



2015-2018 BUSINESS PLAN
IR DAY - 16 DECEMBER 2015

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 non 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.

A decorative graphic on the left side of the slide, composed of a vertical column of colorful squares and rectangles in shades of blue, orange, green, and yellow, with some squares having a halftone pattern. The graphic extends from the top to the bottom of the slide.

AGENDA

- Alessandro Garrone (EVP):
 - Strategic Repositioning, Achievements & Governance
- Luca Bettonte (CEO):
 - 2015-2018 Business Plan
 - Closing Remarks

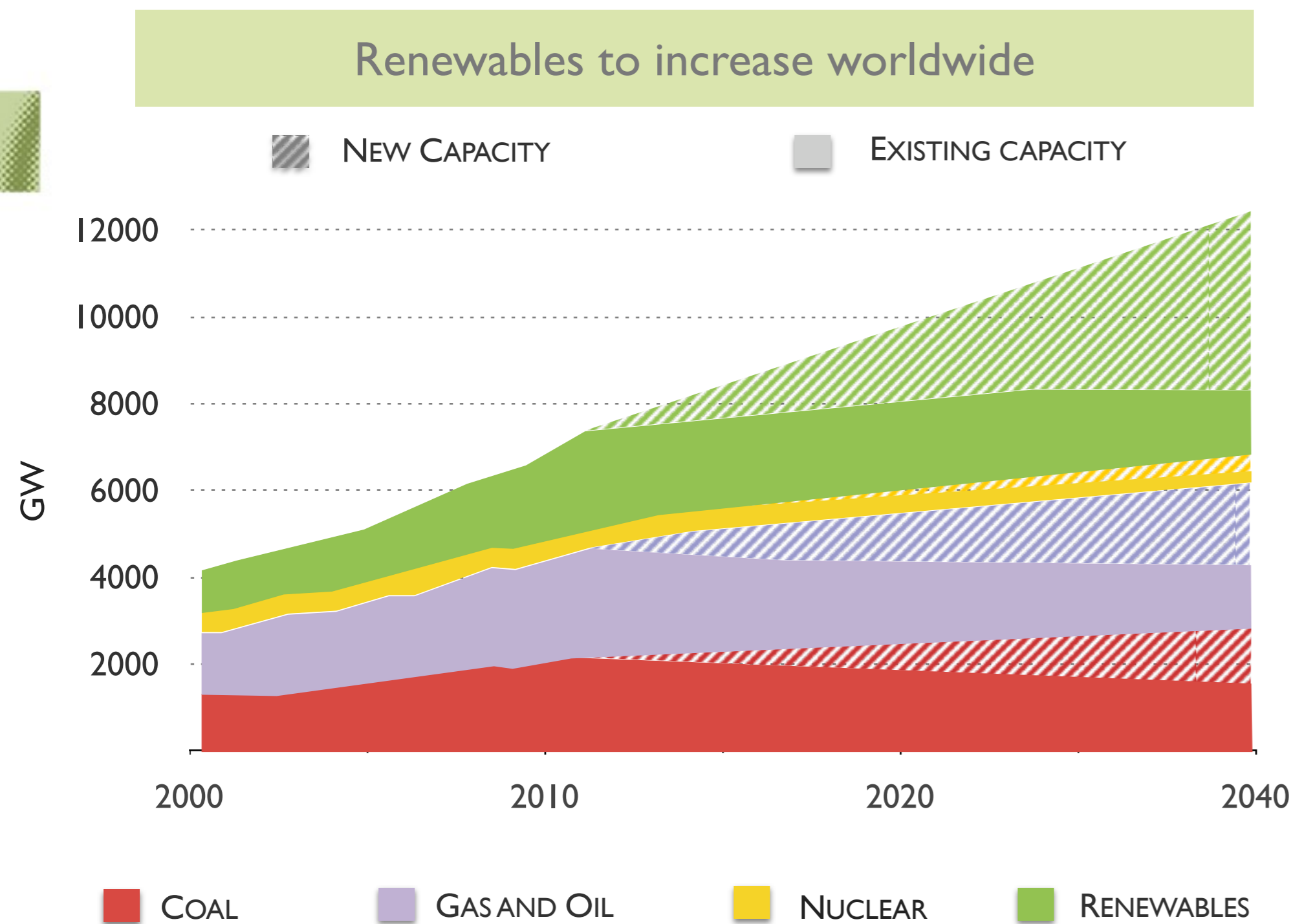
A decorative graphic on the left side of the slide, composed of a vertical column of small, overlapping squares in various colors (blue, orange, green, yellow, light blue, etc.).

STRATEGIC REPOSITIONING, ACHIEVEMENTS & GOVERNANCE

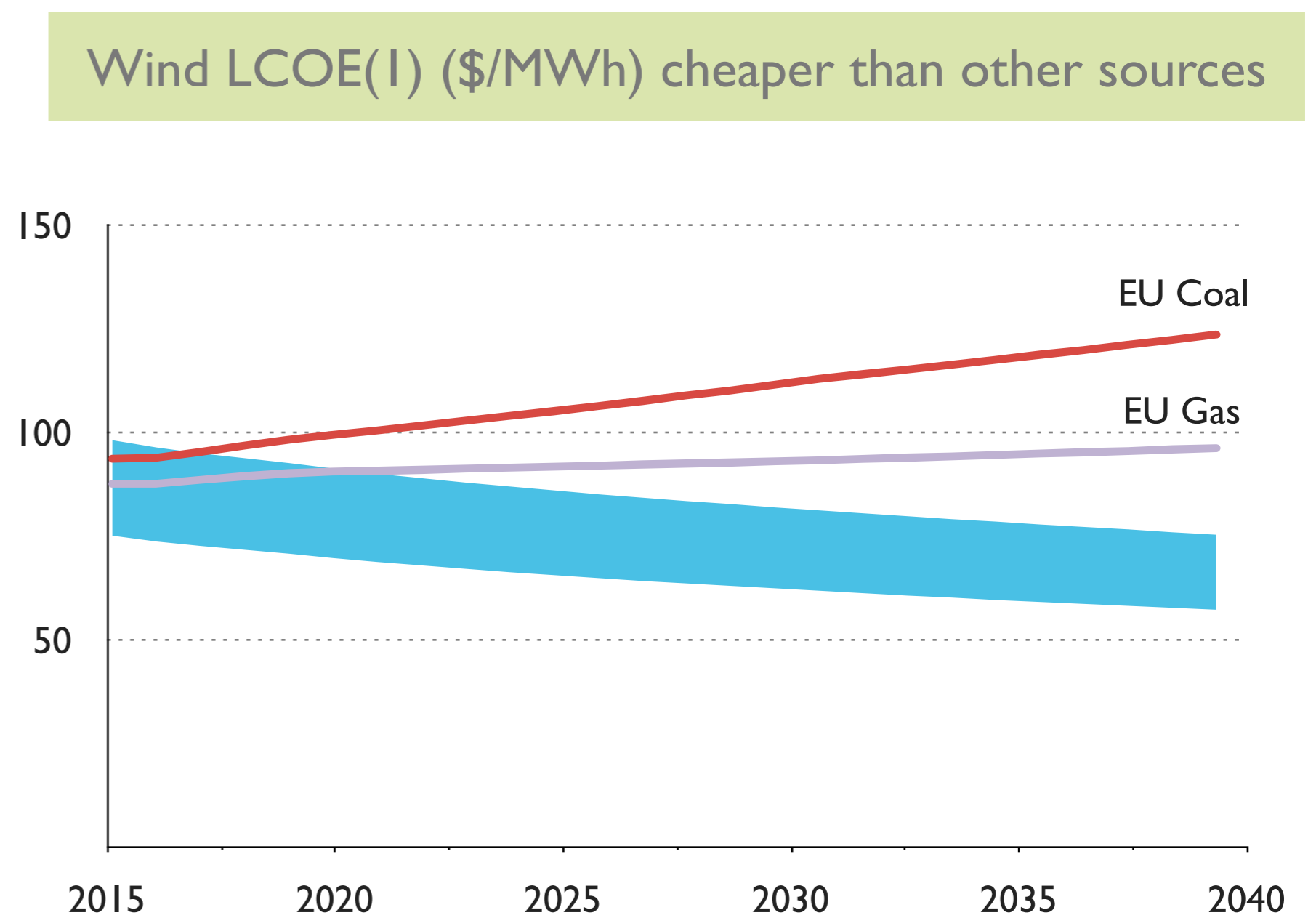
ALESSANDRO GARRONE

EXECUTIVE VICE PRESIDENT

OUR STRATEGIC LONG-TERM VIEW DRIVEN BY RENEWABLES



Source: World Energy Outlook, IEA November 2015



Source: New Energy Outlook 2015, Bloomberg

- ✓ **Worldwide wind** installed capacity: from 282GW in 2012 to 2,033GW in 2040⁽²⁾, more than 7x
- ✓ **Europe** to post a significant growth: from 110GW to 400GW⁽²⁾, almost 4x

EU 2030 Targets:

- ✓ 27% of Renewables
- ✓ 40% reductions of emissions

(1) Levelized Cost of Electricity: generation cost including initial investment, return on investment and OPEX

(2) Sources: New Energy Outlook 2015, Bloomberg

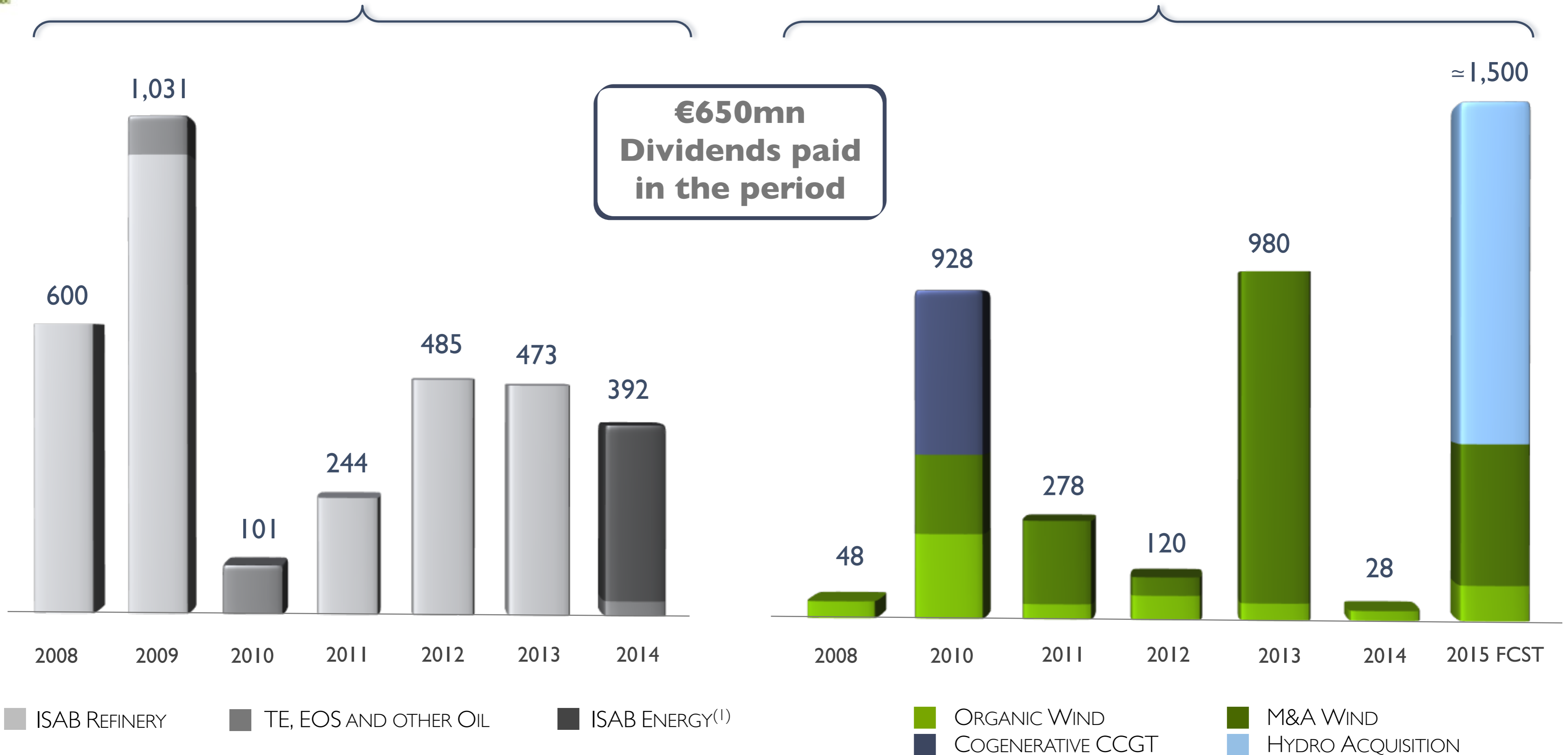
BUSINESS PORTFOLIO REPOSITIONED TOWARDS RENEWABLES

Disposals (Cash-in)

Investments (EV)

Total Disposals 2008-2014: ≈€3,300mn

Total Investments 2008-2015: ≈€3,900mn



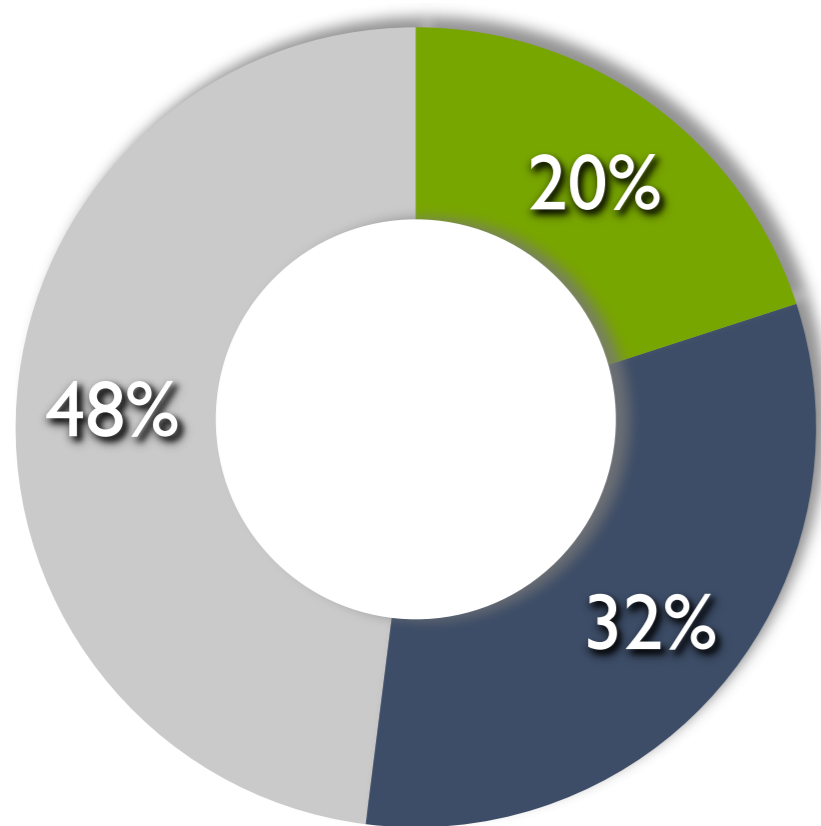
✓ **Proceeds from disposal of oil-linked assets fully re-invested into “green”**

⁽¹⁾ Cash-in net of minorities buyback from GDF

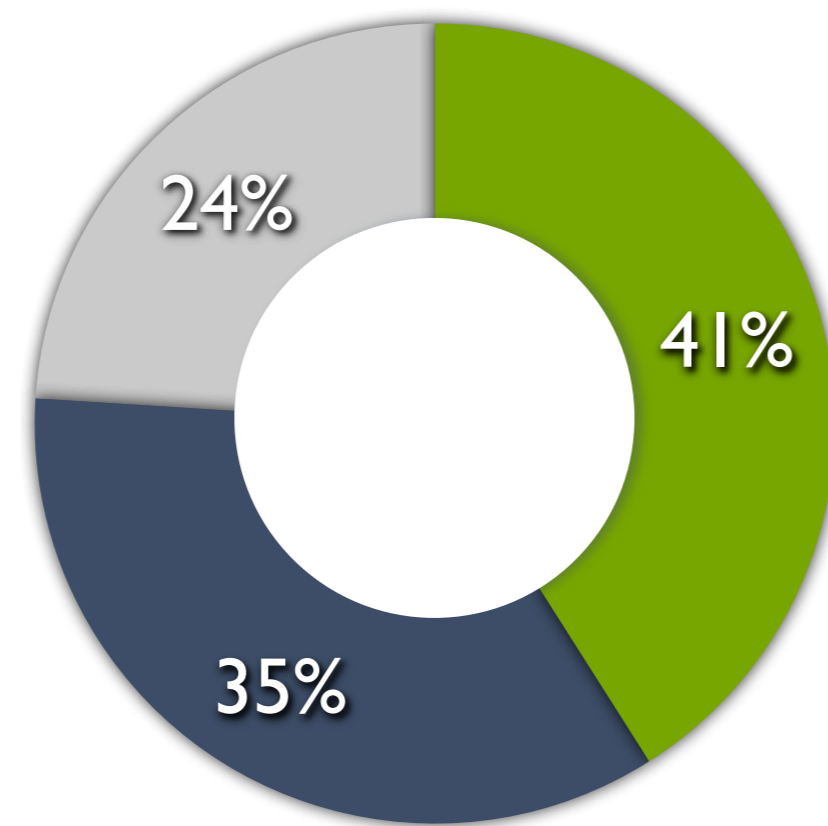
INVESTED CAPITAL ROTATION TOWARDS RENEWABLES

Capital employed

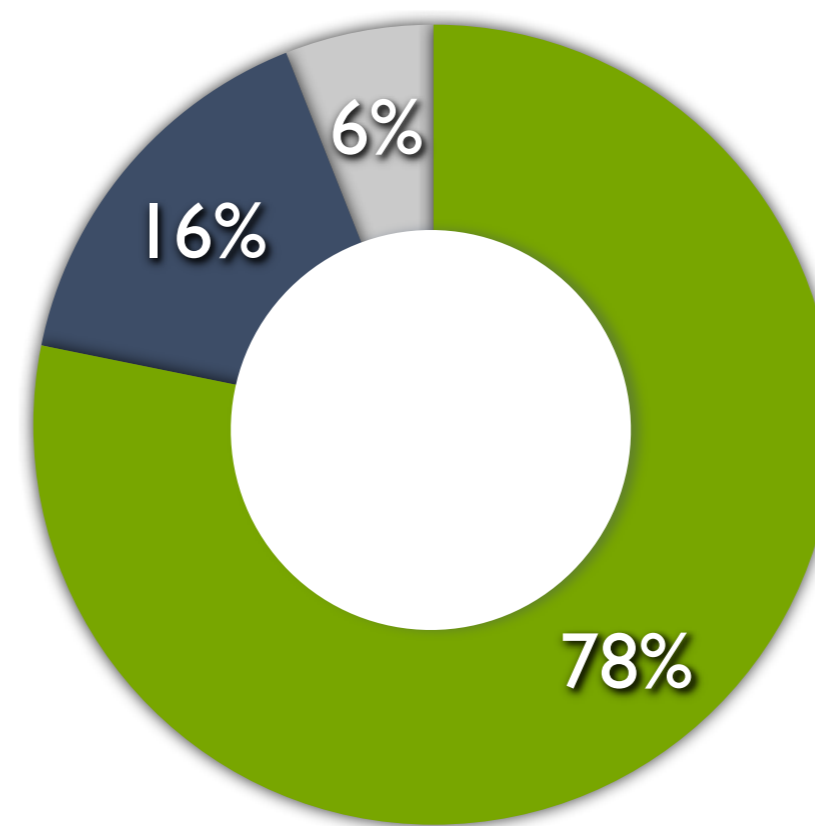
2008 (€2.2bn)



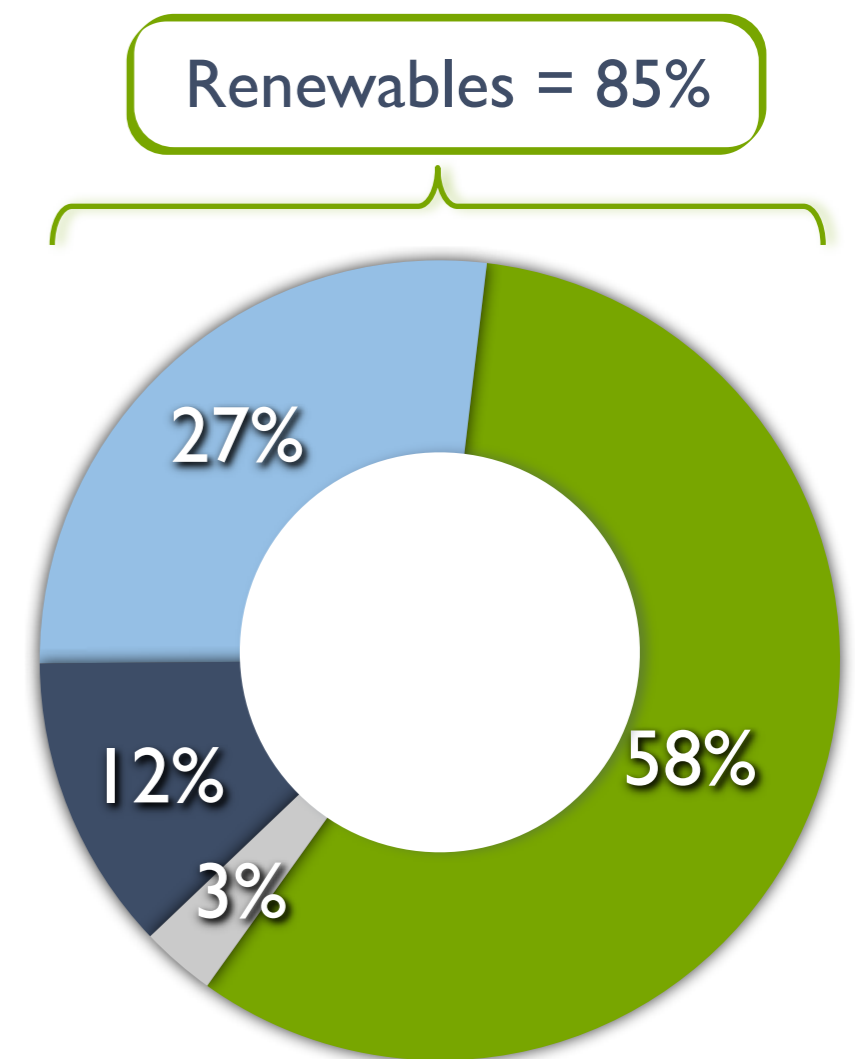
2012 (€2.6bn)



2014 (€2.1bn)



