



Press Release

The Board of Directors of ERG S.p.A.  
approves the Interim Management Report as at 30 September 2016

The Group's restructuring – "One Company" Project

**Third quarter of 2016**

- Consolidated EBITDA at replacement cost<sup>1</sup>: €78 mln, €66 mln in the 3<sup>rd</sup> qtr of 2015
- Group net result at replacement cost<sup>2</sup>: €9 mln, €19 mln in the 3<sup>rd</sup> quarter of 2015

**Nine months of 2016**

- Consolidated EBITDA at replacement cost<sup>1</sup>: €351 mln, €264 mln in the 9 months of 2015
- Group net result at replacement cost<sup>2</sup>: €83 mln, €76 mln in the 9 months of 2015

Genoa, 10 November 2016 – At its meeting held yesterday, the Board of Directors of ERG S.p.A. approved the Interim Management Report as at 30 September 2016.

**Consolidated financial results at replacement cost**

3rd Quarter			Performance highlights (million Euro)	First nine months		
2016	2015	Var. %		2016	2015	Var. %
78	66	17%	<b>EBITDA</b>	351	264	33%
13	25	- 48%	<b>EBIT</b>	158	141	12%
9	19	- 55%	<b>Group net result</b>	83	76	9%

	30.09.16	31.12.15	Variation
<b>Net financial debt (million Euro)</b>	1,677	1,448	+ 229
<b>Leverage<sup>3</sup></b>	51%	46%	

Luca Bettonte, ERG's Chief Executive Officer, commented: "the third quarter results are satisfactory, with EBITDA showing a strong growth thanks to the contribution of the new assets, despite the decidedly unfavourable electricity price scenario accompanied by generally poor wind conditions. For the ERG Group, the year now drawing to a close is one of fundamental importance for the process of industrial consolidation as independent European power producer. To this effect an optimisation of our organisational and corporate structure is underway, via the unitary administration of both the three different generation technologies and Energy Management within the ambit of a single subsidiary. Moreover, a specific department is being created in ERG dedicated to the activity of business development, the Risk Management function is being expanded and the other main staff support functions are being centralised. We feel confident that this new structure more closely reflects the new business model and can more functionally and efficiently respond to the future scenario and market changes. Although the situation continues to be fragile, we confirm our guidance figures for 2016, which envisage EBITDA of Euro 440 million, but with a forecast net debt of around Euro 1.65 billion, which is an improvement compared to the figure of Euro 1.73 billion previously indicated."

### **Preliminary remark**

The interim management report as at 30 September 2016, pending commencement of the term of application of Article 82-ter of the Issuers' Regulations and a decision on the merits by the Company, has been prepared on a voluntary basis in continuity with the interim reports pertaining to previous years, in accordance with the valuation and measurement criteria laid down by the International Financial Reporting Standards (IFRS) and will therefore be published in continuity with the reports hitherto disclosed to the market. The consolidation principles and measurement criteria are the same as those indicated in the 2015 Consolidated Financial Statements to which reference is made.

### **Third quarter of 2016**

#### **Consolidated financial results**

In the third quarter of 2016 **revenues** totalled Euro 227 million, with a growth compared to Euro 216 million in the third quarter of 2015, due to the significant rise in wind and thermoelectric power output in Italy and the contribution from both the additional wind power capacity operating in France, Germany and Poland and the newly acquired hydroelectric complex. The increase in output, which was up overall by 28% compared to the corresponding period in 2015, more than offset the average drop in energy prices.

**EBITDA at replacement cost** came to Euro 78 million, with a growth over Euro 66 million posted in the third quarter of 2015.

- **Non programmable sources (wind power):** EBITDA, at Euro 43 million, was basically in line with the corresponding period in 2015 (Euro 45 million) thanks to the growth in Italian output and the contribution from the new wind farms in France, Germany and Poland which essentially offset the impact of the general downturn in average selling prices and the poor wind conditions recorded outside of Italy during the third quarter.
- **Programmable sources (thermoelectric and hydroelectric power):** EBITDA, at Euro 36 million, showed an increase compared to the corresponding period in 2015 (Euro 27 million) due to the contribution from the newly-acquired hydroelectric complex amounting to Euro 17 million. The result of Euro 19 million posted by thermoelectric power remained extremely positive, albeit below the figure of Euro 27 million for the third quarter of 2015, 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. These factors made it possible to mitigate the negative impacts following the change in market scenario. It is also worth mentioning that, during the third quarter of 2016, ERG Power's CCGT facility was no longer subject to the Essential Units regulations for the safety of the electricity system which, on the other hand, were in force during the corresponding period of 2015.

**EBIT at replacement cost** came to Euro 13 million (Euro 25 million in the third quarter of 2015) after amortisation and depreciation totalling Euro 65 million (Euro 41 million in the third quarter of 2015).

