



ITALIAN SUSTAINABILITY DAY 2018

MILAN, 2 JULY 2018





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
- ❑ A focus on sustainability
- ❑ ERG in a nutshell at 31.12.2017
- ❑ Appendix



A SUCCESSFUL INDUSTRIAL TRANSFORMATION



2008-2018: INDUSTRIAL REPOSITIONING



2008

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

2012

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

Today

- Fully exit from Refining
- Fully exit from TotalERG

Wind

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

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

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

Thermoelectric

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

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

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

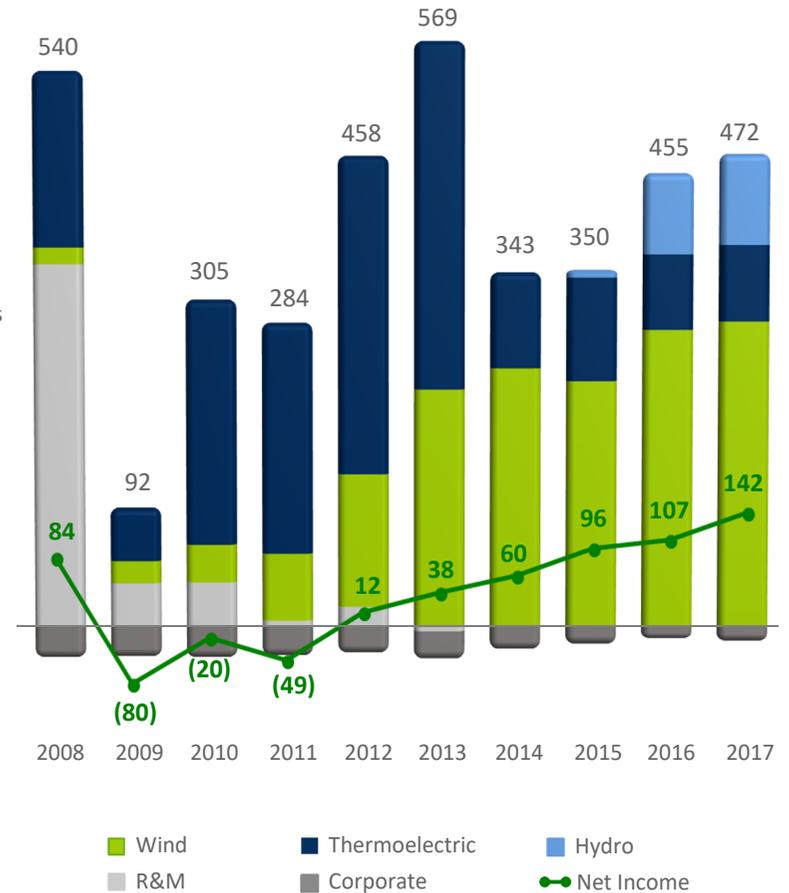
Hydro

- 527MW hydro integrated plant

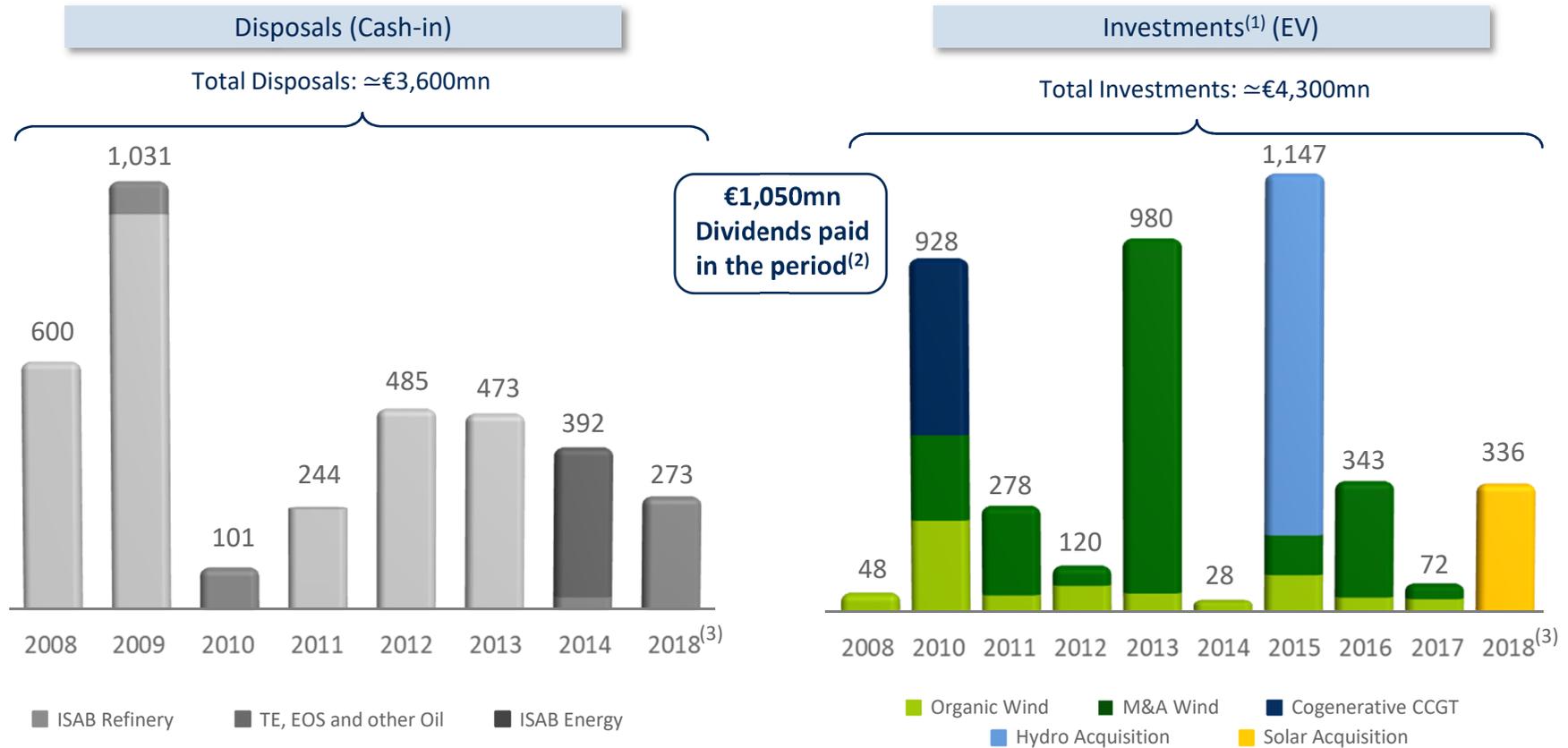
Solar

- 90MW solar installed capacity

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



ERG INDUSTRIAL TRANSFORMATION



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

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

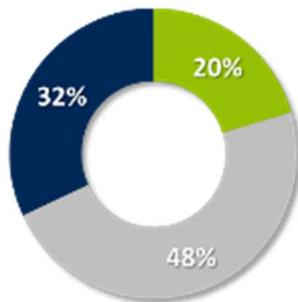
⁽²⁾ It includes dividends to be paid in May 2018 (ca. €171mn with ordinary DPS at €0.75/sh and extraordinary DPS at €0.4)

⁽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

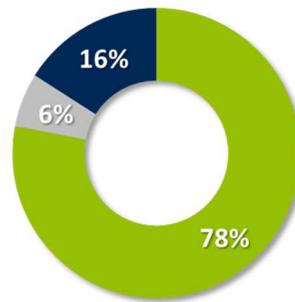
INVESTED CAPITAL FULLY ROTATED TO RENEWABLES

Capital employed

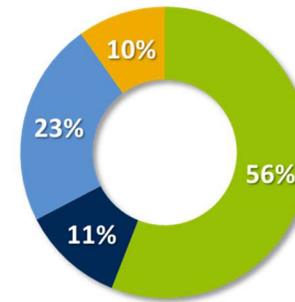
2008 (€2.2bn)



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



2016-2017 CSR RESULTS

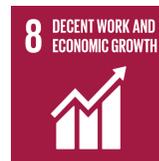
Tackling climate change

- Avoided CO₂: 3mtons/year, 10mtons since 2006
- Carbon Index: down 32% in the last 3 years
- 88% of energy consumptions covered by Green energy
- Continuous efficiency improvement of our plants
- Full exit from oil, technological diversification with PV



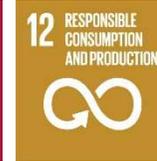
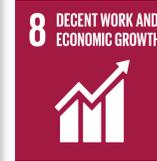
People enhancing

- Continuous training: 97% of employees attended training courses, about 6.6 day/empl.
- Human Capital Coverage: +1% since 2016
- Cooperation with universities and local community

