

ERG S.p.A.
**“2017 Annual Results
and 2018-2022 Business Plan”**
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MODERATORS:
ALESSANDRO GARRONE, EVP
PAOLO MERLI, GROUP CFO
LUCA BETTONTE, GROUP CEO

Alessandro Garrone:

Ladies and gentlemen, good afternoon and welcome to this Investor Relations Day.

Now, we saw you last time in mid December 2015 for a similar event: so almost or more than two years have elapsed, but we have a number of novelties to talk through. So, let us start from the agenda of this event. You are going to hear from myself (I will give you a very brief introduction, and I will also tell you what we have been doing in the past three years), then Paolo Merli (CFO of ERG) will give us details on the results of the financial year 2017. Finally, the lion's share is going to be played by Luca Bettonte, (our CEO) who is going to illustrate the Business Plan spanning the period 2018-2022. So, it is a very busy agenda; then at the end we shall have a Q&A session, as usual.

I would like to start by telling you what has happened over the past three years, and I will be starting from the last thing that we have achieved, and want to disclose to you just today, for the first time. That is the new brand of ERG. Now, after 20 years during which we have been using the "ripple" and, as you can see, after using seven different brands - which is also a signal of us being capable to change and to innovate - this year we decided (also to celebrate the 80th anniversary of ERG, which we are going to celebrate in June this year) to change, to renovate our brand. I will show you a video, and you would like to underline also the message under our brand: "Evolving energies". I think that this claim is very much in line with what we have done, and it also illustrates the evolution of the brand, and also of the Company and its 80 years of history. So, let me show you the very brief video, that speaks about the evolution of ERG Brand.

[Video projection]

As you can see, we have used the colors in our brand, by introducing colors that represent our business.

So, let me now summarize what has happened within ERG over the past three years. As I said before, we met you last time in December 2015, when we presented the Business Plan 2015-2018; we are now at the beginning of 2018, and we are here to disclose a new Business Plan, spanning the period 2018-2022. So, we are presenting this Business Plan one year in advance: why this? Well, for two main reasons. I think the first one is very important, and I will tell you and show you why: one year in advance we achieved all of the goals and all of the targets that we said we were going to achieve within 2018. This is another landmark which tells you that ERG usually shows targets and then actually achieves them. Moreover, after two years the overall context has changed: in particular, the scenario in the industry of renewable sources of energy has evolved. And so, one year ahead, we decided to give you some indications of what we plan to do in the next five years.

So, let us go back to what we told you in December 2015, sum up at **page no. 6**. Well, we told you that we were going to integrate successfully the hydroelectric and wind assets, and we did so. As far as hydroelectric plants are concerned, we managed to capture very good synergies, reflected in the figures that Paolo will comment later on. In the wind business we fully completed the O&M internalization in Italy. We told you that we were going to exit the Oil industry within 2018: well, we did so in January this year

with the disposal of TotalERG, so now the ERG Group has no longer businesses in the Oil industry.

We also told you that we were going to diversify technologically into the renewables: in fact, in January we entered the business of solar energy. We told you that we were going to conclude the O&M internalization in Italy and to start it abroad as well, and we did both things. We told you that we were going to strengthen the Energy Management activity, which is the core of our margins, and therefore of the results of ERG. And I have to say that we have achieved very good results, thanks to Energy Management - so growing margins - but we have also been capable to control risks and reduce PAR for all the businesses in which we produce energy.

Finally, we told you that we were going to set up a good well skilled development team. In fact, we believe that our path will be based most of all on organic growth, going forward: well, the team was set up, and we are already witnessing good results from that. So, this is what we told you.

Let have a look at the figures (at **page no. 7**) so as to confirm that we have managed to achieve the results one year ahead. We told you that at the end of 2018 our EBITDA was going to be around €450 million: at the end of 2017, the EBITDA was €472 million, so 5% up and one year ahead. We told you that at the end of 2018 the net debt was going to go down at €1.4 billion: and you can see that at the end of 2017, our debt is 12% lower than what we planned. Moreover, in the 2018 Business Plan we told you that dividends were going to be €0.50 per share up until 2018, and then we would have followed this payout policy in the following Business Plan. Again, one year ahead we increased the floor of ordinary dividends from €0.50 to €0.75, 50% up. And in so doing, we aligned ourselves to the dividend yield of companies which operate in the utilities business, like us, with a total shareholder return, which is quite enviable, as you can see in the graph below.

Let me show you **page no. 8**, which is very, very interesting: it shows you what we have sold and what we have acquired in the last 10 years of the history of ERG. Now, if you take our disposals and our acquisitions, you see that in 10 years of our history we disposed of Oil assets for €3.6 billion: here the lion's share was represented by the Priolo Refinery, that we sold to Lukoil, but there are also ISAB Energy, and finally TotalERG. At the same time, in the same 10 year-time, we acquired - or we built organically - wind farms worth €4.3 billion. So, basically a total of €8 billion of disposals and acquisitions, which allowed us to transform our Group. And in the meanwhile, ERG distributed more than €1 billion dividends in ten years. Really quite impressive figures.

Now, let me show you the same thing by using another chart, as per **page no. 9**. The invested capital of ERG was 20% made up of renewables in 2008, whilst at the beginning of 2018 the 89% of invested capital refers to renewables. Moreover, our thermoelectric plants are receiving the so-called white certificates, and for this reason they can be likened to a renewable source of energy.

Now, all of this change - and we are very proud of this – led to environmental indicators that are really impressive: comparing 2017 versus 2008, the avoided CO₂ went up by 23 times, as shown at **page no. 10**. 3 million tons of CO₂ were avoided in terms of

emission, thanks to the change in our asset portfolio, and this is a very important piece of data.

However - and this is perhaps a point which I outlined quite three years ago - how have we achieved all of this? Well, I believe that a fundamental role was played by our Corporate Governance system, described at **page no. 11**. Now, when I speak about the Corporate Governance system, I am not only referring to the process that goes from the shareholders to the Board of Directors and Committees: on the contrary, I am referring also to the operating governance structure.

Over the past few years ERG has worked a lot on discipline and on governance, to assess opportunities and to streamline decisions, so that - once decisions are taken, once the investment is done - our system allows us to manage our investments in an excellent manner. I am not sure that in just half an hour we can have you understand how deep our Corporate Governance structure is. We have a system in place, whereby the Board of Directors, the Committees, the meetings among the managers of the company, all of this system has allowed us to bring about a strong deep transformation in such a short period of time.

I do not want to sound self-referencing, and I am not going into details but, as you see here on **page no. 12**, we are receiving recognition and awards for our achievements and performance. I do apologize if I say this in a very straight manner, but we received a lot of recognition referred to human resources, our talents, web ranking, CSR and so on. We received recognitions and awards by external institutions much more than other companies of our size operating in our industry in Italy and abroad, so we are very glad about this.

Now, as far as I am concerned, this is; I will now hand over to Paolo Merli, who is going to comment the 2017 results, which confirm you that the past three years have actually been extraordinary. And then Luca will disclose the Business Plan 2018-2022. But before closing my part of the presentation, I would like to tell you that the Business Plan for 2018-2022 is quite challenging: it requires a lot of commitments and the company will be involved in new activities, and new organizational activities as well. But thanks to the corporate governance system we have, we are confident that we will be able to capture and meet this challenge, as we have done so far with the challenges that we have dealt with.

Now, if I may in this moment wear the shareholders' hat - given the results that the company has achieved over the past three years, and considering what we are going to see in the next five years - as a shareholder I would like to say thank you to Luca, to the ERG team and to all of the people of ERG, because they showed that they have an extraordinary commitment, and - thanks to their commitment and to their efforts - we managed to achieve the targets set for 2018 one year in advance. For this reason the next five years are going to be interesting, and maybe also this time we will be able to anticipate the achievement of the targets of the plan.

At this point, I thank you and hand you over to Paolo Merli for the 2017 results.

Paolo Merli:

Thank you very much, Alessandro. And thank you also for the nice words you spent. Thank you very much for attending the Business Plan presentation, but I will focus on the 2017 results, which in my opinion account for the starting point of the new Business Plan. And, as I am going to show you in a minute, they account for a very good starting point.

