



Press release

The Board of Directors of ERG S.p.A. approves the Half-Yearly Financial Report as at 30 June 2016

Consolidated EBITDA at replacement cost¹: €273 million, €198 million in the first half of 2015

Group net result at replacement cost²: €74 million, €57 million in the first half of 2015

Genoa, 5 August 2016 – At its meeting held today, the Board of Directors of ERG S.p.A. approved the Half-Yearly Financial Report as at 30 June 2016³. The figures for the second quarter, which are not subject to approval by the Board of Directors or to independent audit, are to be considered pro-forma numbers and are presented here for the sake of completeness and continuity of the information provided.

Consolidated financial results at replacement cost

2nd Quarter			Performance highlights (million Euro)	1st Half		
2016	2015	Var. %		2016	2015	Var. %
111	86	+28%	EBITDA	273	198	+38%
46	46	-	EBIT	145	116	+24%
17	23	-26%	Group net result	74	57	+31%

	30.06.16	31.12.15	Variation
Net financial debt (million Euro)	1,840	1,448	+ 392
Leverage⁴	54%	46%	

Luca Bettonte, ERG's Chief Executive Officer, commented: "thanks to the new industrial organisation, based on a technologically and geographically diversified generation portfolio that is also balanced between programmable and non programmable sources, the Group's EBITDA again in the second quarter was extremely satisfactory, showing a strong growth. The quarter particularly benefitted from the full contribution of all the new wind and hydroelectric assets acquired for over 900 MW of installed capacity, together with the improved wind conditions, especially in Italy. Thermoelectric power generation posted a good performance during the period due to the constantly increasing contribution from the Energy Management business and despite the coming into operation of the Sorgente-Rizziconi power line, ahead of schedule, from May 28th. The results for the quarter, but more generally for the half year, appear even more satisfactory if considered taking account of both the particularly unfavourable energy scenario, with continuously waning prices and domestic demand, and the scarce availability of water during the period. For the remainder of the year, notwithstanding expectations of an even weaker scenario, the results achieved so far allow us to confirm our guidance for 2016 which forecasts, for the end of the year, EBITDA of around Euro 440 million and a net debt of about Euro 1.73 billion, including both the investments in the United Kingdom and the extraordinary dividend paid in May."

Preliminary remark

Change in business perimeter

The comparison with the results for the first half of 2015 significantly reflects the change that occurred in the Group's perimeter during the last six months of 2015, and more specifically:

- the acquisition of six French wind farms (63 MW) from the Macquarie group in July 2015;
- the coming on stream of the EW Orneta 2 wind farm (42 MW) in July 2015;
- the coming on stream of the Polish Hydro Inwestycje and Blachy Pruszyński wind farms (40 MW) at the beginning of 2016;
- the acquisition from E.ON of the Terni integrated hydroelectric complex (527 MW) on 30 November 2015;
- the acquisition of eleven wind farms in France (124 MW) and six in Germany (82 MW) from Impax Asset Management Group during the first quarter of 2016.

Second quarter 2016

Consolidated financial results

In the second quarter of 2016, **revenues** totalled Euro 235 million, compared to Euro 222 million in the second quarter of 2015.

EBITDA at replacement cost was 111 million Euro, compared to Euro 86 million posted in the second quarter of 2015.

- **Non Programmable Sources (wind power):** EBITDA, at Euro 70 million, showed an increase compared to Euro 62 million for the corresponding period in 2015, thanks to the notable growth in output, reflecting both the contribution from the new wind farms in France, Germany and Poland and the good wind conditions during the period, particularly in Italy, which more than offset the impact of the lower average selling prices.
- **Programmable Sources (thermoelectric and hydroelectric power):** EBITDA, at Euro 44 million, posted a growth compared to Euro 30 million in the second quarter of 2015 following the contribution from the newly-acquired hydroelectric complex which contributed Euro 20 million to the result, despite the scarce availability of water recorded during the period; the result of Euro 24 million posted by thermoelectric power remained at a satisfactory level thanks to the high efficiency of the plants, the increase in spark spreads and the results of the Energy Management business covering the generation margin, despite the lower cost recoveries on the part of the ERG Power CCGT plant which, until 27 May 2016, was subject to the current Essential Units regulations for the safety of the electricity system.

EBIT at replacement cost came to Euro 46 million, the same as for the second quarter of 2015, after amortisation and depreciation totalling Euro 65 million (Euro 41 million in the second quarter of 2015).

Group net result at replacement cost was Euro 17 million (Euro 23 million in the second quarter of 2015). The decrease was primarily due to the higher financial charges deriving from the change in net financial position following the acquisitions carried out.

First half of 2016

Consolidated financial results

In the first six months of 2016 **revenues** totalled Euro 530 million, showing an increase compared to Euro 497 million in the first half of 2015, following the significant growth in Italian output as regards both wind and thermoelectric power, the contribution from the new wind power capacity that has come into operation in France, Germany and Poland, as well as the contribution from the newly acquired hydroelectric complex. The growth in volumes more than offset the falloff in average energy prices.