**Group net result at replacement cost**, at Euro 9 million (Euro 19 million in the third quarter of 2015), is influenced by the seasonal trend and reflects the increase in depreciation associated with the change in the scope of consolidation and the higher financial charges during the period as a result of the new acquisitions.

**Net financial debt**, at Euro 1,677 million, was down by Euro 163 million compared to the figure posted at 30 June 2016 (Euro 1,840 million) due above all to the period's operating cash flow

connected with the receipt of incentive tariff payments relating to output for the fourth quarter of 2015 and the first quarter of 2016, in accordance with the regulations in force.

## ***Nine months 2016***

### **Consolidated financial results**

In the first nine months of 2016 **revenues** came to Euro 757 million, with an upturn compared to Euro 713 million for the first nine months of 2015, due to the significant rise in wind and thermoelectric power output in Italy and the contribution from both the additional wind power capacity operating in France, Germany and Poland and the newly acquired hydroelectric complex. The higher output, which showed an overall increase of 44%, more than offset the average drop in energy prices.

**EBITDA at replacement cost** came to Euro 351 million, exceeding the figure of Euro 264 million posted for the first nine months of 2015.

- **Non programmable sources (wind power):** EBITDA, at Euro 230 million, showed a notable increase over the corresponding period a year earlier (Euro 202 million), due to the significant growth in output, reflecting both the contribution from the new wind farms in France, Germany and Poland and the favourable wind conditions during the period, particularly as regards Italy, which more than offset the impact from the lower average selling prices.
- **Programmable sources (thermoelectric and hydroelectric power):** EBITDA, at Euro 129 million, exceeded the result posted in 2015 (Euro 78 million), reflecting the contribution of Euro 59 million from the newly-acquired hydroelectric complex, despite the scarce availability of water recorded during the period. The result of Euro 70 million posted by thermoelectric power remains at a good level, albeit with a downturn compared to the corresponding period in 2015 (Euro 78 million), 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 from 28 May 2016 the ERG Power CCGT plant is no longer subject to the current Essential Units regulations for the safety of the electricity system, which on the other hand were in force throughout FY2015.

**EBIT at replacement cost** was Euro 158 million (Euro 141 million in the first nine months of 2015), after amortisation and depreciation totalling Euro 193 million (Euro 123 million in the first nine months of 2015).

**Group net result at replacement cost** was Euro 83 million, with an increase compared to Euro 76 million for the first nine months of 2015, due above all to the reasons already described in the comment on the operating results and despite the higher amortisation and financial charges during the period following the new acquisitions.

**Net financial debt**, at Euro 1,677 million, was up by Euro 229 million compared to 31 December 2015 mainly following the acquisition from the Impax group of the French and German wind farms (Euro 292 million), the entry to the United Kingdom (Euro 14 million), the distribution of dividends (Euro 143 million), together with investments during the period (Euro 31 million) and the increase (Euro 18 million) in negative Fair Value of the IRS derivatives hedging the rates of ongoing loans. The period's high operating cash flow significantly compensated these effects.

## Investments

3 <sup>rd</sup> Quarter		Million Euro	Nine months	
2016	2015		2016	2015
<b>8</b>	<b>15</b>	<b>Non Programmable Sources<sup>1</sup></b>	<b>21</b>	<b>62</b>
8	15	Wind power	21	62
<b>3</b>	<b>2</b>	<b>Programmable Sources</b>	<b>8</b>	<b>5</b>
2	2	Thermoelectric power	6	5
1	0	Hydroelectric power	2	0
<b>0</b>	<b>0</b>	<b>Corporate</b>	<b>1</b>	<b>1</b>
<b>12</b>	<b>17</b>	<b>Total investments</b>	<b>31</b>	<b>69</b>

(1) investments as regards Non Programmable Sources in 2015 include ERG's share of the investments made by LUKERG Renew.

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 approximately Euro 290 million, corresponding to a multiple of about Euro 1.4 million per MW.
- 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. The transaction involved an initial investment of approximately Euro 13 Million, added to which were the investments made after acquisition of the project, as commented in the following section. The overall investment for implementation of the wind farm is estimated at around Euro 80 million, which already includes the initial consideration paid to acquire the company.

In the **third quarter** of 2016 the ERG Group carried out investments in tangible and intangible fixed assets for a total amount of Euro 12 million (Euro 17 million in the corresponding period of 2015), of which Euro 11.5 million concerned tangible fixed assets (Euro 15 million in the third quarter of 2015) and Euro 0.5 million concerned intangible fixed assets (Euro 2 million in the third quarter of 2015). In the **first nine months** of 2016 the ERG Group carried out investments in tangible and intangible fixed assets for a total amount of Euro 31 million (Euro 69 million in the corresponding period of 2015), of which Euro 29 million concerned tangible fixed assets (Euro 66 million in the first nine months of 2015) and Euro 2 million concerned intangible fixed assets (Euro 3 million in the first nine months of 2015).