So, let us start with **page no. 14** that is the one that we normally show: here I am just making a number of general comments, and then I will dwell on figures later on. €472 million EBITDA versus €455 million in 2016: the growth was more marked in 4Q. 2017 was a peculiar year and therefore the results have to be considered within this framework as well. So, as I said, 2017 was a particularly dry year in terms of rainfalls, and the year was not particularly windy especially in Italy, where wind production had dropped by 5% despite substantial recovery in 4Q, most of all in December.

Moreover, as we already pointed out to you in the Business Plan disclosure, 2017 was going to be the year of incentives phase-out, that inevitably had a substantial impact on our 2017 results, namely €20 million. And then, starting from 2016 and for all 2017, our CCGT plant in Sicily was no longer considered one of the essential plants. So, these four factors accounted for a negative impact of roughly €100 million.

But how do we manage to recover these €100 million and do even better? Well, one of the main elements that is part and parcel of our business model - and which we are particularly proud of, because we announced it just from this perspective when presenting the past Business Plan - is our Energy Management, that manages the production portfolio completely. This enabled us to recover the results by a more aggressive modulation of our plants, by resorting to the secondary dispatching market in a more aggressive and more active manner than in the past, managing the imbalances in our non-programmable sources more effectively. So, all these elements - combined with an origination activity performed on behalf of third parties - enabled us to recover roughly €40 million.

And then we were lucky - but I cannot say that was sheer luck, because when there are little rainfalls, prices increase in Italy, normally – to have a favourable general situation which actually assisted us and contributed to our better results. The scenario helped us in terms of electric power prices, as well as of the so-called white certificates, and also in terms of incentives, which as you know are calculated through a formula based on the average national price of the previous year (2016) and inversely proportional to it. Therefore, we had a very important incentive.

On top of this, we have to consider the contribution of the new plants we acquired in Germany, the contribution - though limited to only two months - of the plant that we acquired in Northern Ireland and that we sold this morning (and I will explain you why later on), and then we also enjoyed good windiness aboard, and efficiency recovery, as I will dwell on it later on.

So, these were my general comments about operational results. In terms of net income, we got the best result in the last 12 years, as we considered yesterday in the Board

Meeting: in fact, to find an even higher result – maybe the only one in the history of ERG - you have to go back to 2005, that was the year of the so-called golden age of refining.

4Q 2107 performed very well, with a very sound net financial position, and a deleverage of €325 million net of dividends paid to our shareholders: so, all in all, roughly €400 million net debt reduction before dividends payout.

Moving on to **page no. 15**, this diagram focuses specifically on 2017, showing that we managed to deliver on our targets and even exceeded them. In fact, we exceeded our guidance also in terms of EBITDA, and we already commented on this. We managed to improve our cash generation because we managed to achieve our targets by spending less, and this is again due to the fact that M&A activity cannot be foreseen fully. We had planned to acquire roughly 50MW paying for them a certain price, and then we ended up paying them half of the price we had estimated. This is due to a number of reasons: first of all, because we are very good in negotiating, and also because those assets were almost at the end of their useful life, so we paid for them a lower price.

So if you combine the higher Ebitda, the lower Capex and the proceeds that we have already cashed-in for the disposal of TotalERG (namely €85 million), and then if you add - and this is a point that Alessandro mentioned - €50 million that were not factored-in in our P&L but these were money that we managed to recover with reference to the acquisition of hydro assets (I refer to past green certificates of some plants that lost eligibility to incentives after annulment of IAFR.. and we had to work hard with the Regulator to regain eligibility to those certificates) and also the recovery of some past receivables, so again to the hydroelectric power, at the end only €8 million were factored-in in our P&L. But more than €50 million were recovered in terms of cash generation thanks to the recovery of what we consider synergies to be exploited in this transaction.

At **page no. 16** you find our business environment summarized, just to give you an idea of the scenario we experienced. As I said, 2017 was a particularly dry year: the electric power production in 4Q dropped by 25% in Italy in general (ERG dropped by 21%, so slightly better) and in the full-year by 14% (ERG -16%, slightly worst, but this is related to the assets allocation).

In Italy windiness dropped by 0.2%: as you can see in the bars, actually in the 4Q it increased by 18%, so we substantially recovered, but wind production in Italy in 2017 was flat. Considering the higher wind installed capacity that is growing by 5%, as a preliminary data, this means that wind energy production dropped by 5% in Italy. And ERG is in line with this market trend. And then if you consider that wind in Sicily, Sardinia and Calabria was very, very limited in 2017, we can say we are more than satisfied with the performance of our plants.

Windiness abroad was very good in 2017 with the only exception of France, to a certain extent though: France managed to recover substantial in 4Q as Italy did, but for the rest of the year, windiness was rather limited there. However, all the other countries performed very well, which underlines the importance of having a wider geographic footprint.

Then the average national price increased by €6 in the 4Q, and by €11 in the year (so amounting to €54 on average in the full year) and, as you can see, the all-in prices for green energy - so energy with the Green Certificates associated - increased by €13 or €14. So, a very supportive scenario.

As far as the generation margin, here you see the baseload Spark spread in Italy: actually we consider the clean spark spread in Sicily, benefitting of the zonal premium, that was between €5 and €7 in the 4Q, and €5 for the full year. All this results in an additional margin for our plant. Also in this case, margins strongly increased vs. 2016, both in the quarter and in the full year.

And if you look at the other countries, we have the best results reported in France and Germany where we enjoy feed-in tariffs and therefore the scenario and prices as well are rather stable.

As for Romania and Poland, these are the only geographies where Green certificates exist (namely, Origin Certificates in Poland). Now the situation in Romania got more stable: there is no longer a surplus risk, and also the regulation referred to the second green certificate is substantially stable. However, the situation in Poland is still very complex, as you can see from the diagram reported on this slide. When we invested in Poland, we expected prices there to be the highest in the European panel: quite to the contrary, now they are the lowest in Europe. Luckily enough, we did not pay for any goodwill in Poland, we built our own plants, and this means that we have not adjusted our values there, because the returns – even if not triple-digit (just to joke around), but “only” double-digit - exceeded the cost of capital employed.

Moving on to **page no. 17**, here you see the evolution of EBITDA between 2016 and 2017; I have already mentioned the main factors or the main elements here. Wind benefitted from an increase in production, and from very high prices; hydroelectric power despite a substantial reduction in production (we are talking about a -14%) benefited from particularly favorable conditions, especially in the North and the Central parts of Italy, with a significant modulation. Please consider that the difference between the peak price and the average national price was at €10, or even at €15 in the 4Q, and that the plant produces energy when the prices are at the highest. This is the added value of modulation of this plant: despite being no longer considered among Essential Units, our CCGT plant did perform better than in 2016, thanks to the very high margins on power generation, but let us not forget the White Certificates we already mentioned. We like White Certificates because they make this thermoelectric plant similar to a renewable energy plant. But we like White Certificates too from a financial point of view, because their value has more than doubled: considering that ERG is the one of the main White Certificates producer in Italy, we can enjoy a revenue stream exceeding €30 million every year.

Moving on, **page no. 18** actually does not add almost anything to what I have already told you; however I would like to illustrate it, and in particular to draw to it the attention of analysts saying to us “you said you are more cost efficient, but we see corporate costs have increased by €3 million year-on-year, and even more in the quarter (€10 million vs €5 million in the same period last year)”. I will now try and explain why. Please remember that early 2017 we started a substantial reorganization of our Group - the third in 10 years - and we centralized a number of activities including HR, the legal

Affairs, the Management Control, but we have also centralized other added value activities, such as Procurement and Business Development. And this inevitably has an impact on the corporate costs making them increase; but at the same time, parts of this cost have been spread all over the business through service contracts. So, these additional €3-4 million corporate cost deriving from service contracts in particular, can then be found in terms of margins in the consolidated balance sheet.

Then we had two one-off items in the fourth quarter: one related to the performance of ERG share, as we have a performance management paid in the last 12 months, so adjusting also the 2015 and 2016 performance. That means bonuses to be paid to our managers for roughly €2 million, which is already a good portion of the increase in corporate costs.

