Press release

The Board of Directors of ERG S.p.A.
approves the Half-Yearly Financial Report as at 30 June 2017

Consolidated recurring[1]EBITDA: € 258 million , €273 million in the first half of 2016

Recurring[2] Group net result: € 87 million, €74 million in the first half of 2016

Genoa, 10 August 2017 – At its meeting held yesterday, the Board of Directors of ERG S.p.A. approved the Half-Yearly Financial Report as at 30 June 2017. 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 recurring

2nd Quarter			Performance highlights (million Euro)	1st Half		
2017	2016	Var. %		2017	2016	Var. %
107	111	-3%	EBITDA	258	273	-6%
43	46	-7%	EBIT	133	145	-8%
27	17	+59%	Group net result	87	74	+17%

	30.06.17	31.12.16	Variation
Net financial debt (million Euro)	1,514	1,557	-43
Leverage[3]	46%	47%	

Luca Bettonte, ERG's Chief Executive Officer, commented:

"The results for the second quarter and, more in general, for the half year are certainly satisfactory, particularly if we consider that, in addition to the anticipated setbacks caused by both the decrease in wind power incentivised capacity and the changes as regards the Sicilian regulatory situation, again during the quarter under review the conditions of water scarcity and lack of wind continued. However, these effects were almost entirely compensated by the favourable price scenario in Italy, which benefited both the Terni hydroelectric system, thanks to the flexibility of its plants, and the thermoelectric power business, in view of its significant cogeneration capacity. Added to this are the contribution from Energy Management activities, recovery of the value of green certificates (associated with both the reduction in wind power production imposed in the past by the National Grid Operator and recognition of the same for some of the hydroelectric complex facilities), the output of the new German wind farms acquired in May and the benefits deriving from the ongoing cost efficiency interventions.
The results hitherto achieved allow us to confirm our guidance for 2017, which forecasts EBITDA of Euro 430 million and a net debt of Euro 1,450 million, inclusive of investments totalling Euro 140 million, primarily directed towards the development of wind power outside of Italy, where at the end of the year 48 MW currently under construction in Northern Ireland will come on stream."

[1] Recurring results **do not** include inventory gains (losses) and non-recurring items.
[2] Recurring Group net result **does not** include inventory gains (losses), non-recurring items or applicable theoretical taxes.
[3] The ratio of total net financial debt (including project financing) to net invested capital.

Preliminary remark

Change in business perimeter

The results for the half year reflect the acquisition of six German wind farms (48 MW) purchased during the period and fully consolidated from 1 January 2017.

Second quarter 2017

Consolidated financial results

In the second quarter of 2017 **revenues** totalled Euro 236 million, compared to Euro 235 million for the second quarter of 2016.

Recurring EBITDA came to Euro 107 million, compared to Euro 111 million posted in the second quarter of 2016.

- **Non Programmable Sources (wind power):** EBITDA, at Euro 66 million, showed a slight decrease compared to the corresponding period a year earlier (Euro 70 million), mainly following the lower output in Italy, where particularly poor wind conditions were recorded. These effects were partially offset by the more favourable price trend in Italy, together with further cost efficiency interventions. We also mention that around 90% of Italian wind output during the second quarter of 2017 benefited from the incentive tariff (former Green Certificate), for a unitary amount corresponding to approximately 107 Euro/MWh, with an upturn compared to the same period in 2016 (about 100 Euro/MWh)

- **Programmable Sources (thermoelectric and hydroelectric power):** EBITDA came to Euro 44 million, in line with the Euro 44 million posted during the second quarter of 2016. The contribution provided by the hydroelectric system, at Euro 19 million, was substantially in keeping with the Euro 20 million posted in 2016, thanks above all to the plants' flexibility in taking advantage of the particularly favourable peak prices during the half year in the North-Central area despite a situation of reduced water availability with respect to the corresponding period a year earlier. The result posted by the thermoelectric power division, at Euro 25 million, showed a slight improvement compared to Euro 24 million for the second quarter of 2016, which still benefited from the "reintegration payment", amounting to around Euro 13 million, recognised in favour of the CCGT facility under the Essential Units regulations for the safety of the electricity system, in force until 27 May 2016. This falloff in earnings was more than compensated by the Energy Efficiency Certificate revenues payable to the CCGT plant owing to its qualification as high yield cogeneration facility and by the improved trend in energy sales prices.

Consolidated recurring EBIT came to Euro 43 million, compared to Euro 46 million in the second quarter of 2016, after amortisation and depreciation totalling Euro 64 million (Euro 65 million in the second quarter of 2016).