EBITDA at replacement cost came to Euro 273 million, with an increase over Euro 198 million posted in the first half of 2015.

- **Non Programmable Sources (wind power):** EBITDA, at Euro 187 million, showed a strong growth compared to the corresponding period a year earlier (Euro 157 million), thanks to the significant rise in output due both to the contribution of the new wind farms in France, Germany and Poland and the good wind conditions recorded during the period, particularly as regards Italy. These factors more than offset the impact of the lower average selling prices.
- **Programmable Sources (thermoelectric and hydroelectric power):** EBITDA, at Euro 93 million, was up on the corresponding period in 2015 (Euro 52 million) as a result of the contribution of Euro 41 million from the hydroelectric complex, despite the scarce availability of water recorded during the period; the result of Euro 52 million posted by thermoelectric power is in line with the previous year thanks to the high efficiency of the plants, the increase in spark spreads and the results of the Energy Management business covering the generation margin. We mention that, until 27 May 2016, the ERG Power CCGT plant was subject to the current Essential Units regulations for the safety of the electricity system.

EBIT at replacement cost was Euro 145 million (Euro 116 million in the first six months of 2015) after amortisation and depreciation totalling Euro 129 million (Euro 81 million in the first six months of 2015).

The **Group net result at replacement cost** was Euro 74 million, with a growth compared to Euro 57 million in the first six months of 2015, due above all to the reasons already described in the comment on the operating results, as well as to the improved equity method contribution from the TotalErg investment, and despite the higher financial charges during the period as a result of the new acquisitions.

Net financial debt stands at Euro 1,840 million, up by Euro 392 million compared to the amount recognised at 31 December 2015, mainly due to the acquisition from the Impax group of the French and German wind farms (Euro 293 million), the distribution of dividends (Euro 143 million), and investments made during the period (Euro 19 million) above all for entry to the United Kingdom (Euro 13 million). Operating cash flow (Euro 84 million) partially offset the said effects, despite the negative trend in working capital (Euro -110 million), due to both the timing of incentive tariff payments in Italy and the Essential Unit regime, which should be partially absorbed by the end of the year.

Investments

2 nd Quarter		Million Euro	1 st Half	
2016	2015		2016	2015
11	37	Non Programmable Sources	13	48
11	37	Wind power	13	48
4	2	Programmable Sources	5	3
3	2	Thermoelectric power	4	3
1	0	Hydroelectric power	1	0
0	0	Corporate	1	1
15	39	Total investments	19	52

It should be mentioned that these investments do not include **two major acquisitions** carried out during the period with regard to Non Programmable Sources:

- the acquisition at the beginning of 2016 from a fund managed by Impax Management Group of eleven wind farms in France and six in Germany, with a total installed capacity of 206 MW, as well as two companies which provide operational and commercial technical assistance to "captive" and third-party wind power operators in France, Germany and Poland. The transaction's enterprise value amounts to Euro 293 million.
- the acquisition from TCI Renewables of Brockaghboy Windfarm Ltd ("BWF"), an English company holding authorisations to build a wind farm in Northern Ireland, with a scheduled capacity of over 47.5 MW and electricity output, when fully operational, estimated at more than 150 GWh per year. The transaction involved an initial investment of approximately Euro 13 Million, added to which were the investments made after acquisition of the project. The overall investment for implementation of the wind farm is estimated at around 80 million Euro, which already includes the initial consideration paid to acquire the company.

In the first six months of 2016, the ERG Group carried out investments in tangible and intangible fixed assets for a total amount of Euro 19 million (Euro 52 million in the corresponding period of 2015), of which Euro 17 million concerned tangible fixed assets (Euro 51 million in the first half of 2015) and Euro 2 million concerned intangible fixed assets (Euro 1 million in the first six months of 2015).

Non Programmable Sources

Investments during the first six months of 2016 mainly refer to the payments made by ERG Renew following the commencement of works for the construction of the above mentioned wind farm in Northern Ireland. More specifically, the Brockaghboy wind farm will comprise nineteen Nordex N90 2.5 MW wind turbines (overall 47.5 MW) and construction will be completed, in keeping with the timing for connection to the distribution network, between the first and third quarter of 2017. During the period payments were also made in connection with the completion of the new wind farms in Poland (overall 40 MW), all constructed directly by ERG Renew. In particular, the Szydłowo wind farm comprising seven Vestas V100 2MW wind turbines (total capacity 14 MW) came on stream at the end of December 2015 and the Slupia wind farm, for which the project was increased during the year from 12 to 13 wind turbines following the extension of authorisations, equipped with Vestas V90 machines for a total capacity of 26 MW, was completed at the end of 2015 and started up during the first few days of 2016. Moreover, scheduled interventions continued in the area of Health, Safety and the Environment.