Moreover, we have to consider a number of additional provisions, because - as it is cautious when you have good results - we grasped the opportunity to make provisions to cover certain risks, also in a very cautious way. These are the reasons why corporate costs are higher. Net of all these items and considering that we now have a new business scope - because we acquired wind farms in Germany and the UK - we would have a corporate cost reduction of €5 million versus 2016, which means that the reorganization that we put in place led to greater efficiency, although it inevitably had some impact.

Let us go now to **page no. 19**, commenting investments. €94 million investments. €40 million for M&A Capex, €30 million for the wind farm that we sold in London yesterday. Then we have a number of investments – something like €8 million - on the mini-hydro plants, that we never mentioned though it is a very interesting business, but we will comment on it later on. And then €4 million on improvements of infrastructures referred to our CCGT plant, with particular regard to RIU (*Reti Interne di Utenza*). You know that such plant has very long-term contracts with the refinery and the petrochemical plant: about €10 million of maintenance investments.

Moving on to **page no. 20**, I have already commented on the EBITDA coming to the P&L. Depreciations and amortization are slightly lower in 2017, because some parks – especially the first to be acquired in France - no longer have an impact from an accounting point of view, however they still contribute to our cash flow generation. Then less financial charges, limited tax rate that is even lower than 2016, and this despite the reduction of the ACE contribution (from 4.75% in 2016 to 1.6% in 2017), which has been more than offset by the IRES tax reduction, from 27.5% to 24% in 2017.

I have already commented on the net income: a very important result. But let me underline an item for those of you who will read in detail our balance sheet, namely our analysts. These are recurring figures, but reported figures are much higher as they benefitted from capital gains after the disposal of TotalERG, impacting for roughly 100 million on our consolidated balance, and for €50 million on the separate balance sheet, where the book value of the participation was more or less around €200 million. And this already net of all the provisions we made to cover the contractual guarantees which were provided for the disposal of TotalERG.

Let us now come to the cash flow, as per **page no. 21**: a well substantial cash flow. As you can see before dividends payout, also including €85 million - that is the advanced payment of the disposal of TotalERG, either as a dividend or as an actual advance

payment from API - we reached €400 million all-in-all. Considering also dividend payment, we got a net deleverage of €325 million, as previously mentioned.

There is nothing more I can add. I would simply like to highlight the substantial reduction of financial charges, which I believe is impressive: from €76 million to €66 million. Only one-fourth of this amount is related to the reduction of net debt over the year, roughly €250 million lower than 2016. The remaining part is the result of either refinancing agreements or renegotiations with banks, because banks clearly are happy to work with us. But anyway, as a result of all this activity, we manage to reduce the cost of our net debt from 3.4% to 3.2%: 0.2% might seem not really meaningful, but on a €2bn gross debt it accounts for roughly €4-5 million. Moreover, we had also a very successful cashflow management, as we have a very high liquidity.

So, this is all as far as cashflow is concerned. As you might remember, on the 10th of January, we closed the transaction of the disposal of TotalERG; so, on that day we cashed-in further €143 million as the settlement of the transaction with API, plus the proceeds from the disposal of the lubricants we sold – with our 51% participation – to Total Group.

Furthermore, today we cashed-in the €108 million proceeds following the disposal of the plant in Northern Ireland, as detailed at **page no. 22**. First of all, I would like to say right at the outset that we were not really planning to sell it. When we signed the agreement with TCI (the developer of that plant), we were not ready to pay for a goodwill because for ERG - that was in charge of developing that plant – there was the real risk of not being awarded the ROCs, as we only had 1 year to order, receive and install the machines and connect them to the grid. The risk was too high, so we paid a very negligible goodwill compared to what is customary on the British market. The agreement with TCI provided for the following: if that plant was awarded ROCs, ERG had the right to submit an offer to TCI to pay at least two-thirds of the goodwill that we had not paid at the time of the transaction.

Then of course, you know that the multiples and the evaluations depend on those who make such evaluations. And the third part, TCI, had the right to evaluate our offer and decide whether to accept it or not. It did not deem it interesting for them, so did not accept it. Of course, ERG is an industrial player; we have certain value proposition towards the market, and our own financial discipline; therefore, the estimated returns or the discount rates that we use are generally higher than those generally recognized to a yieldco, i.e. an infrastructural player. So we decided to sell this asset, and we managed to sell it very quickly: we started in December and we have already closed the transaction this morning, cashing in €185 million for 48MW: you just make your math and you immediately understand the value recognized to this wind farm. So, in just one-year time, selling the authorization and our capability to build, we cashed in €30 million in terms of goodwill, after investing €79 million. The €108 million that we are going to cash in today will be reinvested on our new Business Plan.

This is why I would like to hand you over immediately to our CEO, who will tell you how we are going to invest all this money. Thank you very much.

[Video projection]

Luca Bettonte

Good morning and welcome, I also would like to thank you for being here today, and to thank Alessandro for the nice words not only for me, but also for all of the people of ERG, who were the main driver of these results.

Now I guess it is easy for you to imagine how difficult it is for me to start my presentation, following the outstanding changes, the high dividend payouts and the very, very good results described to you by Alessandro and Paolo. But I will try to make my part of the presentation as interesting. Let me start from where they basically left.

My presentation is divided in three parts: first of all, I will be speaking a little bit further about ERG because it is very important for us to be reasonably certain of you understanding well our company and our businesses drivers, with which we are confident we can achieve the targets of a very challenging Business Plan, which provides for €1.7 billion of investments, i.e. around 65% of our market capitalization.

The second part of my presentation is related to our view of the industry and its evolution in the wind, solar and renewable energy, in Italy and in Europe. This is fundamental, and it is also the reason why we are here to disclose the Business Plan a year ahead.

And then, in the third and last part of my presentation, I will give you the key facts, the most important information of where we want to go and when, all issues that were summarized in the press release we made this morning.

Let us start from this picture at **page no. 24**, you know that quite well. This is ERG as it is now, where we are and what we are: we are among the leading European player in the industry. Well, as you can see abroad we only produce the wind energy, whilst in Italy we use four different technologies: wind, water, sun and natural gas. Now, if you could with a magic stick apply all of the European regulations and the regulations of each European country, Europe - as far as generation is concerned - would have the very same set-up ERG already has in Italy: i.e. renewables and gas, perhaps a bit of nuclear power. This is what Europe is betting on now, where Europe is heading to, and this is something we have already done in Italy. As Paolo has already shown to you, this provides with very good economic and financial results. In a year with reduction of wind and rainfalls, we actually managed to achieve and go beyond our forecasts: this confirms the resilience of our system and of our business model.

And I would like to talk just about our business model, because it is fundamental to order understand and - I hope - fully appreciate our targets and the challenges that we have in our Business Plan.

Now, one of these things we always say within our company is that people are key for us to be successful (see **page no. 26**). We do the very same work of companies operating in our same industry, but – as shown by you having invested in our company - we obtained superior results versus those achieved by our peers in the very same period of time. This is due to the great flexibility in our organization. We actually did three very deep complex reorganizations of the Group over the past five or six years: we reorganized our company to anticipate the challenges that were looming the horizon,

and in order to be able to find the high quality human resources we needed to meet our challenges.

The last reorganization was the one we named “One Company” (/a very well-known brand inside ERG), as you can see at **page no. 27**: we went back to centralize and insource skills and resources, creating a very lean, very linear organization, and moreover an organization that can take decisions quickly. We believe that rapidity of action, speed of action, is key, is fundamental for our success: it was so in the past and it is going to be so in the future as well. ERG is a mid-cap company operating in an industry which is dominated by big companies, big utilities (both in Italy and abroad) but, at the same time, made up also of small developers, which are fundamental for the wind business increase. Therefore, being quick and being rapid for us is fundamental.

Once the transformation process was over, we could focus on our only core business, which now is the production and sales of energy, whilst up to sometime ago, we had also the oil business and a refinery. Now, we have one single business, with a very simple, very linear business model, as it is here represented, which allows us to take decisions fast and to implement such decisions rapidly in the execution. It took us only three months to sell a wind farm in the UK, with a return rate - not mentioned by our CFO, but let me say it to you now - of 45% in an 18-month time. Now, we managed to achieve those results not only because of the wind and the green certificates in Northern Ireland, but also because of the quality of the wind farms that we had set up in Northern Ireland.