### Non Programmable Sources (wind power)

Investments during the **third quarter of 2016** (Euro 8 million) and the **first nine months of 2016** (Euro 21 million) 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). Construction is scheduled for completion, in keeping with the timing for connection to the distribution network, by the 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 (thermoelectric and hydroelectric power)**

Investments during the **third quarter of 2016** (Euro 3 million) and in the **first nine months of 2016** (Euro 8 million) mainly concern ERG Power (respectively Euro 2 million in the third quarter of 2016 and Euro 6 million in the first nine months of 2016), 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 the Environment.

The figure also includes the investments carried out by ERG Hydro (respectively Euro 1 million in the third quarter of 2016 and Euro 2 million in the first nine months of 2016).

### **Operational data**

**Electricity sales** by the ERG Group, carried out in Italy through ERG Power Generation'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 **third quarter of 2016** total electricity sales came to 3.1 TWh (2.4 TWh during the corresponding period of 2015), against a total of around 1.6 TWh produced by the Group's facilities, of which about 0.2 TWh abroad and 1.4 TWh in Italy. The latter figure corresponds to approximately 1.7% of overall domestic electricity demand (1.3% in the third quarter of 2015).

During the **first nine months of 2016** total electricity sales came to 9.1 TWh (7.4 TWh in the corresponding period of 2015), against a total of 5.7 TWh produced by the Group's facilities, of which about 0.9 TWh abroad and 4.8 TWh in Italy. The latter figure corresponds to approximately 2.1% of overall domestic electricity demand (1.5% in the first nine months of 2015).

In the **third quarter of 2016 electricity generated by Non Programmable Sources (wind power)** amounted to 583 GWh, showing a growth compared to the third quarter of 2015 (528 GWh), with output up by around 2% in Italy (from 361 GWh to 368 GWh) and 28% abroad (from 167 GWh to 215 GWh). The slight increase in Italian output (+7 GWh) reflects the generally improved wind conditions compared to 2015, particularly in the regions of Sicily and Calabria. Outside of Italy, production was up by 48 GWh thanks to the contribution provided by the new wind farms in France, Germany and Poland, despite the particularly low windiness recorded in France and Germany. In the **first nine months of 2016** output totalled 2,631 GWh, showing a growth compared to 2015 (2,011 GWh), with production up by around 11% in Italy (from 1,542 GWh to 1,711 GWh) and 96% abroad (from 469 GWh to 920 GWh). The increase in Italian output (+169 GWh) was due to the generally improved wind conditions compared to those recorded in 2015, particularly as regards the regions of Campania, Puglia, Sicily and Sardinia. Outside of Italy, the overall increase of 132 GWh was mainly ascribable to the contribution from the new wind farms in France, Poland and Germany.

During the **third quarter of 2016 net electricity output by Programmable Sources (thermoelectric and hydroelectric power)** was 1,017 GWh, showing an upturn compared to 724 GWh for the corresponding period in 2015, thanks to the output contributed by ERG Hydro, amounting to 277 GWh (not present in the third quarter of 2015). Electricity output by **ERG Power** during the period came to 740 GWh, with a slight increase over the third quarter of 2015 (724 GWh), whereas revenues were down with respect to the corresponding period a year earlier, reflecting both the lower zonal prices (-12% as regards the Sicilian "baseload" zonal price) and the discontinued recovery of costs guaranteed in 2015 by the "reintegration payment" made under the Essential Units regulations. In the **first nine months of 2016** net electricity output by programmable sources was 3,061 GWh, showing an upturn compared to the first nine months of 2015, thanks to the output contributed by **ERG Hydro**, amounting to 1,028 GWh (not present during the first nine months of 2015). Net electricity output by **ERG Power** during the period came to 2,032 GWh, with an increase over the first nine months of 2015 (1,935 GWh) also as a result of 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. Revenues were down following the overall reduction in electricity selling prices, only partially offset by the "reintegration payment" due pending

discontinuation of the Essential Units regime (namely until May 27<sup>th</sup>), as well as by the increase in total quantities sold.

### ***Main events during the quarter***

On **13 July 2016** Massimo Derchi, Managing Director of ERG Renew 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, which met on the same date, therefore appointed as Managing Director Luca Bettonte, already since 2008 a director of ERG Renew and currently Chief Executive Officer of ERG, and co-opted as Director of ERG Renew 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, 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, which entered into operation between 2005 and 2008, 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).

