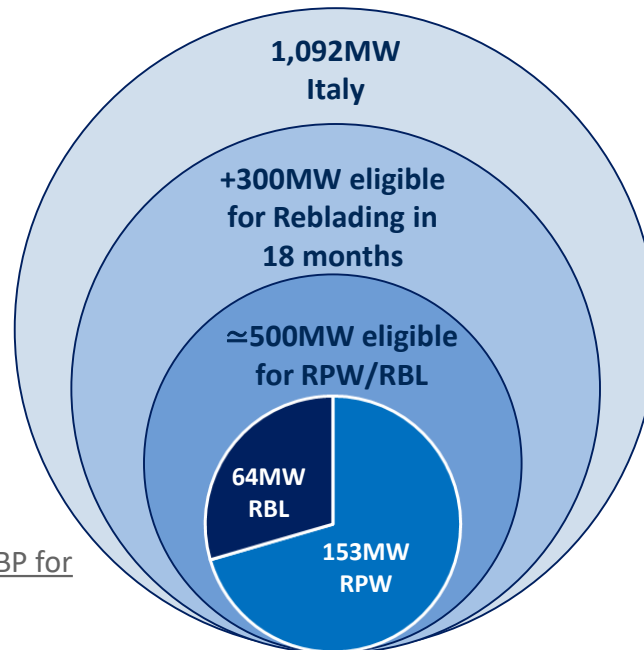
⁽²⁾ Under construction



ITALY

FOCUS ON REPOWERING & REBLADING

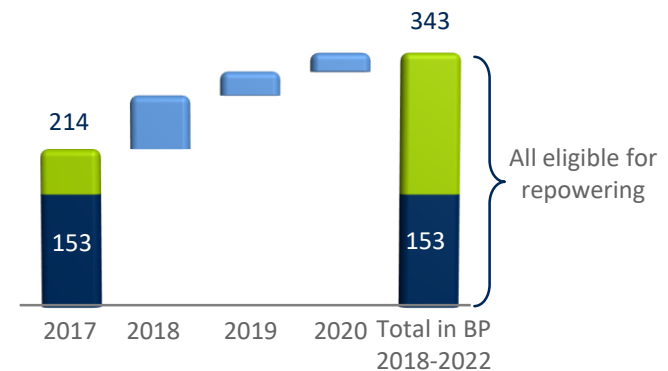
REPOWERING & REBLADING



Criteria to include MW in BP for Reblading:

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

MW ending incentives in the Plan period

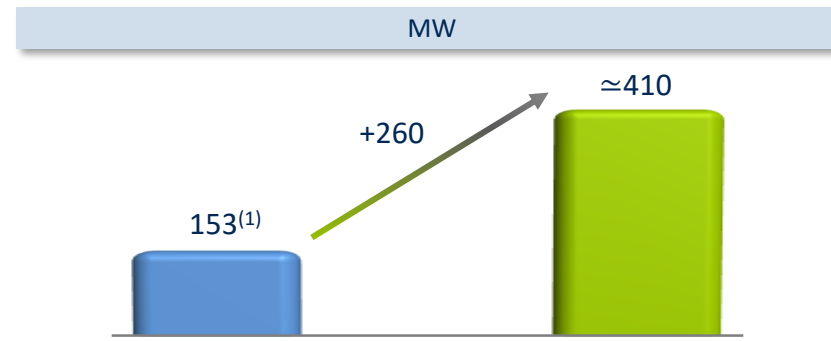


Criteria to include MW in BP for Repowering:

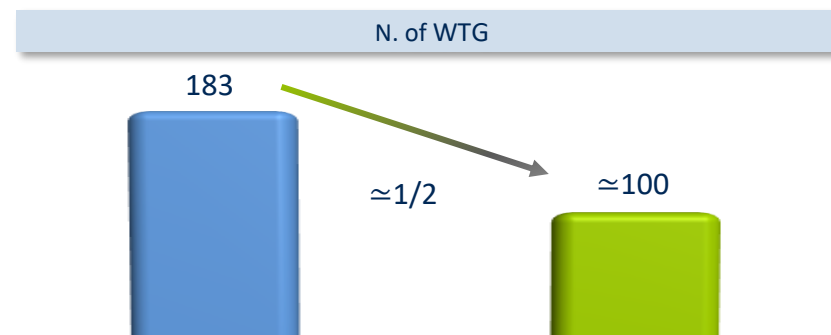
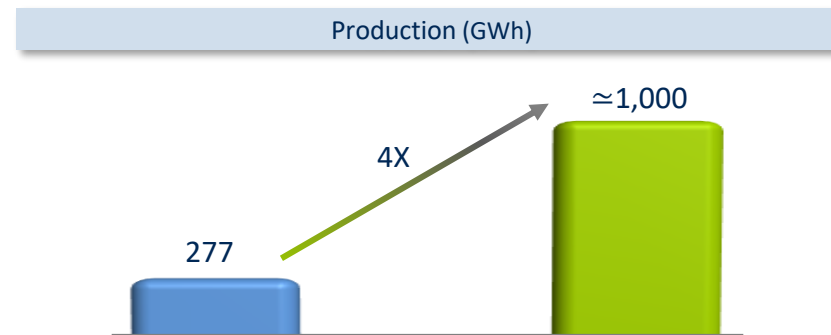
- end of incentives
- technology below 1MW
- quite comfortable success rates
- low double digit returns