So, a very simple, very fast acting organization, and we managed to structure the organization with the right corporate operating and business drivers (with no overlaps), which are going to be used for our daily work, and they allow us to be confident we will be able to achieve the Business Plan targets.

On the columns at **page no. 28**, you have the corporate functions reporting to me, whilst the horizontal lines show the business drivers, which are used by my colleagues every day: they are well distributed and there are no overlaps. In ERG people know quite well what they have to do, how they have to do it, and with whom they have to cooperate. So, the organizational model, the quality and speed of the structure, the quality of the people, all these drivers are key for ERG's success. They were so in the past, they are going to be this way also in the future. As far as the past is concerned, Alessandro has already shown you that this statement is true.

Then, another key driver or another key element for a Group that wants to be successful - and this is something which incidentally you heard me say more than once, and I shall continue to repeat it - is quality. So, speed on one hand, and then quality, important as well.

What does quality mean for an industrial player like us? We understand that at **page no. 30**: well, quality means operating efficiency. Well, in the past few years we built, we completed, and we now have a system to directly manage all of our fleet production in Italy: TCM, the technical and commercial service, the operation and maintenance activities, the operations centers dislocated in Italy, but also abroad. This system and our investments in technologies, in sensors, all this led us to develop our own know-how which is fundamental, not only as it has allowed to achieve the results that were

illustrated before, but also for the implementation of the new Business Plan, and we shall see why and how later on.

Well, this system has allowed us to become the best in class in the operating management. Now, at **page no. 31** let me comment on cost controls. Here you can see how our costs would have appeared had we not in-sourced the costs here represented in the blue line, which would have grown. I mean costs for the management of our fleet that was going to become older in time, and we will talk about this later on. Moreover, we now have an availability index- or availability factor -- which is close to 100%: I am not referring to the availability of machines in absolute terms, but availability of machines when the wind blows. I do not care to have blades that work well when the wind does not blow, as in those moments when there is no wind, we can do maintenance. Instead the bars show you the increase in internalization of Wind O&M activities. Actually, the plants in Italy are all managed in-house, and by 2019 half of our wind assets abroad will be managed in-house by ERG.

Moreover, we did not stop there. We have introduced - or we are about to introduce - a system called the Condition Based Maintenance, described at **page no. 32**. We are using advanced sensor systems within our machines so as to be able to monitor the working conditions of the machines and to step in with the predictive (not preventive) maintenance to try and avoid mechanical failures. This allows us to make our interventions before machines fail to work, on minor components and not on major faults. We can work without dismantling the blades and bringing them down on the soil, on the ground. We can work at high altitude, and this is very important, because this kind of predictive maintenance can help us to extend, to lengthen the useful life of these plants.

From an accountability point of view these plants last through twenty years, but the working life of these plants can actually reach 25-30 years. Now, let me try and explain this fully. What I see is that wind turbines are becoming similar to turbines of airplanes. Thanks to these interventions and this type of maintenance, these turbines remain almost new, which increases the value and extends the useful life of our assets.

I think that you are now in a position to better understand what repowering means, and why we invested €400 million in the repowering activity. We will be speaking about that in a minute.

But this is not enough, then: you have also to be able to sell energy. Paolo mentioned before the contribution of the Energy Management in our results, a contribution of €40-45 million of EBITDA a year, which depends on the way we sell energy. We have a very sophisticated Energy Management system (see **page no. 33**), sophisticated as far as ICT technologies are concerned, but also as far as risk-control is concerned. The Energy Management system can rely on production, on purchases and on sales with the energy managed amounting to 10-12TWh per year, and we can rely on the complementarity both geographically (North, Center, South: we are everywhere) but also in terms of energy sources of our production. We also have a good complementary production during the seasons because of different sources: a good balance between programmable – water and gas - and non-programmable (wind and sun) sources of energies. We have then the integrated hydroelectric system of Terni – you know we

have 160KM of grids - which is usually well programmable, can usually obtain the greatest peak price, and moreover it also contributes to MCD with great returns.

Natural gas is giving us the possibility to rebalance everything. Wind is increasingly less unforeseeable (as production systems got more and more sophisticated), and the solar energy is perhaps not foreseeable but is much more programmable than wind energy, because you can calculate more easily the exposure to the sun.

Now, these are the key ingredients if you wish, the key factors which lie behind the initial page no. 24 with the map of Europe showing our business levers, our proprietary know-how which are fundamental for us to be able to achieve the Business Plan target.

Let me come to the second part of my presentation, which is going to show the evolution of the industry we operate in. Now, we have witnessed major changes and we still are facing major changes in the field of renewable sources of energy, both because of the change of the regulatory framework and because of the change in the market. Well, at the beginning of 2017 we well realized that such a change was coming: for this reason, we decided to bring forward by one year the presentation of the new Business Plan. In fact, such changes are so strong, so meaningful that for this reason we are here today to disclose the plan that will make a difference for ERG in the future.

Let me start from one of those changes, that was kind of a confirmation for us. In 2016 and 2017, there was a heated regulatory debate. The remuneration systems for wind energy and solar energy in Europe have changed. Well, the chart at **page no. 35** shows an important trend, which confirms an increasing use of renewable sources of energy. So renewable sources of energy are growing, whilst fossil fuels are decreasing. Moreover, natural gas is going to be used as a supporting source of energy. This is also confirmed on a regulatory level. In fact, the Clean Energy Package in Europe focuses on decarbonization, on increasing the price of CO₂, and on simplification of permits, and it sets goals for the development of renewable sources of energy within 2030, which are very, very important, and that countries are trying to implement in their energy plans by mid 2019.

We also saw it in the reform of ETS, the system of CO₂ quotas. The price of CO₂ is growing considerably as of late, and this is not something which occurs by chance after years of stability or decline. It certainly favors renewable sources of energy, and it does not certainly favours those producers who use fossil fuels, especially coal.

And then the capacity market that was introduced in Europe, and which is about to be introduced fully in Italy, tells quite well to natural gas operators what their role is going to be; so, we can see that the development is going to focus on renewables.

Well, there is something else which is important when we speak of the evolution of industry, as it appears on **page no. 36**. On the left, you can see a blue Europe. All of these blue countries have adopted auction systems with the lowest price being rewarded for auctions for wind farms or solar plants, meaning that in order to obtain the rights to build, you have to offer, you have to bid a competitive price of energy sales. But in order to do that, you need to have the skills, competencies in generation of energy, but also in the way you sell energy. And so you need to be competitive in terms of production, especially.

Well, the right part of the chart was not made by ERG, but by experts in the field: it has been made by Bloomberg. It tells us that LCOE - i.e. the levelized cost of energy or electricity - goes down particularly, as far as sun and wind energy is concerned. And it compares favorably also with other production technologies, in particular with gas. And this is the indicator which will certainly lead us to see a growth of renewables in Europe and in Italy, going forward.

Let us see this indicator in detail. On the left of **page no. 37**, we are showing you the components of LCOE, which are the key items for an energy producer using renewable sources of energy. You have CAPEX (i.e. money to be used to build the plants) to which we have associated the goodwill. The goodwill is very important, as it remunerates the developer. You remember the plant we developed and sold in Great Britain, in the UK: you know we managed to make capital gains, that represents basically the goodwill: that buyer acquired the capability to obtain the right to build. This is very important within our Business Plan.

Then OPEX, the operating management of assets, not only to cut down on costs, but to have a greater technical availability. Then there is the performance, which means the availability of machines made ready to produce when the wind blows, and also availability of wind plants in windy areas. Finally, there is the investment return rate required by investors.

Now, it is quite clear that the LCOE value can change considerably among the different players, as represented in the right part of the chart. The lowest the CAPEX, the less you pay the goodwill, the more you are efficient in managing the assets with regard to their production, the more you can be competitive, and you can therefore decrease the cost, and win over the competition, both when bidding within auctions to obtain the right to build the new plant, but also when you sell energy on the free market.