### ***Main events occurred after the end of the period***

On **12 October 2016** ERG signed and finalised an agreement with UniCredit providing for the exchange of the total stake formerly held by UniCredit in ERG Renew, corresponding to 7,692,308 shares and representing an equity interest of 7.14%, for 6,012,800 ERG ordinary treasury shares representing 4% of ERG's entire share capital. The swap ratio agreed for the exchange amounts to approximately 0.78 ERG ordinary shares for each ERG Renew share, considering a value of €12.8 per ERG ordinary share. The swap ratio was calculated based on the Fair Value assigned to the ERG shares and to the ERG Renew stake formerly held by UniCredit determined using Discounted Cash Flow methodology, also supported by the appraisals specifically prepared by an independent expert. Following the transaction, ERG holds 1,503,200 ordinary treasury shares, corresponding to 1% of its share capital. On the same date, ERG's Board of Directors approved the transaction and in particular the sale of the aforesaid ERG ordinary treasury shares under the authorisation granted by the ERG Shareholders' Meeting held on 3 May 2016. As part of the transaction, UniCredit has undertaken to observe a 180 day lock-up commitment vis-à-vis ERG, according to which UniCredit may not sell the ERG shares purchased by way of the exchange.

On **26 October 2016**, during the presentation in Milan of the CDP Climate Leadership Awards, ERG received the Award for Best Newcomer Italy assigned by the Carbon Disclosure Project (CDP), in collaboration with Borsa Italiana, with a newcomer evaluation of B (out of a scale from A to D).

### ***Business outlook***

#### **Non Programmable Sources (wind power)**

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 wind power 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. 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. The 2016 results 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 (thermoelectric and hydroelectric power):**

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 contribution, with respect to budget, in terms of plant performance, the Energy Management business and control over central costs. These factors will in fact make it possible to offset the negative impact of energy prices, which are decidedly below the Plan forecasts.

#### **Additional Information**

##### **“One Company” Project**

Following completion of its industrial reconversion process, during 2016 the ERG Group has undertaken an intense programme of corporate, organisational and operational consolidation, in keeping with its new mission and industrial dimension as independent European electricity system operator (IPP – Independent Power Producer). Coming within this context is the **“One Company”** project, giving rise to a major revision of the Group's organisational and corporate structure, with a view to making it more suited to the new business model.

The corporate reorganisation, which will be effective from 1 January 2017, envisages the merger by incorporation of ERG Services S.p.A. into ERG S.p.A. – the project for which was approved by the corresponding Boards of Directors, respectively on 8 and 9 November last – and the merger by incorporation of ERG Renew S.p.A. and ERG Renew Operations & Maintenance S.r.l. into ERG Power Generation S.p.A. – the project for which was approved by the corresponding Boards of Directors on 8 November last. The new corporate structure will include an electricity production and sale company by the name of “ERG Power Generation S.p.A.”, wholly owned by ERG S.p.A., dedicated to the overall and integrated management of the three diverse and complementary generation technologies currently available to the Group and to the sale of electricity through a single centralised Energy Management structure.

With regard to ERG S.p.A., the reorganisation particularly provides for:

- the creation of a new area dedicated to Business Development, directly reporting to the Chief Executive Officer, with responsibility for ensuring the achievement of geographical, technological and market growth objectives in the short and medium term;
- the creation of a single integrated Risk Management function to enable a more accurate and timely control of risks typically associated with the new business model;
- the centralisation of goods and services purchase procedures with a view to creating value by obtaining operational and dimension-related synergies;
- the centralisation of certain staff functions now partially located at the merged companies in order to enhance their efficiency, coordination and timeliness of intervention;
- the concentration of Information Technology and Communication (ITC) competences within a single function in order both to satisfy the immediate requirements pertaining to the new business model and to take advantage of potential opportunities deriving from the ongoing diffusion of computer digitisation.

The project aims to optimise the use of value creation levers typical of an IPP and to achieve a more effective functioning of the management model, by:

- introducing and/or enhancing business functions dedicated to key areas for value creation in both the short and medium term;
- streamlining and centralising some of the Group's organisational structures with consequent advantages from an operational functioning standpoint;
- adapting the corporate structure with a view to more closely reflecting the current needs of the business model;
- further optimising, accelerating and standardising the core decisional processes
- enhancing the value of resources and competences currently present within the Group;
- creating synergies and reducing overall administration and management costs.

### **Information regarding the merger by incorporation of ERG Services S.p.A. into ERG S.p.A.**

Considering the fact that ERG Services S.p.A. is wholly owned by ERG S.p.A., the merger will be simplified and therefore subject to approval by ERG S.p.A.'s Board of Directors, as set forth by Article 2505 of the Italian Civil Code and Article 17 of ERG S.p.A.'s articles of association. As it concerns a simplified merger procedure, ERG S.p.A. will not carry out any increase of its capital or assign shares to replace the stake held in the incorporated company, which will be cancelled without share swap as a result of the merger. Likewise no change is anticipated to ERG S.p.A.'s articles of association. The real effects of the merger will commence from the first day of the month following that in which the final registration of the merger deed is made in the companies' register at the Genoa Chamber of Commerce, where both companies are registered; the effects of the merger for accounting and tax purposes will commence from 1 January 2017. ERG shareholders, representing at least 5% of the Company's capital, may submit to the Company within eight days of the merger plan being deposited a request – pursuant to Article 2505, third paragraph, of the Italian Civil Code – for the decision approving the merger to be submitted to the Extraordinary Shareholders' Meeting. The merger qualifies for exemption from application of the Procedure for ERG S.p.A. related party transactions provided in reference to transactions with subsidiaries. The Board of Directors considers that the merger transaction does not give rise to any right of withdrawal as set forth by Article 2437 of the Italian Civil Code.