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

REPOWERING IN A NUTSHELL



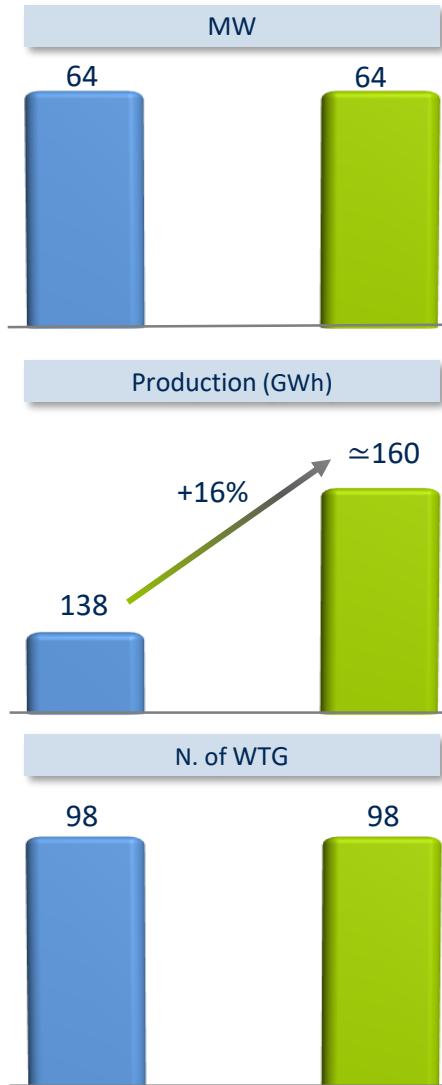
⁽¹⁾ Repowering on 6 wind farms



■ Post-Repowering
■ Pre-Repowering

**2018-2022 CAPEX:
€402mn**

REBLADING IN A NUTSHELL



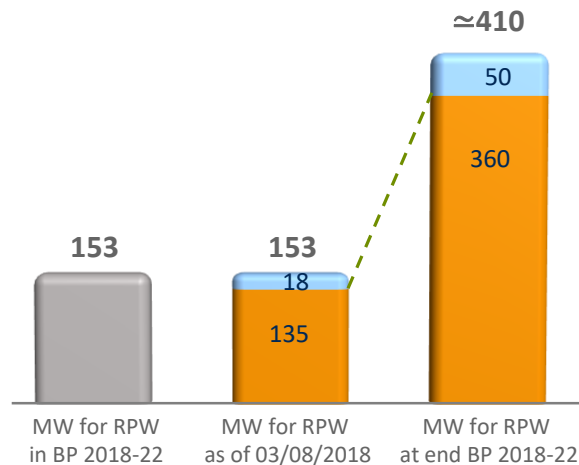
■ Post-Repowering
■ Pre-Repowering

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

REPOWERING & REBLADING IN PROGRESS

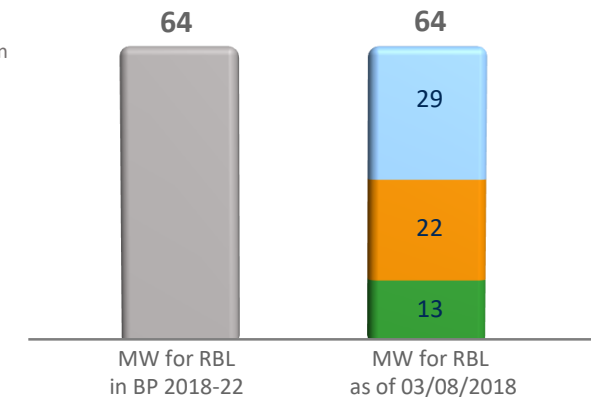


Repowering



Engineering for Authorization
Authorization process
Construction

Reblading



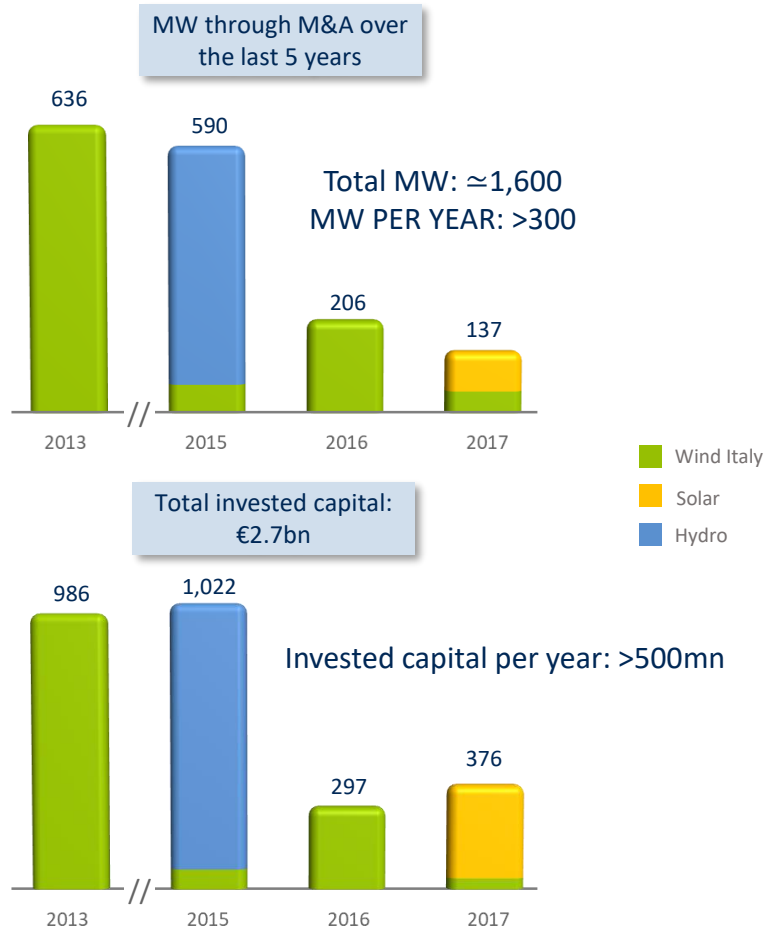
- 4 projects entered into the permitting phase
- 1 project to apply for authorization by 3Q 2018
- Engineering in course for 1 project, to start permitting by year end

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



FOCUS ON M&A

M&A TO SUPPORT ERG GROWTH IN KEY COUNTRIES



M&A Strategy				
Business/Technology	Reference Geographies			
				
				
				