So, in this case, at **page no. 38** we decided to classify all of the different players which operate in this industry, based on the qualitative composition of their LCOE.

At the extreme left you have financial players and funds that basically do not have industrial capacity. They have high CAPEX, they pay the goodwill - as we saw before - and they have on average high OPEX (i.e. operating costs), because they have contracts with third parties. Availability is low because also availability is managed by third parties. However, they were the dominant players up until 2016, because there was no competition. Up to 2016 all of the remuneration system of the energy sold was set by the governments, basically with incentives, and all of the underlying value chain would adjust to that system: there was competition only on the return on the invested capital. Funds - especially those supported by pension funds, and infrastructural funds - could make their bids on the market (as Greencoat did on Brockaghboy), but they were only competitive to that point: the incentives went away, and therefore they lost their competitive edge.

But the players who are going to dominate the market are the top performers on the right, those who can reduce their CAPEX, those who do not have to pay goodwill - or can pay it just to a limited amount - because they build their own plants. They are very efficient when it comes to OPEX, but also very efficient in production, because the plants are located in the best possible areas in terms of wind. So, this is the challenge basically for the future. And you can understand quite well on this slide where ERG is

currently positioned, and the path that we want to go down to when it comes to our technical platforms developments.

So, we are aware of our strong industrial know-how and of the evolution of the market, and all of these factors put together led us to think well and to put forward a Business Plan consistent with our peculiar distinctive capabilities, which are leading us - much more rapidly than what you could see on the chart - towards an industrial structure, which can be equated to that of very top performers. We should see that when we shall be speaking about repowering of our plants.

Let me now move on to the third part of my presentation. Let us see our Business Plan goals, what we want to do qualitative-wise.

On the left of **page no. 40**, this is ERG as it is now: no need to make further comments on this. On the right you see where we want to go in terms of geographies, technologies and also modalities, i.e. how we want to go about this.

As far as countries, we want to continue to grow in those countries in which we already operate in wind energy, which are Germany, France and the UK mainly. We are also interested in growing our installed capacity in solar energy in Italy, whereas we want to keep O&M activities for us. We have also assessed the possibility to offer services to third parties, but the profitability of such services is not very high: it is a very fragmented, very competitive service market, and for this reason we have decided to keep our resources to better manage our plants, considering also the growth we plan to have, which will allow us to get more efficiency.

So why these countries? Well, first of all, because France and Germany have given clear indications about their willingness to grow the use of renewable sources of energy. There are going to be important auctions going forward in the next three to five years, whereby thousands of megawatts are going to be placed among the operators. So, these countries are telling us that there would be no competition among the different energy sources. They decided to grow in wind energy and solar energy, so the players of the industry have to compete based on LCOE in order to be awarded the auctions. And the same is going to happen also in Italy: based on the information we have on the draft decree on RES, in our country there are going to be 2,000MW per year on auctions with an opening price of €70MWh; this is what we hear around.

First of all, we want to start with Co-development and then move on to Greenfield plant; co-development means agreement with the developers whom we are going to reward for their work through the goodwill. But we are also focusing on setting up independent organizations in these countries, that have the possibility to take part in the auctions without paying goodwill, thus increasing margins and with greater returns on investment. We are going to use M&A in France and Germany for wind energy, and in Italy for the solar energy.

Where do we want to go? Which kind of results do we want to achieve? Well, our intentions and our focus are already in the press release, and at **page no. 41** we show you where we want to grow in the next five years. In terms of installed capacity, we start from 2,774MW (after Brockaghboy disposal) to reach 3,600MW or something more in the next years, growing by 30% through M&A (+250MW), Repowering (+260MW) and then

Greenfield and Co-development abroad (+350MW). So, all together +850MW which is 30% of our already overall installed capacity, but 50% on our existing wind and solar installed capacity.

What about our strategy abroad (see **page no. 43**)? We will be focusing on co-development and Greenfield projects. As already announced, we are focusing on Germany, France and the UK, i.e. countries that have set clear renewable targets with an already existing regulation, or geographies where there is free market and a fair competition. And I am referring particularly to the UK: in the UK, there are no incentive schemes on, there are no auction schemes on, but there are incredible opportunities both in Scotland and in Ireland, where windiness is extremely high, which makes investing in such geographies very, very attractive.

The UK is the one of the geographies I like the most, because there we can really compete on the grounds of our industrial skills and know-how. These countries are politically stable, very much focused on renewables, and they have clear remuneration targets (the market in the UK is the most advanced with regard to power purchase agreements), and in those countries we could strengthen our position through the mechanism previously described.

So, how did we identify those 350MW? We plan to grow as follow, as per **page no. 44**: we started with a pipeline of 1,300MW, we have analyzed it, and we have extracted 800MW associated to a very high success rate. And out of this, we considered 350MW that we included in our Business Plan, with an estimated investment of roughly €450 million.

And I would like to make two comments in this respect. First and foremost, 70% is Greenfield and 30 % is co-development. Secondly, 40% of this pipeline, of this growth is already secured, is already in our hands in other words. We are working on already authorised projects; we are developing these projects already. And I have reported the names and the locations where these 140MW have been developed. So at time 0 we have already secured 40% of this growth abroad, but we are confident we would be reaching 350MW, and even exceed this amount.

Let us now talk about repowering and reblading. This is already one of our growth drivers: you know that we have been focusing on this since 2015. We were the first player to evaluate and test industrial prototypes on our wind blades to assess the technological conditions that would make repowering and reblading possible. And here we are today reporting on a plan of investment on repowering and reblading. There is a lot that have been said about repowering and reblading recently, but we are the first movers in this area.

What does repowering mean (see **page no. 46**)? It means replacing old generators (with the power lower than 1MW) with new generators, with a power of 3-4MW, which means cutting the number of towers by half, increasing the production and power exponentially, without using up more soil, more ground.

Reblading means replacing only the wind blades, keeping the tower unchanged. And this implies a substantial increase in production, because the wind blades dating back 10 years are less performing than the last generation wind blades.

Well, you may argue we considered this type of strategy because the incentives are coming to an end, whereas this is not true: we have been considering repowering and reblading for a couple of years now. And today the conditions prevailed to proceed that way: thanks to the breakthrough in technology, thanks to our ability to develop and manage autonomously these wind farms in an efficient and profitable manner, and also to the longer useful life we have managed to achieve for our assets.

As I said, the conditions have changed because the regulation has changed. The domestic energy strategy in Italy (the so-called SEN, see **page no. 47**) is very clear, and attaches to repowering a key role to achieve the energy production targets in Italy using renewables. The domestic energy strategy focuses very much on the de-carbonization, favors repowering and reblading by simplifying the authorization process, and leads to the introduction of PPAs. It also provides for support to investments through a number of mechanisms that are different from the typical incentives provided up until 2016. I am referring to tax allowances or contribution to investments, but I am not going to talk about this now: let us not consider these aspects for the time being.

Another key element referring to changes in regulation was the GSE procedure that was introduced December last year, concerning the maintenance of wind farms. The new piece of legislation makes it possible to modernize wind farms without increasing the power - in other words, reblading - or to modernize them with power increase, also within wind farms that are already receiving incentives without losing these incentives. Very simply, a cap is set on the energy generated within wind farms receiving incentives, which is the highest between the calculation made by GSE based on the standard production and the maximum production of the previous year achieved within a certain wind farm. So, it is definitely a win-win situation.

So, evolution of the competition, evolution of the legislation and evolution of the market conditions have persuaded us: the time has come for the repowering and reblading of our wind farms.

When we started considering this, namely two years ago, we considered confining ourselves to some wind farms only, but - thanks to the evolution that has taken place, and that I have just described - we got now to consider all of the 1,092MW we have in Italy to be involved in this repowering or reblading process.