*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, 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 third quarter and first nine months of 2016 will be illustrated to analysts and investors today at 11.00 a.m. (CET), during a conference call and simultaneous webcast, which may be viewed by visiting the Company's website ([www.erg.eu](http://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](http://www.emarketstorage.com)) 15 minutes before the conference call.*

*This press release, issued at 7.30 a.m. (CET) on 10 November 2016, is available to the public on the Company's website ([www.erg.eu](http://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](http://www.emarketstorage.com)). The Interim Management Report as at 30 September 2016 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](http://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](http://www.emarketstorage.com)).*

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<sup>1</sup> Results at replacement cost **do not** include inventory gains (losses) or non-recurring items.

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

<sup>3</sup> The ratio of total net financial debt (including project financing) and net invested capital.

## Performance highlights

3rd quarter		(EUR million)	9 months	
2016	2015		2016	2015
<b>Main Income Statement data</b>				
227	216	Revenues from ordinary operations	757	713
<b>78</b>	<b>66</b>	<b>EBITDA at replacement cost</b>	<b>351</b>	<b>264</b>
<b>13</b>	<b>25</b>	<b>EBIT at replacement cost</b>	<b>158</b>	<b>141</b>
19	(5)	Net income	94	69
19	(4)	of which Group net income	92	66
<b>9</b>	<b>19</b>	<b>Group net profit (loss) at replacement cost <sup>(1)</sup></b>	<b>83</b>	<b>76</b>
<b>Main Financial data</b>				
<b>3,289</b>	<b>2,196</b>	<b>Net invested capital</b>	<b>3,289</b>	<b>2,196</b>
1,612	1,725	Shareholders' Equity	1,612	1,725
1,677	471	Total net financial indebtedness	1,677	471
1,332	1,201	of which non-recourse Project Financing <sup>(2)</sup>	1,332	1,201
51%	21%	Financial leverage	51%	21%
<b>34%</b>	<b>31%</b>	<b>EBITDA Margin %</b>	<b>46%</b>	<b>37%</b>
<b>Operating data</b>				
<b>1,720</b>	<b>1,446</b>	<b>Installed capacity at period end - wind farms</b>	MW	<b>1,720</b>
583	528	Electric power generation from wind farms	millions of KWh	2,631
<b>480</b>	<b>480</b>	<b>Installed capacity - thermoelectric plants</b>	MW	<b>480</b>
740	724	Electric power generation from thermoelectric plants	millions of KWh	2,032
<b>527</b>	<b>0</b>	<b>Installed capacity at period end - Hydroelectric plants</b>	MW	<b>527</b>
277	0	Electric power generation from hydroelectric plants	millions of KWh	1,028
<b>3,093</b>	<b>2,449</b>	<b>Total sales of electric power</b>	millions of KWh	<b>9,140</b>
12	17	Investments <sup>(3)</sup>	EUR million	31
<b>721</b>	<b>588</b>	<b>Employees at period end</b>	Units	<b>721</b>
<b>Market Indicators</b>				
40.9	56.7	Reference price of electricity - Italy (baseload) <sup>(4)</sup>	EUR/MWh	38.4
100.1	99.9	Feed In premium (former Green Certificates) - Italy	EUR/MWh	100.1
54.3	61.9	Sicily zone price (baseload)	EUR/MWh	46.1
45.4	61.0	North - Center zone price (peak)	EUR/MWh	41.8
138.4	153.2	Average selling price per unit of ERG Wind energy in Italy	EUR/MWh	136.2
91.9	96.1	Feed In Tariff (Germany) <sup>(5)</sup>	EUR/MWh	92.1
88.6	90.8	Feed In Tariff (France) <sup>(5)</sup>	EUR/MWh	88.6
96.4	95.0	Feed In Tariff (Bulgaria) <sup>(5)</sup>	EUR/MWh	96.6
32.6	35.1	Price of electricity - Poland	EUR/MWh	32.7
7.1	26.5	Price of Green Certificates - Poland	EUR/MWh	11.8
27.2	29.7	Price of electricity - Romania <sup>(6)</sup>	EUR/MWh	27.4
29.6	29.6	Price of Green Certificates - Romania <sup>(7)</sup>	EUR/MWh	29.6

In order to enhance the understandability of trends in the business segments, revenues and 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 1<sup>st</sup> 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 revenues and financial results at replacement cost pertaining to the joint venture LUKERG Renew GmbH.