	+100MW			
	+150MW ⁽¹⁾			
M&A CAPEX: €687mn ⁽¹⁾				

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

Value creation leveraging on strong M&A track record

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

BOOSTED GROWTH IN FRANCE

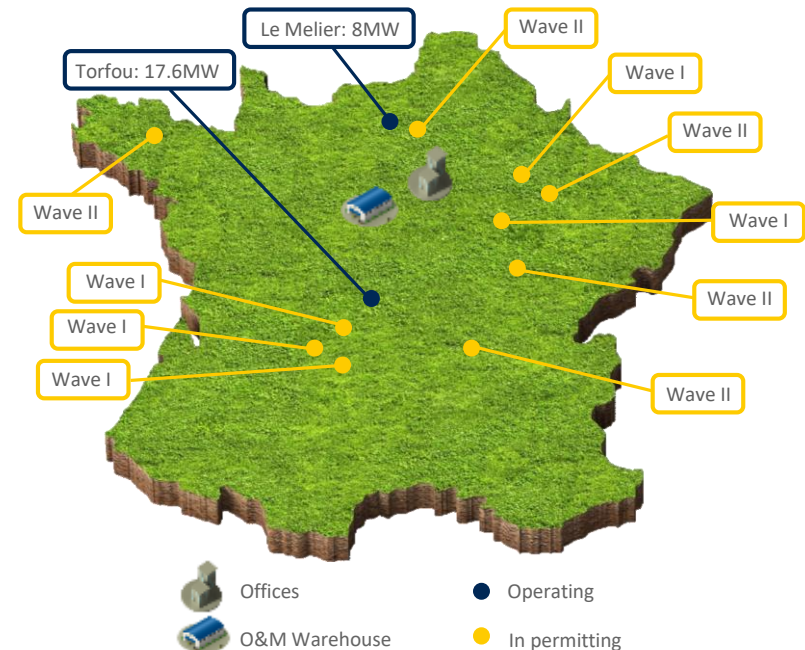
Deal description

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

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

Strategic rationales

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



NEWCO WITH QUERCUS IN THE SOLAR IN ITALY

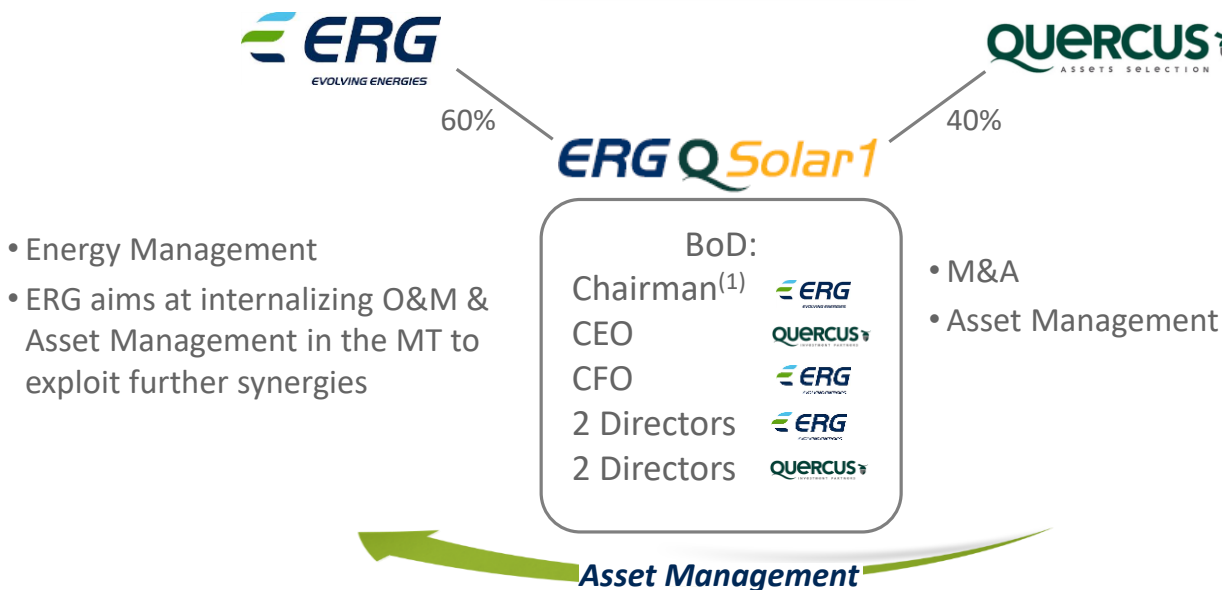


Deal description

On August 3, 2018 ERG and Quercus Assets Selection Sarl signed an agreement for the constitution of

- ERG Q Solar1 (60% ERG, 40% Quercus) active in the solar sector in Italy
 - ✓ focus on acquisition of small solar plants (below 1MW) for a total target up to 150MW by 2021
 - ✓ total expected CAPEX up to €350mn

Governance Structure



⁽¹⁾ With casting vote

- Investment Approval based on predefined guidelines
- Low Double Digit target return on Equity (at premium vs traditional M&A)

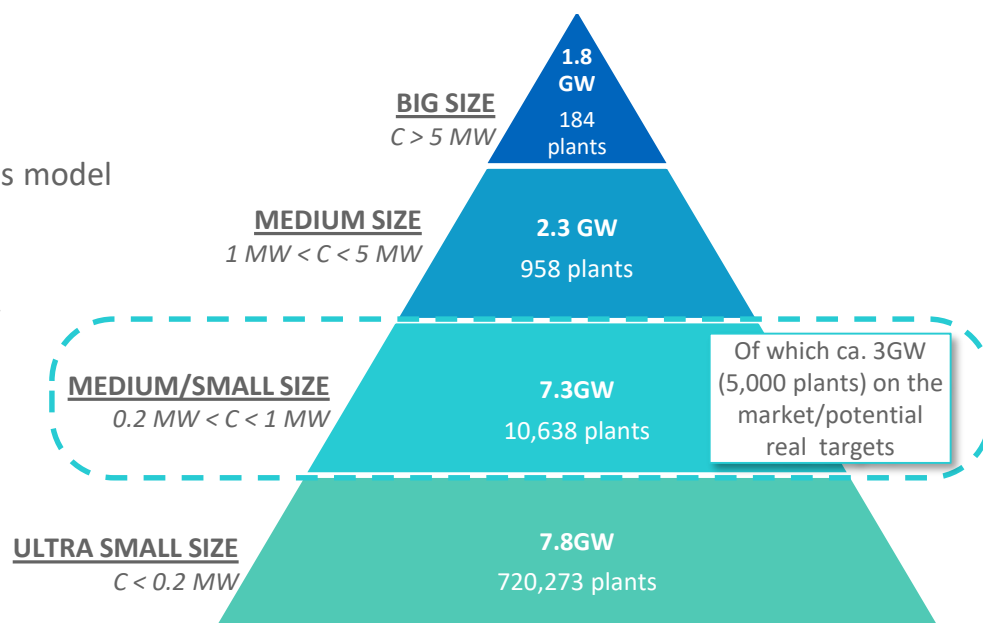
NEWCO: STRATEGIC RATIONALE AND TARGETS



Approach & Strategic rationale

- Dedicated M&A team, based on a standardized business model
- Quick & Efficient decision making process
- Focus on medium small plants sector, with low liquidity
- Competitive returns vs. large scale M&A
- Way out clause exercisable in 18 months
- Target up to 150MW

Potential targets: 0.2-1.0MW plants





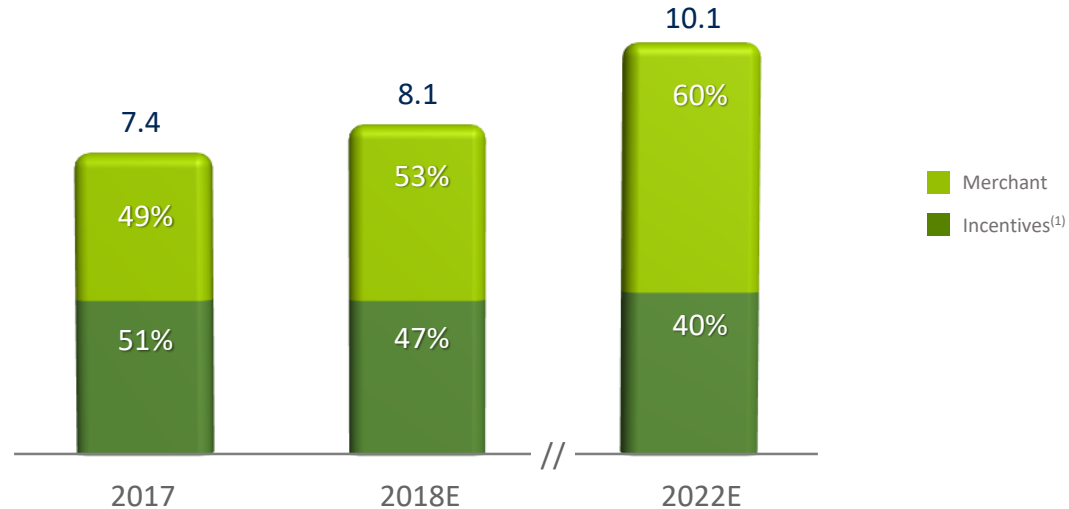
2018-2022 BUSINESS PLAN - TARGETS



39

FROM INCENTIVES TO MERCHANT

Production evolution: Merchant vs. Incentives (TWh)