Let us start from the smaller circle at **page no. 48**: these are the current amount or megawatts that are receiving either repowering (153MW) or reblading (64MW). So, we have decided to start with these wind farms because, as far as repowering is concerned, these wind farms are part of those that no longer received incentives. And here you see the megawatts that are no longer being receiving incentives going forward. These have a technology lower than 1MW, so their wind blades have a power of 0.6-0.8MW. This is old technology, technology that dates back to 10 years or more ago. These wind farms have a very high success rate in terms of authorization and grid connection. Clearly, we have already negotiated with the relevant authorities in the six regions where these wind farms are located; we have already negotiated with Terna to connect them to the grid, and I can tell you that the initial results are already very good and encouraging. Then we have also assessed the return on investment, and here we are talking about double-digit return on investment.

Then we have identified wind farms for an installed capacity of 64MW that - though still receiving incentives - can be included in the reblading process, thanks to the recent GSE legislation I mentioned. So, we are going to install three more efficient new wind blades in place of the existing old ones. This is what we factored in our Business Plan, based on the investment to be made and return on investment; but we will be considering also 500MW (and here I am referring to the second slightly lighter blue circle going upwards) that - because of the return on investment or because of the feasibility to obtain authorizations - are eligible to be repowered. These 500MW account for a very interesting pipeline for us.

On top of this, we will be considering an additional 300MW that are also eligible for reblading, but not for repowering, because these are wind turbine generators with 2MW power or more. However, these are eligible for reblading in 18 months, as we have estimated, and this would increase power generation by roughly 20%.

And then, if you make the math 1,092MW minus 800MW, we are left with roughly 300MW that are not being considered in the plan now, because these are last generation wind towers, and they will be receiving incentives well beyond our Business Plan horizon; but sooner or later they will have to be reconsidered for repowering or reblading.

What does all of this mean in terms of quantity (and I am referring only to these 153MW)? This means increasing power from 153 to 410MW in the same area, but capturing more wind, because these are taller towers, and then it also means increasing production from 277GWh to 1TWh. So, a four-fold increase in production, reducing by half the number of wind turbine generators, because these are more powerful turbines that need less wind to start producing, and can be best managed with our advanced sensors and predictive maintenance systems.

At **page no. 50**, we see what reblading means: it means replacing the wind blades. 64MW will be involved: of course, the power does not change, but the production changes from 138 to 160GWh (up 16%), and we will be considering 98 wind turbine generators. Reblading implies an authorization process which is much simpler than that of repowering: in 14-18 months we expect to have completed those investments which allow us to increase production by 16% on average, at the same time still benefitting from incentives.

As I said, we are considering the 500MW as a whole, and at **page no. 51** I have reported our timetable for each and every wind farm. In Green, you see the wind farms that are involved in our Business Plan: 4 for reblading, 6 for repowering. But then, we are focusing on the remaining 300MW, because - as I said - we want to have all of them included in this process, because they represent a very interesting pipeline for us, that goes well beyond our Business Plan time span in terms of investment, but that can become also a way to speed up and even increase our investments.

Considering the features of this project, our CAPEX will evolve at €418 million. This CAPEX growth is estimated on the basis of the timetable related to the authorization

process or the permit process you can see at **page no. 52**. Namely it is the national “VIA” with the Ministry on Economic Development for farms exceeding 30MW, and instead the regional authorities for all the other farms.

So all-in-all we expected 24 months to be a reasonable average time span required to complete the authorization process, maybe it could require a shorter time, but anyway this CAPEX plan is based on a cautious estimate about the timing that would be required to be given the authorization. Once such permits are given, it will be very easy for us to develop such wind farms: I believe that we are well known in Europe as major developers of wind farms.

So, €418 million in CAPEX, double-digit return, the whole fleet renewed, 153MW included initially, then a 500MW, an additional 800MW, and finally the 300MW that I mentioned are not involved now, because they already use very advanced technology and will be receiving incentives for a long time.

Now, the final method for our growth, i.e. M&A (see **page no. 54**). There is not much I can add on this: you can read this diagram yourself, you are well aware of our track record. On the left you see what we did over the past five years: on average, we invested €500 million per year. What we factored in our Business Plan is €687 million, out of which €337 million have already been spent to acquire ForVEI. So, we are currently considering additional €350 million CAPEX, of which one part to develop the 100MW in the wind energy sources, and part to develop additional 60MW in the solar (the 150MW in this chart already include ForVEI).

So, this is a growth that we are going to pursue because we are very good at this type of investments that enable us to speed up the process, especially in Germany and France; because in the disposal of already operating assets there might be also attached additional projects that represent an interesting pipeline. We are also planning to strengthen our position in the solar energy in Italy. So, €350 million CAPEX over the next two-three years account for roughly €120-€150 million CAPEX per year, which is well below our traditional ability of investing on M&A.

So, to sum up, this is our growth shown by us in a single diagram (at **page no. 56**) including the three types of growth. So, we target at 2,900MW by 2018, at 3,600MW by plan-end, broken down as you can see by geographies and type of technology. I think it is important to underline that today - as the first day of our business plan period - out of this 850MW of total growth, 60% has already been clearly identified, and I believe it is already there feasible to be developed. And having 60% of total growth of 850MW over a five-year plan right on the first day, at the beginning, so having such a solid sound basis to start from is definitely very reassuring for all ERG people.

But this growth is based on a new competitive arena, on the new competition drivers, so despite having 40% of our production still receiving incentives up until the Business plan end, definitely the remaining part of our production not receiving incentives is bound to grow, as shown at **page no. 57**. This is going to be the sound growth of an industrial player, operating on a competitive market.

So, all in all, this will be strengthening and improving our portfolio structure in terms of generation and sale of energy. I go back to the Energy Management picture I have

already shown to you (see **page no. 58**): a well-balanced Energy Management, especially in Italy, with a growth of the expected production from 7TWh in 2017 to 10TWh in terms of production, but adding hedging and sales we should reach 15TWh. So substantial growth, that our energy Management is absolutely able to manage properly.

Coming to our financial and economic targets, at **page no. 60** you find our target for EBITDA: starting with €472 million in 2017, we expect to have a 20% growth by the end of the business plan period, reaching roughly €500 million in 2020, and with a guidance at €475 million for 2018.

This EBITDA growth must be considered attentively, and you see on the right of this diagram what I mean: we estimate a loss in profitability because of the incentives to our wind farms are going to be withdrawn, and because the white certificates will no longer be associated to our CCGT plant by 2020. This accounts for a loss of roughly €80 million over the Business Plan time span, that however would be offset by the growth we have estimated.

What I would like to draw your attention to is the bridge between 2017 and 2022: the gray area – as grey was also linked to our past oil business – reflects the end of an industry, that was to be expected, is unavoidable, and sooner or later will involve all the players in the industry. However, ERG is already facing this challenge by reporting a higher growth that is however fully under our control, as it is based on the know-how we developed over the past few years, and on the operational levers already mentioned. And both of them a representation of a typical sound European player. So, we no longer rely on incentives and regulations anymore: we are going to play on the competitive arena, and I think we are well equipped to compete at our best.

Our CAPEX evolution, now, as per **page no. 61**: you see the CAPEX broken down per year and this clearly show the evolution and the growth that our Group is going to report, be it through organic growth, Greenfield and co-development, or through repowering and reblading. These types of growth are increasingly replacing the M&A: M&A will still be used in a strategic way going forward, even though this switch can occur even quicker because we have been perhaps a bit too conservative in considering 24 months the time needed to receive the authorization for repowering and reblading, particularly repowering because we will be starting reblading already in 2018.

Clearly, this Business Plan has set very ambitious, very challenging targets from an industrial point of view, but also from a financial point of view. In fact, we have to support this growth financially, as shown at **page no. 62**. As I already pointed out, we are talking about CAPEX that account for 65% of yesterday's market cap - I do not know how the market develops today. And the way we are going to financially support our growth will be in line with our credit facilities that are going to expire, as well as with the new investments that we are going to make, that perhaps are less eligible for project financing. That is why we will be resorting increasingly to the debt capital market, in which last year we issued a €100 million bond and we will go on proceeding this way.

But, despite the huge CAPEX we have estimated over the next five years, as you can see our ratio between net financial position and EBITDA is below a factor of 3 and drops

to 2.1 at the end of the plan, with an extremely competitive cost of debt: this is key, because we are not going to ask any contribution to our shareholders to support our growth.