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

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

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

<sup>(4)</sup> Single National Price

<sup>(5)</sup> the overseas Feed-in Tariff values refer to the prices obtained by ERG Renew plants

<sup>(6)</sup> the price of electricity – Romania refers to the price set by the company via bilateral contracts

<sup>(7)</sup> price refers to the unit value of green certificates

## Performance highlights by segment

3rd quarter			9 months	
2016	2015		2016	2015
		(EUR million)		
		<b>Revenues from ordinary operations:</b>		
<b>71</b>	<b>71</b>	<b>Non Programmable Sources</b>	<b>316</b>	<b>270</b>
71	71	Wind power	316	270
<b>155</b>	<b>144</b>	<b>Programmable Sources</b>	<b>440</b>	<b>447</b>
129	144	Thermoelectric power <sup>(1)</sup>	353	447
26	0	Hydroelectric power	87	0
<b>8</b>	<b>5</b>	<b>Corporate</b>	<b>24</b>	<b>16</b>
(8)	(3)	<i>Intra-segment revenues</i>	(23)	(19)
<b>227</b>	<b>216</b>	<b>Total revenues</b>	<b>757</b>	<b>713</b>
		<b>EBITDA:</b>		
<b>43</b>	<b>45</b>	<b>Non Programmable Sources</b>	<b>230</b>	<b>202</b>
43	45	Wind power	230	202
<b>36</b>	<b>27</b>	<b>Programmable Sources</b>	<b>129</b>	<b>78</b>
19	27	Thermoelectric power <sup>(1)</sup>	70	78
17	0	Hydroelectric power	59	0
<b>(2)</b>	<b>(6)</b>	<b>Corporate</b>	<b>(8)</b>	<b>(16)</b>
<b>78</b>	<b>66</b>	<b>EBITDA at replacement cost</b>	<b>351</b>	<b>264</b>
		<b>Amortisation, depreciation and write-downs</b>		
<b>(42)</b>	<b>(33)</b>	<b>Non Programmable Sources</b>	<b>(125)</b>	<b>(99)</b>
(42)	(33)	Wind power	(125)	(99)
<b>(22)</b>	<b>(7)</b>	<b>Programmable Sources</b>	<b>(67)</b>	<b>(22)</b>
(7)	(7)	Thermoelectric power	(22)	(22)
(15)	0	Hydroelectric power	(44)	0
<b>(1)</b>	<b>(1)</b>	<b>Corporate</b>	<b>(2)</b>	<b>(2)</b>
<b>(65)</b>	<b>(41)</b>	<b>Amortisation and depreciation at replacement cost</b>	<b>(193)</b>	<b>(123)</b>
		<b>EBIT:</b>		
<b>2</b>	<b>12</b>	<b>Non Programmable Sources</b>	<b>105</b>	<b>103</b>
2	12	Wind power	105	103
<b>14</b>	<b>19</b>	<b>Programmable Sources</b>	<b>62</b>	<b>56</b>
11	19	Thermoelectric power <sup>(1)</sup>	48	56
3	0	Hydroelectric power	14	0
<b>(3)</b>	<b>(6)</b>	<b>Corporate</b>	<b>(10)</b>	<b>(18)</b>
<b>13</b>	<b>25</b>	<b>EBIT at replacement cost</b>	<b>158</b>	<b>141</b>
		<b>Investments on tangible and intangible fixed assets:</b>		
<b>8</b>	<b>15</b>	<b>Non Programmable Sources</b>	<b>21</b>	<b>62</b>
8	15	Wind power	21	62
<b>3</b>	<b>2</b>	<b>Programmable Sources</b>	<b>8</b>	<b>5</b>
2	2	Thermoelectric power	6	5
1	0	Hydroelectric power	2	0
<b>0</b>	<b>0</b>	<b>Corporate</b>	<b>1</b>	<b>1</b>
<b>12</b>	<b>17</b>	<b>Total investments</b>	<b>31</b>	<b>69</b>