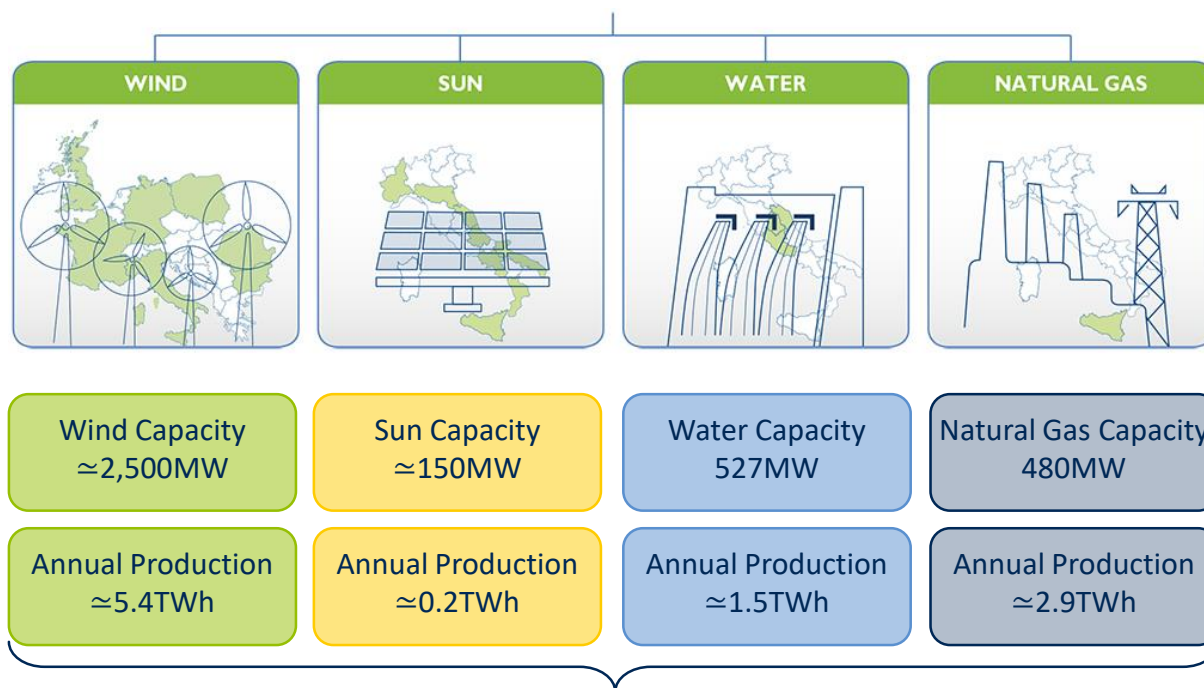
**Merchant revenues are steadily growing
with a solid base of incentives**