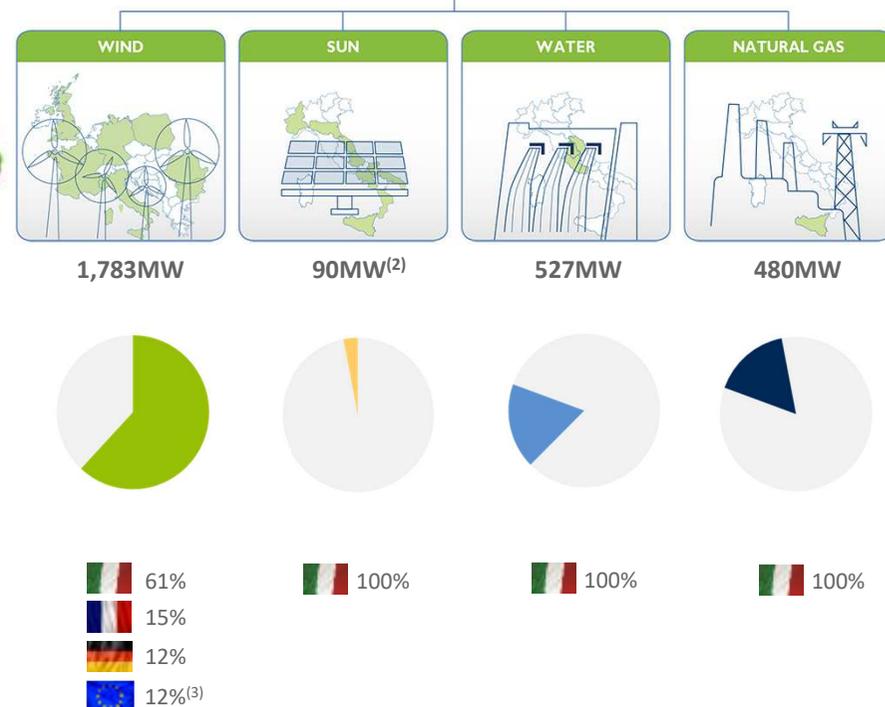
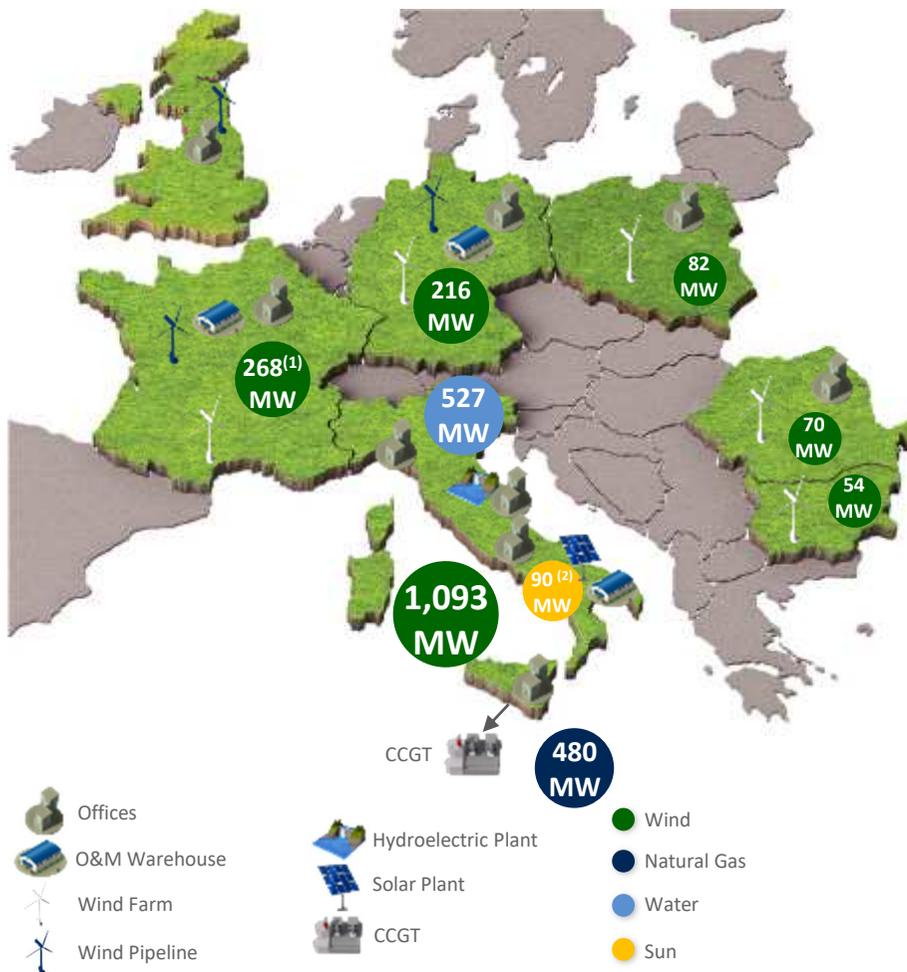


Sustainable thinking sustainable acting

- CDP reporting: ERG rated A- (B in 2016)
- ERM process implemented
- Anticorruption Policy adopted
- Integration of HSE certifications according to ONE Company Model
- Open innovation.



EU LEADING RENEWABLE IPP, GREEN ENERGY MAKER

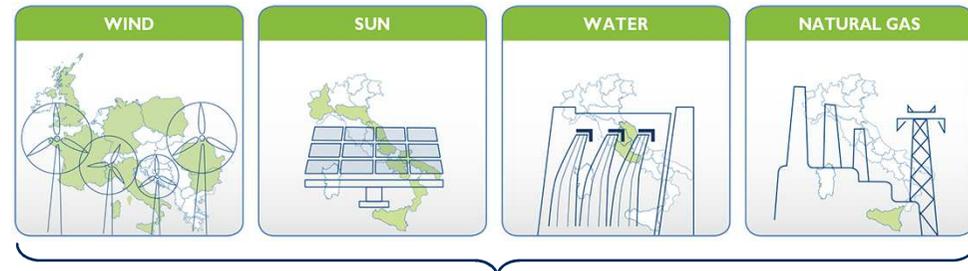
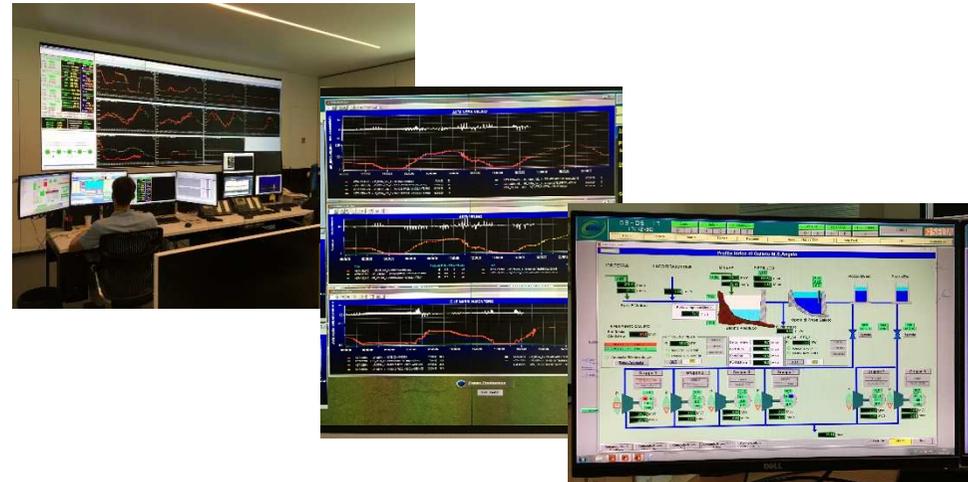
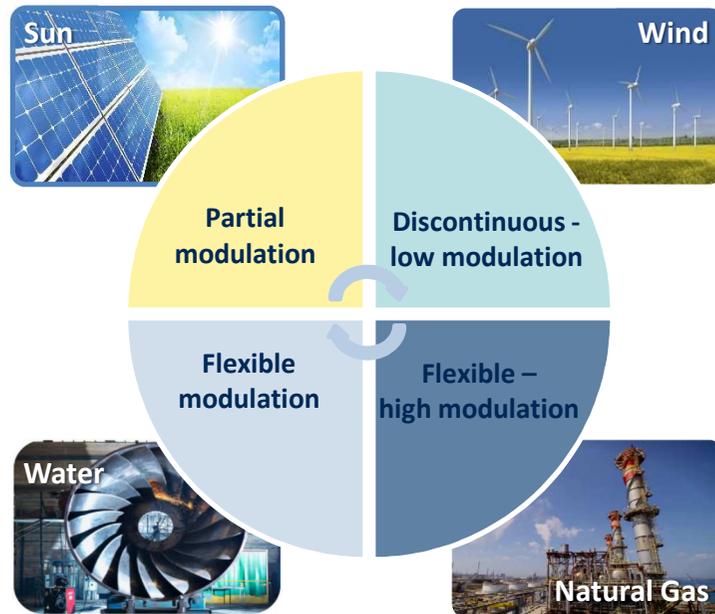


⁽¹⁾ It includes also Vent D'Est wind farm (16.25MW), whose closing took place on March 22, 2018

⁽²⁾ It refers to the recent acquisition of ForVEI, whose closing took place on January 12, 2018, plus 1MW at ISAB Energy Solare consolidated as of January 1, 2018

⁽³⁾ It refers to Romania, Bulgaria and Poland

ENERGY MANAGEMENT AS A KEY SUCCESS FACTOR



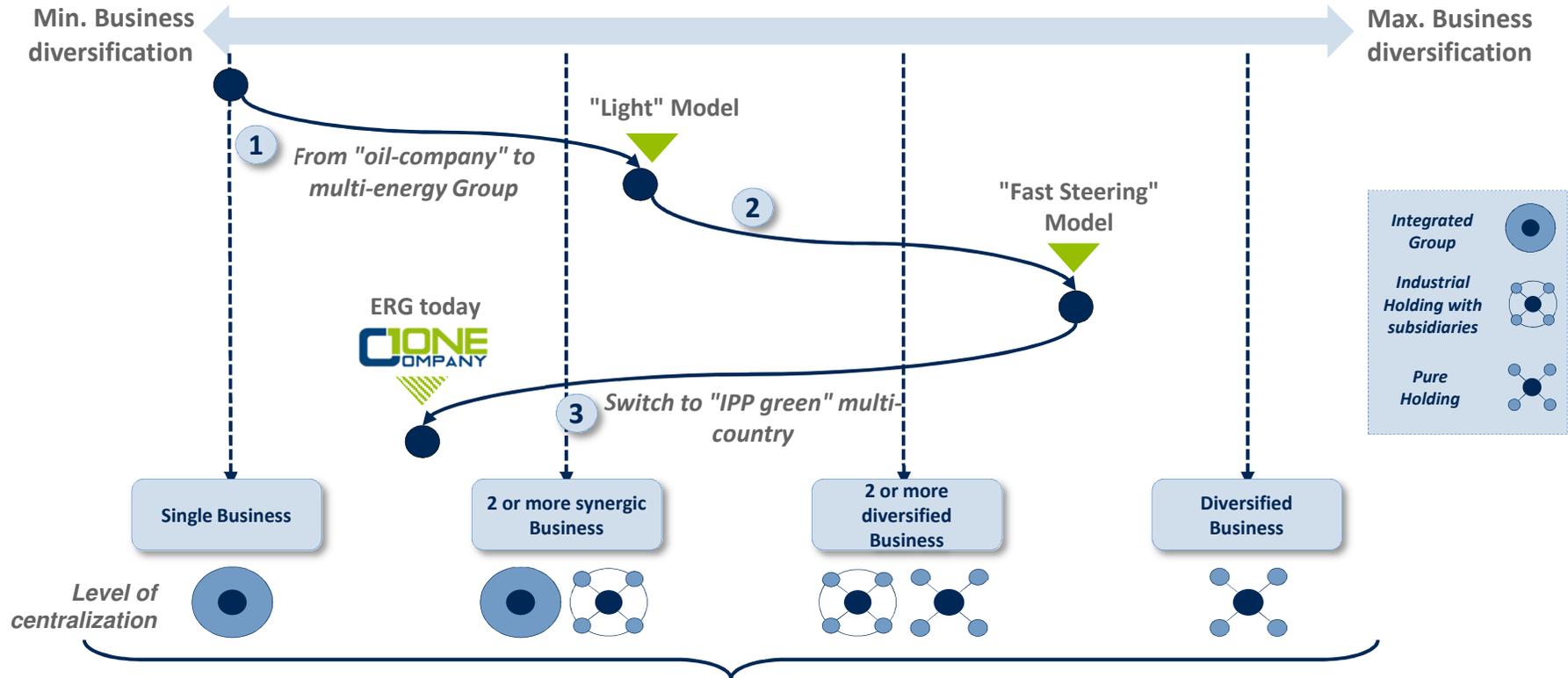
Production 2017: $\approx 7\text{TWh}$
 Total Energy Portfolio including Hedging: $\approx 12\text{TWh}$