2015 FCST (€3.6bn)

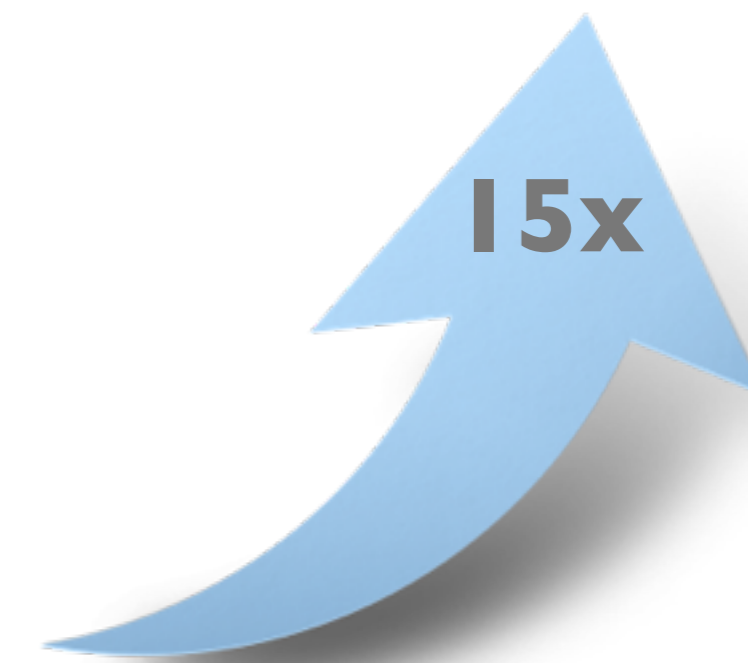
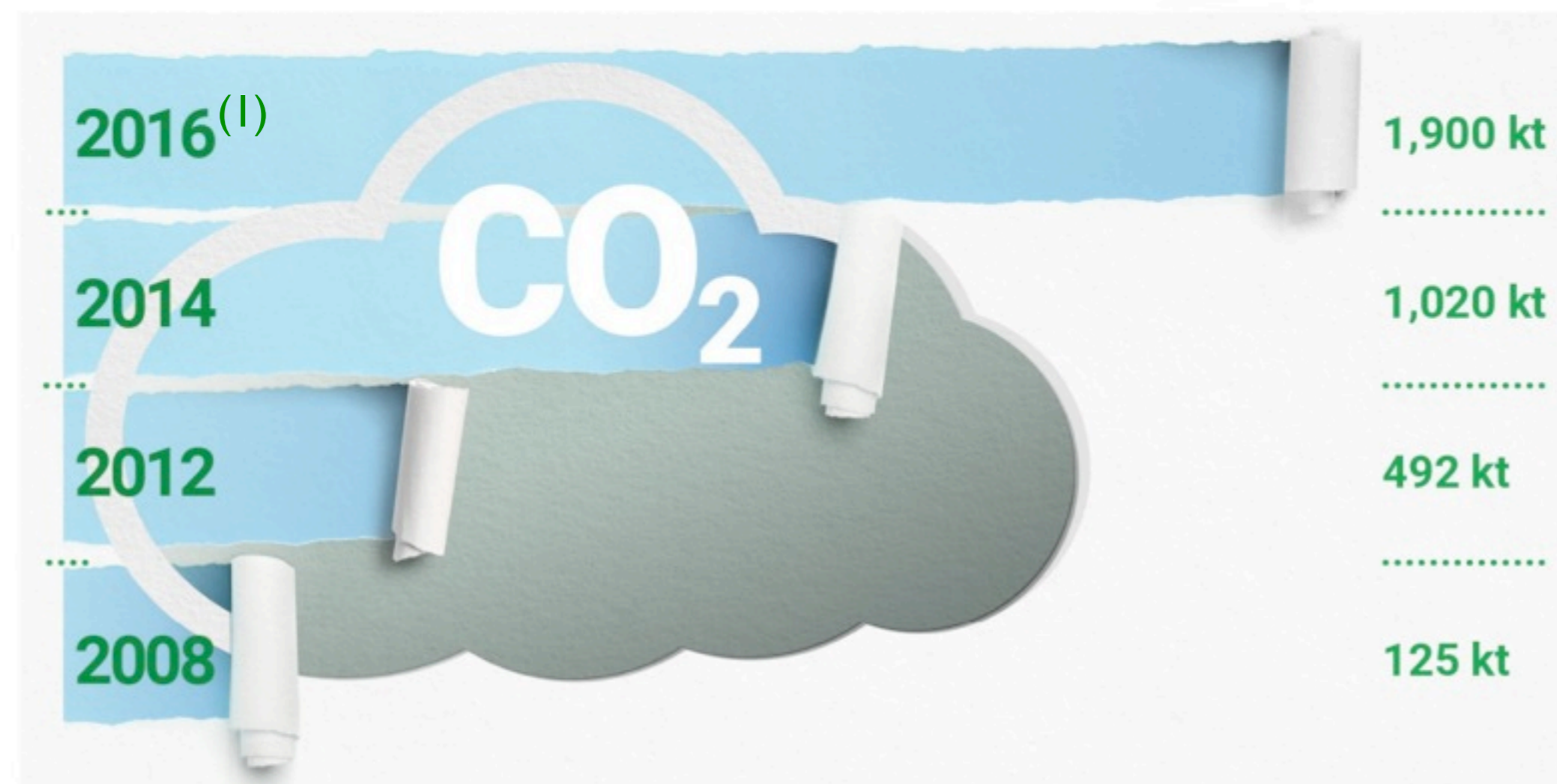


● OIL ● THERMO ● HYDRO ● WIND

✓ **Built-up a solid platform of renewable assets in Europe**

CSR ACHIEVEMENTS

CO₂ avoided in the 2008-2016 period



Portfolio turnaround implied a **generalized improvement of all the environmental CSR indicators:**

- **100% of ERG Group certified** according to International standard in the Environmental/Safety areas
- Strongly reduced NO_x and SO₂ emissions following exit from Refining
- **CCGT is a high yield cogenerative** plant

Turnaround to a green portfolio

⁽¹⁾ Estimate based on the current asset base

A STRICT GOVERNANCE

- Maintaining over time **a strict financial discipline on investments** (organic and M&A) through:
 - **Strategic Committee** (EVP, CEO, 3 Board Members)
 - **Investment Committee** (CEO, Management team)
- A **new BoD** in place as of April 24, 2015, with **7⁽¹⁾ Independent Board Members out of 12** (25% women)
- **Nominations and Remuneration Committee** composed by 3 Independent members⁽²⁾
- **Increasing focus on risk management:**
 - **Internal Control and Risk Committee** composed by **3 Independent members⁽²⁾**
 - **Strengthening Risk Committee** towards Energy Management
- BoD approved a **LTI compensation scheme** for Top Management, **40% based on TSR** (reference price based on last 6 months average price)

⁽¹⁾ Only 5 Independent referring to both the Finance Consolidation Act and the Self-Discipline Code set out by the Italian Stock Exchange

⁽²⁾ Only 2 Independent referring to both the Finance Consolidation Act and the Self-Discipline Code set out by the Italian Stock Exchange

2015-2018 BUSINESS PLAN

LUCA BETTONTE

CEO

2015: FURTHER SIGNIFICANT TRANSFORMATION

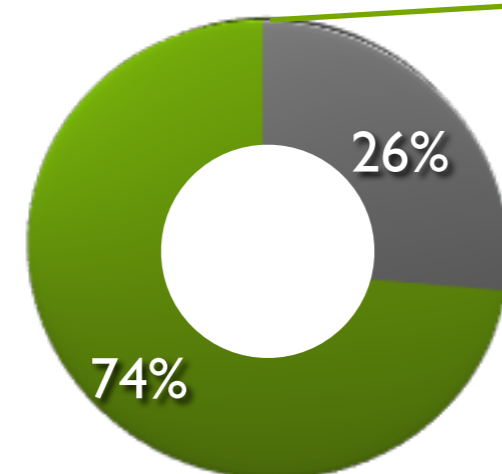
A year of large investments to expand and diversify the asset base through:

- **Hydro:** +527MW. Invested €950mn (closed on November, 30)
- **Wind:** +370MW. Invested ≈€500mn⁽¹⁾

YE 2014: 1,821MW installed

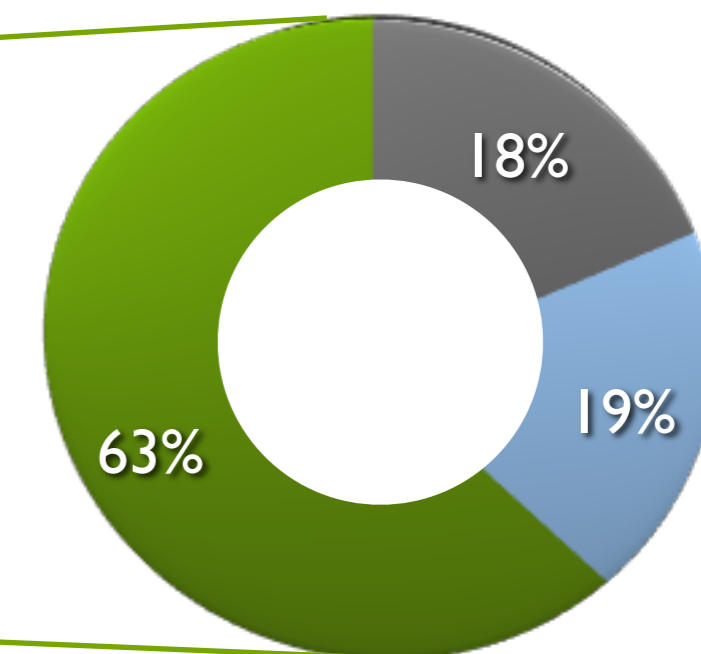
YE 2015: 2,720MW installed

Technological Diversification



**+899MW
(+49%)**

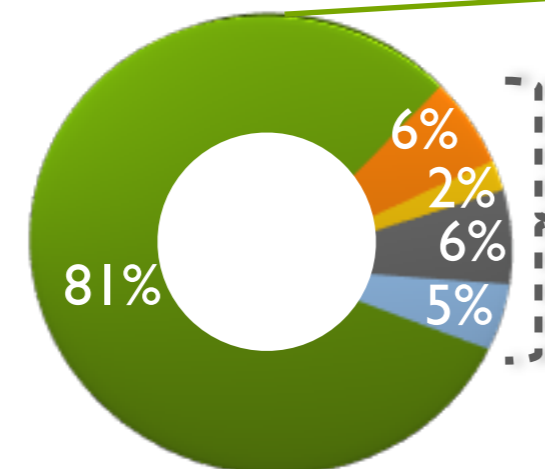
● THERMAL ● HYDRO ● WIND



YE 2014: 1,341MW

YE 2015: 1,712MW

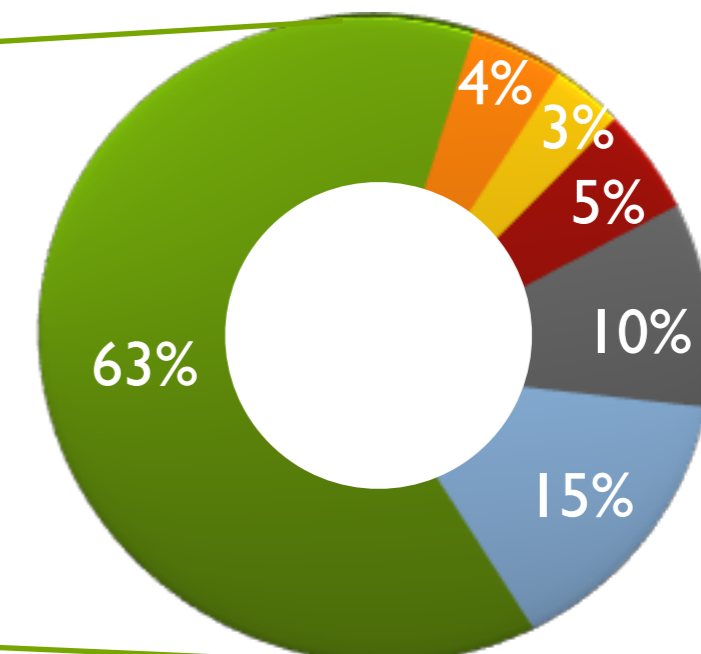
Geographical Diversification



19% abroad

**+371MW
(+28%)**

● GERMANY ● FRANCE ● ITALY
● ROMANIA ● BULGARIA ● POLAND

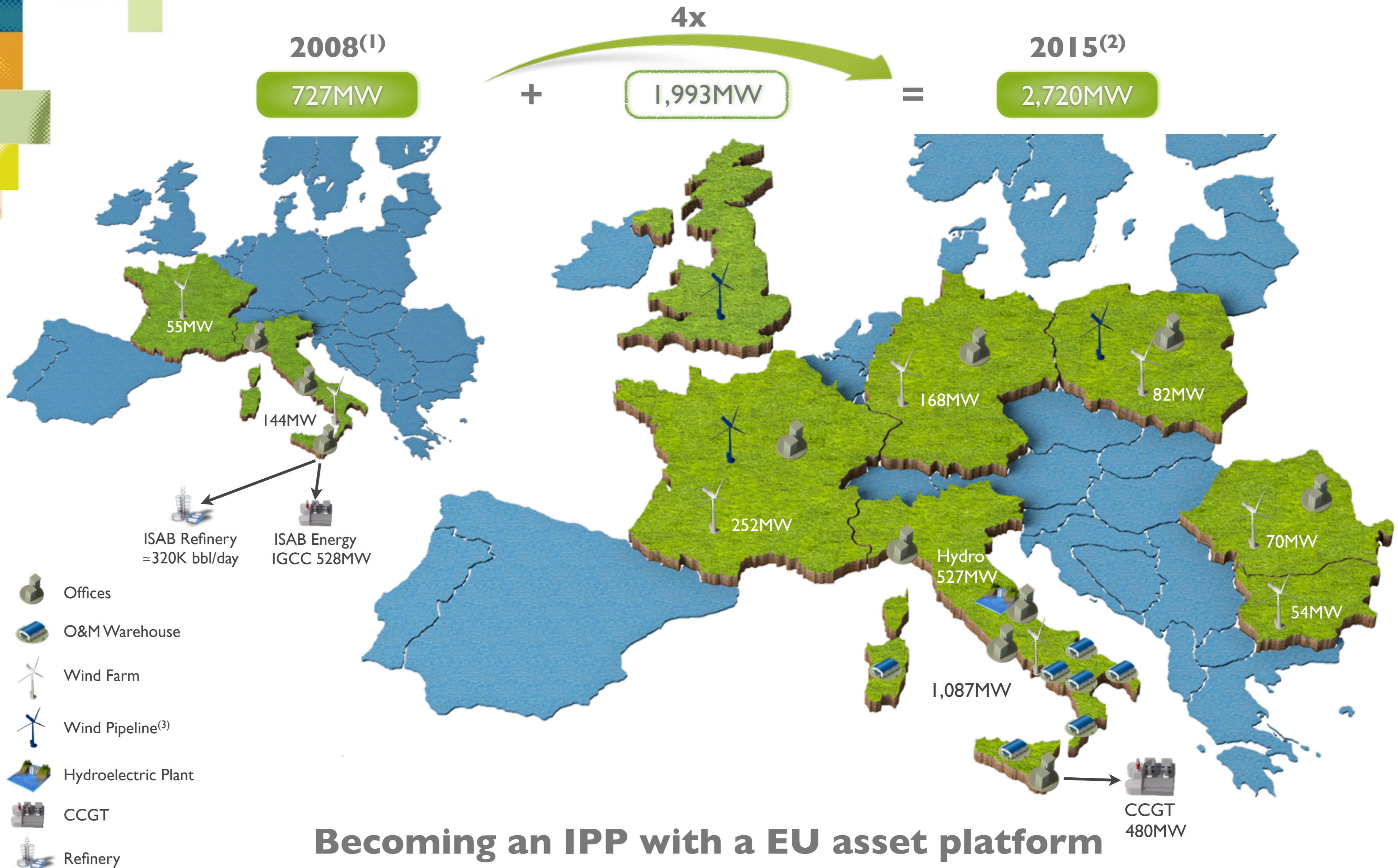


37% abroad

Technological and geographical diversification

⁽¹⁾ This invested amount includes M&A in France and Germany (for 269MW and €369mn EV) and LUKERG asset split (for 20MW and €27mn EV)

ERG TODAY: A BIGGER AND DIVERSIFIED PORTFOLIO



(1) 100% participation in ERG Petroli in the Integrated Downstream

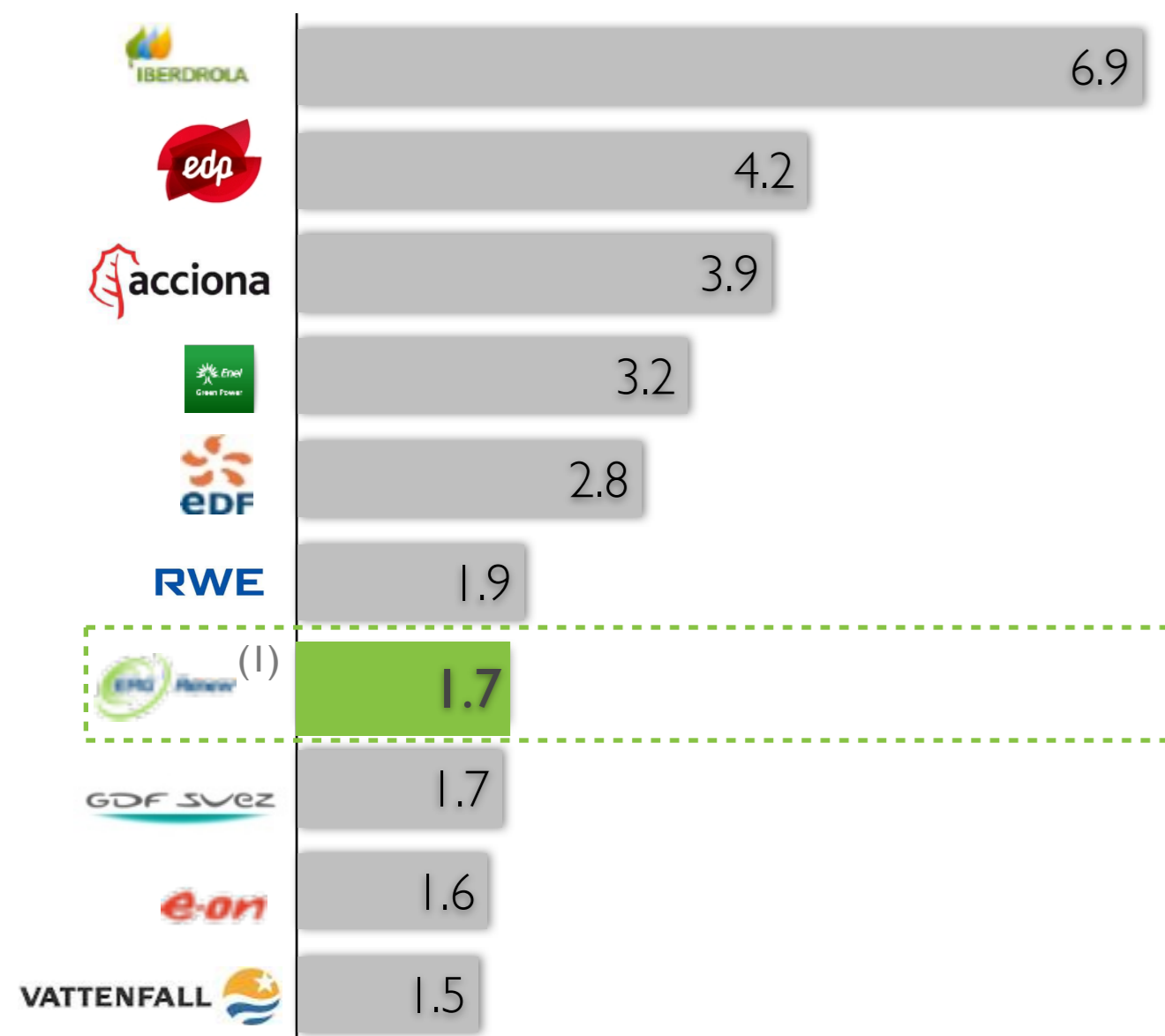
(2) 51% stake in the JV TotalERG in the Integrated Downstream

(3) Current pipeline for about 300MW under development in UK, France and Poland

ERG TODAY: COMPETITIVE POSITIONING

Wind

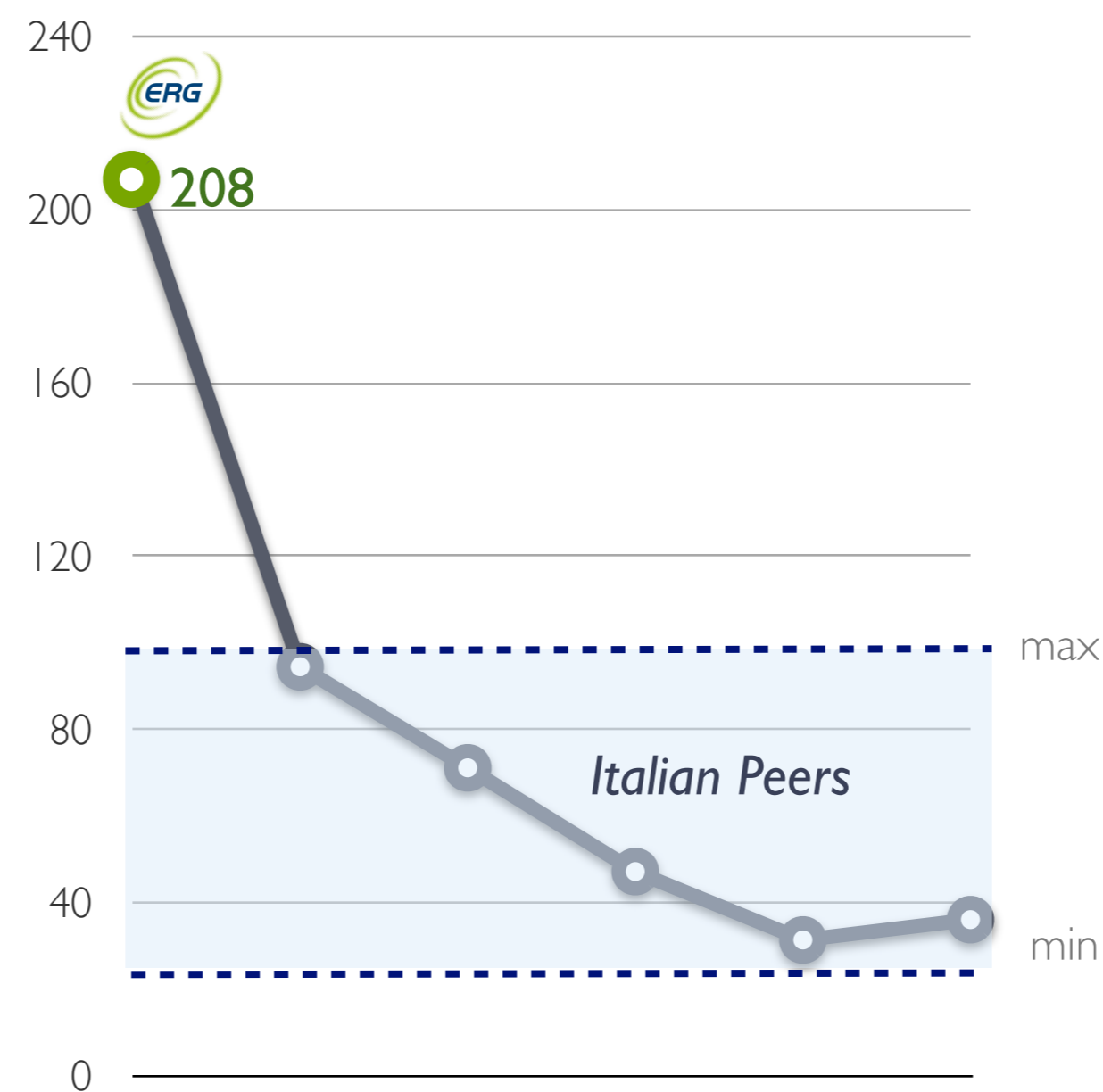
Installed wind capacity in Europe (GW)