Programmable Sources

Investments during the first half of 2016 (Euro 5 million) mainly concern ERG Power (Euro 3.8 million), which continued its investment initiatives aimed at maintaining the plants' operational efficiency, flexibility and reliability. Moreover, the scheduled interventions continued in the area of Health, Safety and Environment. The figure also includes the investments carried out by ERG Hydro (Euro 1.2 million).

Operational data

Electricity sales by the ERG Group, carried out in Italy through ERG Power Generation S.p.A.'s Energy Management business, refer to the electricity generated by its wind farms (ERG Renew), thermoelectric plants (ERG Power) and, starting from December 2015, hydroelectric plants (ERG Hydro) and to purchases on organised markets and via physical bilateral contracts.

During the **first six months of 2016** total electricity sales came to 6.0 TWh (5.0 TWh in the corresponding period of 2015), against a total of around 4.1 TWh produced by the Group's facilities, of which about 0.7 TWh abroad and 3.4 TWh in Italy. The latter figure corresponds to approximately 2.2% of overall domestic demand (1.6% in the first six months of 2015). During the **second quarter of 2016** total electricity sales came to 2.76 TWh (2.3 TWh in the corresponding period of 2015), against a total of 1.8 TWh produced by the Group's facilities, of which about 0.3 TWh abroad and 1.5 TWh in Italy. The latter figure corresponds to approximately 2.1% of overall domestic demand (1.5% in the second quarter of 2015).

In the **first six months of 2016 electricity generated by Non Programmable Sources (wind power)** amounted to 2,048 GWh, showing a growth compared to the first half of 2015 (1,482 GWh), with output up by around 14% in Italy (from 1,181 GWh to 1,343 GWh) and by 134% abroad (from 301 GWh to 705 GWh). The increase in Italian output (+162 GWh) was due to the generally improved wind conditions compared to those of 2015, particularly in the regions of Campania, Puglia and Sardinia. Outside of Italy, the overall growth of 404 GWh was primarily ascribable to the contribution from the new wind farms in France, Poland and Germany. In the **second quarter of 2016** electricity generated came to 822 GWh, with an increase over the corresponding period of the previous year (623 GWh), with output up by around 14% in Italy (from 501 GWh to 569 GWh) and by 108% abroad (from 121 GWh to 253 GWh). The increase in Italian output (+68 GWh) was due to the generally improved wind conditions compared to those of the second quarter in 2015, particularly in the regions of Sicily, Sardinia and Campania. Outside of Italy, the overall growth of 132 GWh was mainly ascribable to the contribution from the new wind farms in France, Poland and Germany.

During the **first six months of 2016 net electricity output by Programmable Sources** came to 2,044 GWh, with an increase over the first half of 2015 (1,211 GWh) thanks to the output contributed by both **ERG Hydro**, amounting to 751 GWh (not present in the first six months of 2015), and **ERG Power**, amounting to 1,293 GWh, with an increase over the first six months of 2015 (1,211 GWh), also following the shorter duration of the scheduled general maintenance shutdown for module 2 carried out in 2016 compared to the scheduled general maintenance for the CCGT plant's module 1 which took place in the first six months of 2015. In the **second quarter of 2016** total electricity generated came to 964 GWh, with a growth over the second quarter of 2015 (597 GWh) thanks to the output contributed by **ERG Hydro**, amounting to 367 GWh (not present in the second quarter of 2015), while the electricity generated by **ERG Power** was in line with the corresponding period of 2015 (597 GWh).

Main events during the half year

On **2 February 2016** ERG Renew finalised the agreement for the acquisition from a fund managed by Impax Asset Management Group of eleven wind farms in France, with an installed capacity of 124 MW, and six wind farms in Germany, with an installed capacity of 82 MW, representing an overall capacity of 206 MW. The wind farms came on stream between 2009 and 2014 in France and between 2004 and 2014 in Germany. The transaction also includes two companies, one French and one German, which provide operational and commercial technical assistance, via a team of twenty-eight professionals, to "captive" and third-party wind power operators in France, Germany and Poland, covering an overall 800 MW (including 206 MW concerned with the acquisition and another 83 MW owned by ERG Renew in Germany). The transaction's enterprise value is Euro 293 million. The wind farms are already entirely financed through limited recourse project financing. The total equity consideration amounts to Euro 135 million.

On **29 February 2016** ERG Renew acquired from TCI Renewables ("TCI") a 100% equity interest in Brockaghboy Windfarm Ltd ("BWF"), an English company holding authorisations to build a wind farm in Northern Ireland, in the county of Londonderry, with a scheduled capacity of approximately 47.5 MW and electricity output, when fully operational, estimated at around 150 GWh per year, corresponding to about 3,300 equivalent hours and about 71 kt of avoided CO2 emission.

On **6 April 2016** ERG S.p.A. sold to Unicredit S.p.A. its entire investment in I-Faber S.p.A. (23%), a company consolidated using the equity method, for the amount of Euro 4.2 million, in line with the carrying value recognised in ERG S.p.A.'s financial statements.