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



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	✓					
ERG Spa	Corporate levers		✓			✓	
	Procurement		✓				
	Business Development						✓
	Energy Risk Management		✓				
	Finance		✓				
	M&A		✓				
	Institutional Relations				✓		
Human Capital & ICT			✓				
Legal Risk Management						✓	
		6	3	1	2	1	1
<div style="border: 1px dashed black; padding: 5px; display: inline-block;"> No Overlapping levers </div>							

A STRONG FOCUS ON HUMAN CAPITAL DEVELOPMENT



Gap Analysis

Current skills \times Labour cost = HC ROI

Expected skills

HCC
HUMAN CAPITAL COVERAGE

High change Management speed

«Fast-Steering» (2013)
ONE Company (2016)

Tailored Incentive Schemes

LTI IQ

MBO

1% DIRECTOR
6% SENIOR MANAGER
8% MANAGER
21% PROFESSIONAL
64% SPECIALIST

RATING: Exceptional, Acceptable

Empowerment & Self Accountability

1K€/person/year

FAI CRESCERE LA TUA ENERGIA
YouLearn

Continuously setting aspirations and expectations

MANAGEMENT FEEDBACK

Nurturing the leadership pipeline

SUCCESSION PLANNING



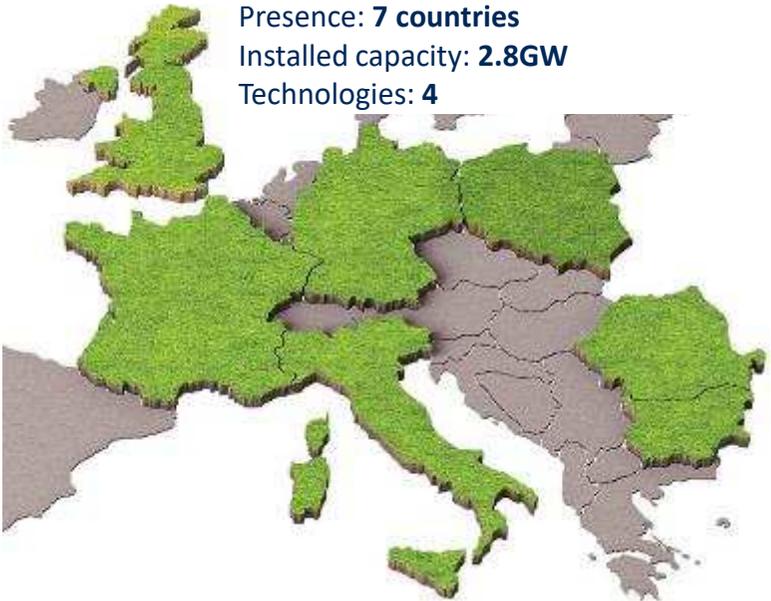
2018-2022 BUSINESS PLAN



ERG 2018-2022 STRATEGIC OPTIONS



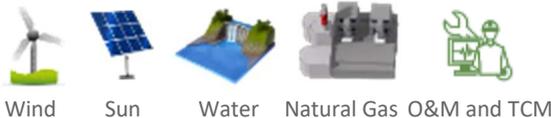
ERG Group current geographical presence



Geographical presence



Business/Technology



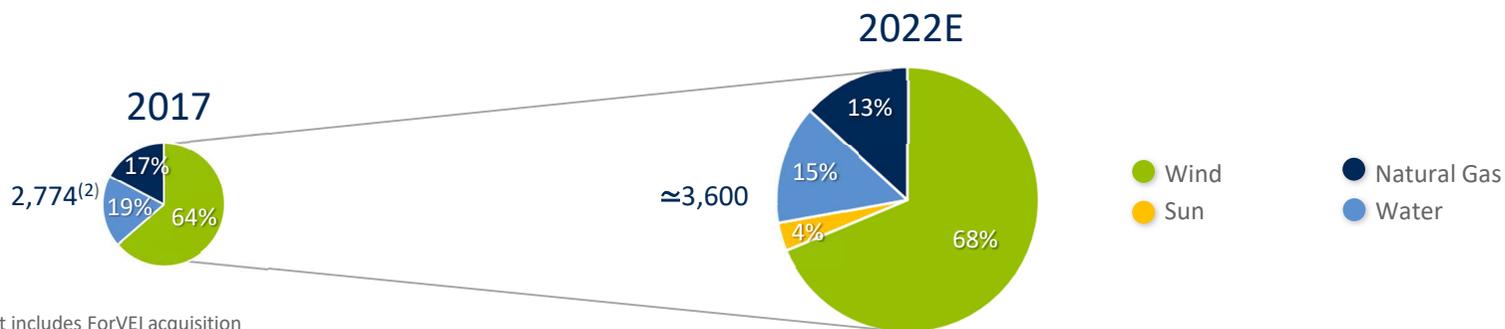
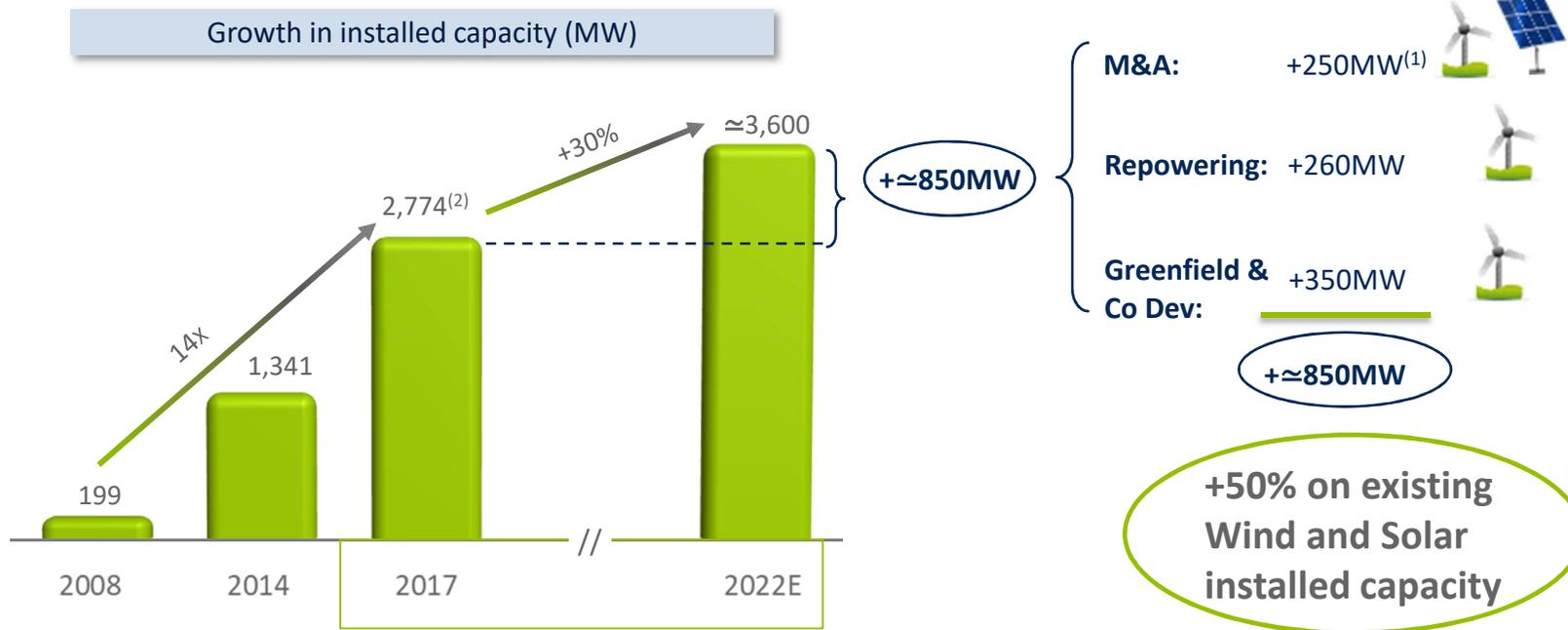
Country/Business attractiveness for ERG