Source: last available public information related to 2014

Thermoelectric

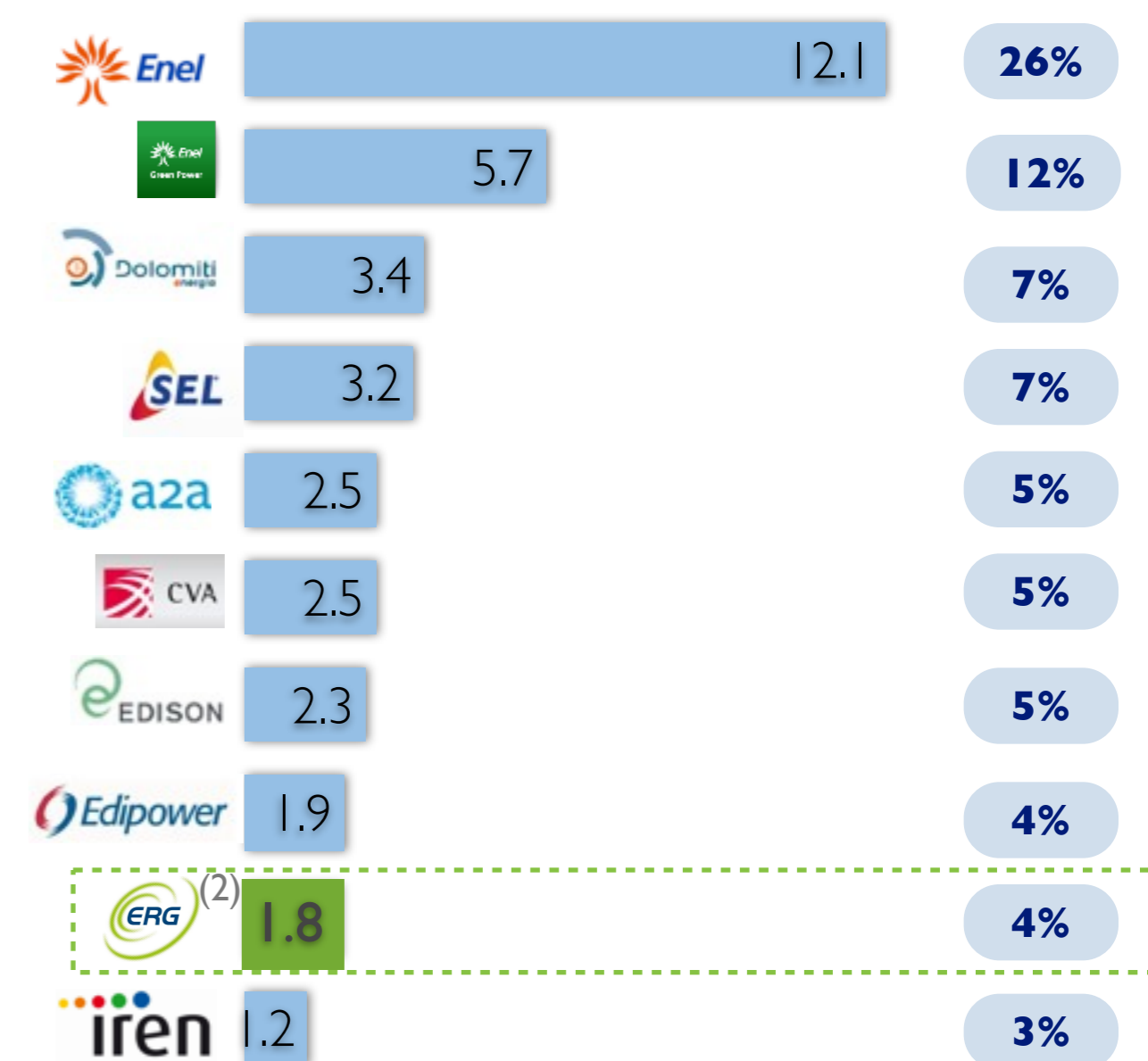
EBITDA k€/MW installed



Source: estimates based on 2014 Annual Reports

Hydro

Hydro Production in Italy (TWh/y)



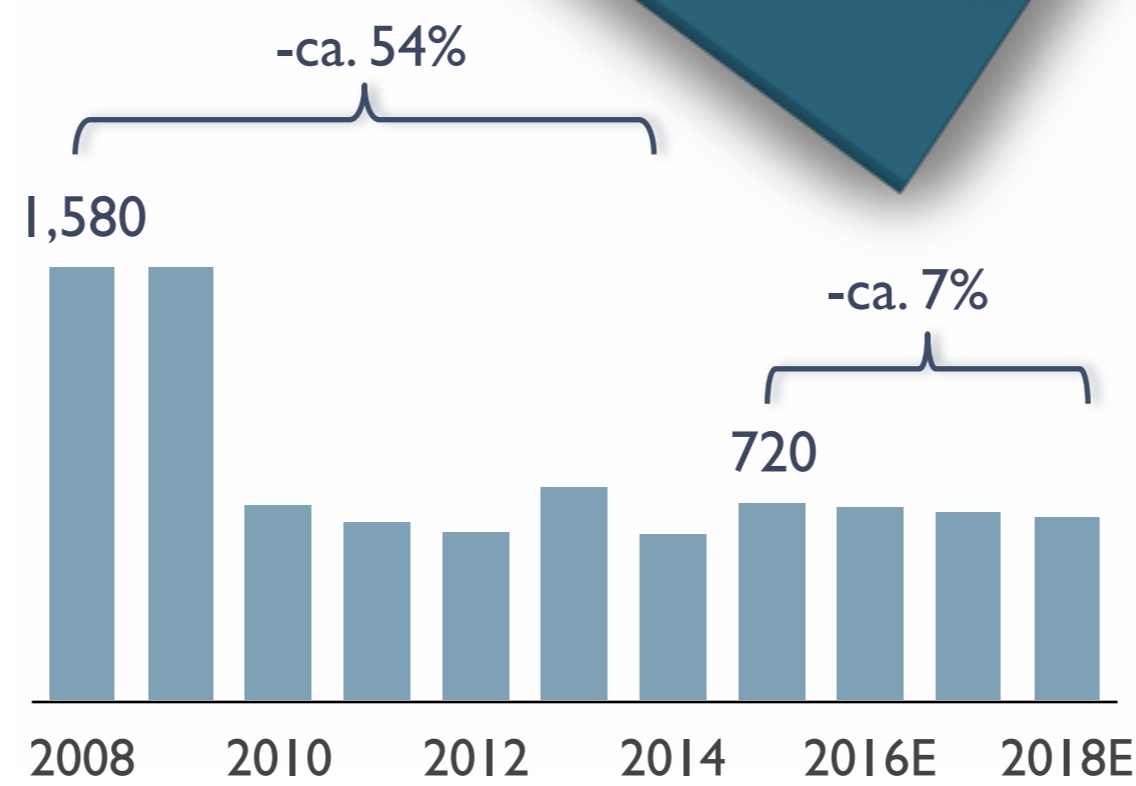
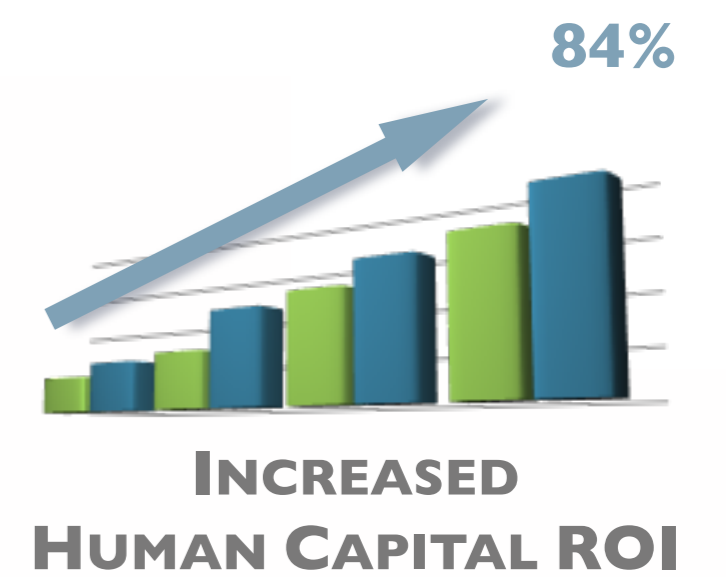
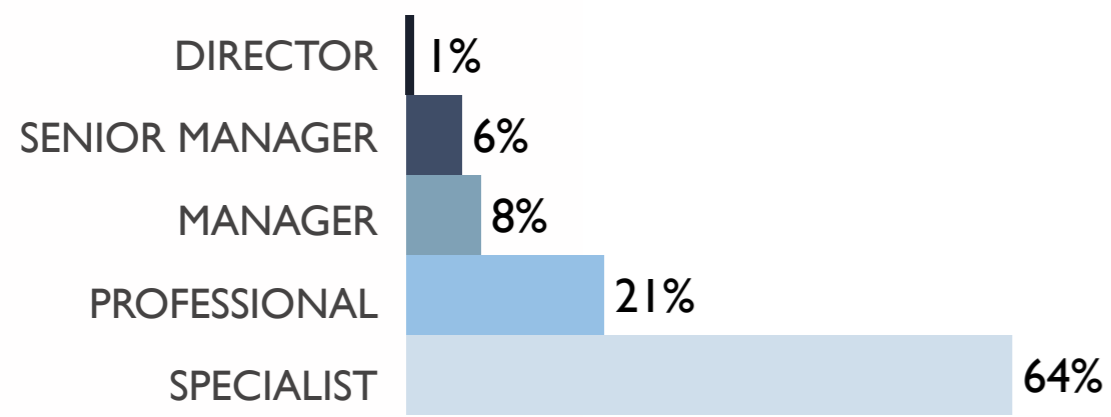
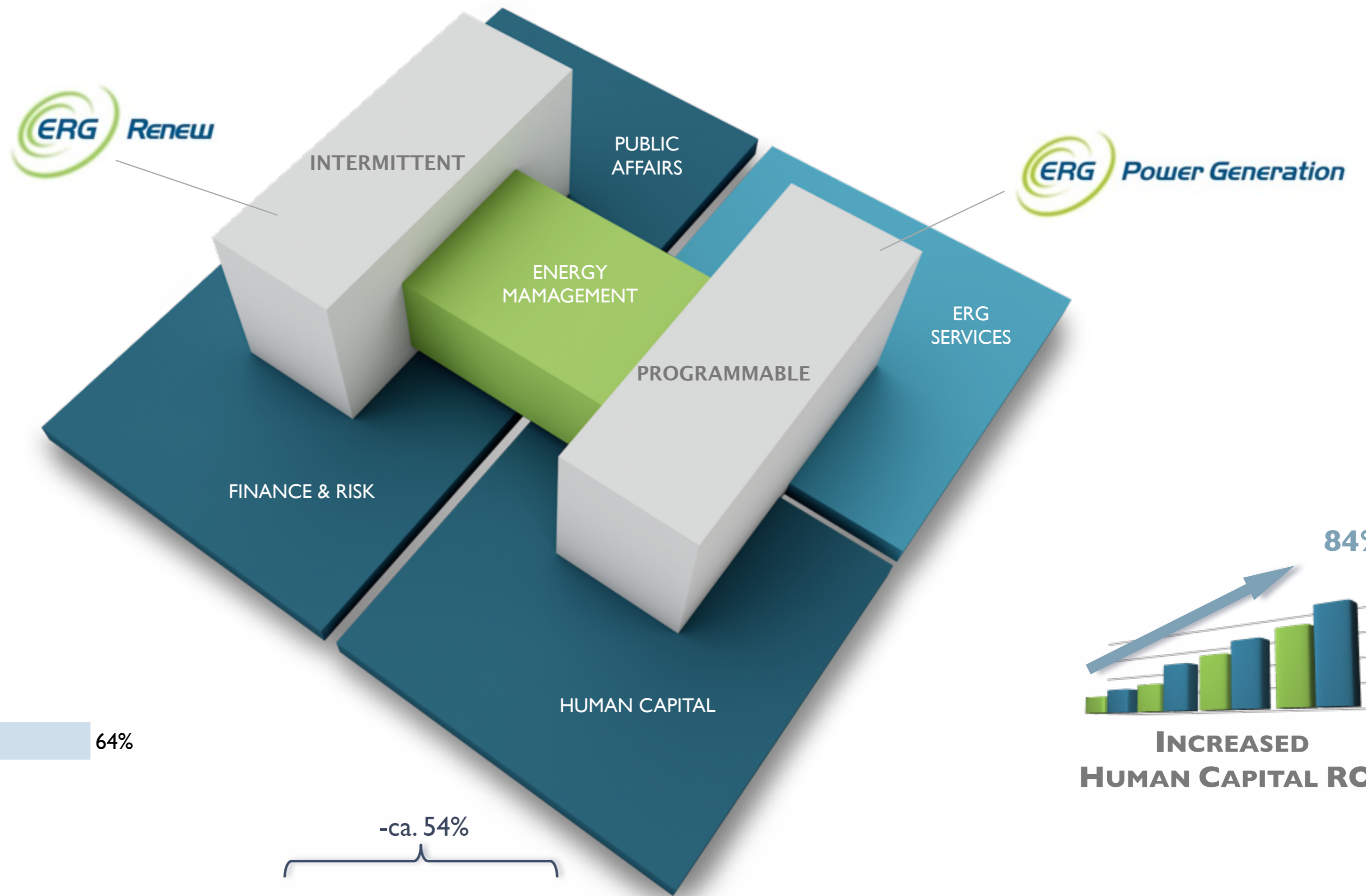
Source: last available public information related to 2014

Asset quality as a key objective for our portfolio

(1) Comparison not on a like-for-like, as ERG Renew figure is updated as at year-end 2015

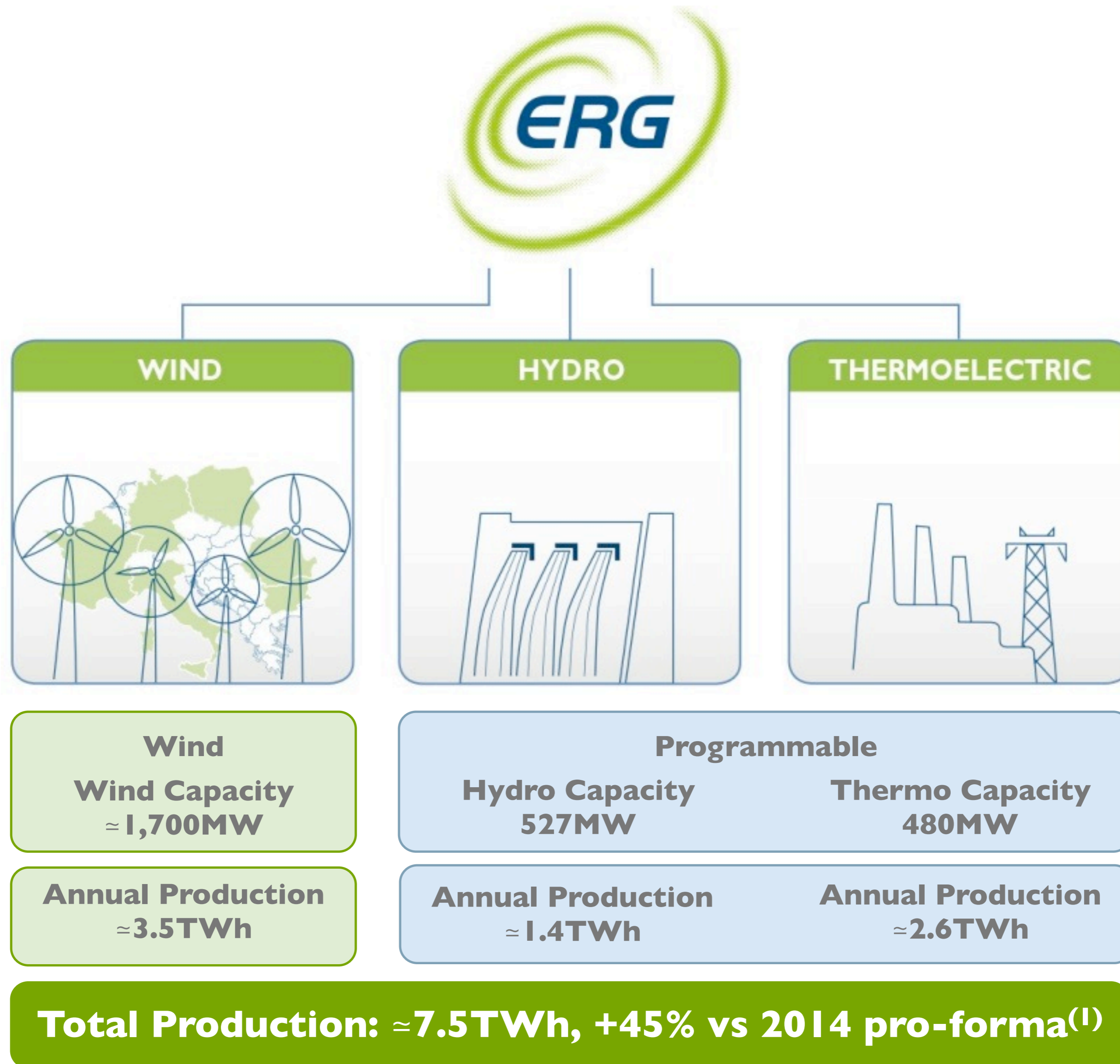
(2) ERG forecast for hydro production in the plan period equals to 1.4TWh/y

ERG TODAY: BUSINESS MODEL



Human Capital as a competitive advantage

ERG TODAY: A NEW GENERATION PORTFOLIO



⁽¹⁾ 2014 pro-forma production: 5.2TWh

STRATEGIC GUIDELINES



Wind (Intermittant):

- Shifting to a new growth business model: ORGANIC vs. M&A
- 2016: consolidation of new assets and operations
- Organic growth abroad of >200MW



Hydro (Programmable):

- Consolidation of Hydro Terni integrated hydroelectric system
- Extracting value from asset management and synergies



CCGT (Programmable):

- Continuous improvement of ERG Power CCGT plant efficiency
- Return to exploit CCGT generating flexibility and modulation



Energy Management:

- Portfolio diversification and better risk control through a single PAR
- Opportunities to enlarge the portfolio by including the foreign generation



O&M and technical services:

- Integration of CSO (28 professionals in technical services) abroad
- Completion of O&M internalization across operations in Italy
- Potential development of technical services to third parties

WIND: STRATEGY

2016: a year of Consolidation

- **Consolidation of newly acquired/built assets and CSO** (28 professionals in France and Germany, about 800MW under management)
- **Setting a new business model: organic growth vs. M&A**
- **Building up of a sizeable pipeline**

Further international Growth

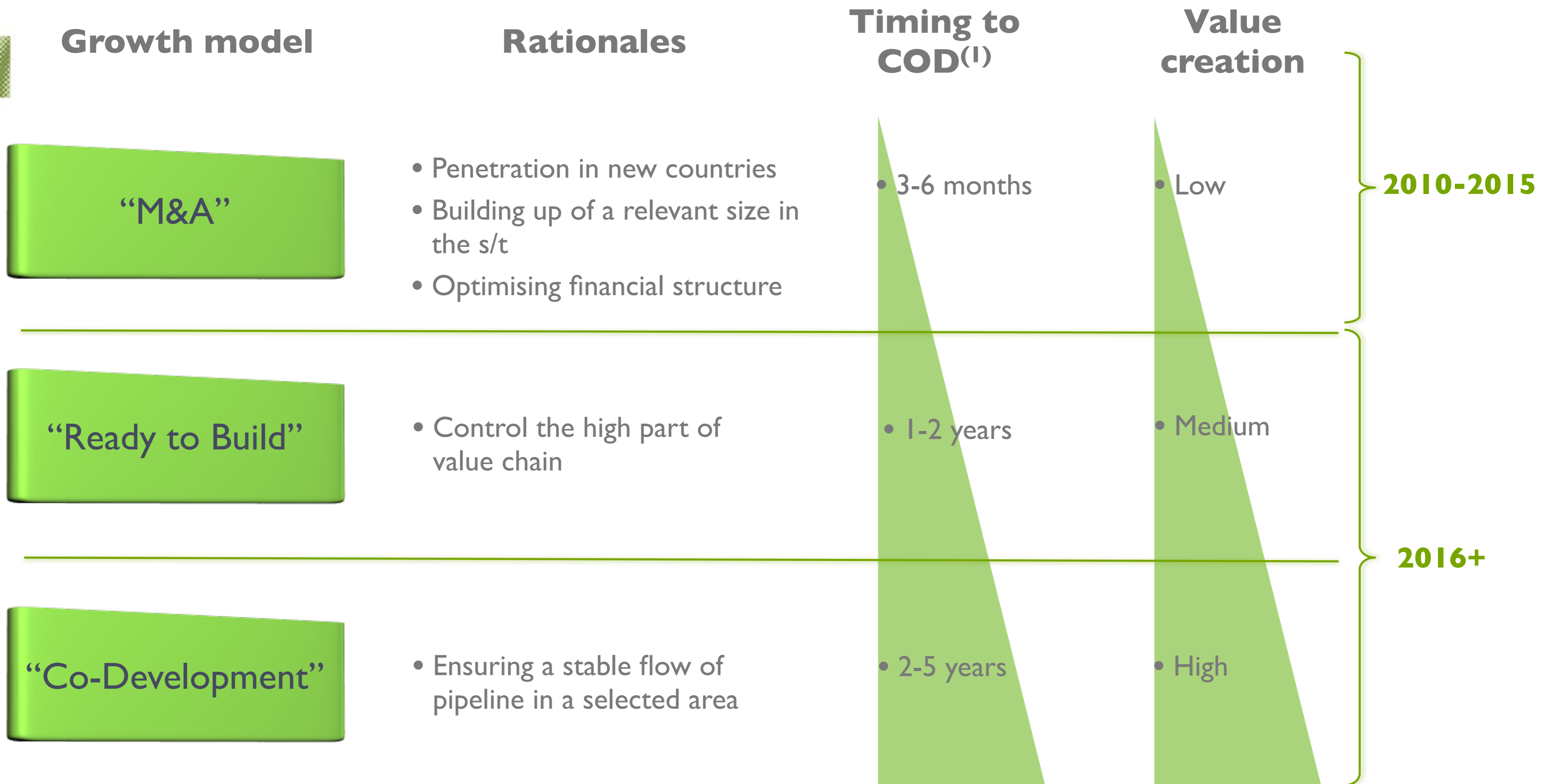
- **Targeting additional ≈200MW** of high quality organic capacity, in some selected EU countries: **France, Germany, Poland and UK**
- **Geographical diversification** as for MW installed from 37% (2015) to 44% (2018)