On **13 April 2016**, pursuant to the agreements signed with International Power Consolidated Holdings Ltd in 2012, ERG Renew S.p.A. exercised its call option on the remaining 20% equity interest in ERG Wind Investments Ltd (an 80% stake in the company, formerly IP Maestrale Investments Ltd, having been acquired from International Power Consolidated Holdings), for the amount of Euro 7.4 million.

Main events occurred after the end of the period

On **13 July 2016** Massimo Derchi, Managing Director of ERG Renew S.p.A. and Executive with strategic responsibilities, tendered his resignation from all offices held in order to pursue new professional opportunities outside the ERG Group. The Board of Directors of ERG Renew S.p.A., which met on the same date, therefore appointed as Managing Director Luca Bettonte, already since 2008 a director of ERG Renew S.p.A. and currently Chief Executive Officer of ERG S.p.A., and co-opted as Director of ERG Renew S.p.A. Pietro Tittoni, Executive with Strategic Responsibilities, who has been assigned to the position of General Manager.

On **3 August 2016** ERG Wind France 1 SAS, a French company wholly owned by ERG Renew S.p.A., signed a facility agreement on a non-recourse portfolio project finance basis for six wind farms located in France (total installed capacity 63.4 MW) belonging to its subsidiaries. The wind farms entered into operation between 2005 and 2008 and were acquired by ERG Renew from Macquarie European Infrastructure Fund on 27 July 2015. The financing, for an amount of Euro 42 million and a tenor of 9.5 years was signed by UniCredit Bank AG as lender and Mandated Lead Arranger (MLA).

Business outlook

Non Programmable Sources

ERG Renew continues to pursue its international growth strategy, thanks to which already at the beginning of 2016 it had achieved 626 MW of installed capacity abroad, corresponding to 37% of the overall 1,720 MW installed. This allowed the Group to position itself as eighth onshore operator at European level. The year 2016 will particularly derive benefit from the full contribution of the three new wind farms in Poland, whose construction was gradually completed during 2015 (overall installed capacity 82 MW), the acquisition in July 2015 of another six wind farms in France with a capacity of 63 MW, the 20 MW increase in installed capacity in Bulgaria and Romania (following the dissolution of the LUKERG Renew joint venture at the end of 2015) and the acquisition at the beginning of 2016 of eleven wind farms in France (124 MW) and six in Germany (82 MW), with a total installed capacity of 206 MW. We also mention that, as part of the aforesaid operation, two companies specialised in asset management activities were also acquired, which will serve to both achieve synergies and enhance ERG's presence as industrial operator in the two countries. Lastly, activities continue to promote the company's further growth by evaluating new investment opportunities, particularly abroad, as a result of which in 2016 the company will be engaged in the construction of a new plant, for around 47.5 MW, in Northern Ireland (UK). The results posted in 2016, in terms of EBITDA, are therefore expected to show a significant growth owing to the contribution from the new plants, despite being affected by the anticipated notable falloff in energy prices with respect to 2015. This impact, in 2016, will also reflect the new incentive valuation

mechanism in Italy which links the latter to the value of the final Single National Price (*PUN*) recorded the previous year (2015).

Programmable Sources:

The ERG Group has completed an operation of enormous strategic importance, enabling it to diversify production sources by entering the hydroelectric sector with notable dimensions, consistent with its renewables growth strategy, through investments in high quality assets. Owing to this diversification, the 2016 results for programmable sources are expected to show an overall upturn with respect to 2015.

- **Hydroelectric power:** as a result of the transaction completed on 30 November 2015, ERG Power Generation acquired E.On Produzione's entire hydroelectric business, comprising a portfolio of facilities located in the regions of Umbria, Marche and Lazio, with an overall capacity of 527 MW; the contribution from the newly created ERG Hydro will allow a significant increase in economic results and cash generating capacity, while the notable expansion of the production portfolio will enable an improvement in results thanks also to the growth in Energy Management business.
- **Thermoelectric power:** insofar as concerns the ERG Power plant, results are expected to show a downturn following the introduction of the Sorgente-Rizziconi power line from 28 May 2016. However, until such date, results were satisfactory and consistent with 2015. Moreover, the flexibility and efficiency of ERG Power's CCGT plant, the long-term supply contracts and the generation margin hedging interventions will allow profitability to be maintained above the average recorded for this type of facility in Italy.

Overall 2016 EBITDA is expected to be around Euro 440 million, in line with the indications given to the Financial Community during the presentation of the 2015-2018 Business Plan, reflecting a greater than anticipated contribution in terms of plant performance, the Energy Management business and control over central costs. These factors will make it possible to offset the negative impact of energy prices, which are decidedly below the Plan forecasts.

In reference to the estimates and forecasts provided, we point out that actual results may differ even significantly from the announced results due to a multitude of factors, including: future trends in prices, the operating performance of plants, wind conditions, the impact of regulations for the oil and energy industry and for the environment, other changes in business conditions and in the action of the competition.