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



ERG 2018-2022 CAPACITY EVOLUTION

THREE MAIN CLUSTERS TO GROW

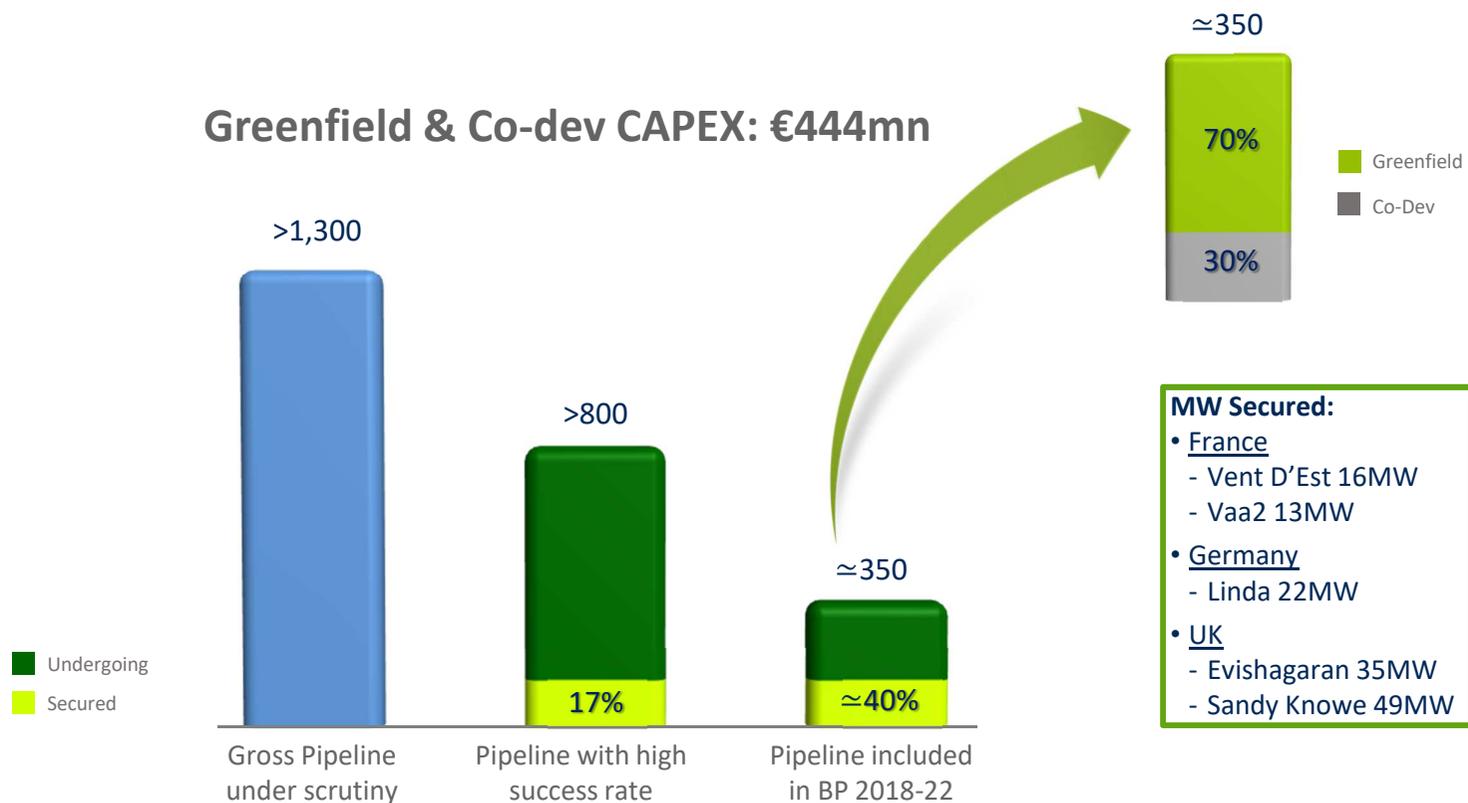


⁽¹⁾ It includes ForVEI acquisition

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



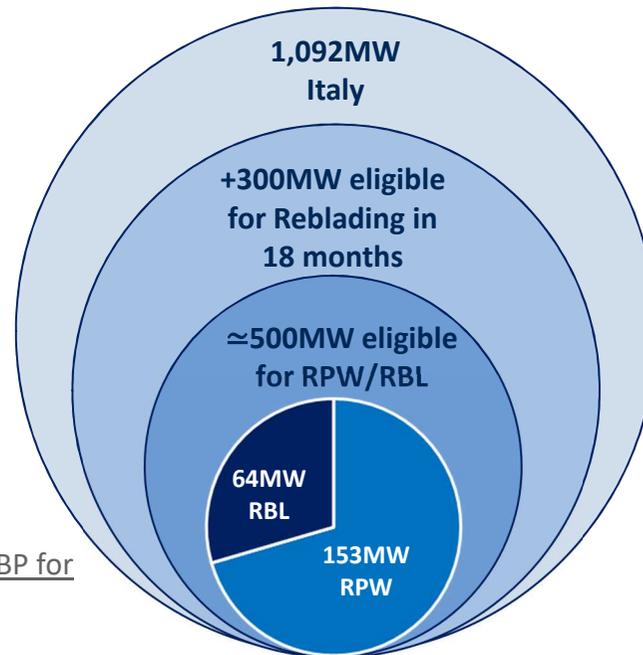
A SOLID PIPELINE TO SUSTAIN GROWTH



Pipeline creates the basis for a sustainable long term growth



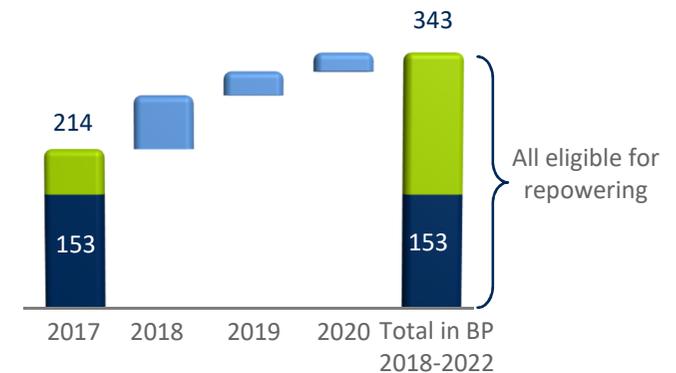
REPOWERING & REBLADING



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

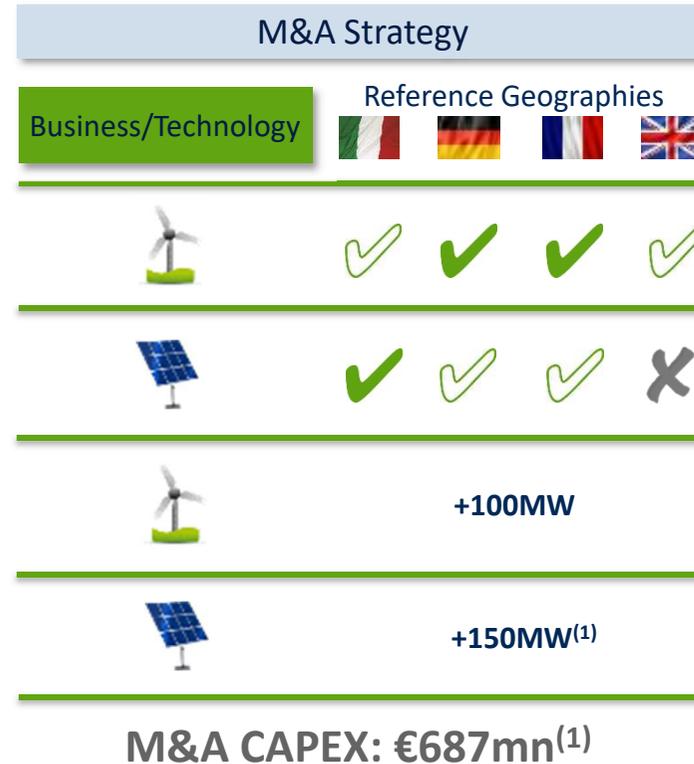
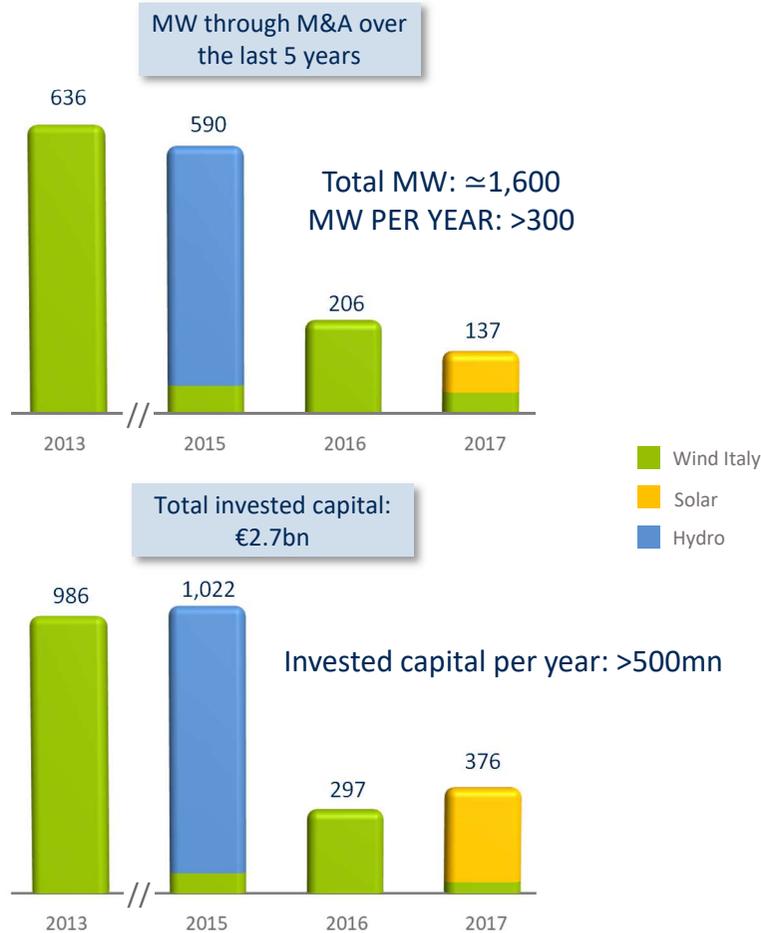