A focus on operating Efficiency

- **Completion of O&M internalization of Italian wind farms** (about 1,094MW)
- **Gradual insourcing of technical activities** to exploit further synergies (CSO integration)
- Opportunity to **internalize O&M abroad**, starting from France and Germany
- **Asset management of abroad portfolio** through local teams
- Potential development of **technical services to third parties** under assessment

A business model oriented to organic growth and operational efficiency

WIND: BUSINESS MODEL FROM M&A TO ORGANIC



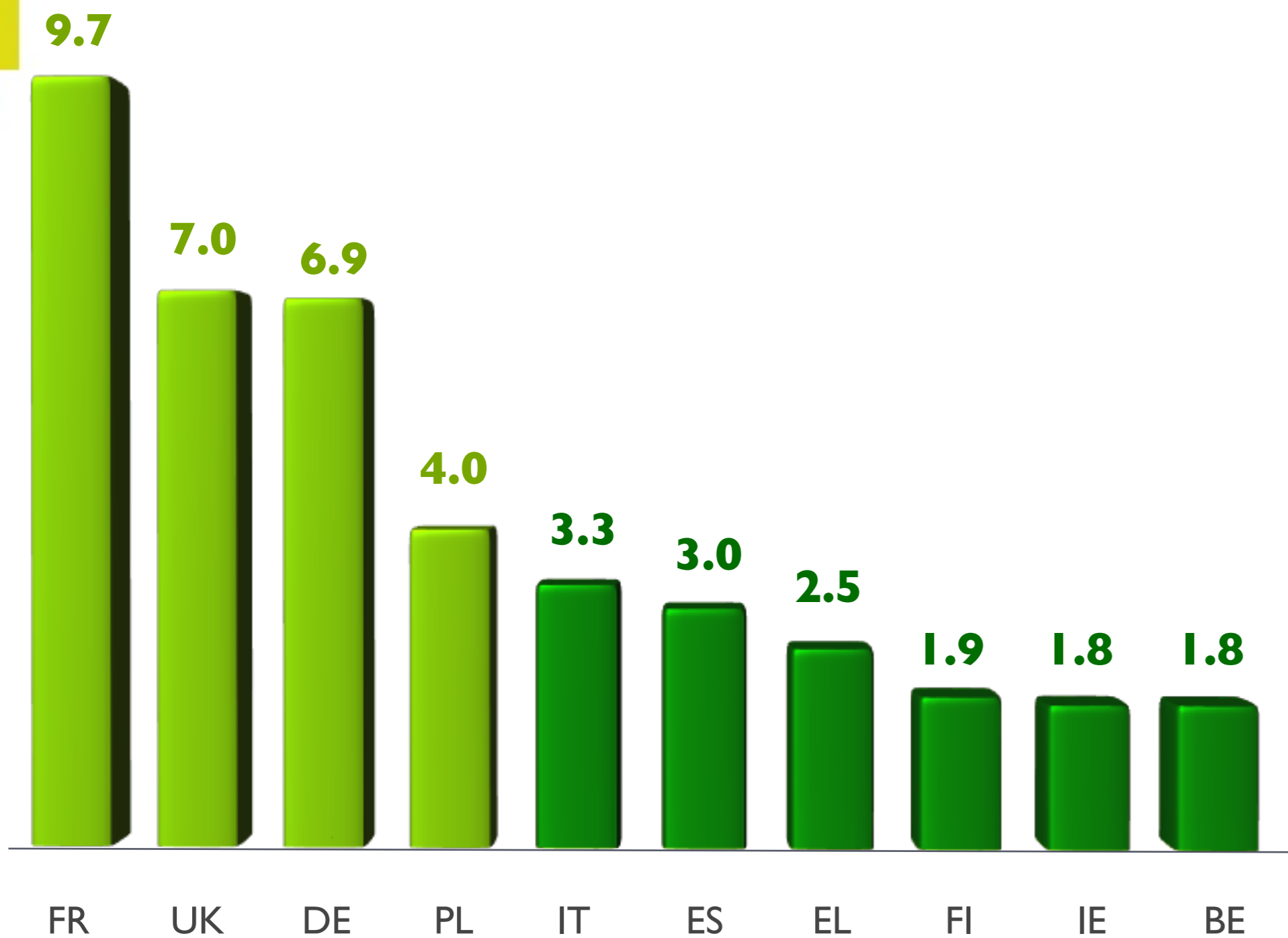
✓ **New business model launched in 2H 2015**

✓ **> 1 GW scouted resulting in roughly 300MW under development at different stages**

⁽¹⁾ Commercial Operation Date

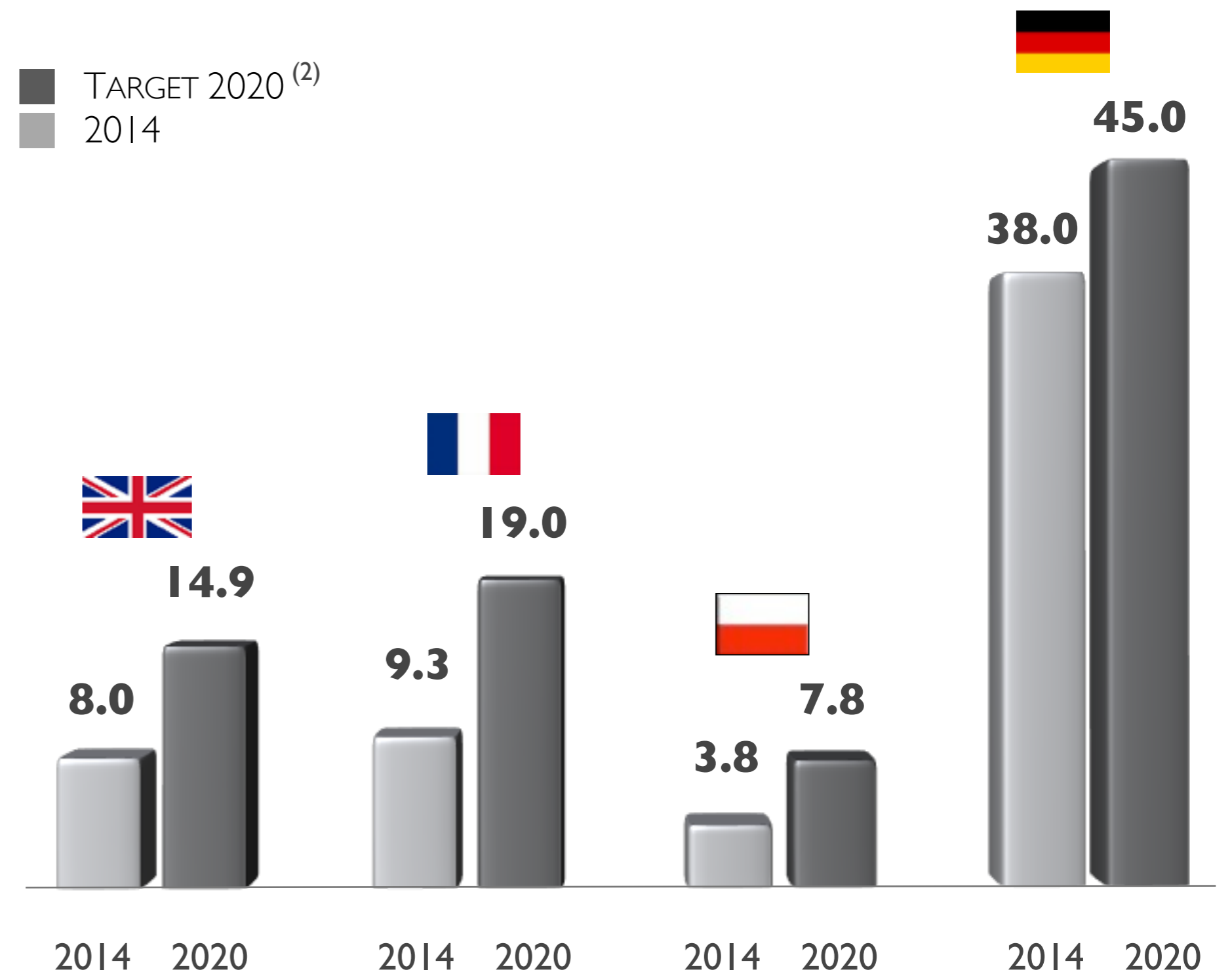
WIND: COUNTRY SELECTION KEY DRIVERS

New onshore Capacity⁽¹⁾ expected by 2020⁽²⁾ (GW)



Growth Estimates

■ TARGET 2020⁽²⁾
■ 2014

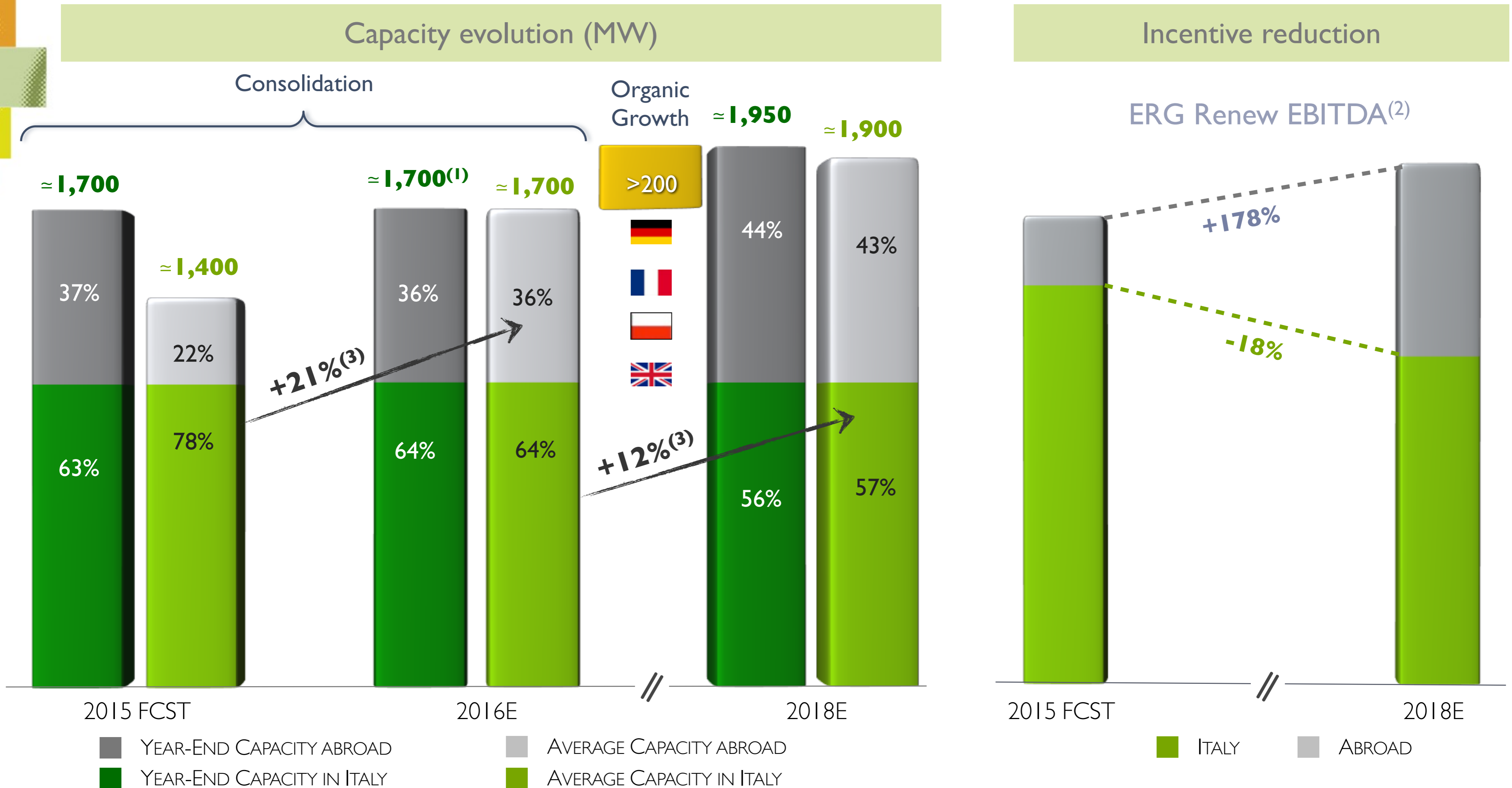


France, UK, Germany and Poland core countries for Wind development

⁽¹⁾ Additional GW vs 2014 Actual

⁽²⁾ Targed 2020 based on average data from EWEA (European Wind Energy Association), EU Commission and NREAP (National Renewable Energy Action Plan)

WIND: INSTALLED CAPACITY EVOLUTION



- **2016:** benefitting from a **larger asset base** and focusing on **consolidation**
- **2017-2018: organic growth**

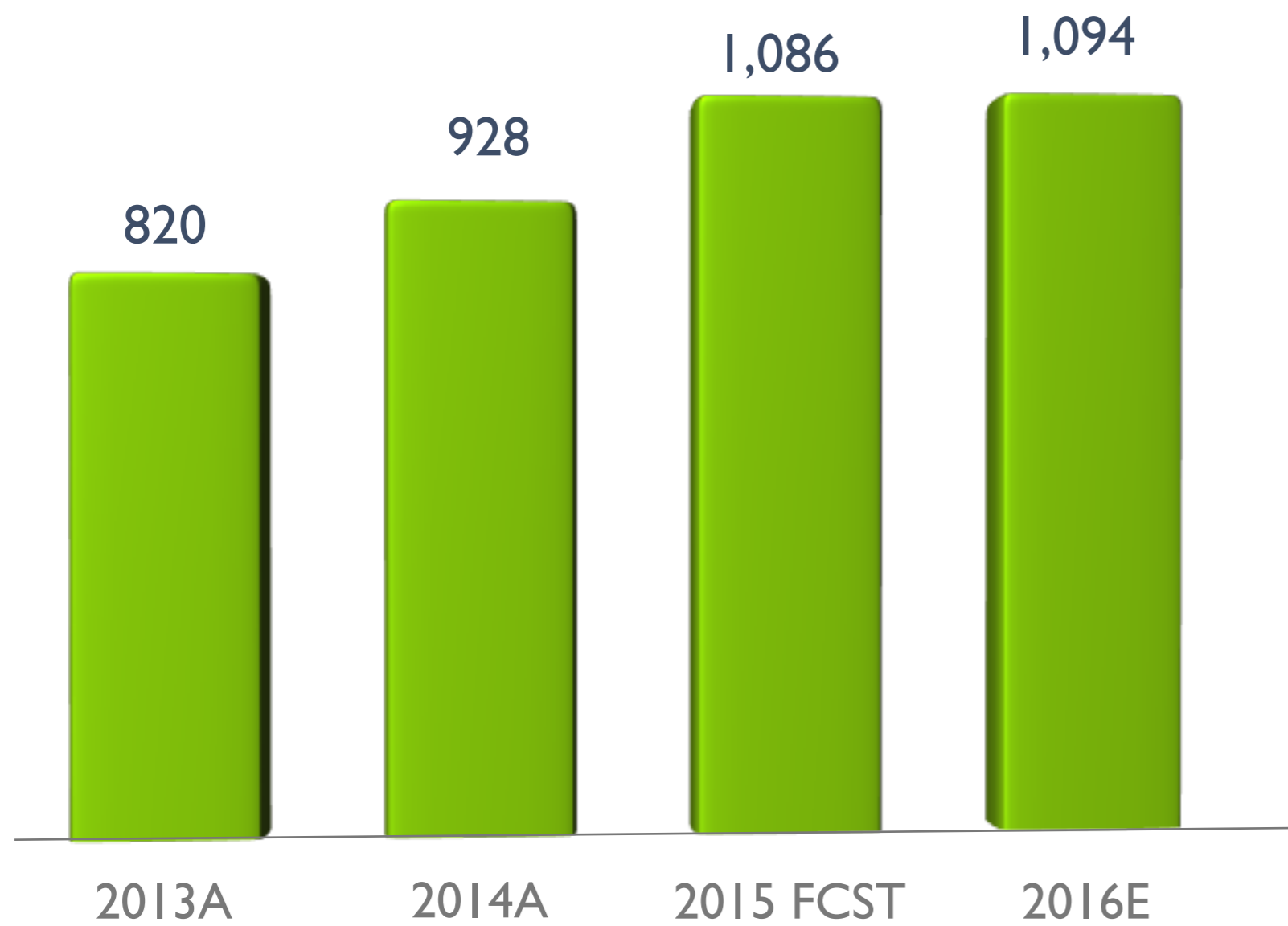
⁽¹⁾ It includes 4WTGs of Ginestra wind farm released by the Legal Authorities

⁽²⁾ Next GCs phasing out will take place not before 2022-2023

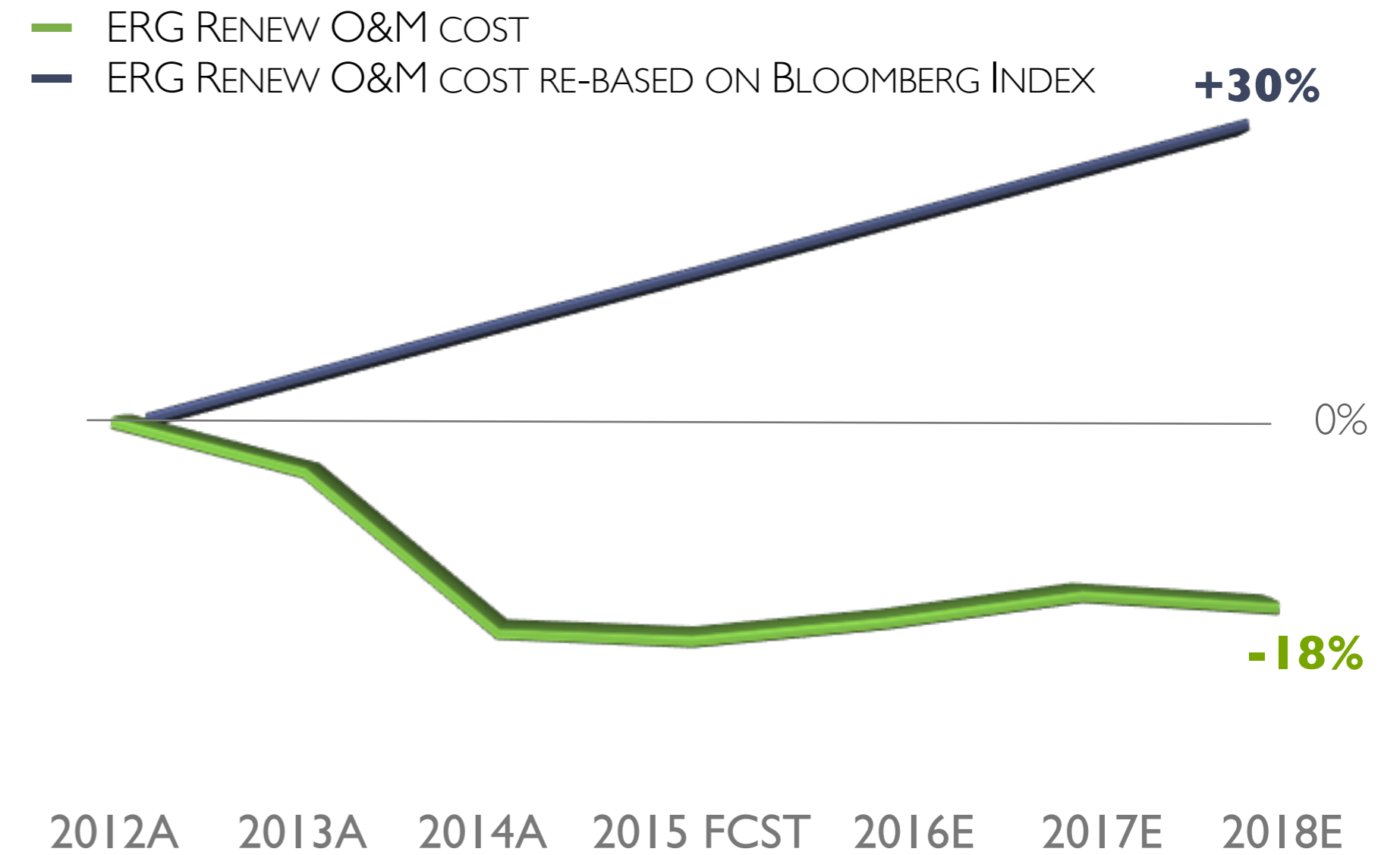
⁽³⁾ Percentage change refers to total average Capacity