The layout of the accounting statements corresponds to the format used in the Interim Report on Operations. Appropriate explanatory notes illustrate the results at replacement cost.

Pursuant to Article 154-bis(2) of the Consolidated Finance Act, the manager responsible for preparing the company's financial reports, Paolo Luigi Merli, declares that the accounting information contained in this press release corresponds to the accounting documents, books and records.

The results for the second quarter and first six months of 2016 will be illustrated to analysts and investors on 5 August 2016 at 3.00 p.m. (CEST), during a conference call and simultaneous webcast, which may be viewed by visiting the Company's website (www.erg.eu); the presentation will be available on the said website, in the "Investor Relations/Presentations" section, at the offices of Borsa Italiana S.p.A. and on the Nis-Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued at 11.50 am (CEST) on 5 August 2016, is available to the public on the Company's website (www.erg.eu) in the section "Media/Press Releases", at the offices of Borsa Italiana and on the "Nis-Storage" authorised storage mechanism (www.emarketstorage.com). The Half-Yearly Financial Report at 30 June 2016, including the Report of the Independent Auditors, is available to the public at the Company's registered office at via De Marini 1, Genoa, on the Company's website (www.erg.eu) in the section "Investor Relations/Financial statements and reports", at the offices of Borsa Italiana and on the "Nis-Storage" authorised storage mechanism (www.emarketstorage.com).

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¹ Results at replacement cost **do not** include non-recurring items.

² Group net result at replacement cost **does not** include inventory gains (losses), non-recurring items or applicable theoretical taxes.

³ The Half-yearly Financial Report as at 30 June 2016 was prepared in accordance with the valuation and measurement criteria laid down by the International Financial Reporting Standards (IFRS) and based on the relevant guidelines contained in Article 154-ter of the Consolidated Finance Act. The independent auditor carried out a limited review within the terms prescribed by relevant regulations

⁴ The ratio of total net financial debt (including project financing) and net invested capital.

Performance highlights

FY 2015

2015			1st half		2nd quarter	
	(EUR million)		2016	2015	2016	2015
	Main Income Statement data					
944	Revenues		530	497	235	222
350	EBITDA at replacement cost		273	198	111	86
179	EBIT at replacement cost		145	116	46	46
24	Net income		76	74	25	33
21	of which Group net income		73	70	25	32
96	Group net profit (loss) at replacement cost ⁽¹⁾		74	57	17	23
	Main Financial data					
3,124	Net invested capital		3,433	2,136	3,433	2,136
1,676	Shareholders' Equity		1,593	1,734	1,593	1,734
1,448	Total net financial indebtedness		1,840	402	1,840	402
1,285	of which non-recourse Project Financing ⁽²⁾		1,285	1,197	1,285	1,197
46%	Financial leverage		54%	19%	54%	19%
37%	EBITDA Margin %		52%	40%	47%	39%
	Operating data					
1,506	Installed capacity at period end - wind farms	MW	1,720	1,383	1,720	1,383
2,614	Electric power generation from wind farms	millions of KWh	2,048	1,482	822	623
480	Installed capacity - thermoelectric plants	MW	480	480	480	480
2,632	Electric power generation from thermoelectric plants	millions of KWh	1,293	1,211	597	597
527	Installed capacity at period end - Hydroelectric plants	MW	527	0	527	0
84	Electric power generation from hydroelectric plants	millions of KWh	751	0	367	0
10,113	Total sales of electric power	millions of KWh	5,960	4,989	2,678	2,324
106	Investments ⁽³⁾	EUR million	19	52	15	39
666	Employees at period end	Units	722	588	722	588
	Market indicators					
52.3	Reference price of electricity - Italy (baseload) ⁽⁴⁾	EUR/MWh	37.1	49.8	34.5	47.9
100.1	Feed In premium (former Green Certificates) - Italy	EUR/MWh	100.1	100.5	100.1	100.5
57.5	Sicily zone price (baseload)	EUR/MWh	41.9	55.9	39.5	53.9
57.9	North - Center zone price (peak)	EUR/MWh	40.0	53.9	36.8	49.2
147.8	Average selling price per unit of ERG Wind energy in Italy	EUR/MWh	135.6	146.7	134.6	143.8
96.2	Feed In Tariff (Germany) ⁽⁵⁾	EUR/MWh	91.7	96.1	91.3	96.2
90.4	Feed In Tariff (France) ⁽⁵⁾	EUR/MWh	88.6	91.7	88.7	91.6
80.3	Feed In Tariff (Bulgaria) ⁽⁵⁾	EUR/MWh	96.7	96.7	96.7	96.7
37.1	Price of electricity - Poland	EUR/MWh	33.1	n.a.	36.1	n.a.
26.0	Price of Green Certificates - Poland	EUR/MWh	16.6	n.a.	15.2	n.a.
29.7	Price of electricity - Romania ⁽⁶⁾	EUR/MWh	27.6	32.0	27.7	32.0
29.5	Price of Green Certificates - Romania ⁽⁷⁾	EUR/MWh	29.5	29.6	29.54	29.5

In order to enhance the understandability of trends in the business segments, the financial results are shown at replacement cost, excluding non-recurring items.