⁽¹⁾ It includes Solar production from 2018 onwards

A BIGGER & DIVERSIFIED ELECTRICITY PORTFOLIO



EVOLVING ENERGIES

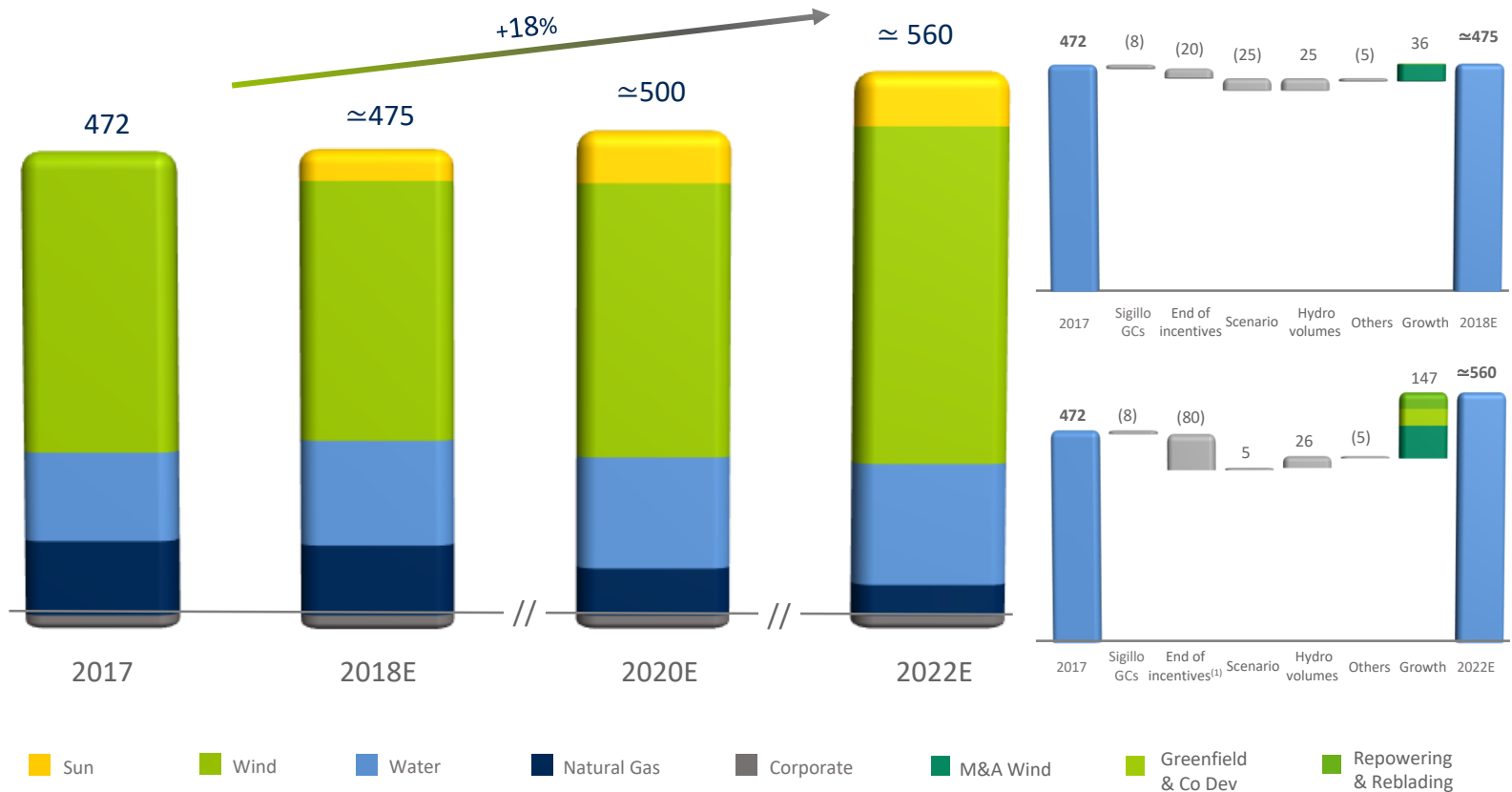


Total 2022 Expected Production: ≈10TWh

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



2018-2022 EBITDA EVOLUTION

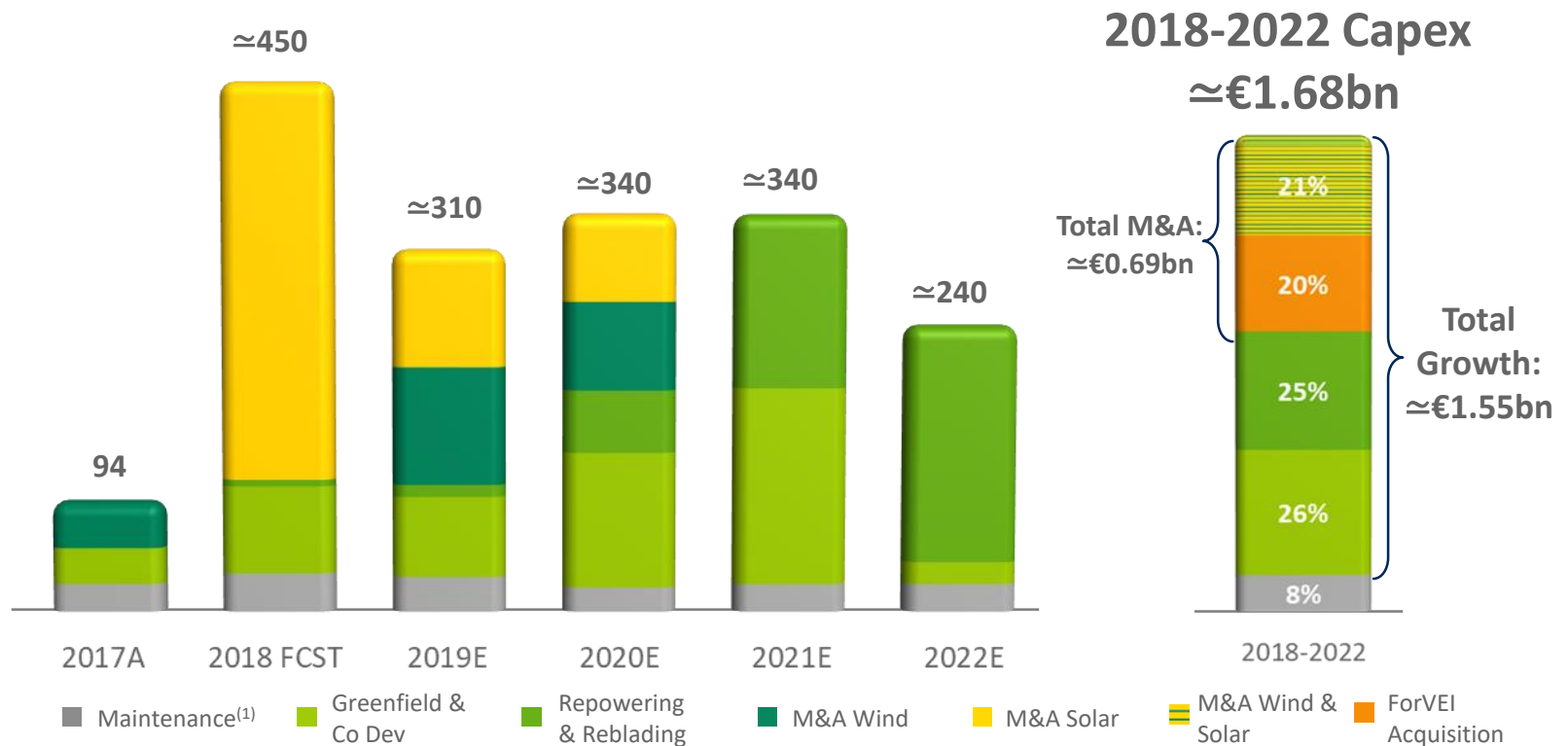


EBITDA growth based on industrial efficiency and strong rise in renewable asset base

⁽¹⁾ It includes wind incentives phasing out and white certificates termination as of 2020



CAPEX EVOLUTION



A massive and flexible investment plan for growth

⁽¹⁾ It includes CAPEX for Mini Hydro for €13mn

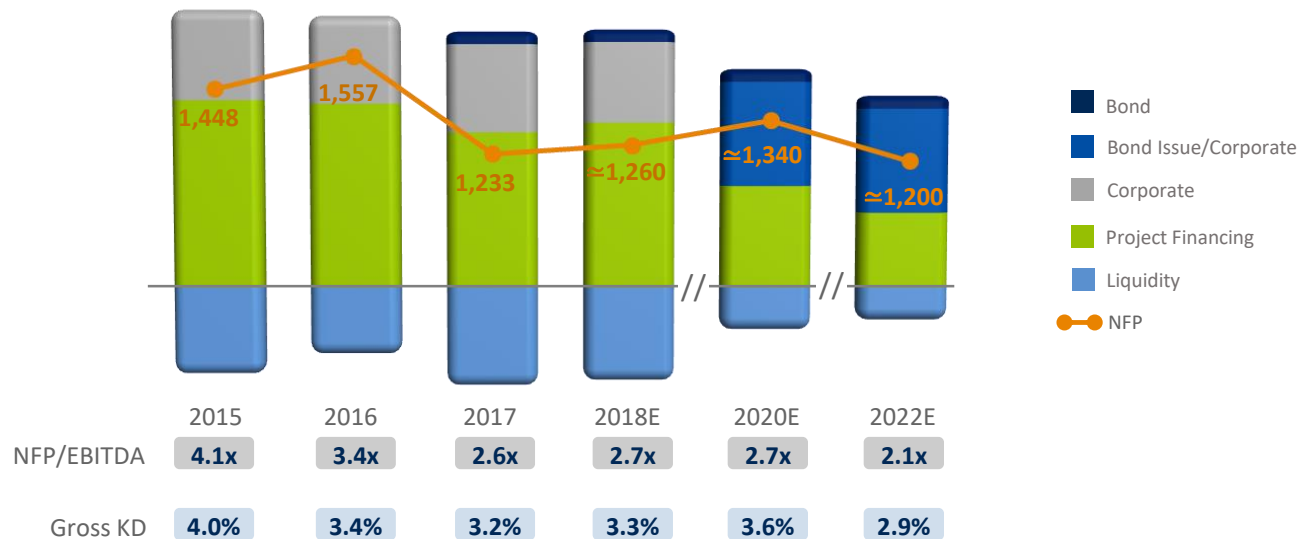
ERG 2018-2022: FINANCIAL STRATEGY

2015-2017 achievements

- 1 ERG Hydro Acquisition Loan = €700mn
- 2 DCM Debut – Private Placement = €100mn
- 3 New Funding Asset Base = €290mn
- 4 Liability Management = €670mn