Criteria to include MW in BP for Repowering:

- 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

M&A TO SUPPORT ERG GROWTH IN KEY COUNTRIES



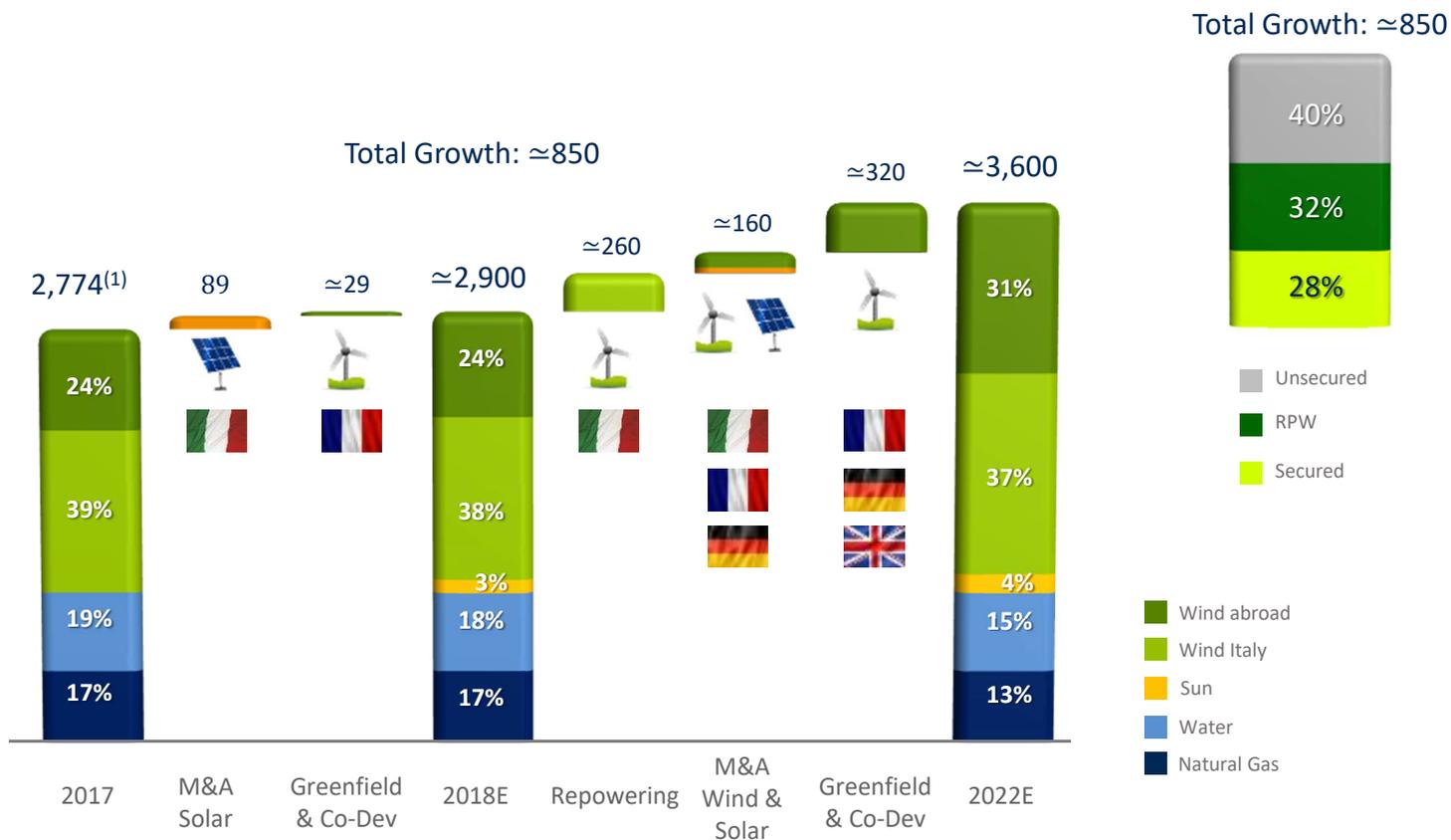
- Opportunistic approach to consolidate leading positions in the core countries
- Short term growth approach to support greenfield

Value creation leveraging on strong M&A track record

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



INSTALLED CAPACITY EVOLUTION



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

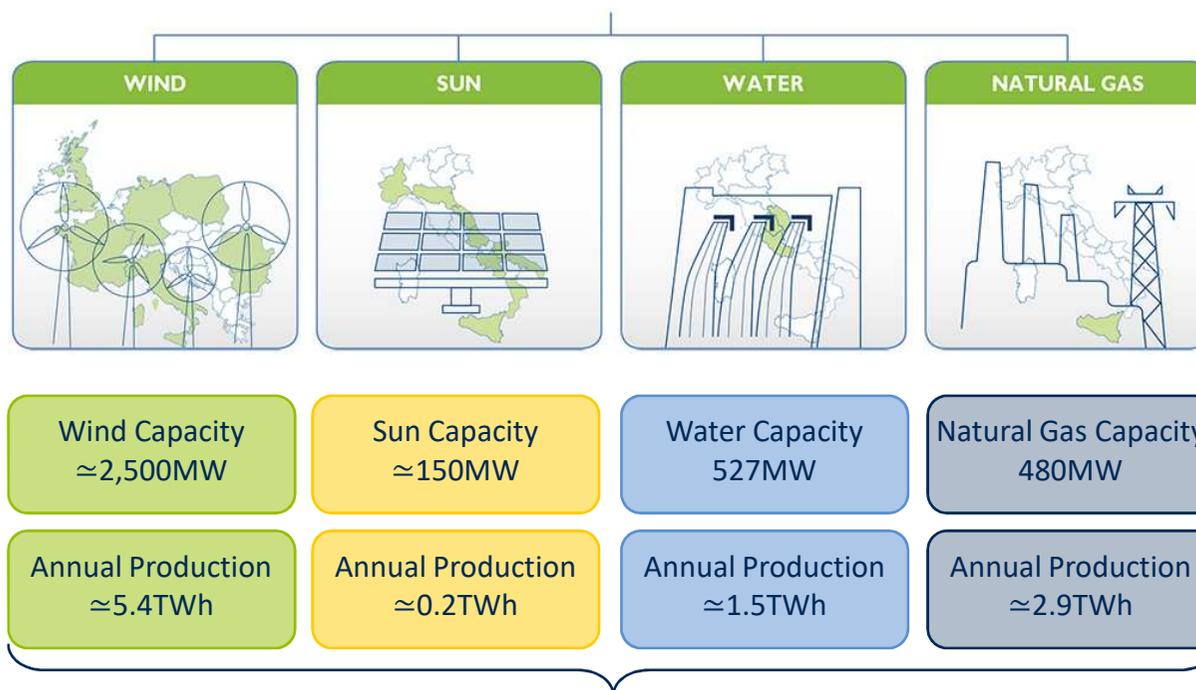
⁽¹⁾ 2017 Capacity net of Brockaghboy wind farm in UK (47.5MW)