Group net result recurring was Euro 27 million (Euro 17 million in the second quarter of 2016) due to the decline in depreciation, lower net financial charges and increased revenues from the TotalErg investment (consolidated using the equity method).

First half of 2017

Consolidated financial results

In the first half of 2017, **revenues from ordinary operations** totalled Euro 538 million, with a slight increase over Euro 530 million posted in the first half of 2016*,* despite the significant falloff in RES-E production compared to the corresponding period in 2016, due to the extremely unfavourable weather conditions (windiness and water availability). These effects were more than compensated, above all, by the average increase in both energy prices and incentives and Energy Efficiency Certificates.
This item also reflected the increased sales recorded within the scope of price fluctuation hedging activities

carried out by Energy Management and the lower revenues connected with the exit of the wind farms from the incentive mechanism, partly offset by the incentive recovery mechanism relating to the loss of production for shutdowns requested by Terna in previous years. The first six months of 2016 included the "reintegration payment" of around Euro 31 million recognised in respect of the restrictions imposed on the CCGT plant's modulation under the Essential Units regulations for the safety of the electricity system.

Recurring EBITDA came to Euro 258 million, with a downturn compared to Euro 273 million posted in the first six months of 2016. This variation reflects the following:

- **Non Programmable Sources:** EBITDA, at Euro 170 million, showed a downturn compared to the corresponding period a year earlier (Euro 187 million), due above all to the reduced windiness and lower output in Italy and France, where particularly poor wind conditions were recorded. These effects were only partially offset by a more favourable trend in prices, together with further cost efficiency interventions.
  We also report that about 91% of Italian wind output during the first half of 2017 benefited from the incentive tariff (former Green Certificate), for a unitary amount corresponding to around 107 Euro/MWh, which was higher compared to the corresponding period in 2016 (approximately 100 Euro/MWh).
- **Programmable Sources:** EBITDA, at Euro 94 million, was essentially in line with the previous year (Euro 93 million). The contribution provided by the hydroelectric power complex amounted to Euro 54 million, with a sharp increase over Euro 41 million posted in 2016, thanks above all to the plants' flexibility in taking advantage of the particularly favourable peak prices during the half year in the North-Central area given a situation of reduced water availability with respect to the corresponding period a year earlier.
  We also report that between the end of 2016 and the first six months of 2017, following a GSE inspection procedure, the revocation of the RES-E (*IAFR*) qualification as regards the Cotilia (48 MW) and Sigillo (5 MW) plants was cancelled, and the said plants are therefore entitled to recognition of incentives (as well as recuperation of back payments).
  The result posted by the thermoelectric power division, at Euro 40 million, showed a downturn compared to Euro 52 million for the first six months of 2016, which still benefited from the "reintegration payment", amounting to around Euro 31 million, recognised in favour of the CCGT facility under the Essential Units regulations for the safety of the electricity system, in force until 27 May 2016. This reduction in revenues was largely offset by the contribution from the Energy Efficiency Certificate revenues earned by the CCGT plant owing to its qualification as high yield cogeneration facility, and by the improved trend in energy sales prices.

Recurring EBIT came to Euro 133 million (Euro 145 million in the first six months of 2016) after amortisation and depreciation totalling Euro 126 million (Euro 129 million in the first six months of 2016).

Recurring Group net result amounted to Euro 87 million, with a growth compared to Euro 74 million for the first six months of 2016, following the already described decline in operating results, which were more than offset by the lower depreciation, lower net financial charges and increased revenues from the TotalErg investment (consolidated using the equity method).

The 2016 result also included the negative amount of approximately Euro 3 million by way of minority interests.

The **Group net result**[4] came to Euro 84 million (Euro 73 million in the first six months of 2016).

In the first half of 2017, **Group investments** totalled Euro 26 million (Euro 19 million in the first six months of 2016), of which 76% in the sector of Non Programmable sources (68% in the first six months of 2016), mainly connected with construction of the Brockaghboy wind farm in Northern Ireland, 20% in the sector of Programmable sources (27% in the first six months of 2016) and 4% in the Corporate sector (5% in the first six months of 2016).

Net financial debt, at Euro 1,514 million, was down by Euro 43 million with respect to 31 December 2016, due above all to the positive net operating cash flow and the dividend received from TotalErg, which offset the impact arising from the acquisition of the German wind farms from the DIF Group, the distribution of dividends, the payment of taxes, as well as investments during the period.

[4] Includes inventory gains (losses) totalling Euro -3 million (Euro +6 Million in the first six months of 2016). Values are shown net of tax effects. For more detailed information, reference is made to the chapter "Alternative Performance Indicators".