WIND: BOOSTING O&M INSOURCING

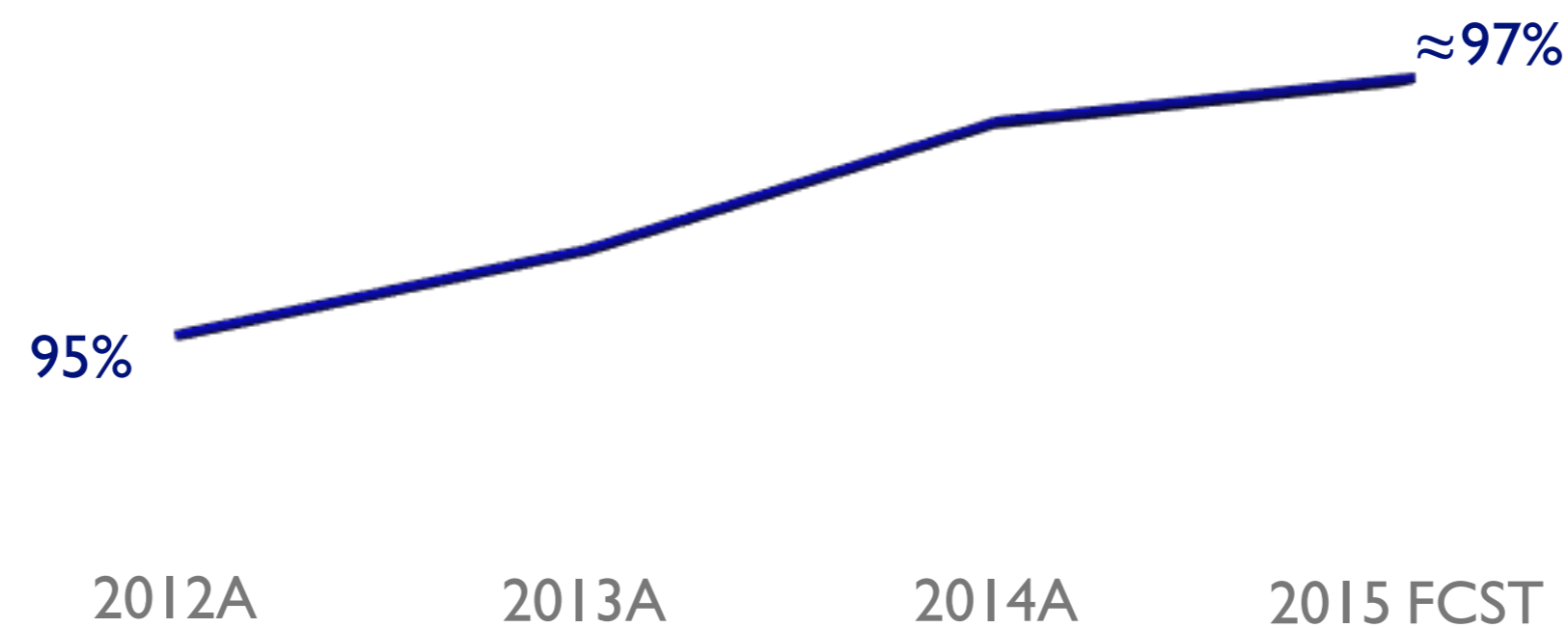
Progressive O&M internalization in Italy (MW)



O&M operations cost reduction (%)



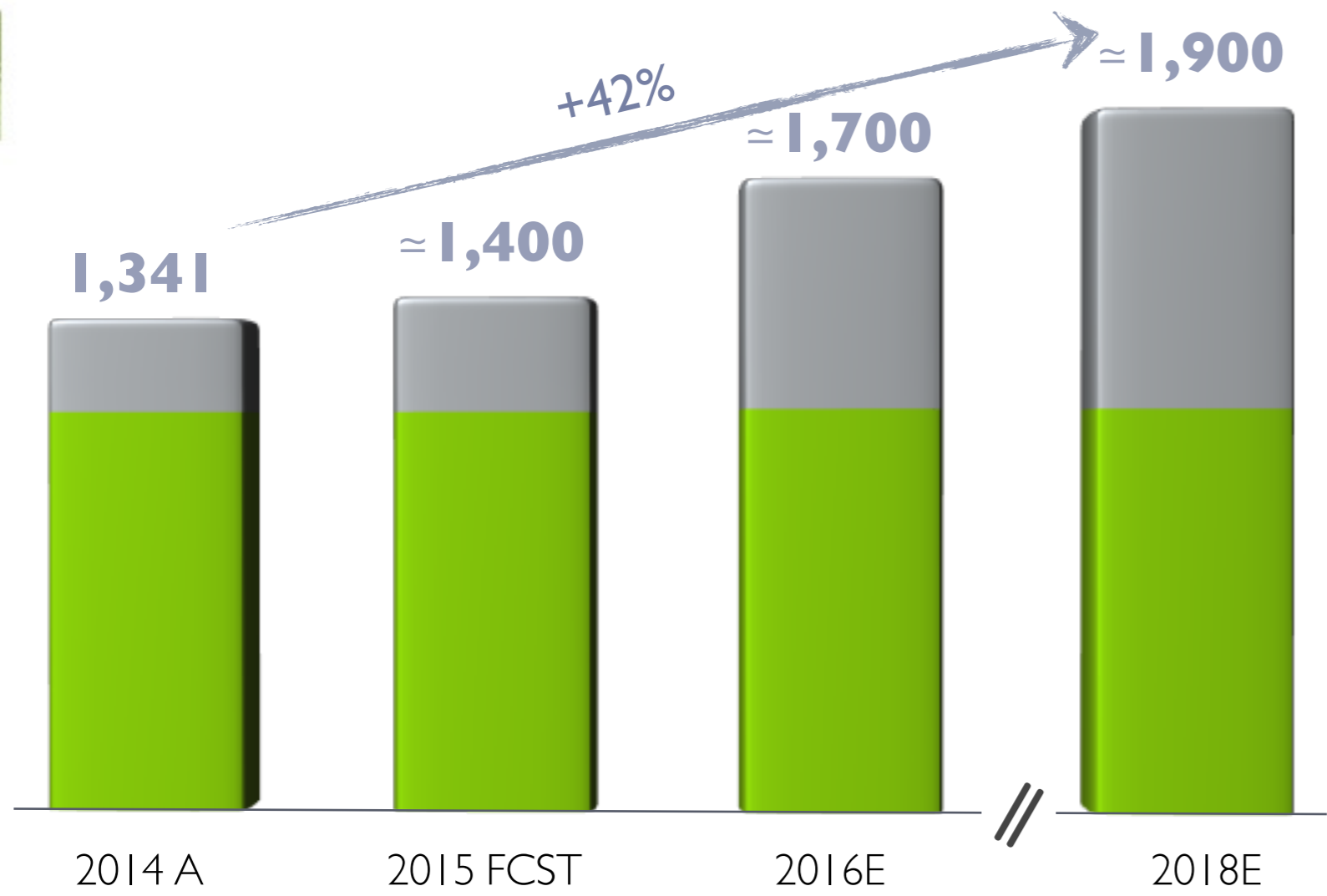
Wind farm availability factor (%)



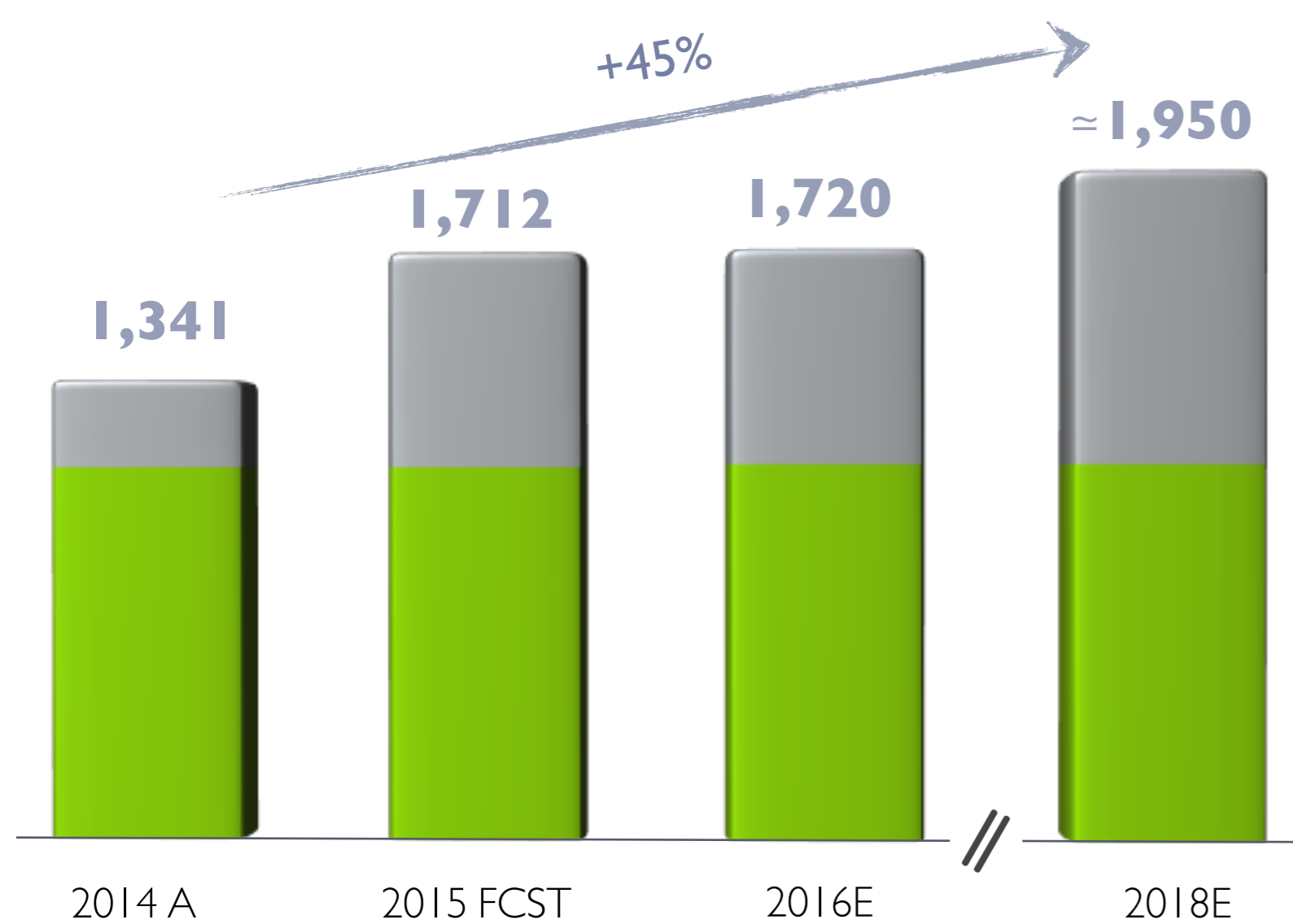
- ✓ Efficiency and O&M insourcing drive to further cost reduction in Italy
- ✓ Under assessment a potential O&M insourcing abroad

WIND: KEY FIGURES

Average Capacity (MW)

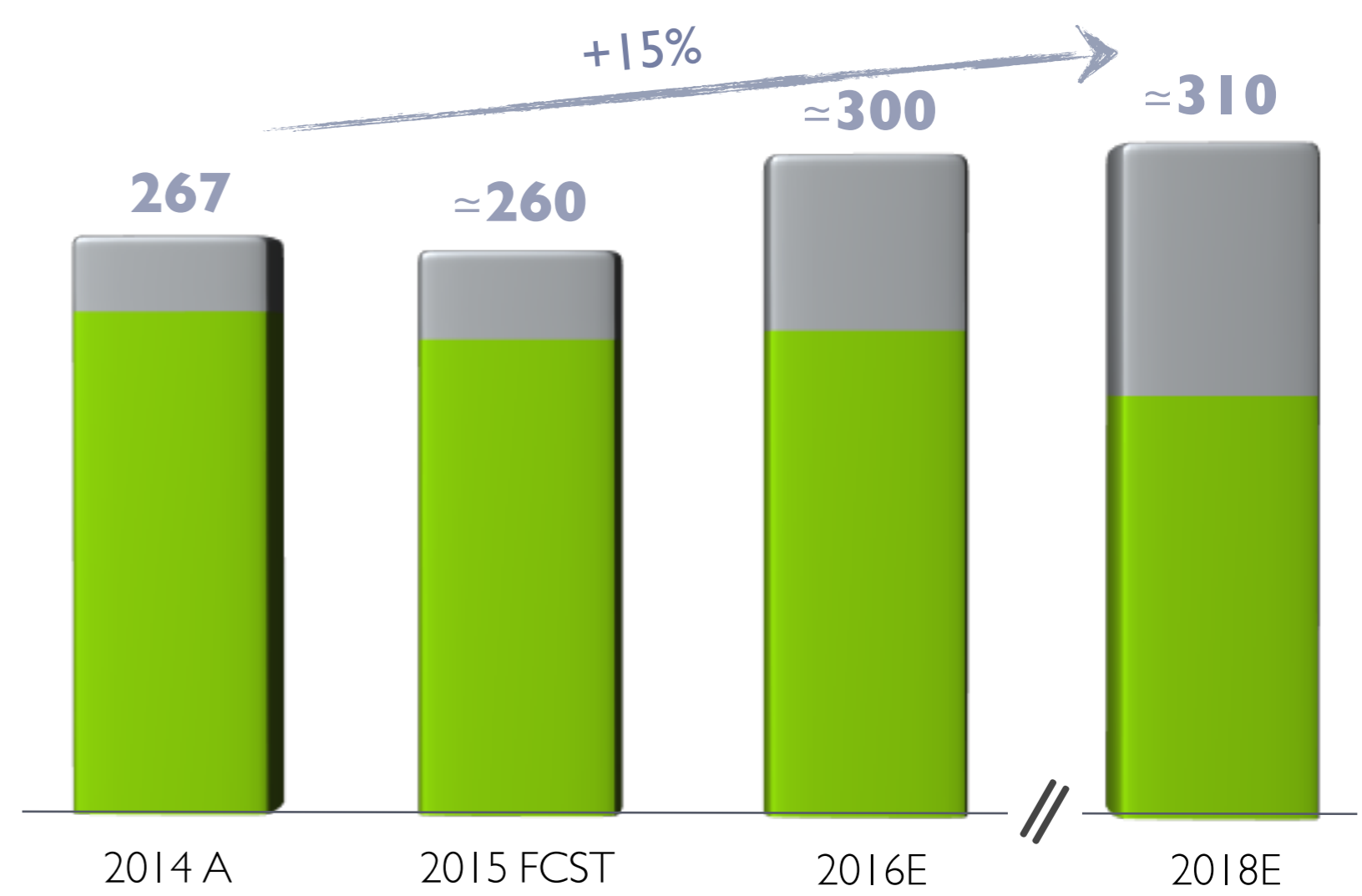


Year-end Capacity (MW)

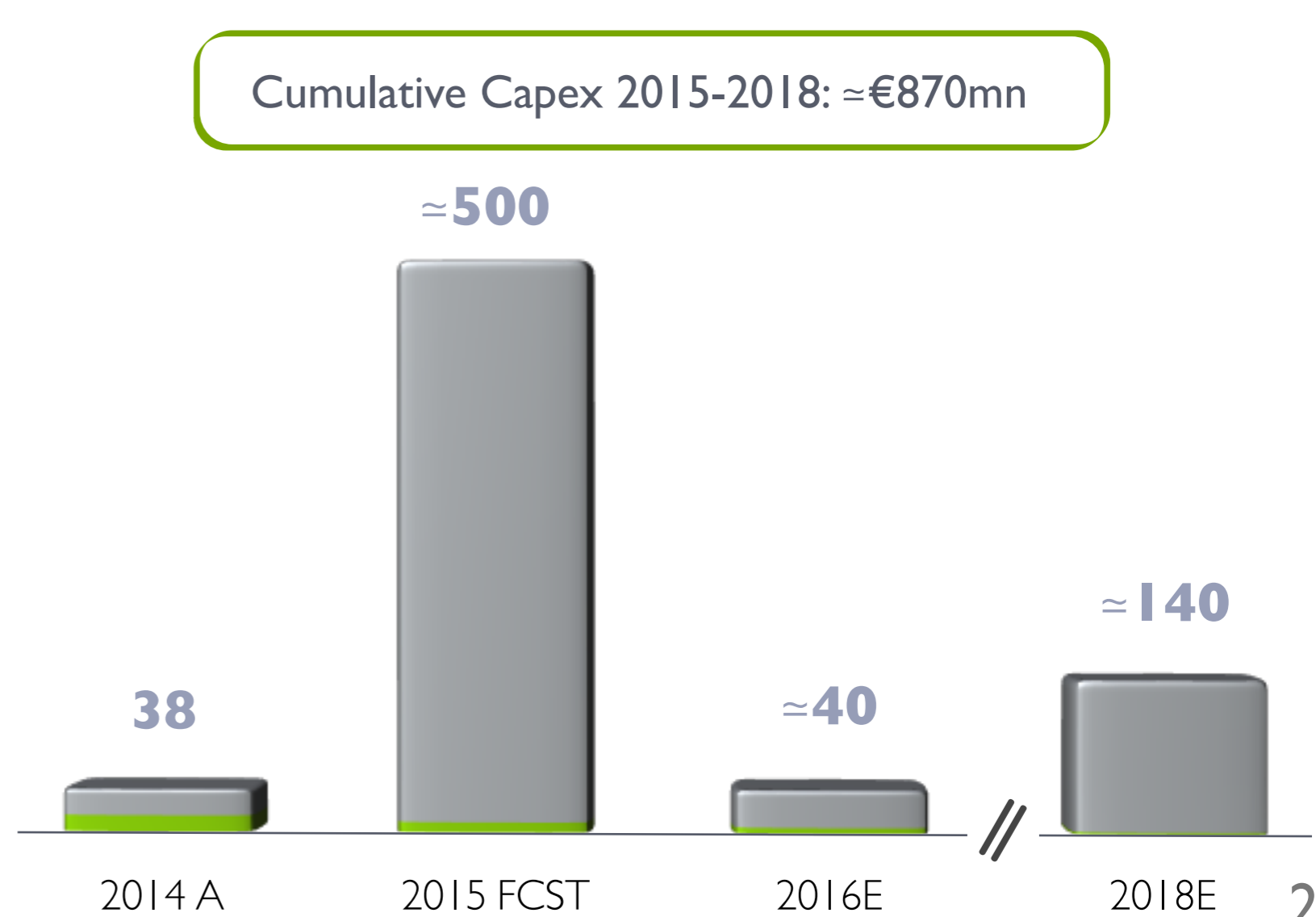


ABROAD
ITALY

EBITDA (€ mn)



CAPEX (€ mn)



PROGRAMMABLE: STRATEGY

Hydro

- **Consolidation of Hydro assets**
 - Focus on assets and people integration
 - 100 professionals with strong expertise in hydro plants operations and energy management
 - **Extracting value from asset management of Hydro integrated system**

CCGT

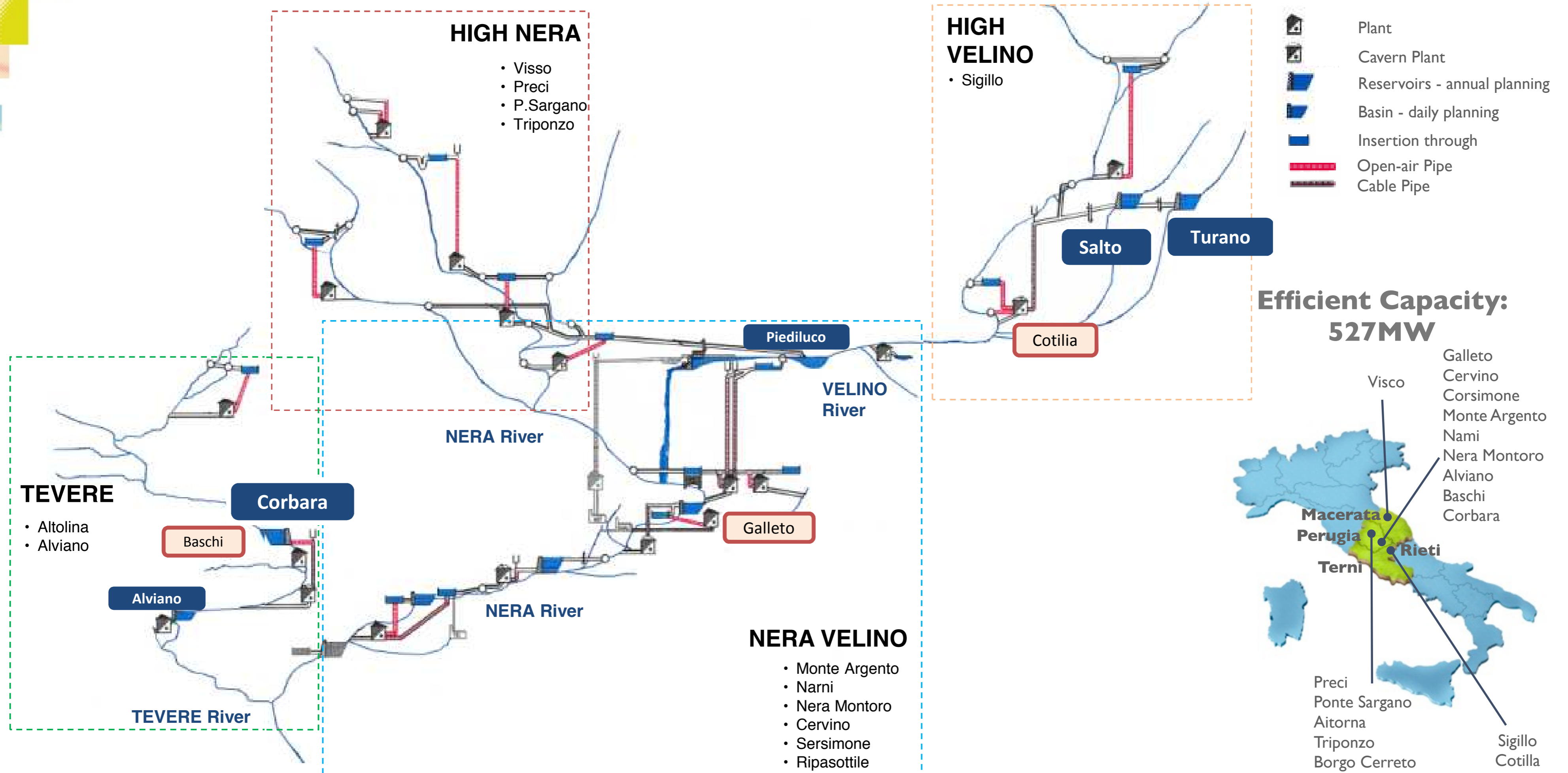
- **Maximising CCGT profitability** thanks to plant efficiency and flexibility
- **CCGT** as a **flexible tool** for the enlarged **Energy Management portfolio**
- **High yield cogenerative plant**

Energy Management

- Value creation through dispatching of a **mixed and balanced generation portfolio**
- **Increase in size and diversification of electricity portfolio** under management: Thermal, Wind and Hydro