GREEN ENERGY PRODUCTION



EVOLVING ENERGIES



Total 2022 Expected Production: ≈10TWh

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

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



2018-2022 CSR DRIVERS

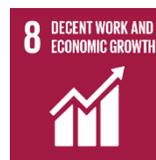
Tackling climate change

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



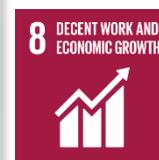
People enhancing

- 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





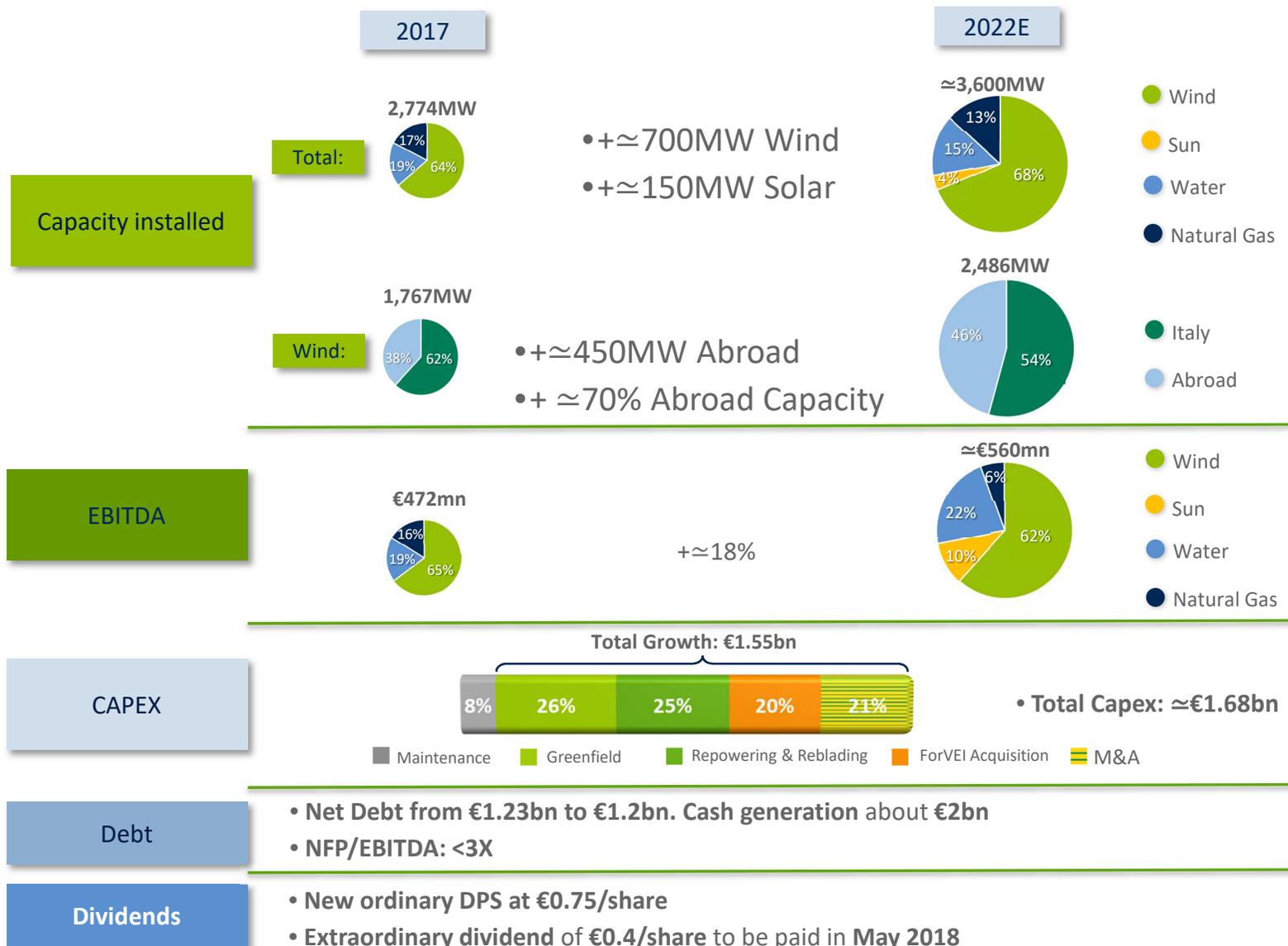
NEW LEADERSHIP MODEL



The Business Plan shows the direction, Skills help people find the way and Values give us strength, unity and stability



KPI IN THE PLAN PERIOD





A FOCUS ON SUSTAINABILITY



SUSTAINABILITY IN ERG



Our «Sustainability Tree»



ERG Sustainability Policy

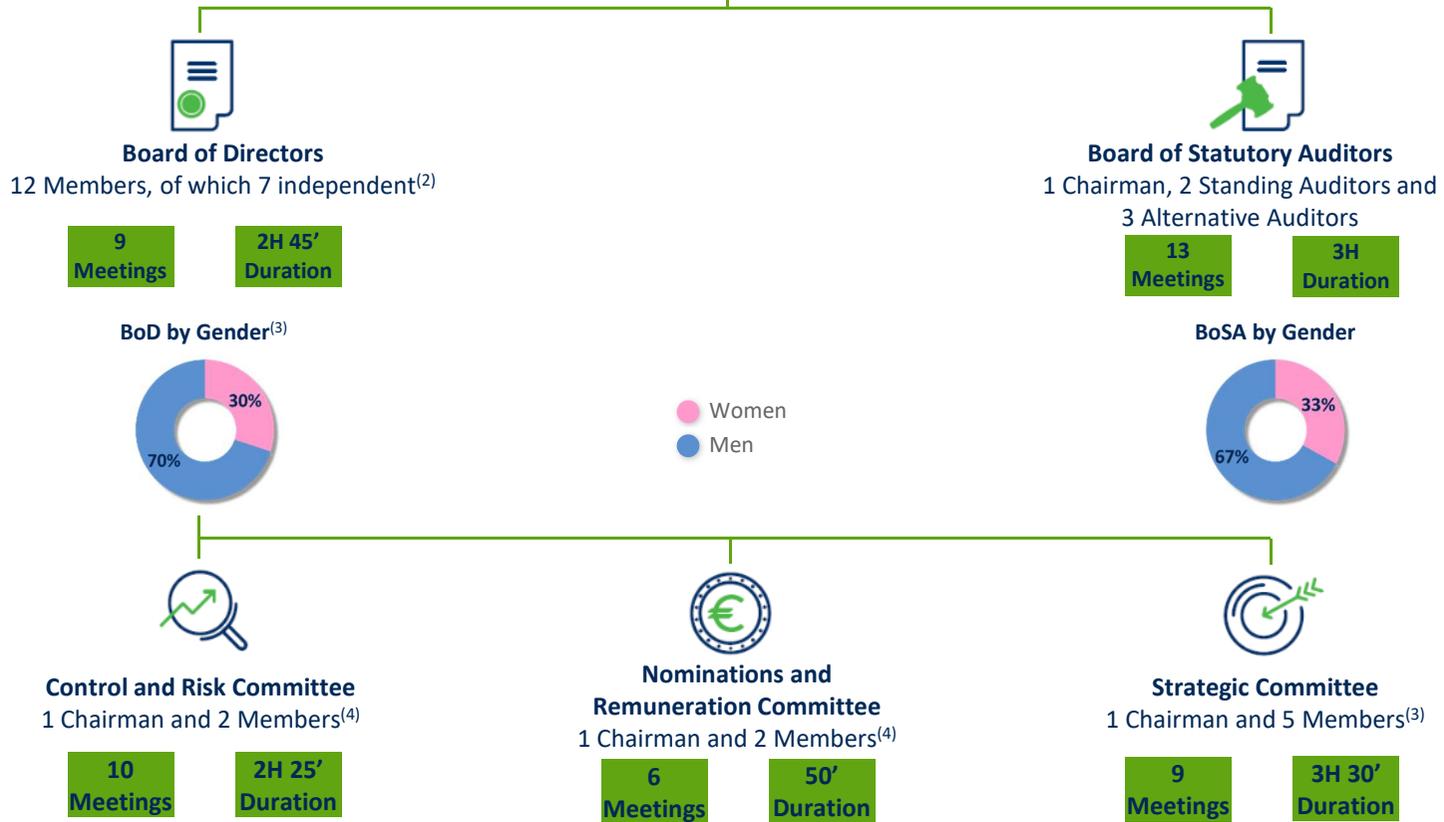
- Adopted in 2015 (previously HSE Policy) to assess its engagement towards Stakeholders
- The policy has been approved by the Sustainability Committee and signed by ERG Chairman

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**

CORPORATE BODIES AND BOARD COMMITTEES⁽¹⁾



⁽¹⁾ Data as of December 31, 2017

⁽²⁾ As of April 23, 2018, 5 Independent referring to both the Financial Consolidation Act and the Self-Discipline Code set out by the Italian Stock Exchange, and 2 Independent referring only to the Financial Consolidation Act.

⁽³⁾ As of April 23, 2018.

⁽⁴⁾ As of April 23, 2018, 2 Independent referring to both the Financial Consolidation Act and the Self-Discipline Code set out by the Italian Stock Exchange, and 1 Independent referring only to the Financial Consolidation Act.

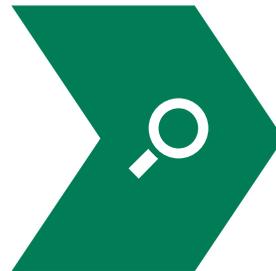
ENTERPRISE RISK MANAGEMENT



Identification
Risk Catalogue



Evaluation
Risk Profiles



Risk Management
Risk Policy and Procedures



Enterprise Risk Management (ERM) is responsible for:

- identifying and assessing the Group's main risks and defining strategies to mitigate them
- providing management dynamic risk mapping evolution
- providing Management with key information to make risk-informed decisions
- spreading over risk-aware culture across the Organization

ERG SUSTAINABILITY GOVERNANCE MODEL



The CEO is responsible for CSR.

Sustainability Committee:

- composed by:
 - Chairman
 - Executive Deputy Chairman
 - CEO
 - Top management
- duties:
 - defining the Group's sustainability guidelines
 - approving and evaluating sustainability objectives
 - approving the CSR initiatives and DNF contents





REMUNERATION POLICY



Short-term Incentive Plans (MBO)

Short-term Incentive Plans
Bonus Cap



MBO VEHICLES

Cash



MBO Parameters

Group EBT⁽¹⁾
Individual Objectives e.g. EBITDA, NFP, OPEX, etc.

Weight

30%
70%

Long-term Incentive Plans (LTIP)

Long-term Incentive Plans
On/Off Clause



LTI Vehicles

Performance Share

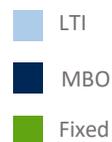


LTI Parameters

Adjusted Cumulated EBITDA on/off Clause

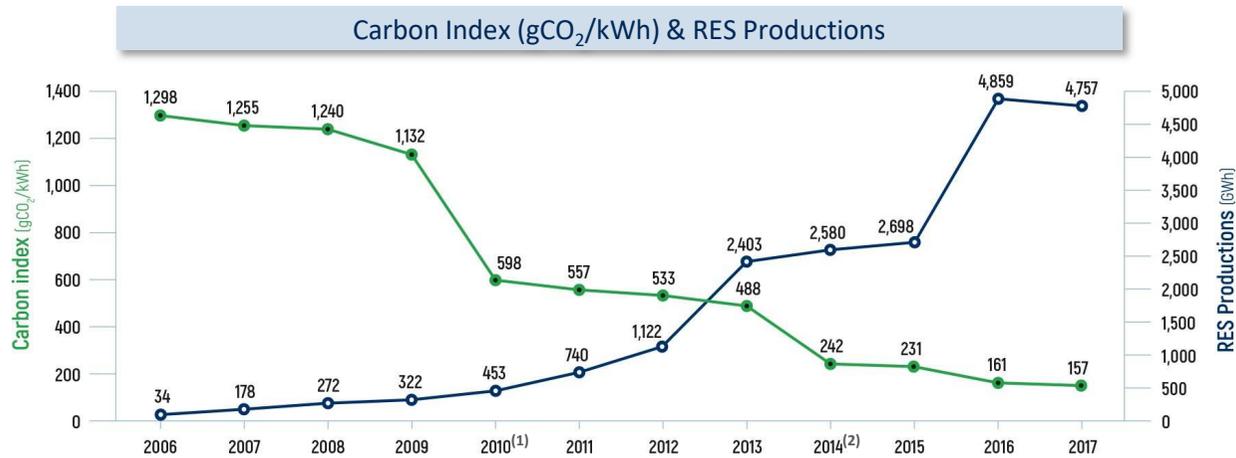
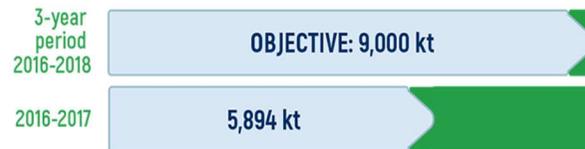
Weight

100%



⁽¹⁾ IAS pre-tax profit.