At the end of 2015, dissolution of the LUKERG Renew GmbH joint venture (50%) was completed, with the acquisition by ERG Renew S.p.A. of the Bulgarian wind farms and the Gebeleisis (Romania) wind farm, whose results are fully consolidated from 1st January 2016.

Considering the mentioned change in the scope of consolidation and in order to facilitate understanding of the comparison periods, the comparative data reflect the 2015 adjusted values, which included ERG's share (50%) of the financial results at replacement cost pertaining to the joint venture LUKERG Renew GmbH.

⁽¹⁾ does not include inventory gains (losses), non-recurring items and related applicable theoretical taxes.

⁽²⁾ including cash and cash equivalents and excluding the fair value of the related derivatives to hedge interest rates

⁽³⁾ intangible and intangible fixed assets excluding M&A investments amounting to Euro 306 million

⁽⁴⁾ Single National Price

⁽⁵⁾ The overseas Feed-in Tariff values refer to the prices obtained by ERG Renew plants

⁽⁶⁾ The price of electricity – Romania refers to the price set by the company via bilateral contracts

⁽⁷⁾ Price refers to the unit value of green certificates

Performance highlights by segment

FY 2015		1st half		2nd quarter	
		2016	2015	2016	2015
(EUR million)					
Revenues from ordinary operations:					
345	Non Programmable Sources	244	199	100	82
345	Wind power	244	199	100	82
602	Programmable Sources	288	302	136	142
592	Thermoelectric power ⁽¹⁾	228	302	106	142
11	Hydroelectric power	61	0	31	0
22	Corporate	16	11	8	4
(25)	<i>Intra-segment revenues</i>	(18)	(15)	(9)	(5)
944	Total revenues	530	497	235	222
EBITDA:					
254	Non Programmable Sources	187	157	70	62
254	Wind power	187	157	70	62
115	Programmable Sources	93	52	44	30
107	Thermoelectric power ⁽¹⁾	52	52	24	30
8	Hydroelectric power	41	0	20	0
(19)	Corporate	(6)	(11)	(4)	(5)
350	EBITDA at replacement cost	273	198	111	86
Amortisation, depreciation and write-downs					
(134)	Non Programmable Sources	(83)	(66)	(42)	(33)
(134)	Wind power	(83)	(66)	(42)	(33)
(34)	Programmable Sources	(44)	(15)	(22)	(7)
(30)	Thermoelectric power	(15)	(15)	(7)	(7)
(5)	Hydroelectric power	(29)	0	(15)	0
(3)	Corporate	(1)	(1)	(1)	(1)
(171)	Amortisation and depreciation at replacement cost	(129)	(81)	(65)	(41)
EBIT:					
120	Non Programmable Sources	104	91	28	29
120	Wind power	104	91	28	29
81	Programmable Sources	48	37	22	22
78	Thermoelectric power ⁽¹⁾	37	37	17	22
3	Hydroelectric power	12	0	5	0
(22)	Corporate	(7)	(12)	(4)	(5)
179	EBIT at replacement cost	145	116	46	46
Investments on tangible and intangible fixed assets:					
95	Non Programmable Sources	13	48	11	37
95	Wind power	13	48	11	37
9	Programmable Sources	5	3	4	2
9	Thermoelectric power	4	3	3	2
0	Hydroelectric power	1	0	1	0
2	Corporate	1	1	0	0
106	Total investments	19	52	15	39

⁽¹⁾ Energy Management contribution is included

Reclassified Income Statement

Income Statement and Balance Sheet results include non - recurring items

FY 2015	Reclassified Income Statement	1st half		2nd quarter	
		2016	2015	2016	2015
	(EUR million)				
920.3	Revenues from ordinary operations	530.2	484.1	234.8	216.8
16.3	Other revenues and income	8.1	5.8	5.0	4.1
936.6	TOTAL REVENUES	538.3	489.9	239.8	220.9
(412.6)	Costs for purchase and changes in inventory	(131.0)	(211.7)	(57.8)	(93.1)
(157.5)	Costs for services and other operating costs	(104.1)	(68.1)	(55.2)	(36.4)
(58.2)	Cost of labor	(32.0)	(25.8)	(17.4)	(13.2)
308.3	EBITDA	271.2	184.4	109.4	78.2
(163.0)	Amortisation, depreciation and write-downs of fixed assets	(128.7)	(77.4)	(64.6)	(38.7)
145.2	EBIT	142.5	107.0	44.8	39.6
(54.8)	Net financial income (expenses)	(46.0)	(27.3)	(25.3)	(14.0)
(54.2)	Net income (loss) from equity investments	8.2	13.1	13.8	11.5
36.2	Profit before taxes	104.8	92.8	33.2	37.1
(12.6)	Income taxes	(29.2)	(19.2)	(8.6)	(3.9)
23.7	Profit for the period	75.5	73.6	24.6	33.2
(3.1)	Minority interests	(3.0)	(3.4)	0.0	(1.0)
20.6	Group's net profit (loss)	72.5	70.1	24.7	32.2