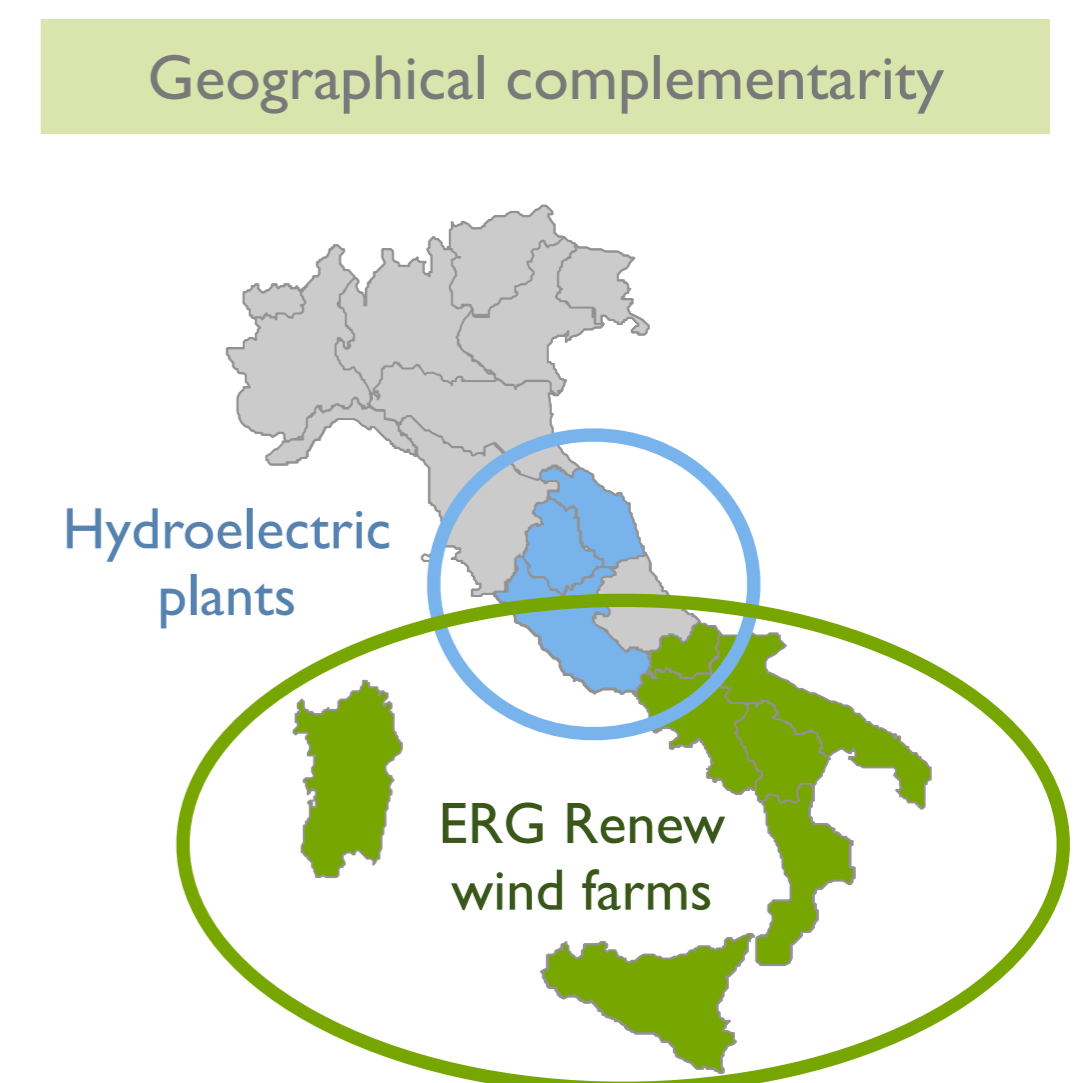
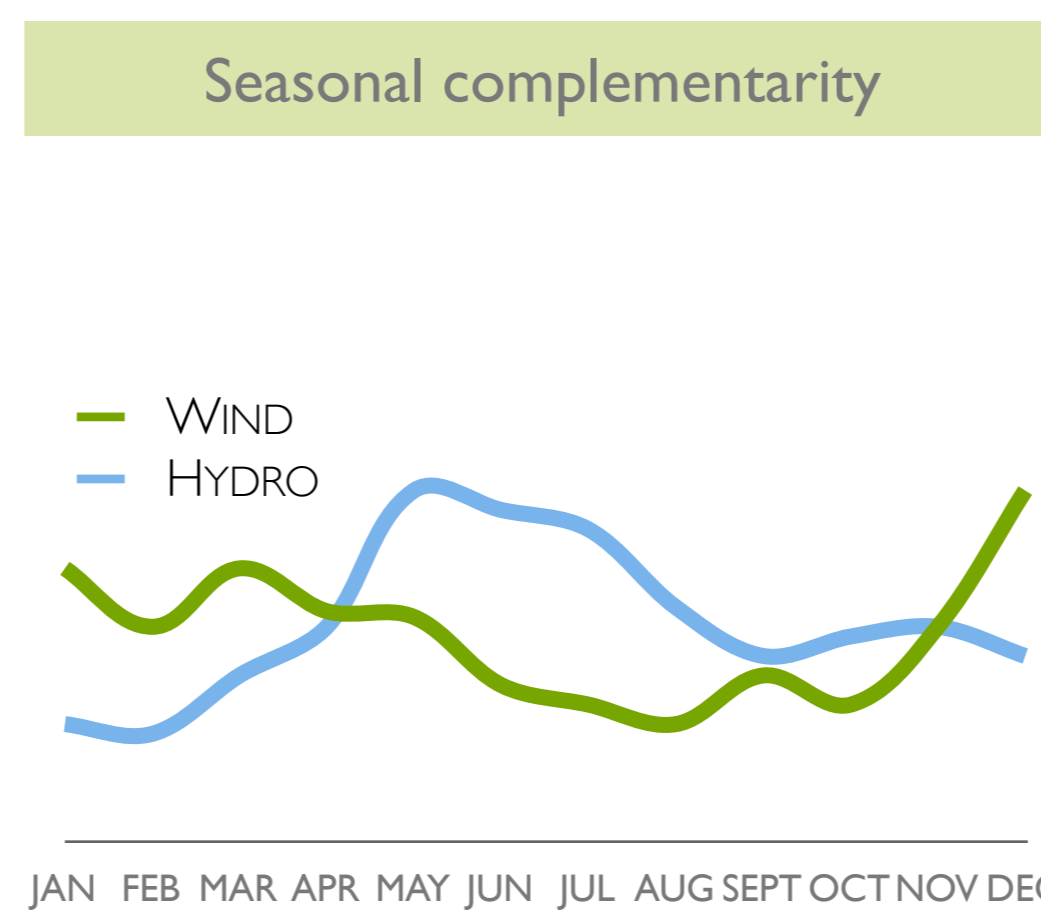
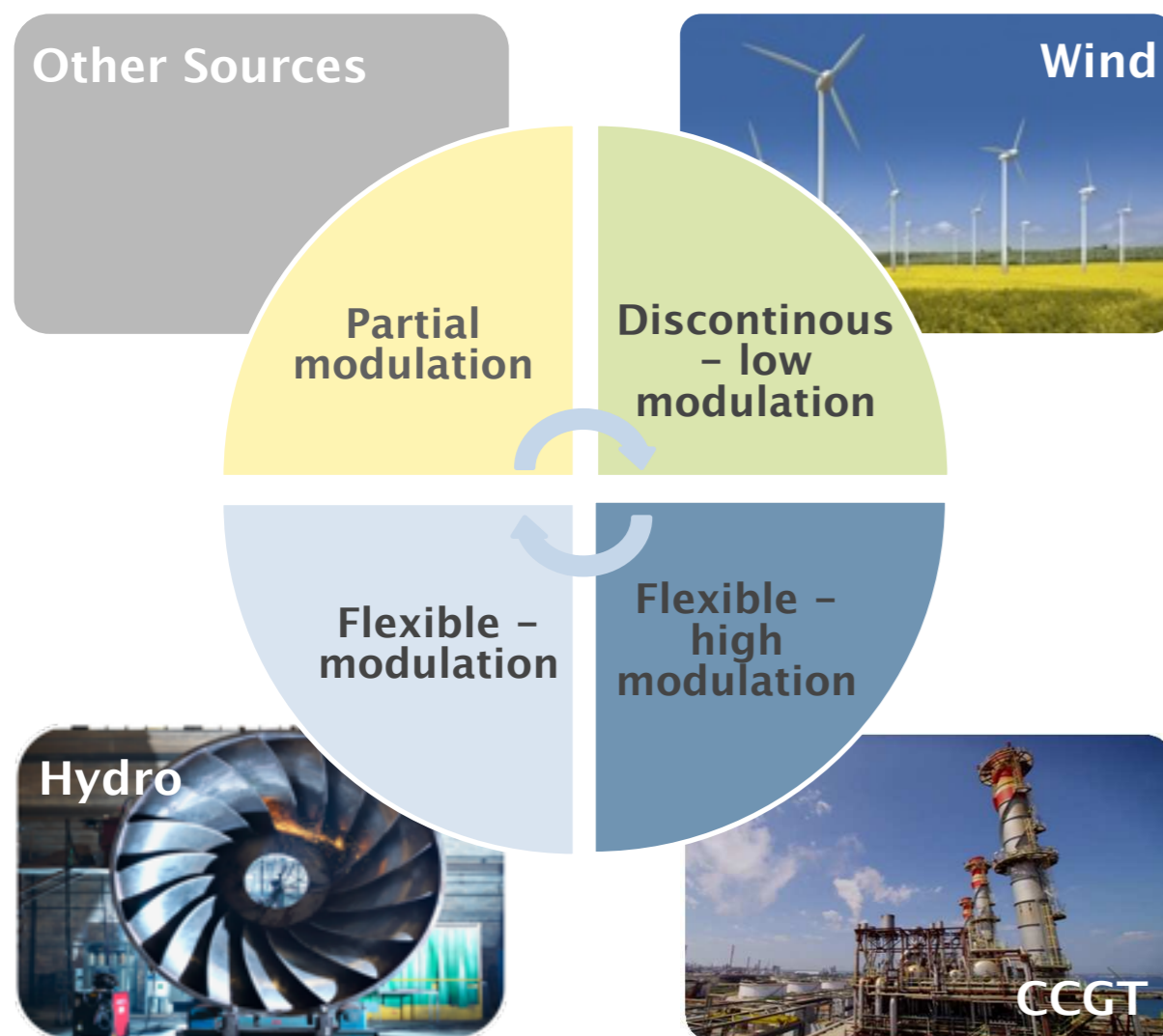
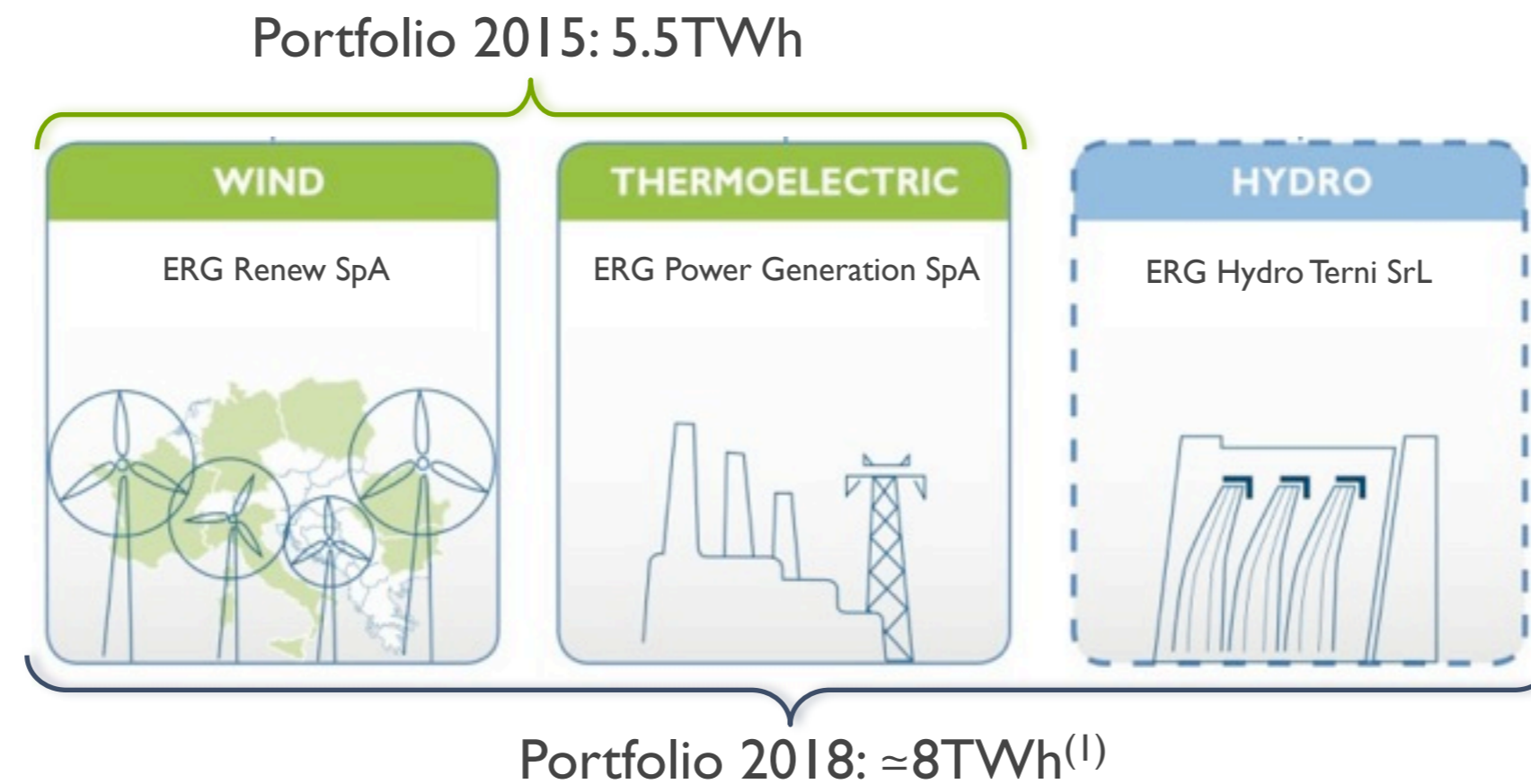
HYDRO - A WELL INTEGRATED ASSET

- **Integrated system:** 16 plants, 38 unit productions, 7 dams and 3 reservoirs
- **527MW** installed capacity
- 2014 production: **1.8TWh**



A solid technological diversification

FOCUS ON ENERGY MANAGEMENT



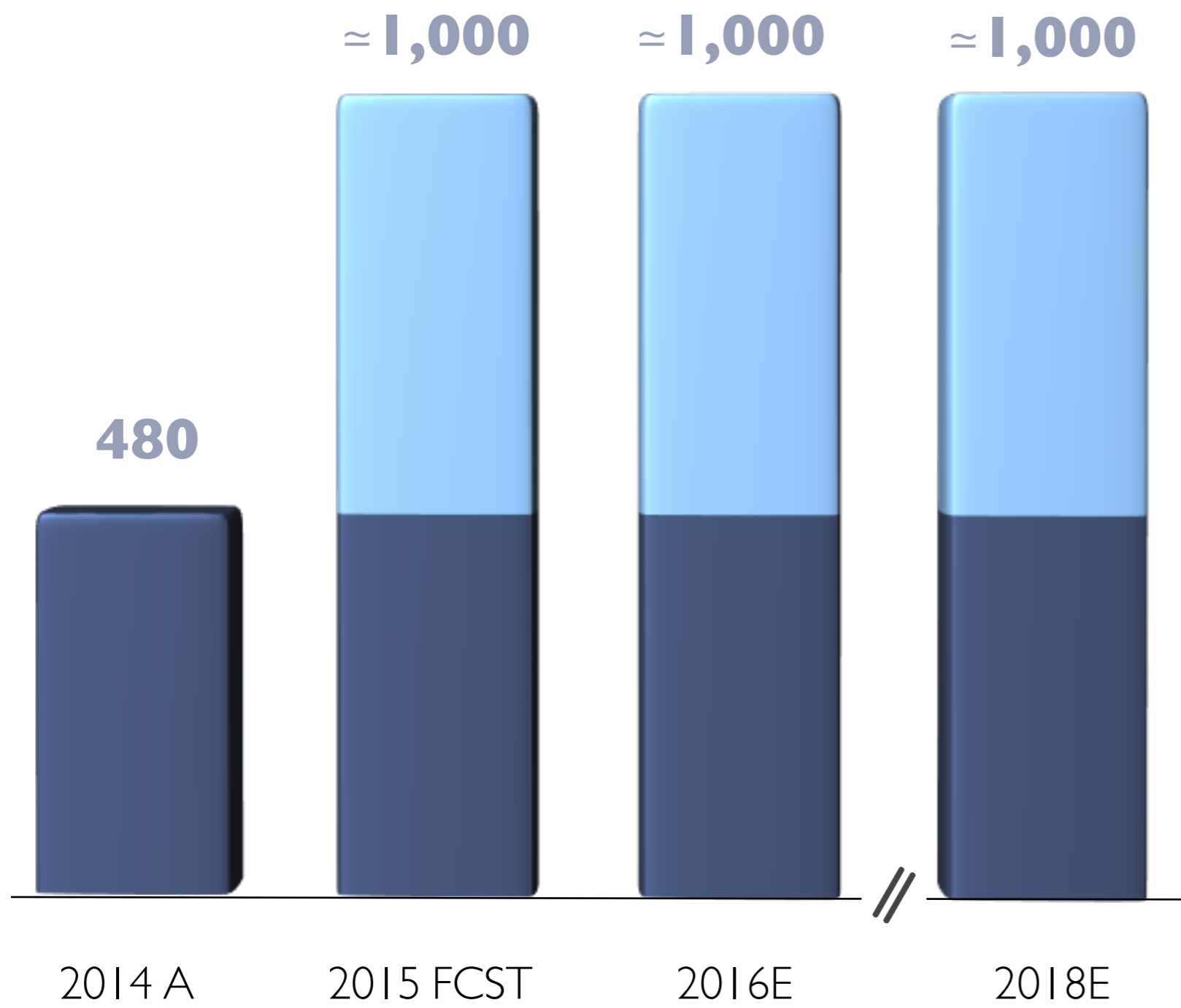
- Energy Management based on a larger and diversified portfolio
- Development of a portfolio for electricity sales and modulation
- Integrated Energy Portfolio Management leads to a significant reduction of PAR

Adding value through enlargement of electricity portfolio

⁽¹⁾ It includes Wind production abroad

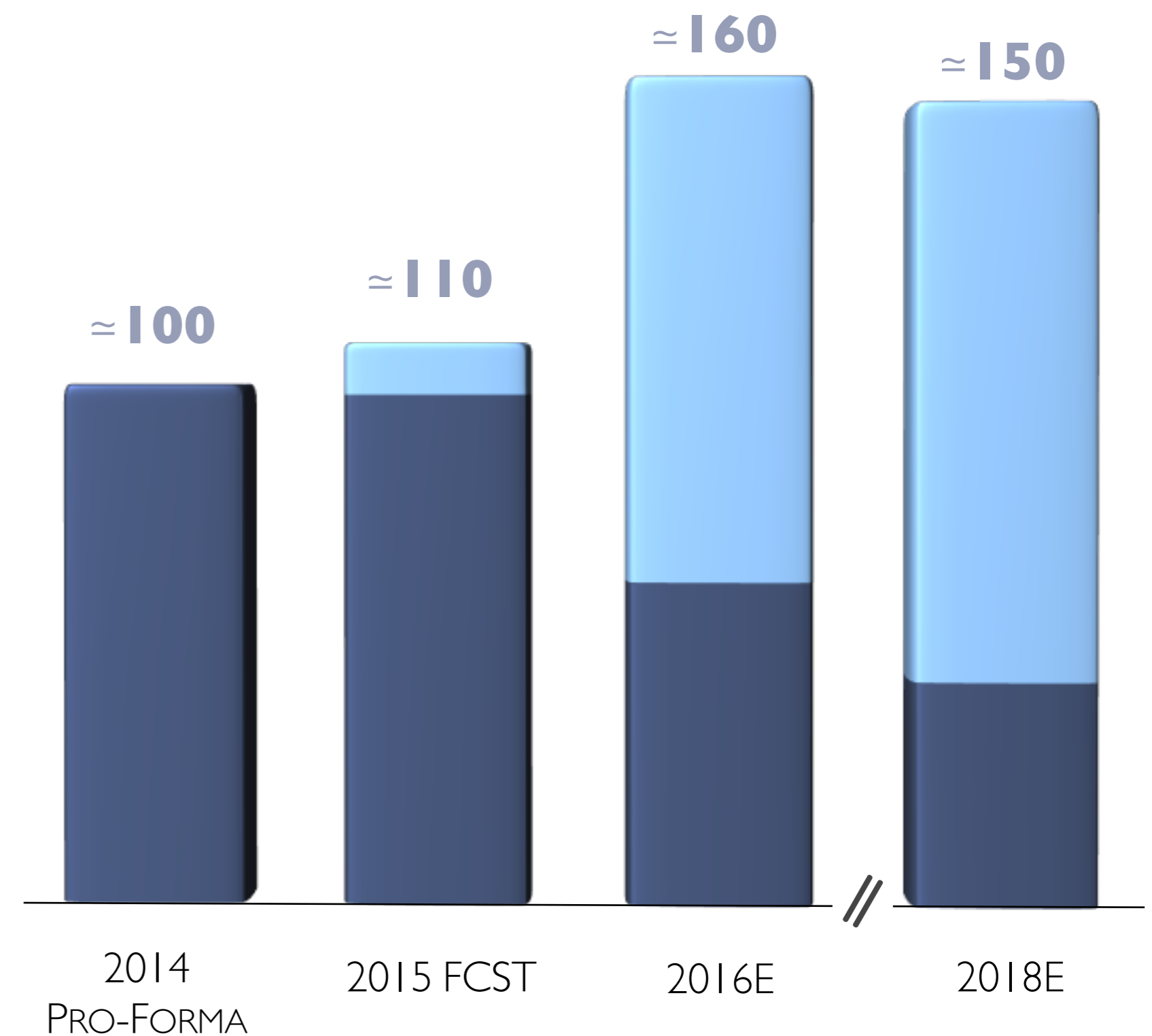
PROGRAMMABLE: KEY FIGURES

Capacity (MW)



EBITDA (€ mn)

Cumulative Capex 2015-2018: ≈€1,000mn, of which ≈€950mn for the acquisition of Hydro assets in 2015