ENVIRONMENTAL RESPONSIBILITY



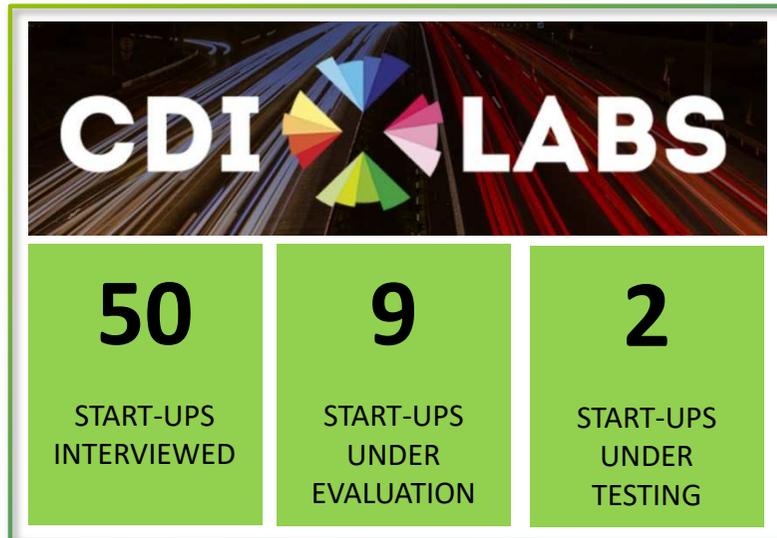
Avoided CO₂ calculated using the gCO₂/kWh conversion factor published by Terna in its annual reports and referred to the thermoelectric power output of each country.

⁽¹⁾ The drop of Carbon Index in 2010 was due to the entrance into service of the ERG Power plant which replaced the existing oil fedded power plants.

⁽²⁾ The drop of Carbon Index in 2014 was due to the sale of the ISAB Energy plant



INNOVATIONS AND START-UPS



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





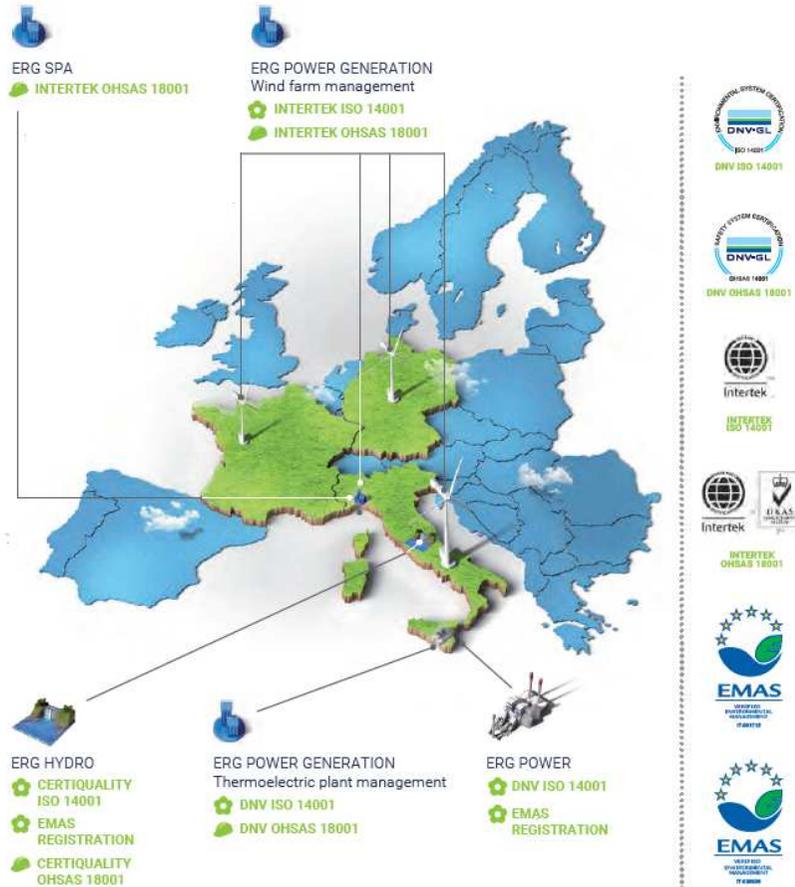
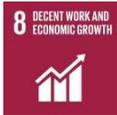
CARBON DISCLOSURE PROJECT



- Company's actions and strategies for tackling climate change
- Disclosure transparency
- Our rating:

2017 **A-** | 2016 **B**

SAFETY AND CERTIFICATIONS



#SAFETYFIRST

- informing
- training
- involving
- monitoring



100%

ISO14001 and/or OHSAS 18001 Certified Italian companies consistent with their activities



424

Safety Walks

The CCGT plant and the Terni Hydroelectric Complex, in addition to holding ISO 14001 (environmental) and OHSAS 18001 (safety) certifications, obtained EMAS registration (Eco-Management and Audit Scheme) pursuant to European Regulation EC 1221/2009.



Source: ERG 2017 disclosure on non-financial information



ERG PEOPLE & TRAINING



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

ERG Training in a nutshell

KPIs IN OUR TRAINING			
2015	27,584 HOURS OF TRAINING PROVIDED	5.7 DAYS OF TRAINING PROVIDED PER PERSON	92% PEOPLE WHO PARTICIPATED IN THE TRAINING
2016	31,787 HOURS OF TRAINING PROVIDED	5.6 DAYS OF TRAINING PROVIDED PER PERSON	96% PEOPLE WHO PARTICIPATED IN THE TRAINING
2017	37,950 HOURS OF TRAINING PROVIDED	6.6 DAYS OF TRAINING PROVIDED PER PERSON	97% PEOPLE WHO PARTICIPATED IN THE TRAINING

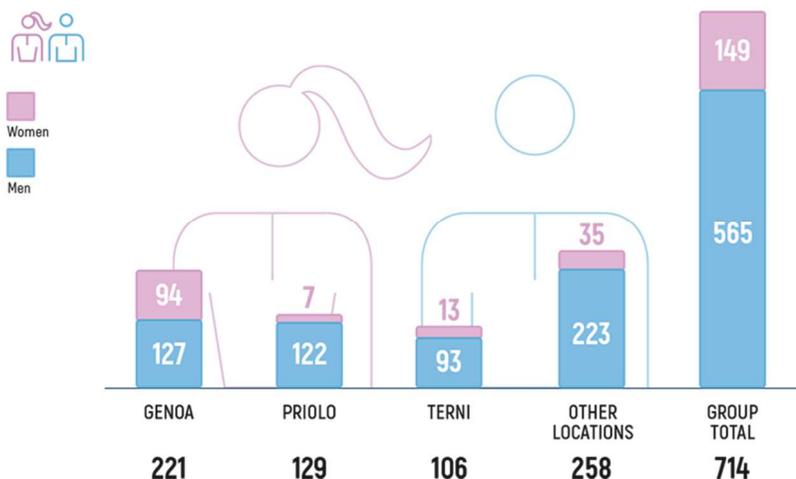
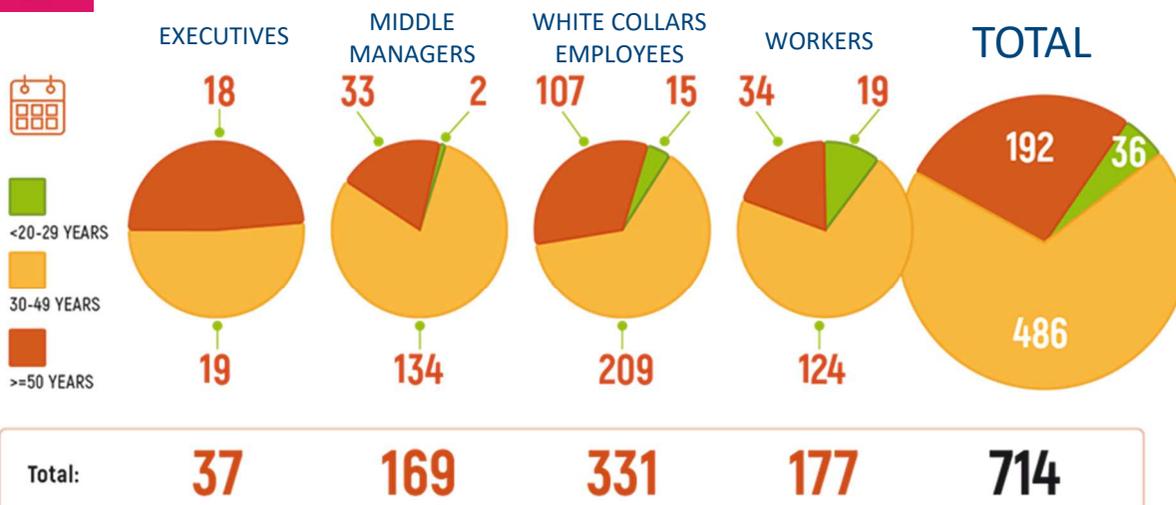
Our training course:

- Managerial training: 30%
- Technical training: 25%
- Foreign languages: 24%
- HSE training: 21%

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



DATA BREAKDOWN ON PERSONNEL



	2015	2016	2017
Average time at Company (years)	8.8	8.9	9.8
Average employee age (years)	43.4	43.8	43.6
Female employment	20.6%	21.0%	20.9%

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



EDUCATIONAL PROGRAMS



@SYRACUSE

3,000
STUDENTS

ProgettoScuola

@WIND FARMS
TERRITORIES

1,500
STUDENTS

VAI
col
VENTO!