<sup>(1)</sup> Energy Management contribution is included

## Reclassified Income Statement

Income Statement and Balance Sheet results include non - recurring items

3rd quarter		Reclassified Income Statement	9 months	
2016	2015		2016	2015
		(EUR million)		
226.8	210.7	Revenues from ordinary operations	757.0	694.8
3.5	1.1	Other revenues and income	11.6	6.9
<b>230.4</b>	<b>211.8</b>	<b>TOTAL REVENUES</b>	<b>768.7</b>	<b>701.7</b>
(90.7)	(100.7)	Costs for purchase and changes in inventory	(221.7)	(312.4)
(48.6)	(37.7)	Costs for services and other operating costs	(152.7)	(105.7)
(13.5)	(13.2)	Cost of labor	(45.5)	(38.9)
<b>77.6</b>	<b>60.2</b>	<b>EBITDA</b>	<b>348.8</b>	<b>244.6</b>
(64.6)	(39.4)	Amortisation, depreciation and write-downs of fixed assets	(193.2)	(116.8)
<b>13.1</b>	<b>20.8</b>	<b>EBIT</b>	<b>155.6</b>	<b>127.8</b>
(18.0)	(13.1)	Net financial income (expenses)	(64.0)	(40.4)
19.8	(8.8)	Net income (loss) from equity investments	28.1	4.4
<b>14.9</b>	<b>(1.1)</b>	<b>Profit before taxes</b>	<b>119.6</b>	<b>91.8</b>
4.0	(3.5)	Income taxes	(25.2)	(22.8)
<b>18.9</b>	<b>(4.6)</b>	<b>Profit for the period</b>	<b>94.4</b>	<b>69.0</b>
0.6	0.3	Minority interests	(2.4)	(3.1)
<b>19.5</b>	<b>(4.3)</b>	<b>Group's net profit (loss)</b>	<b>92.0</b>	<b>65.9</b>

## Reclassified Statement of Financial Position

09/30/2015	Reclassified Statement of Financial Position	09/30/2016	06/30/2016	12/31/2015
	(EUR million)			
2,163.4	Fixed assets	3,409.0	3,454.1	3,223.9
220.1	Net working capital	205.7	313.1	202.1
(3.5)	Employees' severance indemnities	(6.4)	(6.4)	(5.5)
353.6	Other assets	365.6	369.9	324.7
(537.3)	Other liabilities	(685.4)	(697.6)	(621.1)
<b>2,196.1</b>	<b>Net invested capital</b>	<b>3,288.5</b>	<b>3,433.2</b>	<b>3,124.2</b>
1,674.5	Group Shareholders' Equity	1,559.7	1,540.7	1,626.0
50.8	Minority interests	51.8	52.4	50.3
470.9	Net financial indebtedness	1,677.0	1,840.1	1,447.9
<b>2,196.2</b>	<b>Shareholders' equity and financial debt</b>	<b>3,288.5</b>	<b>3,433.2</b>	<b>3,124.2</b>

## Cash flow

3rd quarter			9 months	
2016	2015		2016	2015
		<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
		(EUR million)		
70.5	43.3	Adjusted cash flow from current operations <sup>(1)</sup>	302.0	183.3
0.0	(9.1)	Income tax paid	(8.7)	(107.9)
107.4	(19.5)	Change in working capital	(2.4)	(30.5)
(3.1)	9.4	Change in other operating assets and liabilities	(32.1)	23.1
<b>174.7</b>	<b>24.0</b>	<b>TOTAL</b>	<b>258.9</b>	<b>68.0</b>
		<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(12.3)	(16.9)	Net investments on tangible and intangible fixed assets	(28.0)	(67.6)
0.9	(1.5)	Net investments in financial fixed assets	5.4	(1.0)
0.0	0.0	Adjustment for sale of ERG Oil Sicilia	0.0	(0.5)
<b>(11.4)</b>	<b>(18.4)</b>	<b>Total</b>	<b>(22.6)</b>	<b>(69.0)</b>
		<b>CASH FLOW FROM SHAREHOLDERS' EQUITY:</b>		
0.0	0.0	Distributed dividends	(142.8)	(71.4)
(0.4)	(4.0)	Other changes in equity <sup>(3)</sup>	(16.4)	8.8
<b>(0.4)</b>	<b>(4.0)</b>	<b>Total</b>	<b>(159.2)</b>	<b>(62.6)</b>
<b>0.2</b>	<b>(70.3)</b>	<b>CHANGES IN SCOPE OF CONSOLIDATION<sup>(2)</sup></b>	<b>(306.3)</b>	<b>(77.2)</b>
<b>163.2</b>	<b>(68.8)</b>	<b>CHANGE IN NET FINANCIAL INDEBTEDNESS</b>	<b>(229.1)</b>	<b>(140.8)</b>
<b>1,840.1</b>	<b>402.1</b>	<b>INITIAL NET FINANCIAL INDEBTEDNESS</b>	<b>1,447.9</b>	<b>330.1</b>
<b>(163.2)</b>	<b>68.8</b>	<b>CHANGE IN THE PERIOD</b>	<b>229.1</b>	<b>140.8</b>
<b>1,677.0</b>	<b>470.9</b>	<b>FINAL NET FINANCIAL INDEBTEDNESS</b>	<b>1,677.0</b>	<b>470.9</b>

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

<sup>(2)</sup> the change in the scope of consolidation in the first nine months of 2016 reflects above all the full consolidation of the newly-acquired Impax Asset Management companies.