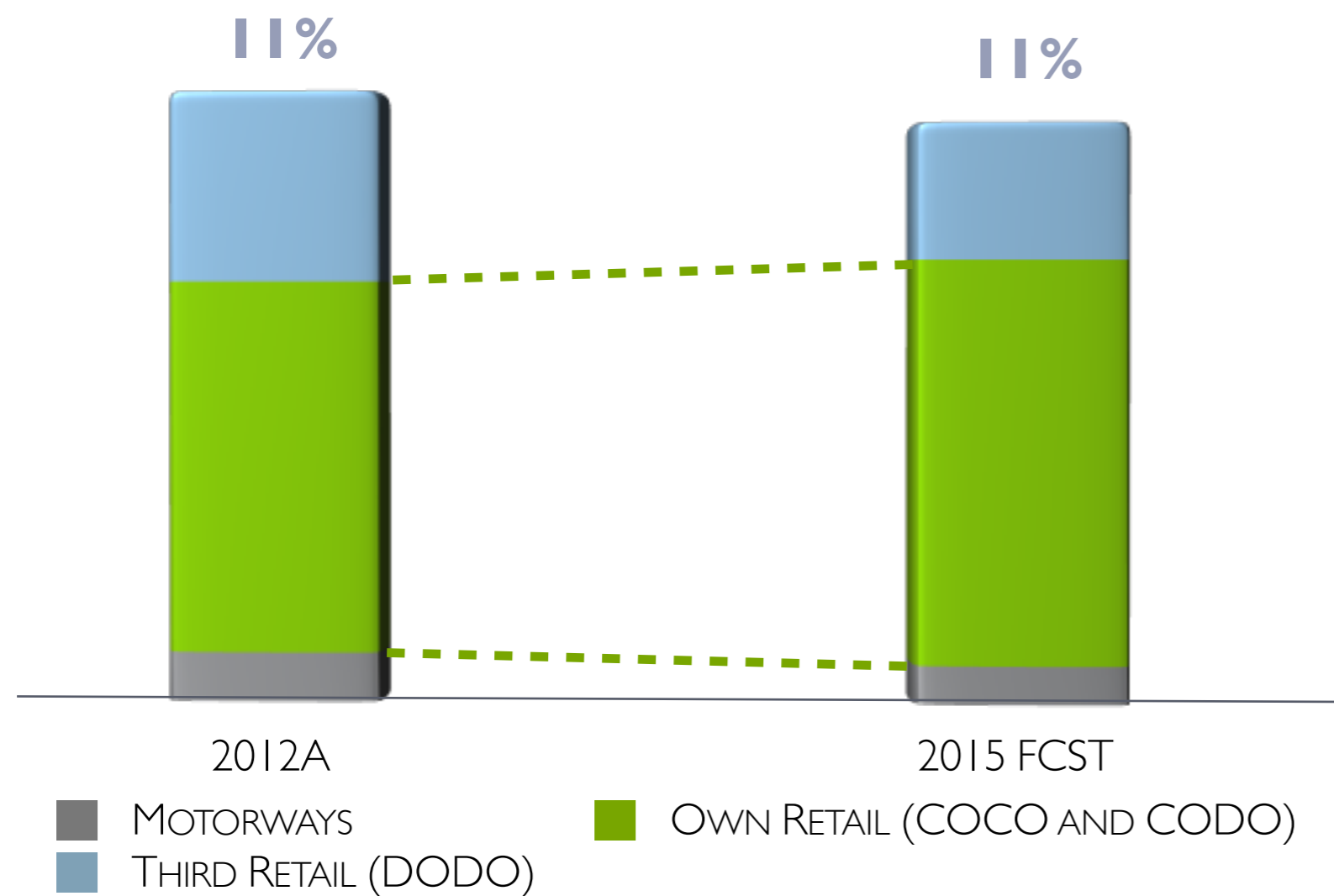


■ CCGT ■ HYDRO

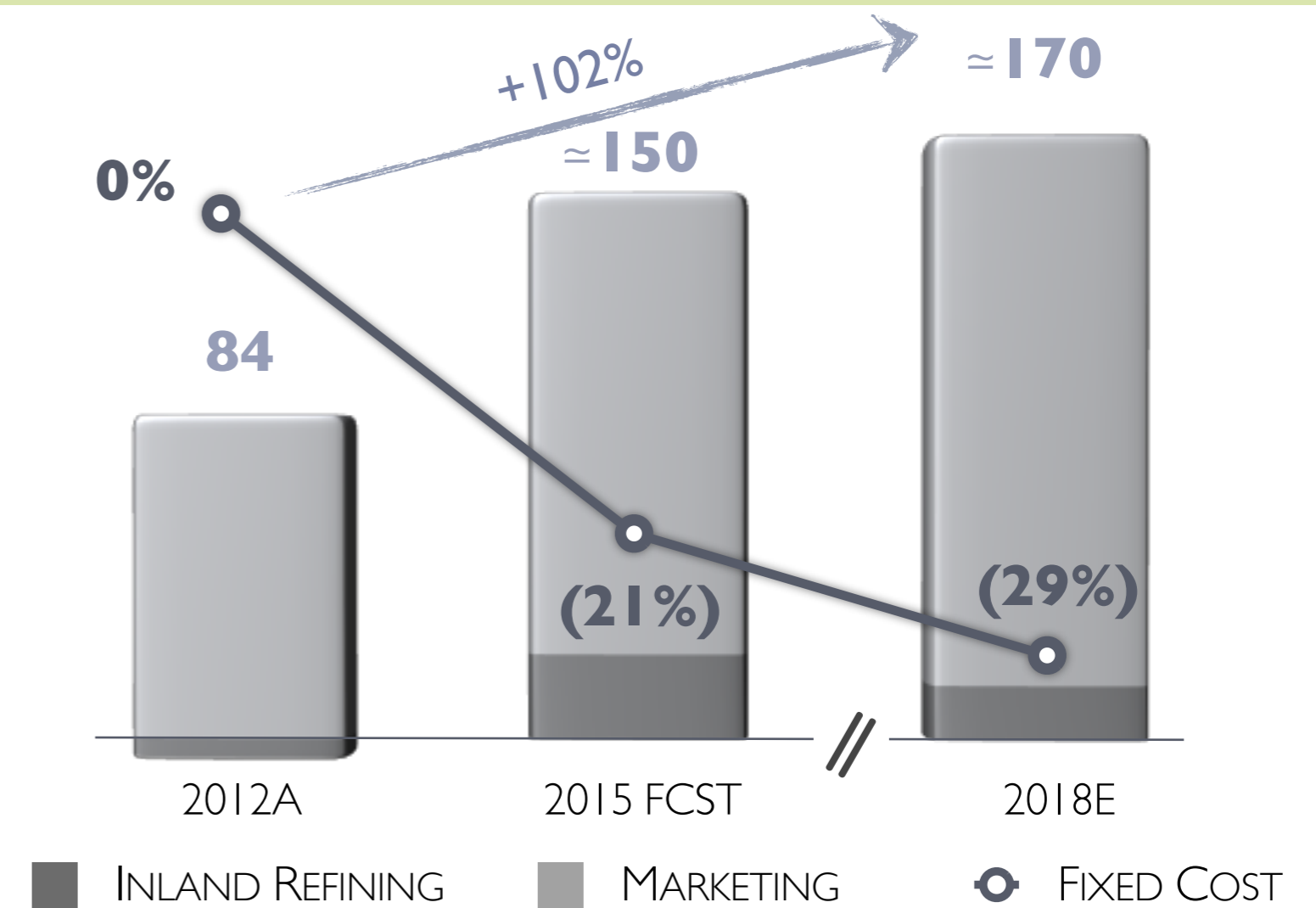
- ✓ **Reduced CCGT profitability following the interconnection**
- ✓ **Increasing Hydro contribution from synergies and pricing scenario**

TOTALERG⁽¹⁾: ENHANCING THE VALUE OF OUR PARTICIPATION

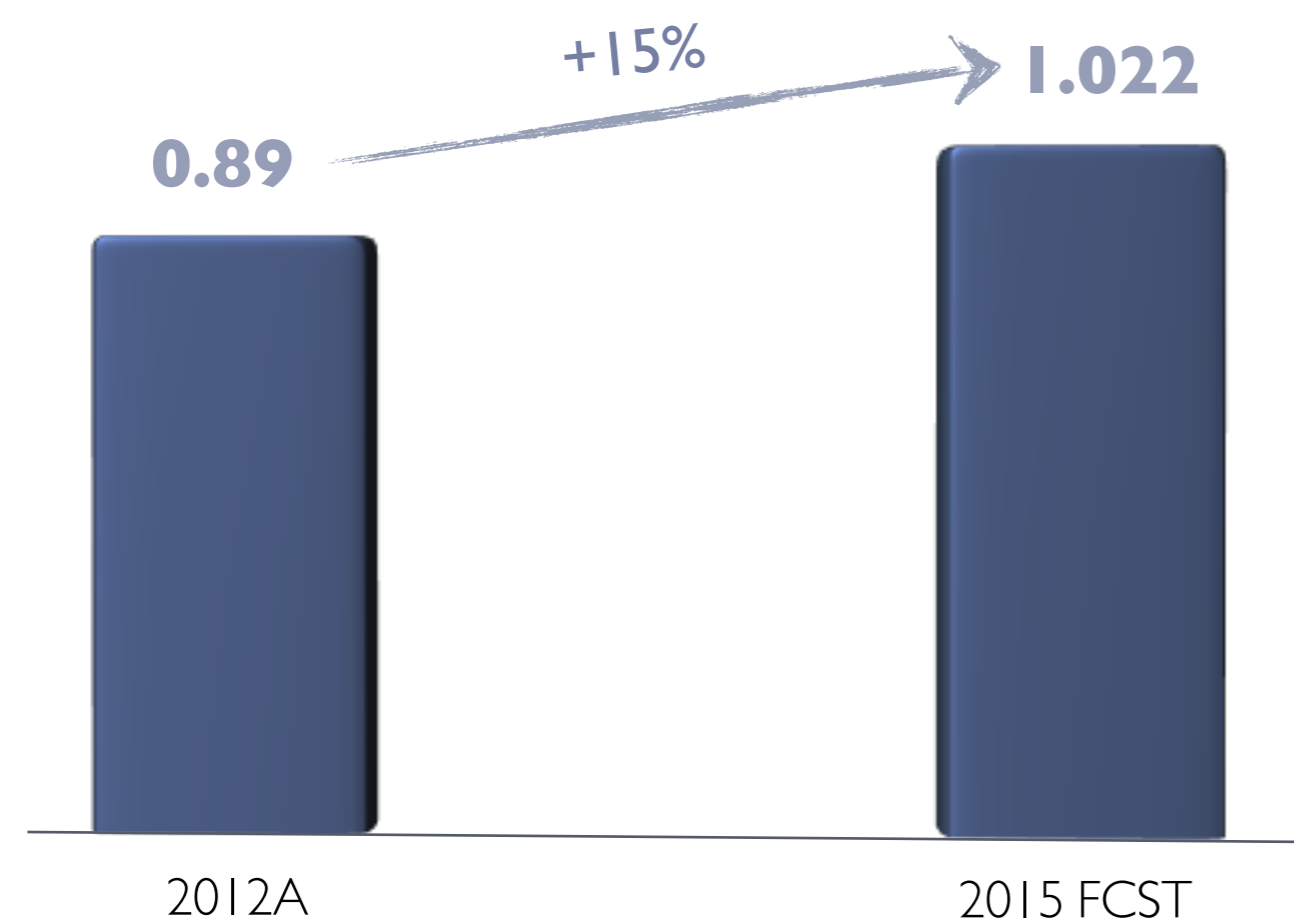
Increased Market Share of Own Retail vs DODO



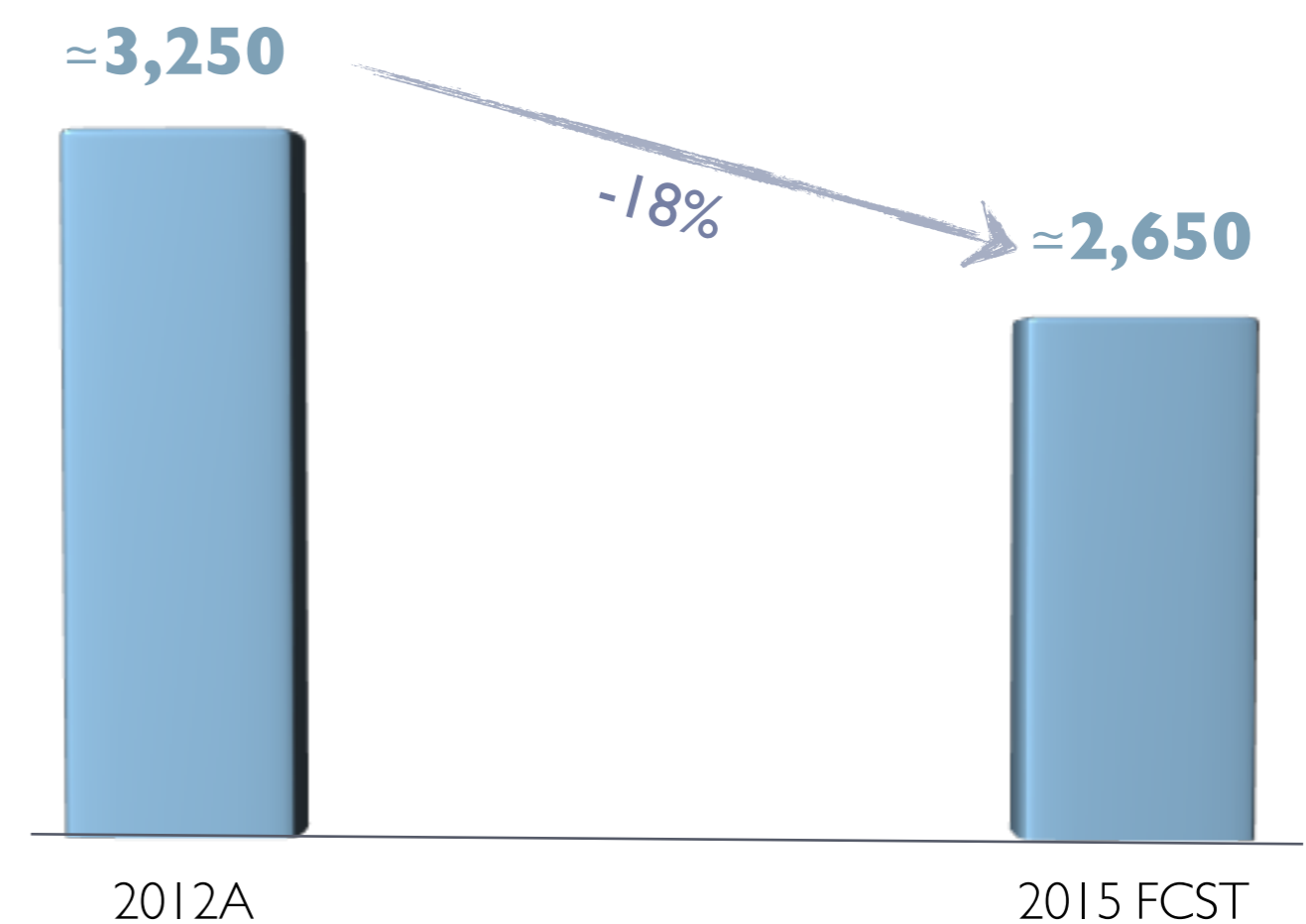
Increasing EBITDA (€ mn)



Increased Efficiency Index



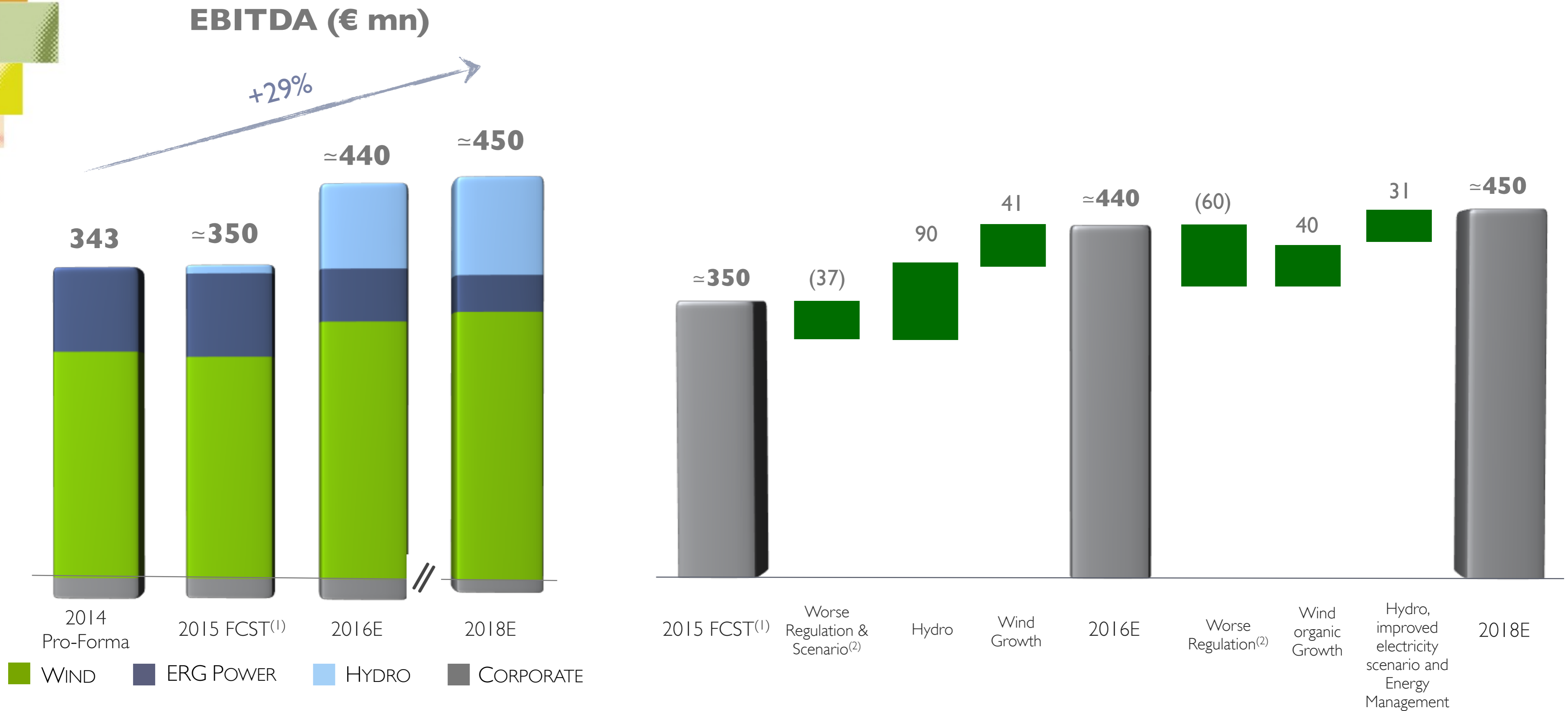
Number of service stations at year-end



Successful turnaround in a challenging environment

⁽¹⁾ ERG stake is 51%. Participation consolidated on an equity basis

2015-2018 GROUP EBITDA EVOLUTION

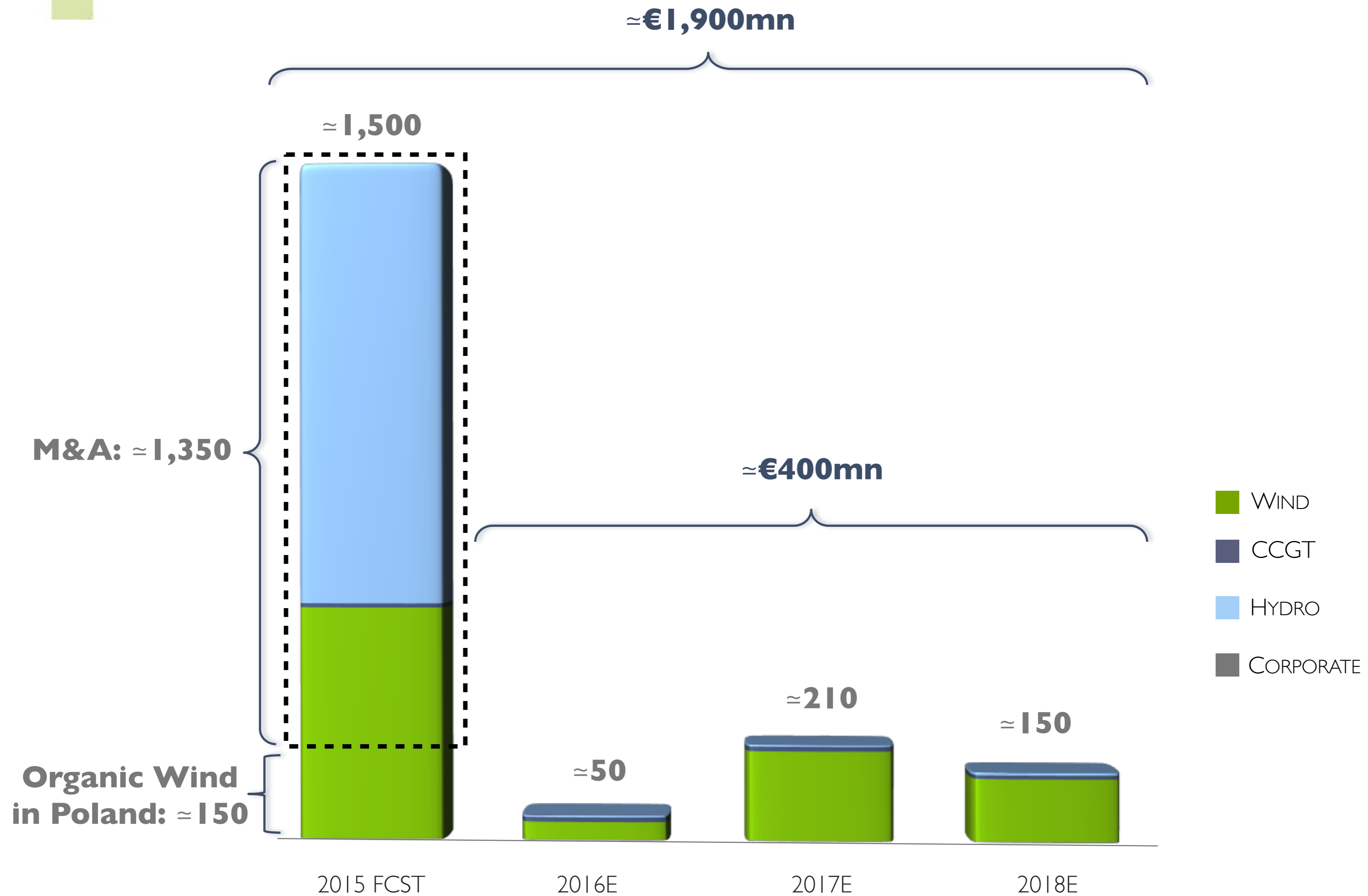


Solid EBITDA with a different breakdown

⁽¹⁾ 2015 FCST EBITDA includes €10mn from Hydro Terni consolidation as of 1.12.2015