Reclassified Statement of Financial Position

06/30/2015	Reclassified Statement of Financial Position	06/30/2016	12/31/2015
	(EUR million)		
2,114.1	Fixed assets	3,454.1	3,223.9
200.3	Net working capital	313.1	202.1
(4.1)	Employees' severance indemnities	(6.4)	(5.5)
342.9	Other assets	369.9	324.7
(517.1)	Other liabilities	(697.6)	(621.1)
2,136.0	Net invested capital	3,433.2	3,124.2
1,682.4	Group Shareholders' Equity	1,540.7	1,626.0
51.5	Minority interests	52.4	50.3
402.1	Net financial indebtedness	1,840.1	1,447.9
2,136.0	Shareholders' equity and financial debt	3,433.2	3,124.2

Cash flow

FY 2015		1st half		2nd quarter	
		2016	2015	2016	2015
	CASH FLOWS FROM OPERATING ACTIVITIES:				
	(EUR million)				
207.2	Adjusted cash flow from current operations ⁽¹⁾	231.6	140.1	86.1	59.0
(125.5)	Income tax paid	(8.7)	(98.8)	(8.7)	(98.8)
29.2	Change in working capital	(109.8)	(11.0)	(18.9)	10.2
81.2	Change in other operating assets and liabilities	(29.0)	13.7	(9.1)	(19.1)
192.1	TOTAL	84.2	44.0	49.4	(48.6)
	CASH FLOWS FROM INVESTING ACTIVITIES:				
(113.2)	Net investments on tangible and intangible fixed assets	(15.6)	(50.6)	(7.4)	(38.5)
(1.4)	Net investments in financial fixed assets	4.4	0.5	3.6	(0.0)
(0.5)	Adjustment for sale of ERG Oil Sicilia	0.0	(0.5)	0.0	(0.5)
(115.1)	Total	(11.2)	(50.6)	(3.8)	(39.0)
	CASH FLOW FROM SHAREHOLDERS' EQUITY:				
(71.4)	Distributed dividends	(142.8)	(71.4)	(142.8)	(71.4)
5.2	Other changes in equity ⁽³⁾	(16.0)	12.9	(1.5)	14.2
(66.2)	Total	(158.8)	(58.5)	(144.3)	(57.2)
(1,128.6)	CHANGES IN SCOPE OF CONSOLIDATION⁽²⁾	(306.5)	(6.9)	(0.1)	0.0
(1,117.8)	CHANGE IN NET FINANCIAL INDEBTEDNESS	(392.3)	(72.0)	(98.8)	(144.8)
330.1	INITIAL NET FINANCIAL INDEBTEDNESS	1,447.9	330.1	1,741.4	257.3
1,117.8	CHANGE IN THE PERIOD	392.3	72.0	98.8	144.8
1,447.9	FINAL NET FINANCIAL INDEBTEDNESS	1,840.1	402.1	1,840.1	402.1

⁽¹⁾ item does not include inventory gains (losses), and current income tax for the period.

⁽²⁾ the change in the scope of consolidation in the first half of 2016 reflects above all the full consolidation of the newly-acquired Impax Asset Management companies

⁽³⁾ the other changes in equity basically refer to the movements in cash flow hedge reserve connected with derivative financial instruments

Alternative performance indicators

In order to enhance the understandability of trends in the business segments, the financial results are also shown at replacement cost, excluding non-recurring items.

The results at replacement cost are indicators that are not defined in International Financial Reporting Standards (IAS/IFRS). Management deems that these indicators are important parameters for measuring the ERG Group's operating performance, and are generally used by operators in the petroleum and energy industry in their financial reporting. Since the composition of these indicators is not regulated by the applicable accounting standards, the method used by the Group to determine these measures may not be consistent with the method used by other operators and so these might not be fully comparable.

The components used to determine the calculation of results at adjusted replacement cost are described below.

Non-recurring items include significant but unusual earnings.

Inventory gains (losses)¹ are equal to the difference between the replacement cost of products sold in the period and the cost resulting from application of the weighted average cost. They represent the higher (lower) value, in the event of price increases (decreases), applied to the quantities corresponding to levels of inventories physically present at the beginning of the period and still present at the end of the period.

The contribution of the TotalErg joint venture is consolidated using the equity method

At the end of 2015 dissolution of the LUKERG Renew GmbH joint venture (50%) was completed, with the acquisition by ERG Renew S.p.A. of the Bulgarian wind farms and the Gebeleisis (Romania) wind farm, whose results are fully consolidated from 1st January 2016.