Investments

2nd Quarter		Million Euro	1st Half	
2017	**2016**		**2017**	**2016**
12	**11**	**Non Programmable sources**	**20**	**13**
12	11	Wind power	20	13
3	**4**	**Programmable sources**	**5**	**5**
2	3	Thermoelectric power	4	4
1	1	Hydroelectric power	1	1
1	**0**	**Corporate**	**1**	**1**
16	**15**	**TOTAL INVESTMENTS**	**26**	**19**

We first of all mention that the information concerning investments for the first six months of 2017 does not include **the acquisition of six wind farms in Germany**, purchased from the DIF Group, with a total installed capacity of 48.4 MW. The acquisition's enterprise value amounted to around 40 million Euro.
It should be noted that the information concerning investments, for the first half of 2016, does 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 both "captive" and third-party wind power operators in France, Germany and Poland. The transaction's enterprise value amounted to Euro 290 million, corresponding to a multiple of approximately 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 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, as commented below. The overall investment for implementation of the wind farm is estimated at around Euro 80 million, which already includes the initial consideration paid to purchase the company.

In the first six months of 2017, the ERG Group carried out investments in tangible and intangible fixed assets totalling Euro 26 million (Euro 19 million during the corresponding period of 2016) of which Euro 25 million concerned property, plant and equipment (Euro 17 million in the first six months of 2016) and Euro 1 million concerned intangible fixed assets (Euro 2 million in the first six months of 2016).

Non Programmable Sources
Investments for the first six months of 2017 mainly refer to the sums paid out by ERG Power Generation as a result of works for the implementation of the above mentioned wind farm in Northern Ireland, amounting to around Euro 18 million. More specifically, the Brockaghboy wind farm will comprise nineteen Nordex N90 2.5 MW wind turbines, for a total capacity of 47.5 MW, and construction is scheduled for completion, according to the timing for connection to the distribution network, by the third quarter of 2017, following which the 'commissioning' phase will be completed during the fourth quarter.

Programmable Sources
Investments during the first six months of 2017 concerned above all ERG Power's CCGT plant, which continued with its initiatives aimed at maintaining the plants' operational efficiency, flexibility and reliability, including activities to unify the control centre and the information systems. Moreover, the scheduled interventions continued in the area of Health, Safety and the Environment.

Operational data

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

During the **second quarter of 2017**, **total electricity sales** came to 2.5 TWh (2.7 TWh in the same period of 2016), against a total of around 1.6 TWh produced by the Group's facilities (1.7 TWh in the same period of 2016), of which approximately 0.3 TWh abroad and 1.3 TWh in Italy. The latter figure corresponds to about 1.7% of overall domestic demand (2.1% in the second quarter of 2016).

During the **first six months of 2017**, **total electricity sales** came to 6.1 TWh (6.0 TWh in the same period of 2016), against a total of around 3,6 TWh produced by the Group's facilities (4.1 TWh in the same period of 2016), of which approximately 0.7 TWh abroad and 2.9 TWh in Italy. The latter figure corresponds to approximately 1.9% of overall domestic electricity demand (2.2% in the first six months of 2016).

2nd quarter			1st half year	
2017	**2016**	**Electricity output (GWh)**	**2017**	**2016**
725	**822**	**Wind power output**	**1,809**	**2,048**
421	*569*	*of which Italy*	*1,078*	*1,343*
304	*253*	*of which overseas*	*730*	*705*
574	**597**	**Thermoelectric power output**	**1,175**	**1,293**
266	**367**	**Hydroelectric power output**	**652**	**751**
1,566	**1,786**	**Total output**	**3,635**	**4,092**

With regard to output, in the second quarter of del 2017:

- **electricity output from Non Programmable Sources** amounted to 725 GWh, showing a decrease compared to the second quarter of 2016 (822 GWh), with output down by around 26% in Italy (from 569 GWh to 421 GWh) and up by 20% outside of Italy (from 253 GWh to 304 GWh).
  The downturn in Italian production (-148 GWh) reflects the poor wind conditions compared to the typical seasonal values, significantly inferior to those recorded in the second quarter of 2016, particularly as regards Campania, Puglia and Sicily. Outside of Italy, the overall increase of 51 GWh is mainly ascribable to the higher output of the German wind farms.

- **net electricity output from Programmable Sources** (thermoelectric and hydroelectric power) totalled 841 GWh, with a downturn compared to the second quarter of 2016 (964 GWh), as a result of both the reduced net electricity output by ERG Power (down from 597 GWh to 574 GWh) and the lower contribution from ERG Hydro's hydroelectric assets (266 GWh in the second quarter of 2017 compared to 367 GWh in the corresponding period of 2016).