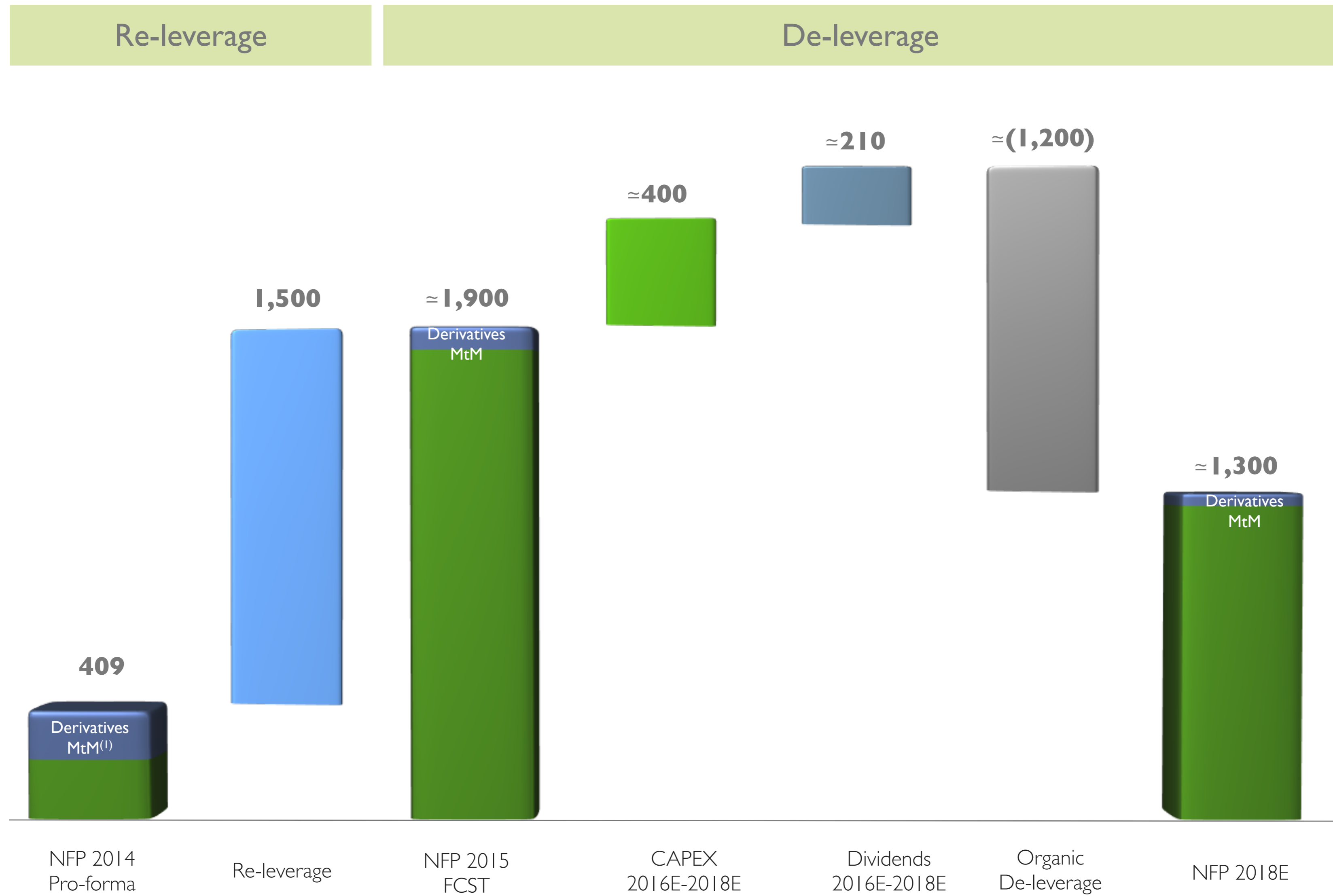
⁽²⁾ Assumption of entry into operations of Sorgente-Rizziconi interconnection at the end of June 2016 and phasing out of GCs in Wind Italy

CAPEX 2015-2018



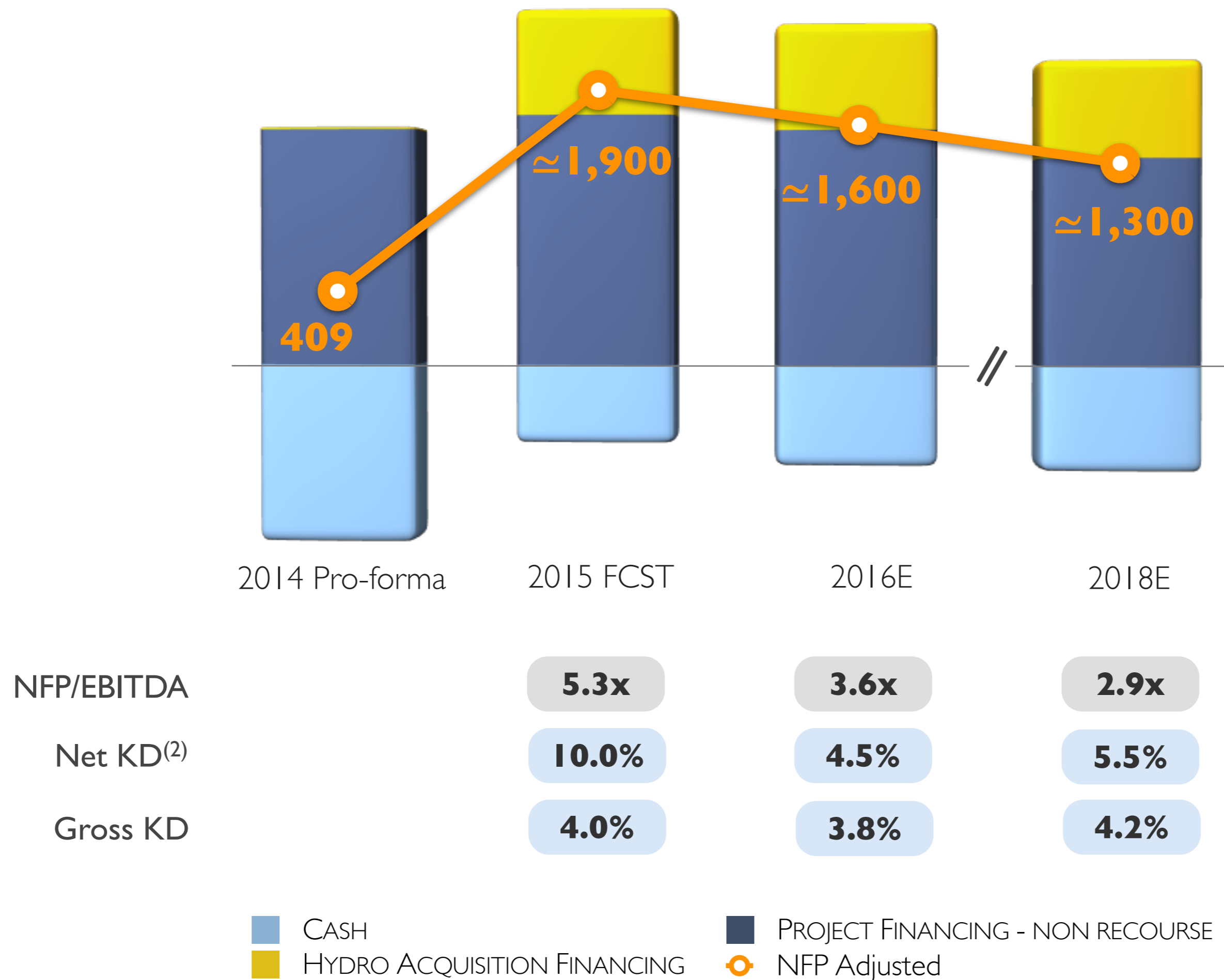
Wind organic investments for roughly €400mn in 2016-2018

OPTIMISATION OF FINANCIAL STRUCTURE



(1) MtM of derivatives at 31.12.2014: ≈€184mn

2015-2018 NFP⁽¹⁾ EVOLUTION



De-leverage and further financial optimisation

⁽¹⁾ Assuming dividend distribution flat in the plan period at €0.5/share per year

⁽²⁾ Based on average NFP

CLOSING REMARKS

LUCA BETTONTE

CEO

KPI EVOLUTION IN THE PLAN PERIOD

Capacity installed

- From 1,821MW to \approx 2,950MW, **+13% CAGR**
- Wind: from 1,341MW to \approx 1,950MW, **+10% CAGR**
- Abroad capacity from 254MW to \approx 850MW, **+35% CAGR**

EBITDA

- From €343mn to \approx €450mn, **+7% CAGR**
- EBITDA 2018 at \approx €450mn, 65% Wind and 35% programmable

CAPEX

- **Cumulated amount of \approx €1.9bn** out of which €1.35bn M&A and \approx €0.6bn organic growth

Debt

- **Re-leverage** in 2015: from €409mn to \approx €1,900mn
- **De-leverage** in 2016-2018: from \approx €1,900mn to \approx €1,300mn (NFP/EBITDA <3x)

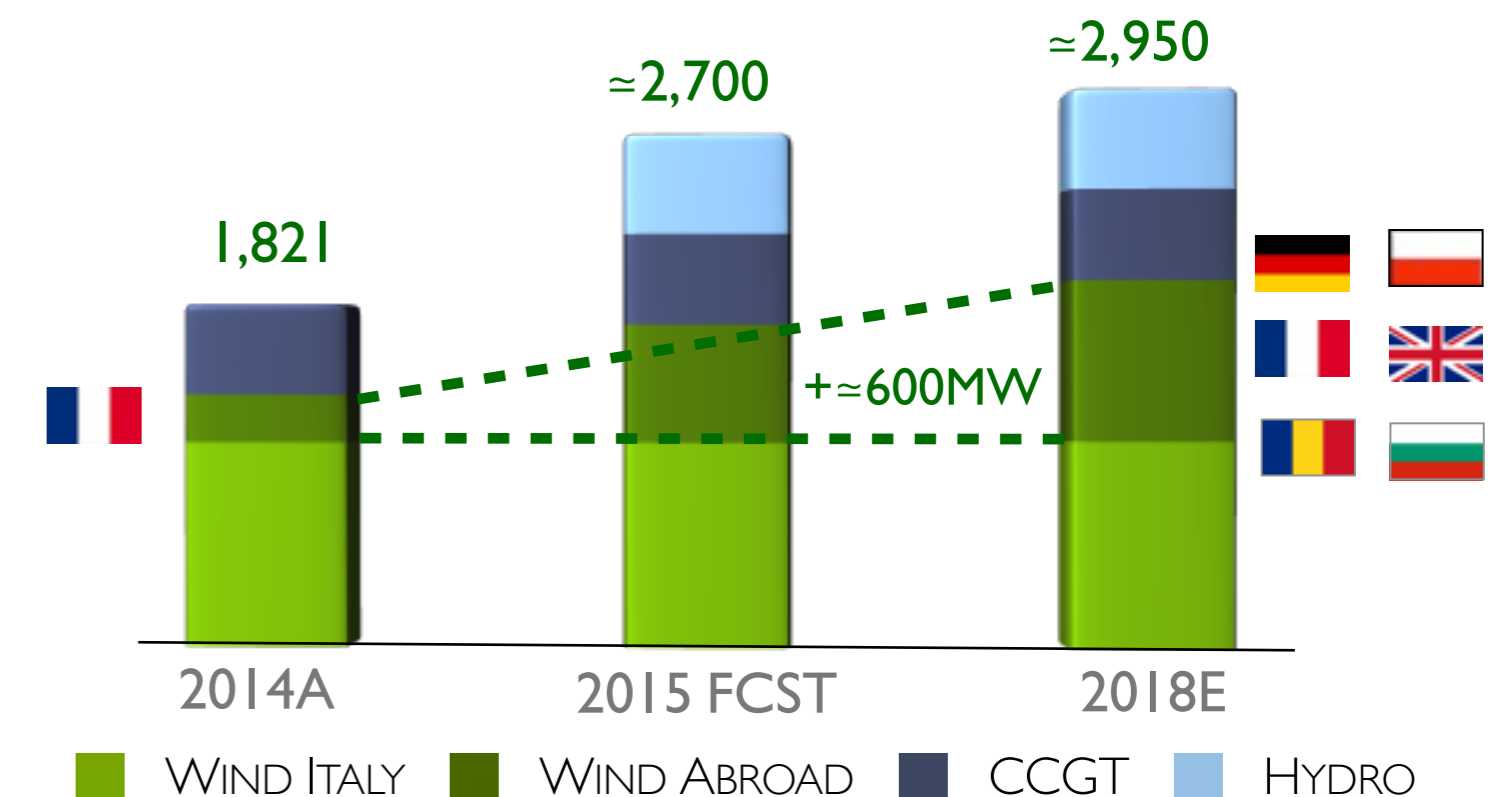
Dividends

- **Sustainable dividend policy with a floor at €0.5/share**

ERG STRENGTHS

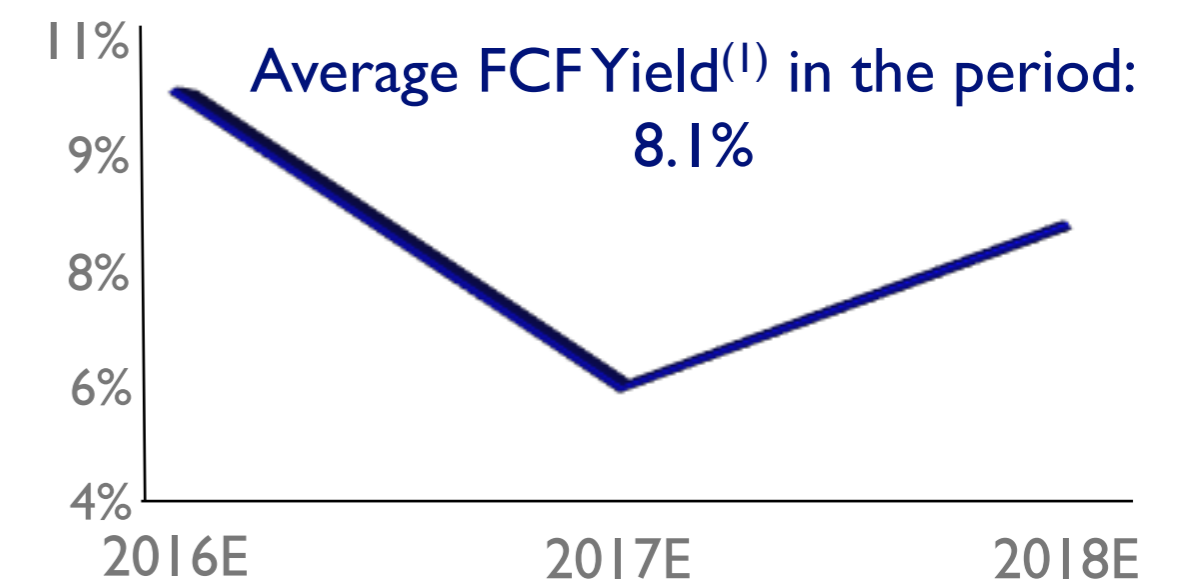
Asset Quality

- **Technological and geographical diversification**
- **Wind:** 1.7GW installed @ 2015 to almost 2GW @ 2018
 - Load factor at premium vs Industry average
 - Insourced O&M and high operating efficiency
- **CCGT:** high yield cogenerative flexible plant
- **Hydro:** 527MW integrated system



High Free Cash Flow Generation

- **De-leverage** in 2016-2018: ≈€1,200mn operating cash flow ahead of:
 - **€400mn of organic investments** in 2016-2018
 - **€210mn of dividends** in the period 2016-2018
- **Integrated asset portfolio** with low performance volatility and PAR



Management Team

- **Vision** to anticipate trend from Oil run for cashing to Renewables run for growing
- **Execution:** >€7bn transactions in 2008-2015
- **Flexibility** to adapt to the new core business

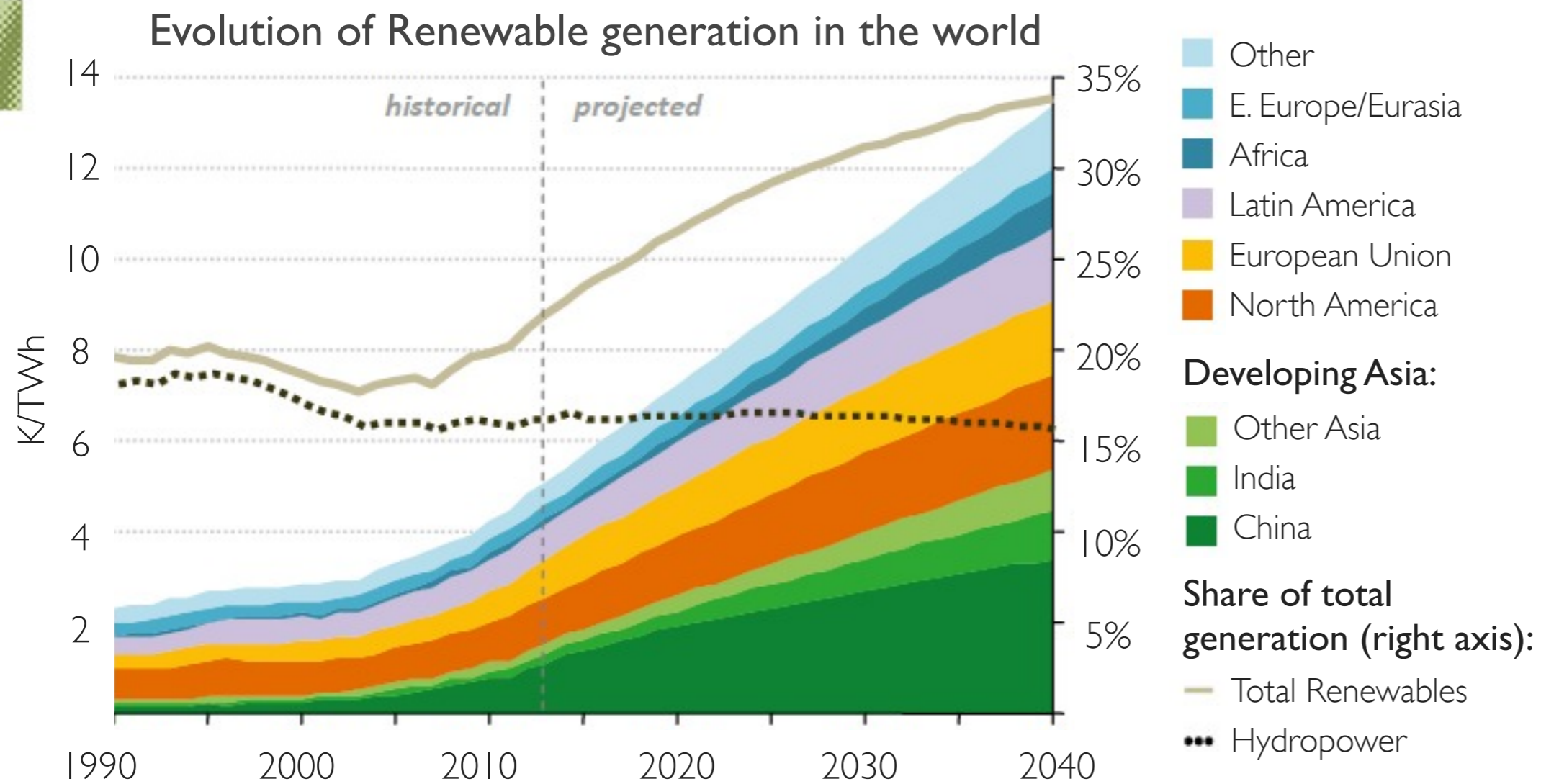


A story of vision, execution and de-leverage

⁽¹⁾ Free Cash Flow Yield calculated as FCF before dividends on Net Invested Capital, lower in 2017-2018 (vs 2016) reflecting higher CAPEX

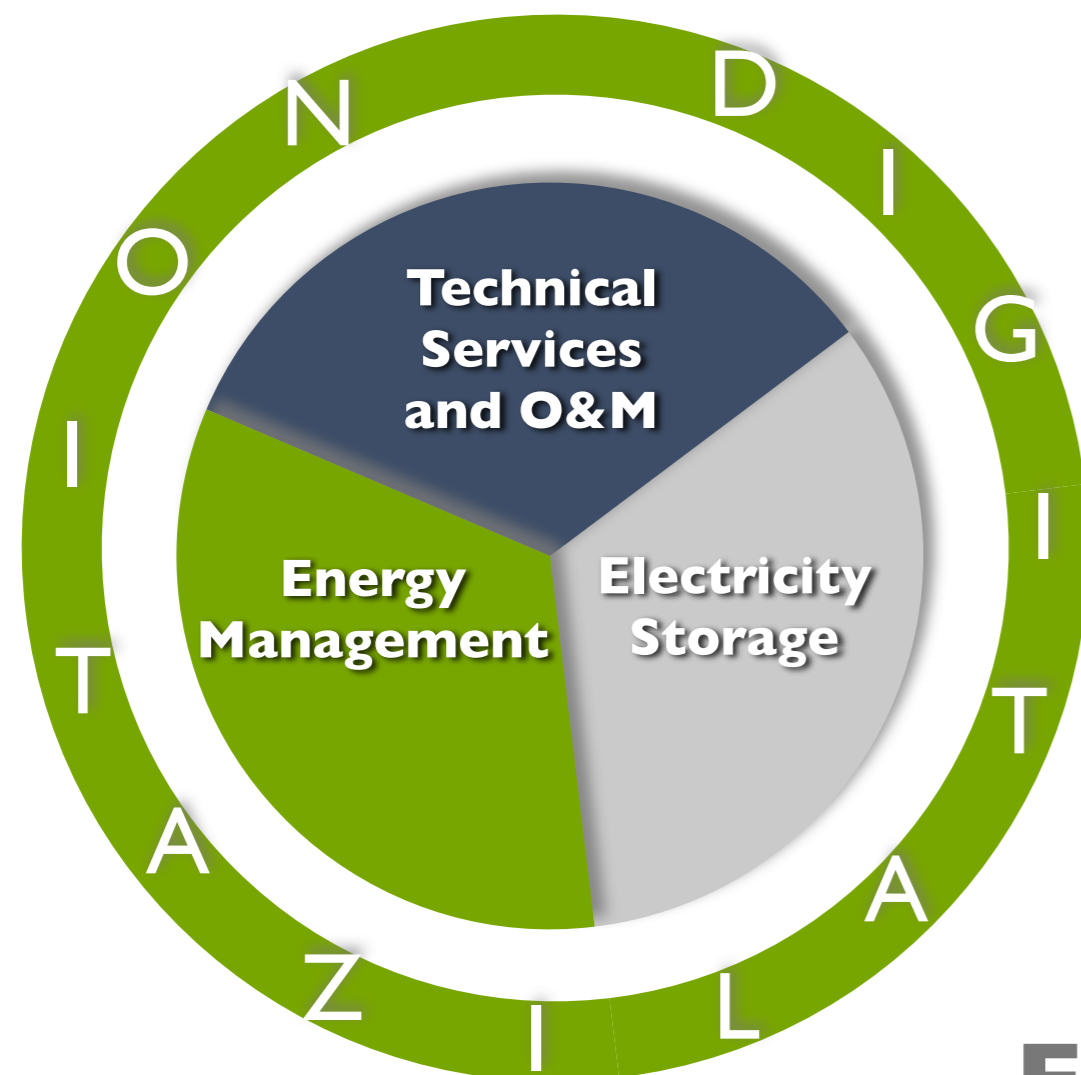
WHAT'S NEXT?

The World is going towards Renewables



- **19th Century: Age of Carbon**
- **20th Century: Age of Oil** - ERG founded in 1938 as an Oil Company
- **21st Century: Age of Green Economy** - ERG repositioning towards Renewables

Key Pillars to be exploited in the future



Renewable trend is going to create more and more the opportunity for:

- **Technical and O&M services**, in light of:
 - EU wind asset base getting older
 - large presence of financial operators
- **Storage technology for electricity:** making intermittent as programmable
- **Energy Management:** to capture full potential of the entire value chain

ERG ready for the new challenge