Considering the mentioned change in the scope of consolidation and in order to facilitate understanding of the comparison periods, the comparative data reflect the 2015 adjusted values, which included ERG's share (50%) of the financial results at replacement cost pertaining to the joint venture LUKERG Renew GmbH.

¹ Inventory gains and losses refer exclusively to the item "income from equity investments" and concern the TotalErg joint venture.

Reconciliation with operating results at adjusted replacement cost

FY 2015	EBITDA	1st half		2nd quarter	
		2016	2015	2016	2015
308.3	EBITDA	271.2	184.4	109.4	78.2
	<i>Exclusion of non-recurring items:</i>				
	Corporate				
1.3	- Ancillary charges - extraordinary operations	0.0	0.0	0.0	0.0
11.2	- Ancillary charges transactions concerning ERG Hydro	0.0	0.0	0.0	0.0
0.0	- Ancillary charges other transactions	0.0	0.9	0.0	0.9
2.6	- Write-down of environmental certificates	0.0	2.6	0.0	2.6
0.0	- Ancillary charges - previous years	0.0	0.0	0.0	0.0
1.7	- Charges for company reorganisation	0.0	0.0	0.0	0.0
	Programmable Sources				
1.7	- Corporate reorganisation expenses	0.3	0.9	0.3	0.9
5.2	- Ancillary charges transactions concerning ERG Hydro	0.0	0.0	0.0	0.0
	Non Programmable Sources				
0.0	- Charges for company reorganisation	0.9	0.0	0.9	0.0
6.3	- Ancillary charges - extraordinary operations	0.9	0.6	0.1	0.4
338.1	EBITDA at replacement cost	273.3	189.3	110.7	83.0
11.9	LUKERG Renew 50% contribution at adjusted replacement cost	0.0	8.4	0.0	3.4
350.0	EBITDA at adjusted replacement cost	273.3	197.6	110.7	86.4
FY 2015	AMORTISATION, DEPRECIATION AND WRITE-DOWNS	1st half		2nd quarter	
		2016	2015	2016	2015
(163.0)	Amortisation and depreciation at replacement cost	(128.7)	(77.4)	(64.6)	(38.7)
(7.8)	LUKERG Renew 50% contribution at adjusted replacement cost	0.0	(3.9)	0.0	(2.0)
(170.9)	Amortisation and depreciation at adjusted replacement cost	(128.7)	(81.3)	(64.6)	(40.7)
FY 2015	EBIT	1st half		2nd quarter	
		2016	2015	2016	2015
175.1	EBIT at replacement cost	144.6	111.9	46.1	44.3
4.1	LUKERG Renew 50% contribution at adjusted replacement cost	0.0	4.4	0.0	1.5
179.1	EBIT at adjusted replacement cost	144.6	116.3	46.1	45.7
FY 2015	GROUP'S NET PROFIT (LOSS)	1st half		2nd quarter	
		2016	2015	2016	2015
20.6	Group net result	72.5	70.1	24.7	32.2
21.9	<i>Exclusion of inventory gains / losses</i>	<i>(6.0)</i>	<i>(11.8)</i>	<i>(13.9)</i>	<i>(10.4)</i>
	<i>Exclusion of non-recurring items:</i>				
0.5	Exclusion for capital gain on sale of ERG Oil Sicilia	0.0	0.5	0.0	0.5
(2.9)	Exclusion of write-off resulting from Robin Tax on deferred tax assets and liabilities	0.0	(2.9)	0.0	(2.9)
13.1	Exclusion of ancillary charges - ERG Hydro acquisition	0.0	0.0	0.0	0.0
1.9	Exclusion of write-down of environmental certificates	0.0	1.9	0.0	1.9
1.6	Exclusion of TotalErg non-recurring items	0.3	(2.6)	0.2	(0.2)
0.0	Exclusion of contribution and other proceeds (charges) pertaining to prior years	0.0	0.0	0.0	(0.1)
0.0	Exclusion of ancillary charges other transactions	0.0	0.4	0.0	0.4
0.0	Exclusion of loan prepayment effects	5.9	0.0	4.9	0.0
(8.4)	Exclusion of tax adjustment effects	0.0	0.0	0.0	0.0
6.4	Exclusion of ancillary charges - extraordinary operations	0.9	0.6	0.1	0.6
2.5	Exclusion of charges for company reorganisation	0.8	0.6	0.8	0.6
0.3	Exclusion of extraordinary gains - LukErg joint venture dissolution	0.0	0.0	0.0	0.0
0.9	Exclusion of provision for equity investment risks	0.0	0.0	0.0	0.0
38.0	Exclusion of financial charges on minorities option	0.0	0.0	0.0	0.0
96.3	Group net profit (loss) at replacement cost ⁽¹⁾	74.3	56.8	16.9	22.6

⁽¹⁾ For year 2015 it also corresponds to Group net profit (loss) at adjusted replacement cost.