The incentives that we received in the past and the good quality plants that we acquired in the past make it possible to rely on a huge amount of cash, that enables us to go through this transformation without asking for any contribution to our shareholders. Quite the opposite, we are going to payout €620 million dividends that will be paid out over the next five years, adding to €1 billion that we paid over the past ten years. We start with a €1.2bn net debt: €990 billion investments in terms of the development of CAPEX, €690 million on M&A (of which €337 million already spent), €290 million is proceeds from the disposals of Brockaghboy and TotalERG, €620 million dividends that will be paid out, and €2 billion is the cash generation over the Business Plan time span, which accounts for a free cashflow yield of 16% on an annual basis.

We are definitely becoming an efficient industrial player, able to payout dividends that are in line with our new business profile. Clearly, we will be focusing also on our CSR targets, described at **page no. 64**. Alessandro already mentioned all the awards we received, and here you see the various awards that are drivers related to the Sustainable Development Goals of the United Nations. They are self-explaining: reduction in CO2 emissions, in equivalent Oil tons, increasing decarbonization in production. I am not going to read them, but you see CDP ratings (we were considered the best newcomer in 2016 when we were rated B, and in 2017 we were already rated A-). And then our people: I am not going to spend too much time on this, but again we have been focusing very much on the people, enhancing on the upgrading and development of our human resources, and all these efforts have been clearly recognized and rewarded by the market. The things we have done are not different from those of our peers: but we did a better job.

So, to conclude, at **page no. 66** you find our main takeaways. 2,774MW now, 3,600MW by the end of the plan time span, 700MW in wind and 150MW in the solar energy. Wind will grow by 450MW abroad, reporting a growth by 70%. Our EBITDA is expected to grow from €472 million to €560 million. Our CAPEX is expected to reach €1,680 million, out of which €1.55 billion on development. We are going to retain a very strong financial position, very sound financial position - our net financial position/EBITDA will remain below 3 - and we will be generating €2 billion of cash over the Business Plan time span.

And then we are going to pay out dividends to our shareholders: handsome dividends I would say, in line with our new business profile. The ordinary DPS increases to €0.75 per share, which over the time span of the Business Plan accounts for a 4-5% return, considering the current market cap. So, I know that we are a utility, at least this is how the financial analysts classify us, and in fact we are perfectly in line with the dividends paid out by other utilities.

Furthermore, we are going to pay an extraordinary dividend in May this year - which is absolutely fair in my opinion - that accounts for roughly 20% of the cash-in deriving from the disposal of TotalERG. Nothing is going to be paid on the cash-in of Brockaghboy, as our shareholders did not ask for it, which is a clear final trust to the Company's

management, because more than 80% of what has been cashed in over the last two months will be reinvested in the industrial development of the Group.

So, my closing remarks are very, very straightforward, as you can see at **page no. 67**: we are going to rejuvenate our Italian wind assets, involving 800MW. We are going to pave the way for further investments beyond the Business Plan horizon, namely 2022. We are going to increase our capacity abroad, moving up along the value chain and taking or insourcing part of the goodwill that is currently paid to developers. We are going to retain a sound, but diversified financial Group structure. And we are going to pay dividends that are in line with the utility benchmark.

I wanted to conclude this long presentation with a kind of slogan, that sounds pretty good in English- therefore I am not going to translate in Italian - that is: sustainable forward-looking evolving growth. This is exactly what we have in mind for the next few years. Thank you very much.

[Video projection]

Questions & Answers

Emanuela Delucchi:

Well, we can now start the Q&A session, which will last half an hour. We will take first the questions here in the room and afterwards the questions from the people connected through conference call. Thank you.

Angelo Meda (Banor):

Good afternoon, I have two questions. First of all, on the energy retail: you did not speak about this. There will be the opening of the free market for energy, here in Italy: I would like to know if you have already taken a decision on that in a view of Energy Management. My second question is on technologies: have you looked into the offshore wind farms? Have you looked also into the issue of batteries, are you going perhaps to integrate it in the next Business Plan, or have you disregarded this issue? Thank you.

Luca Bettonte:

Energy retail, the first question. Well, we have actually studied it with quite a degree of attention in the past few months, but we decided not to get into this industry, for two reasons. First of all, because the liberalization process is a bit longer than expected and less transparent than expected. Rumors were about the liberalization of part of the market - the safeguarded part of the market - in 2018, then it was postponed by 6 months, then by 1 year, finally by 18 months. We do not have time to waste.

And then the retail business could have been a business with less risks and lower volatility of the results - which we can already manage with our Energy Management system - but it would have been very, very complex when it comes to the management of customers invoicing, billing, receivables and so on. We devoted a lot of attention to this, because we wanted to understand whether we could put forward a different value proposition, i.e. selling electricity, energy through digital systems. We did also a

benchmark exercise, and we could see that those who tried this in Europe did not go too far. This is why we decided to focus on the other things we described before.

As to the offshore wind farms, we looked at this with a lot of attention, but we disregarded it. First of all, it is a very costly technology for each megawatt; secondly, it is very complex to manage it. Now, as far as maintenance on the onshore wind farms, we can use at best our skills, whereas making maintenance of offshore wind farms, using ships in the North Sea would have been much more difficult for us.

As for the batteries, of course we pay attention to what may happen going forward. However, we are quite aware that we do not have the technology, the industrial strength or the research strength to develop internally something that can lead us to produce batteries. But we are very careful, we are always looking at these developments and we can step in, in case there is any advantage. I am not an expert on the issue, but we see that large groups are investing a lot in research, however they are far away from getting into products that can be fully produced on an industrial basis.

Roberto Letizia (Equita SIM):

Good afternoon. Roberto Letizia with Equita SIM. I have a rather more strategic question to ask. This Business Plan is very complex: there is quite a high number of additional megawatts, maybe you will be the first one but certainly you are not going to be the only one to do this kind of development, i.e. increase considerably the installed capacity in the next ten years. Well, a sudden production capacity increase is very, very complex when it comes to the price of electricity that you can obtain, as having this capacity be up and running rapidly – a 5-7 year time is quite “rapidly” - could actually on the contrary lead to a decrease of energy prices. So, I would like to know, what is your assumption or the assumption behind the plan in so far, as regulation is concerned? Now, what is the regulatory framework that you have in mind as at June 2019 to make sure that you do not experience the volatility of energy prices, or to make sure that the volatility of your energy prices does not affect your growth rates or growth plan?

Now, if you do not look at regulation, what is the price scenario that you are assuming, especially when it comes to Italy? Considering the returns that you described for repowering and for reblading, what is actually the price level that you have in mind to get those returns?

The second question is about M&A: now is it going to be easier to do M&A deals in Italy and Europe, or is it going to become more difficult? Having followed the presentation, I guess that financial players will now disappear, because - as you said - they cannot confine themselves to manage financial flows, but they have to be able to manage energy as well, because incentives are going to disappear. So, are M&A deals going to be more easily done? And, considering that in the past your M&A deals have always been abroad – with the exception of the acquisition of the hydro plants - are you now going to focus your M&A operations more on Italy?

As far as repowering and reblading, of course you will have to stop the plants for those activities: how about the loss of production during the repowering and reblading process? How much energy production are you going to lose during those interventions?

And then in the Business Plan up until 2020, what are your assumptions about White Certificates? Last year they used to be at €200/MWh, now they are at €400/MWh, but

the Regulator last week said their price is bound to decrease: what kind of figure have you assumed in the Business Plan period, or at least within 2020?

And then the tax rate: what is your assumption as to the tax rate within the Business Plan period?

Luca Bettonte:

Well, thank you very much, Roberto for your many and accurate questions. Now, let me take your first point, as to regulations, as to the regulatory framework. Well, we are reasoning on the basis of the Clean Energy Package, according to which repowering is very important for Italy to achieve its targets in terms of energy. In fact, the domestic energy strategy invites for instance Terna to make meaningful investments on the grid, and it invites those players still using coal to reduce the use of it.

So, when it comes to the system – I will speak about ERG later on - we see a future where room will be created for further energy produced by new players. CO₂ prices are growing, this should create some room within the system. And the system requires repowering, this is what complex studies made last year by Althesis have told us: without repowering, it is going to be very difficult for Italy to be able to achieve the European goals only with new installed wind capacity.