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

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## 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)**<sup>1</sup> 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 of the Bulgarian wind farms and the Gebeleisis (Romania) wind farm, whose results are fully consolidated from 1<sup>st</sup> 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.

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<sup>1</sup> 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

3rd quarter		EBITDA	9 months	
2016	2015		2016	2015
77.6	60.2	<b>EBITDA</b>	<b>348.8</b>	<b>244.6</b>
<i>Exclusion of non-recurring items:</i>				
<b>Corporate</b>				
0.0	0.6	- Ancillary charges - extraordinary operations	0.0	1.4
0.0	0.0	- Ancillary charges transactions concerning ERG Hydro	0.0	0.0
0.0	0.0	- Ancillary charges other transactions	0.0	0.0
0.0	0.0	- Write-down of environmental certificates	0.0	2.6
0.0	0.0	- Ancillary charges - previous years	0.0	0.0
0.0	1.7	- Charges for company reorganisation	0.0	1.7
<b>Programmable Sources</b>				
0.0	0.1	-Corporate reorganisation expenses	0.3	1.0
0.0	0.0	- Ancillary charges transactions concerning ERG Hydro	0.0	0.0
<b>Non Programmable Sources</b>				
0.0	0.0	- Charges for company reorganisation	0.9	0.0
(0.0)	1.9	- Ancillary charges - extraordinary operations	0.9	2.5
<b>77.6</b>	<b>64.6</b>	<b>EBITDA at replacement cost</b>	<b>350.9</b>	<b>253.8</b>
0.0	1.8	LUKERG Renew 50% contribution at adjusted replacement cost	0.0	10.2
<b>77.6</b>	<b>66.4</b>	<b>EBITDA at adjusted replacement cost</b>	<b>350.9</b>	<b>264.0</b>

		AMORTISATION, DEPRECIATION AND WRITE-DOWNS	2016	2015
(64.6)	(39.4)		<b>Amortisation and depreciation at replacement cost</b>	(193.2)
0.0	(2.0)	LUKERG Renew 50% contribution at adjusted replacement cost	0.0	(5.9)
<b>(64.6)</b>	<b>(41.3)</b>	<b>Amortisation and depreciation at adjusted replacement cost</b>	<b>(193.2)</b>	<b>(122.7)</b>

		EBIT	2016	2015
13.0	25.2		<b>EBIT at replacement cost</b>	157.6
0.0	(0.1)	LUKERG Renew 50% contribution at adjusted replacement cost	0.0	4.4
<b>13.0</b>	<b>25.1</b>	<b>EBIT at adjusted replacement cost</b>	<b>157.6</b>	<b>141.5</b>

3rd quarter		GROUP'S NET PROFIT (LOSS)	9 months	
2016	2015		2016	2015
19.5	(4.3)	<b>Group net result</b>	<b>92.0</b>	<b>65.9</b>
(0.4)	19.1	<i>Exclusion of inventory gains / losses</i>	(6.4)	7.3
<i>Exclusion of non-recurring items:</i>				
0.0	0.0	<i>Exclusion for capital gain on sale of ERG Oil Sicilia</i>	0.0	0.5
0.0	0.0	<i>Exclusion of write-off resulting from Robin Tax on deferred tax assets and liabilities</i>	0.0	(2.9)
0.0	0.0	<i>Exclusion of ancillary charges - ERG Hydro acquisition</i>	0.0	0.0
0.0	0.0	<i>Exclusion of write-down of environmental certificates</i>	0.0	1.9
(0.0)	2.1	<i>Exclusion of ancillary charges - extraordinary operations</i>	0.8	2.7
0.5	1.1	<i>Exclusion of TotalErg non-recurring items</i>	0.8	(1.5)
0.0	0.0	<i>Exclusion of contribution and other proceeds (charges) pertaining to prior years</i>	0.0	0.0
0.0	(0.4)	<i>Exclusion of ancillary charges other transactions</i>	0.0	0.0
0.0	0.0	<i>Exclusion of loan prepayment effects</i>	5.9	0.0
0.0	0.0	<i>Exclusion of tax adjustment effects</i>	0.0	0.0
0.0	1.3	<i>Exclusion of charges for company reorganisation</i>	0.8	2.0
0.0	0.0	<i>Exclusion of extraordinary gains - Luk Erg joint venture dissolution</i>	0.0	0.0
0.0	0.0	<i>Exclusion of provision for equity investment risks</i>	0.0	0.0
(11.0)	0.0	<i>Exclusion of financial gains / charges on minorities option</i>	(11.0)	0.0
<b>8.6</b>	<b>19.0</b>	<b>Group net profit (loss) at replacement cost <sup>(1)</sup></b>	<b>82.9</b>	<b>75.8</b>

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