@GENOA

OVER
5,000
CHILDREN

TORNEO RAVANO
RESPECT

@TERNI
@MELILLI and CARLENTINI

400
STUDENTS

GIORNATA
DELL'ENERGIA
ELETTRICA 2017

@HYDRO PLANTS
TERRITORIES

600
STUDENTS

ACQUA!

- In 2017 **more than 10,000** students got acquainted with our CSR activities
- Future generations training and education on environmental matters
- Special attention to younger people supporting sport values



EDUCATIONAL PROGRAMS



INNOVATION & START-UPS



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

EDUCATIONAL PROJECTS



- In 2017 more than 10,000 students got acquainted with our CSR activities
- Future generations training and education on environmental matters
- Special attention to younger people supporting sports values

CULTURE & KNOWLEDGE



- Promotion of important cultural events in the communities where we operate

...RECOGNIZED ALSO BY EXTERNAL INSTITUTIONS



CDP
DRIVING SUSTAINABLE ECONOMIES
BEST NEWCOMER ITALY 2016
Rating B in 2016, Rating A- in 2017



Oscar di Bilancio
52ª EDIZIONE
OSCAR DI BILANCIO 2016
for the representation of the evolution of its business
and the Sustainability Report



1st CAREER WEBSITE 2017
in Italy



CSR ONLINE AWARDS 2016-2017
ERG ranked 8th



WEBRANKING ITALY 2017:
ERG ranked 7th



HCC
Human Capital
Coverage
Responsabili del Progetto
Alberto Fusi
Giovanni Martinengo
Luca Geniale
Titolare Direzione Risorse Umane
Alberto Fusi



ERG IN A NUTSHELL AS AT 31.12.2017



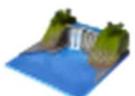
FINANCIAL AND OPERATING PERFORMANCE AS AT 31.12.2017



Financial Highlights

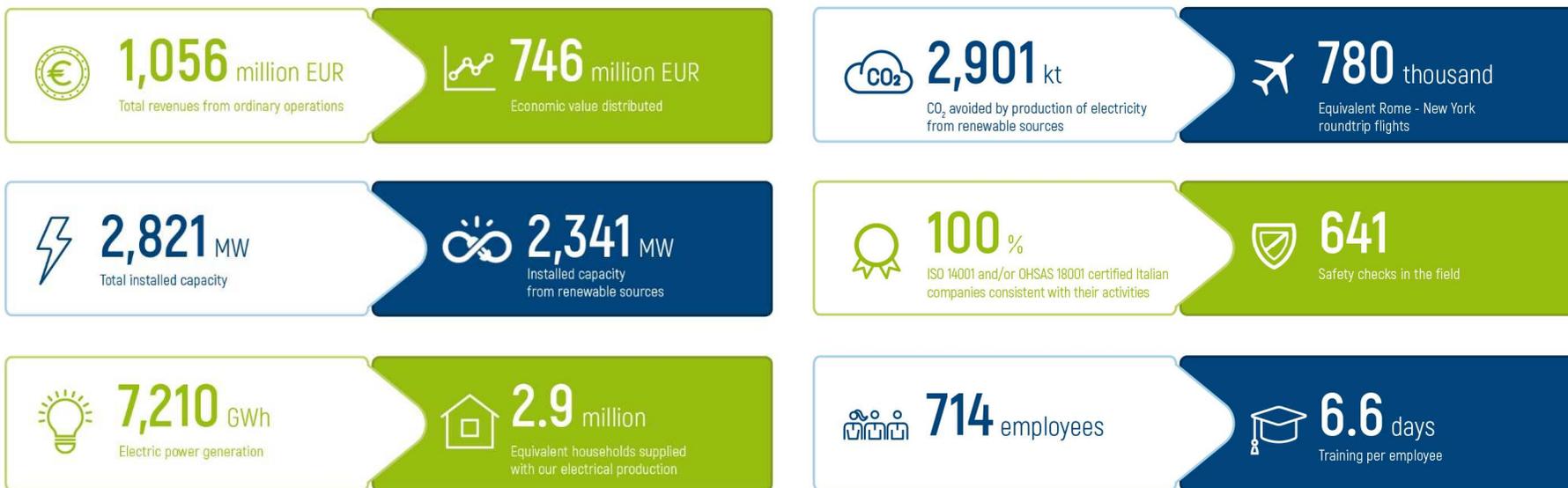
	€472mn Recurring EBITDA	€220mn Recurring EBIT
€142mn Recurring Group Net Result	€3,274mn Net Invested Capital	€1,233mn Net Financial Debt
	715 Employees	

Business Portfolio

	1,814MW Wind installed capacity	3,613GWh Wind energy production
	480MW Thermo installed capacity	2,453GWh Thermo energy production
	527MW Hydro installed capacity	1,144GWh Hydro energy production



ERG SUSTAINABILITY AS AT 31.12.2017





ERG DISTRIBUTION OF ADDED VALUE AS AT 31.12.2017

REPLACEMENT COST (MILLIONS OF EURO)

	2017	2016	2015
Production value	1,065	1,041	958
Economic value distributed	(746)	(748)	(759)
Production costs	(450)	(463)	(484)
Compensation of personnel	(79)	(76)	(71)
Compensation of public administration	(51)	(39)	(44)
Compensation of debt capital ⁽¹⁾	(89)	(97)	(87)
Compensation of risk capital ⁽²⁾	(75)	(71)	(71)
Compensation for the community	(2)	(1)	(1)
Economic value withheld by the Group	319	293	199
Amortisation and depreciation	252	254	171
Compensation of the company	67	39	28

(1) Interest paid and other financial expenses to service debt.

(2) Dividends distributed by the Group net of extraordinary disbursements (EUR 72 million in 2016).



APPENDIX



THE ECONOMIC RESPONSIBILITY: MAIN TARGETS



UN SDGs	Areas of commitment - 2016-2018	Status as at 31/12/2017
GOVERNANCE AND SUSTAINABILITY APPROACH		
 5 GENDER EQUALITY	 8 DECENT WORK AND ECONOMIC GROWTH	Pursue the internal and external dissemination of the Group's principles expressed in the Code of Ethics and the Sustainability Policy.
 10 REDUCED INEQUALITIES	 11 SUSTAINABLE CITIES AND COMMUNITIES	Implement a new Enterprise Risk Management (ERM) system.
 13 CLIMATE ACTION	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Continuously update the 231 Models and Anti-Corruption Guidelines of the Group's companies and organise training sessions for personnel.
		Expand and integrate the existing certifications in the field of environment, health, safety and sustainability.
BUSINESS STRATEGY		
 4 QUALITY EDUCATION	 7 AFFORDABLE AND CLEAN ENERGY	Consolidate the Group's business leadership in the production of electricity from renewable sources.
 9 INDUSTRY INNOVATION AND INFRASTRUCTURE		Support the Group's strategies through scouting activities, while identifying and assessing innovative technologies/new business opportunities.
		Enhance the partnerships with Universities, Foundations, think-tanks and Research Institutes.
OPTIMISATION AND ENERGY EFFICIENCY		
 6 CLEAN WATER AND SANITATION	 7 AFFORDABLE AND CLEAN ENERGY	Meet the Group's needs with Green energy.
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION		Implement energy efficiency projects in the Group's plants and offices.
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION		SUPPLIERS
		Consolidate a supplier qualification and assessment system, with particular attention to Health, Safety, Environment and Sustainability.

THE ENVIRONMENTAL RESPONSIBILITY: MAIN TARGETS

UN SDGs		Areas of commitment - 2016-2018	Status as at 31/12/2017
  	EMISSIONS AND WASTE		
	<p>Avoid CO₂ emissions for 9,000 kt in the plan period, for a total of approx. 13 million t from entry into the renewable energy sector (baseline 2006).</p>		<p>2,901 kt avoided emissions during 2017, adding up to more than 10 Mt avoided since 2006.</p> <p>Continual reduction in the Group's energy production carbonisation factor: -32% over the last three years.</p>
	<p>Implement activities to protect biodiversity in areas which are particularly important from the environmental point of view, in the areas where our plants are located.</p>		<p>Support to the activities performed at the Oasis of Alviano (WWF).</p> <p>Bird monitoring in our wind farms.</p>
<p>Consider suitable and efficient initiatives to increase the percentage of waste to be recycled.</p>		<p>A recovery procedure for the waste produced by the grate cleaners was implemented in our hydroelectric plants.</p>	



THE SOCIAL RESPONSIBILITY: MAIN TARGETS

UN SDGs	Areas of commitment - 2016-2018	Status as at 31/12/2017
	SAFETY Consolidate the safety culture inside and outside the company, pursuing the goal for zero accidents caused by safety deficits in plants and offices. Consolidate the system to check suppliers' performance.	Following the injuries in 2017, corrective actions were implemented to prevent the recurrence of similar events. A near-miss reporting system was promoted to increase prevention levels. Monitoring continued to be implemented: around 650 field safety checks
	PEOPLE Facilitate the dissemination of ERG's culture and values through inclusion and awareness initiatives.	The onboarding and inclusion process for new colleagues was implemented.
	Spread a self-empowerment culture to build and maintain professional and managerial skills.	In 2017, around 38,000 hours of training provided at an average of approximately 6.6 days per employee. 97% of company staff took part in training courses.
	Favour the growth of a sustainability and green culture within the Group.	The first company volunteering day was organised for our Genoa employees.
	Consider the inclusion of CSR elements into the MBO/IQ system.	The MBO/IQ system included safety targets.
	COMMUNICATION Make contact with and inform the Group's stakeholders in a complete, transparent and timely manner.	Implementation of Non-Financial Information reporting. ERG received A- rating from CDP (improving the B rating achieved in 2016). Improvement in its Webranking and "CSR on line awards" position.
	Support the ESG rating companies which are interested in the ERG Group.	Ongoing support to ESG rating companies or Group investors on non-financial issues.
	COMMUNITY Contribute to the development of local communities through social responsibility initiatives at a local level.	Activities were developed in local communities in keeping with Sustainability Policy principles. "A tutta Acqua!" and "Vai col Vento!" were our leading projects for students living in the communities where our plants are located.



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