Now, we are the first one and the first one has a competitive advantage. The growth of energy production (1TWh thanks to an increase in installed capacity from 153MW to 410MW) can be absorbed in all of our lands, as we are referring to half of Italy: we will do this kind of intervention in six regions, so we do not see any problem in terms of absorption. When it comes to prices in the medium-long term, a larger renewable capacity can be something that can lead to a price reduction. However, gas will still be used, because you cannot meet all of the demand only with renewables, and gas has to be taken into account when it comes to the prices of energy.

Now, when it comes to our assumption on prices, our estimates are based on the demand trends in Italy which we expect to be reasonably flat, and they also rely on the trends of all other base components, i.e. gas prices, CO₂ and the presence of players that compete onto the Italian market. Without getting into the complex figures, I can tell you that our price assumptions are in line with forward prices as of a few months ago, which have already been overcome by current prices. However, even in less positive scenarios provided by experts, these prices generate a very high return on investments, in line with what we said. For two reasons: there is more wind availability, and the cost of installation of new wind farms is very, very low. Now, jokingly, inside the company we say that Sicily and Sardinia are becoming like Scotland, where installing a wind farm is more expensive, but you have 3,500 hours of wind availability. In Sardinia and Sicily you have 2,500 hours of wind, but a new wind farm costs less, and the profitability is double-digits.

Speaking of prices, it is also important to consider the evolution we foresee in the industry, namely the introduction of PPAs. Our market requires a price stabilization, the mechanism of auctions will be used also probably for new installations of wind farms, but actually PPAs already exist.

Now, when it comes to PPAs, if you look at the situation of Italy or Europe versus the US, we are lagging behind somewhat. But look at what Engie has done a couple of months ago, but most of all at what ERG has done: for the last six years we have sold 2TWh to IREN, and that was already a PPA. The room to have more stable prices is growing. So, as I told you, it will take us around two years to receive permits, and in these two years something positive will occur in this direction: the domestic energy strategy is fostering these PPAs as well.

Is it easier or more difficult to go through M&A deals? Well, M&As are a consequence of the industry structure. When we invested in Italy - and we have grown considerably in the wind business - you could do M&As because the industry was consolidating. We had a competitive advantage related to a large cash availability - resulting from assets disposal to Lukoil - in a time when in the industry there was no much money available for investments.

What can happen going forward in France and in German especially? These are countries that have huge fragmentations for their wind farms, moreover there are many farms which are almost at the end of their life, and finally everything had been built on competition framework based on incentives. Selling these wind farms is very difficult for financial players: it is very difficult for these funds to find another fund buying, because the useful life of these wind farms is no longer in line with the investments time span of financial funds. So, we can foresee new growth opportunities which - as the acquisition we made in Germany shows you - are neither more difficult, nor easier: they are simply different compared with those in the past.

Loss production of energy: well, you are always very, very careful in looking at our data. We have assumed a loss of production of six months when it comes to repowering and we factored this in our plan. We are talking to the Ministry for Economic Development: maybe we are not going to have this production loss, or it might be recovered downstream for periods of incentivization.

And then White Certificates, another very important issue. we have contracts with off-takers, with caps and floors that allow us to place within our plan the price of White Certificate at €300 per certificate. And we foresee that in 2020, White Certificates are not going to be there for us anymore, according to current regulation.

Well, of course prices are quite high, but the Regulator might step in not only to mitigate prices, but he will also have to look at the capability of achieving the energy savings in our country, which is part of the European and Italian energy policy. And so, it will be necessary to rebalance the industry, in terms of energy savings and White Certificates. Well, the fact that our CCGT plant will no longer produce White Certificates will have a major impact, because we are one of the biggest producers in Italy.

Let me hand you over to my CFO who will answer you about the tax rate.

Paolo Merli:

Thanks, let me comment briefly on calculation of returns from repowering: these calculations already include the flows, or the loss of production that we are going to experience on existing wind farms. As to White Certificates, in 2018 we have already secured for ourselves a floor at €260 per certificate. Now the tax rate: 20% of the 2017 tax rate is somehow tricky as you have €23 million of proceeds from TotalERG, which

was already factored. Net of these proceeds, the tax rate would be at 23%. After the reduction of ACE, in the five-year Business Plan we are assuming the tax rate to be at 25% on average, which is a competitive tax rate.

Sara Piccinini (Mediobanca):

Good afternoon. Thank you very much for your presentation. I have got a question about M&A, again. I do not know whether the calculation I made is correct, but if we add 250MW from M&A - 69MW of which however are ForVEI - we have roughly 180MW that will be added through M&A. But in terms of CAPEX, if we have €687 million minus €337 million for ForVEI, we have roughly €350 million. So, €350 million divided by 179MW, we got an M&A multiple of roughly €2 million per megawatt. Is my calculation correct?

Luca Bettonte:

Well, the megawatts referred to ForVEI are actually 89MW. So, the balance must then be adjusted because some of the megawatts are foreseen in solar energy in Italy, where our multiples range between €4-5 million per megawatt according to the age of the plants and the so called *conti energia* applied to those plants, and it depends also on their technology. For instance, there are traditional plants with 1,300-1,400 hours and a multiple closer to €4 million or below, but also plants - like the ForVEI plants - that are the so-called tracking plants, as they follow the sun. They have much higher production and their multiples are definitely higher.

But then, of course, we consider also the return on the investment, and in the solar energy we are pursuing - thanks to the industrial synergies - the insourcing of O&M activities, the sales of energy through Energy Management, the project financing management and their optimization, as to generate returns close to double-digit, like in the ForVEI transaction.

Sara Piccinini (Mediobanca):

Well, again about the solar energy, rumors circulated around your interest for RTR. Should you make this acquisition then, may one of your opportunities among repowering, M&A and Greenfield be postponed?

Luca Bettonte:

I would like to refer back to what Paolo said about M&A: If you calculate the multiples of CAPEX, using for the 61MW of solar energy what we paid for ForVEI – just to have a reference - at the end of the story we are considering to pay €1 million per megawatt, more or less, as far as the wind power is concerned.

Anyway, about RTR, I will talk facts: this is not part of our plan. However, also the hydro acquisition was not in our plan. So, my answer is the following: we are among the top players in Italy and in Europe, we really have to be very careful and understand whether RTR is a viable opportunity. This is why we considered the request of the seller: we are considering this opportunity, but within the range that I have mentioned.

Sara Piccinini (Mediobanca):

Thank you very much.

Roberto Letizia (Equita SIM):

I have a follow-up question, maybe more addressed to the shareholder: considering the opportunity of RTR and the exponential growth of the market, are you now considering the idea of making a capital increase, is that something that you have ruled out, or is the shareholder available to dilute its stake, with a view to the growth prospects?

Alessandro Garrone:

Well, I should answer this question with a joke, like Luca did earlier. We have not ruled out this option, not even in the past, answering questions like this one. I mean, we never ruled out the possibility to go to the market with a capital increase, or a dilution. For the time being it is not necessary. The Business Plan we presented does not require a capital increase. Cash generation is abundant, and we have always looked at extraordinary deals or operations without any vetoes or too rigid limitations.

Paolo Verdura (ANSA):

Paolo Verdura, ANSA Agency. I am not an analyst, but I would like to ask a question, if I may. I would like to ask a question about the 60% EBITDA that you said you have already secured, as at the very first day of the plan. What is this 60%? Is it an acquisition, RTR or whatever? Thank you.

Luca Bettonte:

No, I was referring to 850MW of growth, 60% are represented by 140MW that are secured from our pipeline abroad, and the repowering activity that we can manage quite well, given the scenario and our skills. There is no RTR.

Emanuela Delucchi:

Well, there are no other questions neither from the room nor from the conference call. If you do not have further questions, we would like to thank you for coming here. Of course, Investor Relations is available to take any other questions you may have after the end of this event. Thank you very much.

Luca Bettonte:

Thank you. We would like to thank you for attending this event, and - as Emanuela said - we are available for any further request or clarification you might have. Thank you very much. Thank you.