... 2018-2022 Financial Strategy

- 1 Corporate Loan / Bond Issue
- 2 Project Finance for incentivized assets
- 3 Liability Management



**From an Asset based financing
to a Corporate/Debt Capital Market based financing**

LIABILITY MANAGEMENT IN 1H 2018

Actions

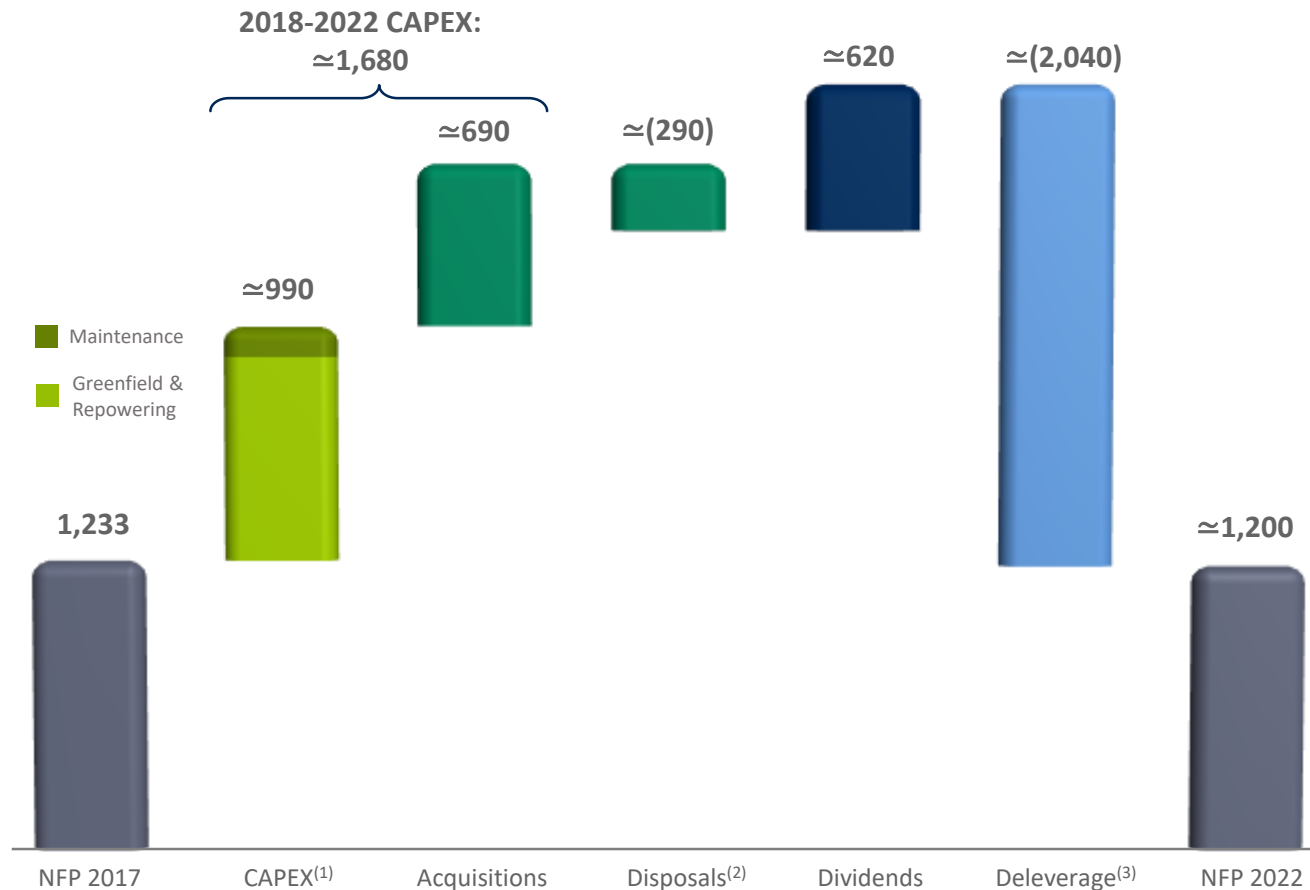
- 1 Repricing of PFs for €190mn, mainly for solar assets
- 2 Early settlement of the lease agreements for solar assets and replacement with corporate loan for €70mn
- 3 Refinancing of ERG Eolica Adriatica PF for €98mn
- 4 Corporate loan refinancing for €150mn

Results

- 1 Net KD reduction of 1% as of 2H 2018
- 2 1 year extension of debt duration
- 3 €4.5mn reduction of net financial costs per year

Liability Management for about €500mn in 1H 2018

STRONG CASH GENERATION



Average annual FCF Yield⁽⁴⁾ at 16% in the plan period

⁽¹⁾ CAPEX includes Greenfield & co Development and Repowering

⁽²⁾ Disposals include: 2018 proceeds related to TotalErg Disposal (€180mn) and Brockaghboy wind farm disposal (ca. €108mn)

⁽³⁾ It includes net working capital, taxes and net financial costs

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

2018-2022 CSR DRIVERS

Tackling climate change

- Avoided CO₂: 15mtons
- Avoided TEP: 5m TEP
- Carbon Index: down 14%
- Continuous efforts on extracting value from our technology
- Enhancing our integrated generation portfolio



People enhancing

- New leadership model
- Human Capital Coverage
- Skills development

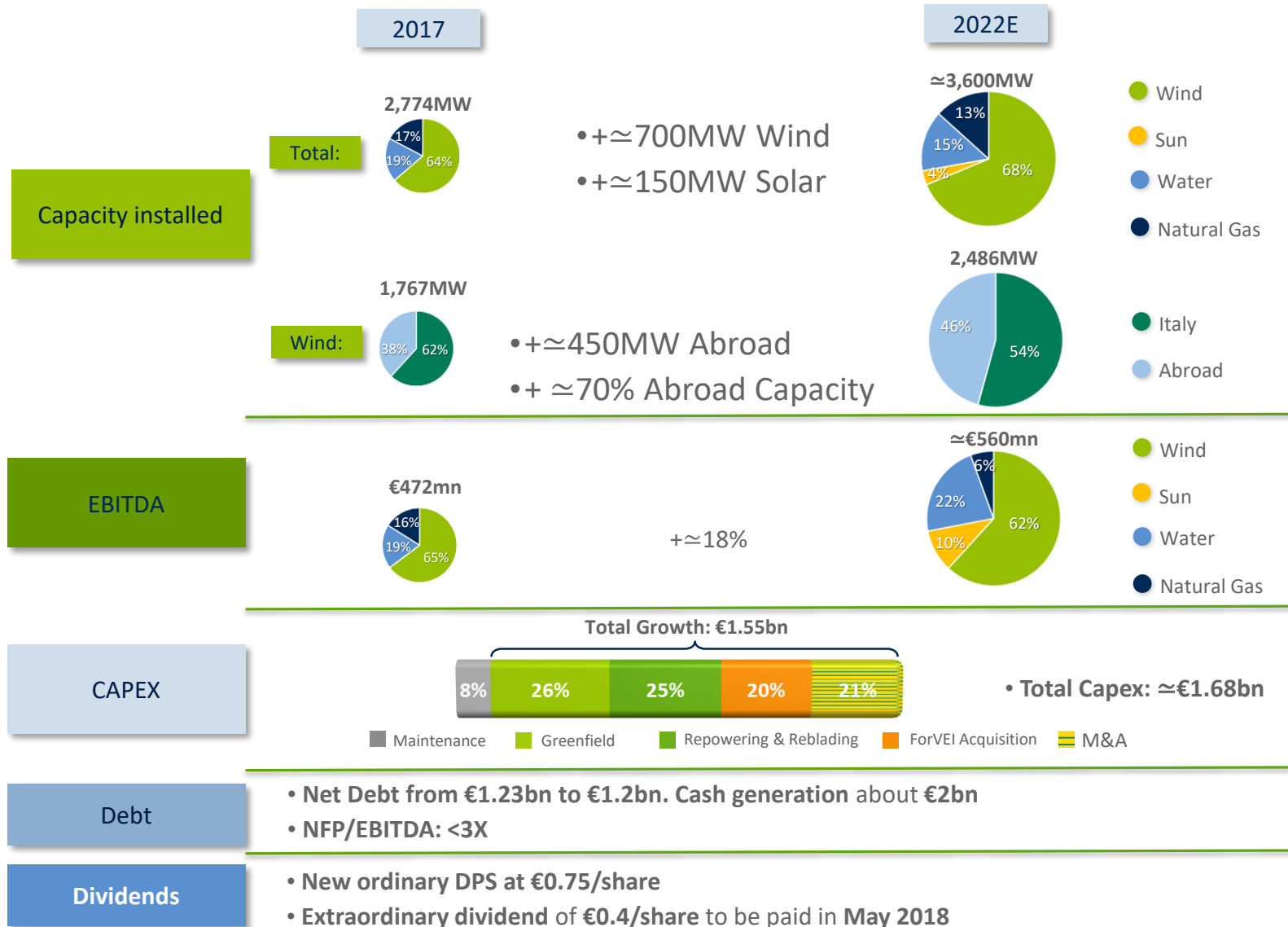


Sustainable thinking sustainable acting

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



KPI IN THE PLAN PERIOD

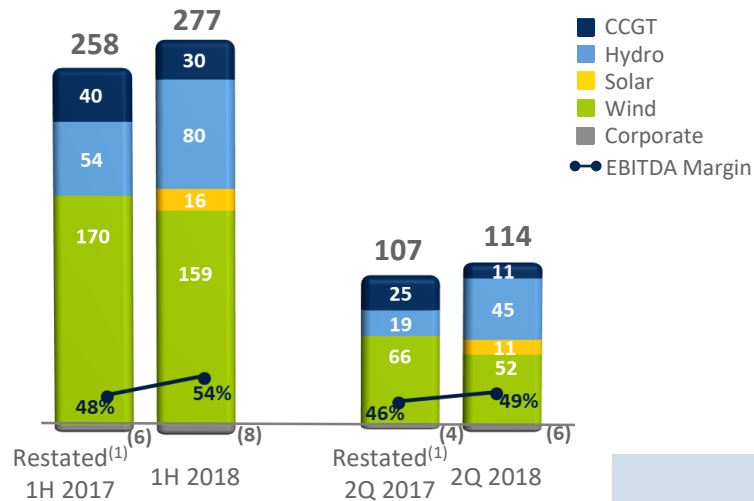




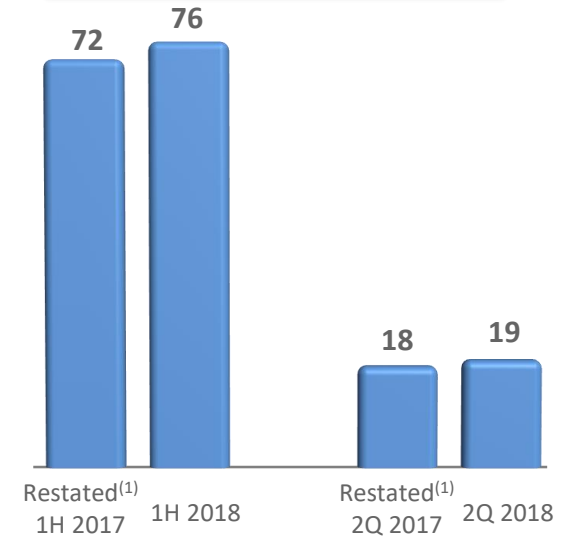
2Q 2018 RESULTS

HIGHLIGHTS: KEY FIGURES

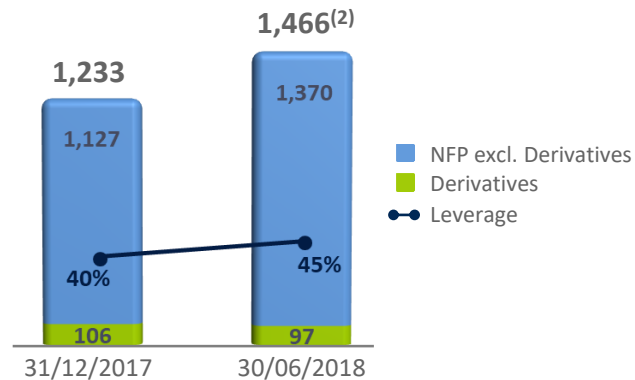
Adjusted EBITDA (€ mn)



Adjusted Net Profit (€ mn)



NFP (€ mn)



Good results thanks to ERG generation mix

⁽¹⁾ It excludes TE contribution for €8.6mn in 2Q 2017 and €14.8mn in 1H 2017

⁽²⁾ It includes Vendor Loan to api for €36mn.

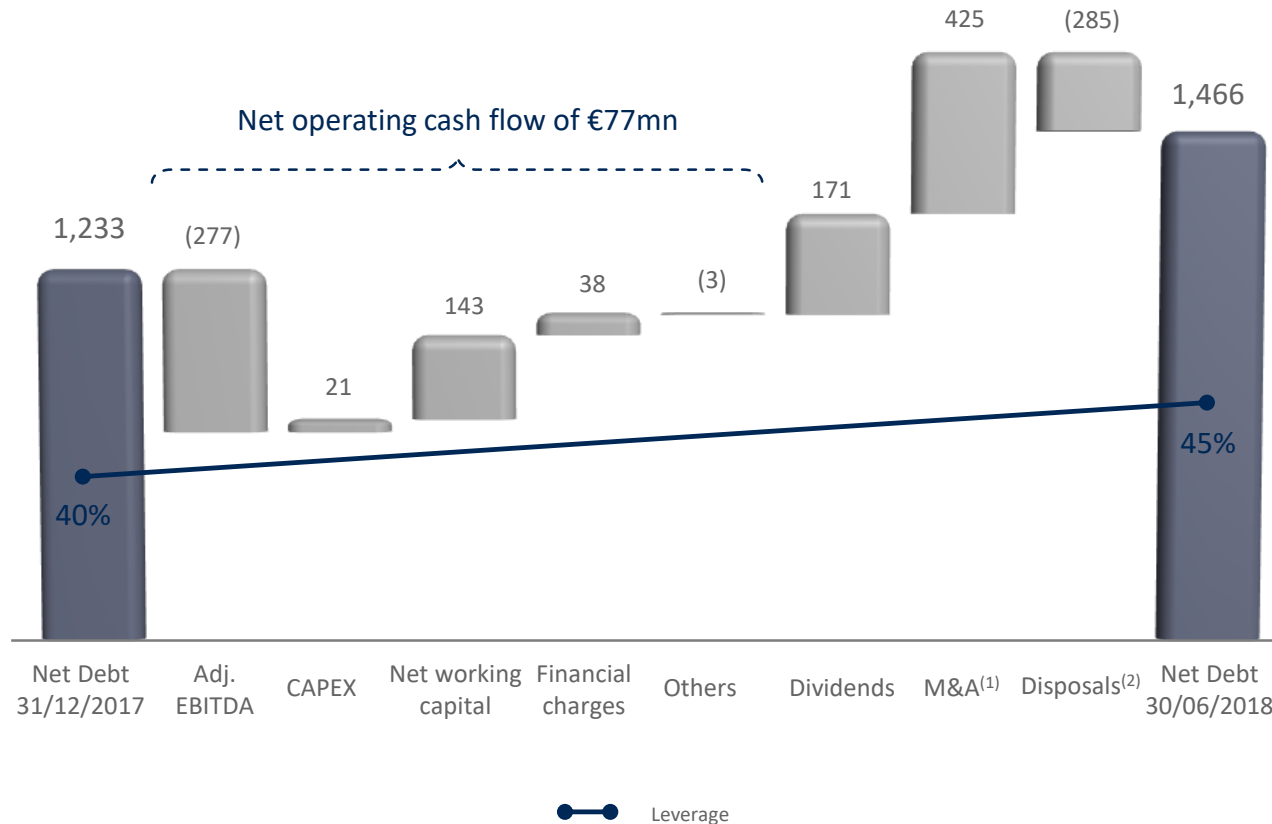


ADJUSTED COSTS P&L

1H 2018	Restated 1H 2017	Euro millions	2Q 2018	Restated 2Q 2017
277	258	Adjusted EBITDA	114	107
(136)	(126)	<i>Amortization and depreciation</i>	(68)	(64)
140	133	Adjusted EBIT	47	43
(38)	(34)	<i>Net financial income (expenses)</i>	(20)	(18)
0	(0)	<i>Net income (loss) from equity investments</i>	(0)	(0)
103	99	Adjusted Results before taxes	27	25
(27)	(26)	<i>Income taxes</i>	(8)	(7)
76	72	Adjusted Results for the period	19	18
(0)	0	<i>Minority interests</i>	(0)	0
76	72	Adjusted Net Profit	19	18
26%	26%	Tax Rate	28%	28%

Note: figures based on NO GAAP measures

1H 2018 CASH FLOW STATEMENT

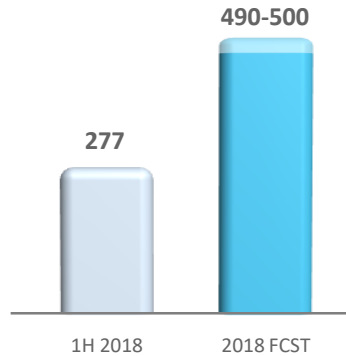


⁽¹⁾ Acquisitions include: Vent d'Est for €12mn, Vaa2 extension for €1mn, Epuron for €67.3mn and ForVEI consolidation for €345mn

⁽²⁾ It includes €179mn referred to TotalERG disposal (on January 10, 2018), and €106mn referred to Brockaghboy disposal (on March 8, 2018)

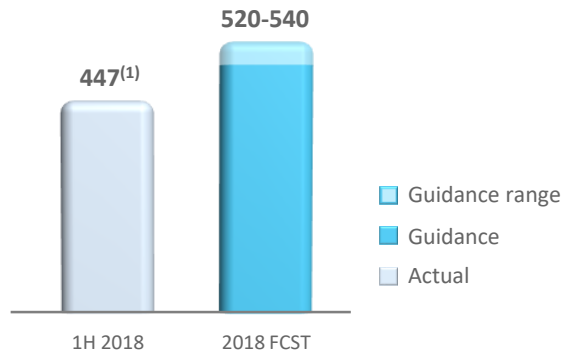


2018 GUIDANCE



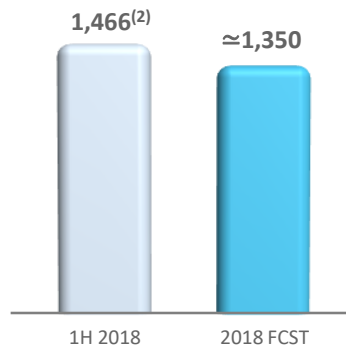
Adj. EBITDA:

- ✓ Guidance raised from €475mn to €490-500mn range



CAPEX:

- ✓ Guidance increased to €520-540mn range to include recent agreement for further development in the solar business



NFP:

- ✓ Guidance increased to €1.35bn

⁽¹⁾ CAPEX include the closing of Vent d'Est acquisition (which took place on March 22, 2018 amounting to €12mn), and ForVEI consolidation (whose acquisition took place on January 12, 2018) for €345mn

⁽²⁾ It includes Vendor Loan to api for €36mn