In the first six months of 2017:

- **Electricity output from Non Programmable Sources** amounted to 1,809 GWh, showing a decrease compared to the first six months of 2016 (2,048 GWh), with production down by around 20% in Italy (from 1,343 GWh to 1,078 GWh) and up by 4% outside of Italy (from 705 GWh to 730 GWh).
  The decrease in Italian output (-265 GWh) reflects the poor wind conditions compared to the typical seasonal values, significantly inferior to the particularly high values recorded in the first six months of 2016. Outside of Italy, the increase of 25 GWh is ascribable to the contribution from the German plants (DIF) acquired during the period together with the good productions as regards Poland and Romania, partly offset by the poor output in France.

- **Net electricity output from Programmable Sources** (thermoelectric and hydroelectric power) amounted to 1,826 GWh, with a downturn compared to the first six months of 2016 (2,044 GWh), following both the reduction in net electricity output by ERG Power (down from 1,293 GWh to 1,175 GWh), and the lower contribution from ERG Hydro's hydroelectric assets (652 GWh in the first six months of 2017 compared to 751 GWh in the corresponding period of 2016).

Main events during the half year

On **8 March 2017**, through its subsidiary ERG Power Generation S.p.A., ERG acquired from DIF RE Erneuerbare Energien 1 GmbH and DIF RE Erneuerbare Energien 3 GmbH a 100% equity interest in six German companies, owners of six wind farms in Germany.
The wind farms, with an installed capacity of 48.4 MW, have an expected average annual output of around 84 GWh, corresponding to about 66,000 t of avoided CO2 emissions; the farms came on stream during 2007 and have an average incentive expiry date of 2027.
The price paid in terms of equity value amounts to Euro 14.4 million, corresponding to an enterprise value of approximately Euro 40 million, with average annual EBITDA forecast at around Euro 5 million.
The transaction closing took place on **2 May 2017**.
This transaction, in keeping with its overseas growth and diversification strategy, allows ERG to consolidate its position in the German onshore wind power market, with an installed power of 216 MW.

On **20 April 2017,** after completion of the shareholders' meeting proceedings, Luigi Ferraris, Independent Director and member of the Strategic Committee, tendered his resignation, with immediate effect, as member of the ERG S.p.A. Board of Directors, in order to pursue new professional opportunities. At the time of his resignation Luigi Ferraris did not hold any shares of the Company.
Upon a proposal from the Nominations and Remuneration Committee and pursuant to Article 2386 of the Italian Civil code and Article 15 of the Company's Articles of Association, the ERG S.p.A. Board of Directors meeting held on 11 May 2017 therefore appointed as new Director of the Company Alessandro Careri (formerly a member of the ERG S.p.A. Board of Directors from June 2011 to April 2015 and member of the Strategic Committee, currently Chairman of the TotalErg S.p.A. Board of Directors) who will remain in office until the next ERG S.p.A. Shareholders' Meeting.
Furthermore, in accordance with the provision set forth by Article 148, paragraph 3 of the Consolidated Finance Act, the Board of Directors has expressed its positive evaluation regarding the independence of Director Alessandro Careri.
Lastly, the Board of Directors has decided not to reconstitute the existing composition of the Strategic Committee.

On **30 June 2017,** ERG Eolica Fossa del Lupo S.r.l., ERG Eolica Amaroni S.r.l. and ERG Eolica Basilicata S.r.l. (all wholly owned by ERG Power Generation S.p.A.) signed a facilities agreement on a multi-borrower non-recourse portfolio basis.
The three companies concerned with the transaction own three wind farms located in the Calabria and Basilicata regions, which came on stream between 2011 and 2013 and have an overall installed capacity of 154 MW.
Via this transaction, in view of the excellent operational and financial performance of the above mentioned wind farms, it was possible to refinance the existing project finance loan agreements executed between 2012 and 2014 at significantly improved economic terms and conditions, with an over 50% reduction in the cost of borrowing compared to the terms originally applicable.
The facilities agreement, for an amount of Euro 145 million and a tenor of 10.5 years, was signed by Credit Agricole CIB Milan Branch as Coordinating & Structuring Bank and Mandated Lead Arranger, BNP Paribas (CIB Italy) and ING Bank N.V. - Milan Branch as Mandated Lead Arrangers and UBI Banca S.p.A. as Mandated Lead Arranger and facilities agent. Credit Agricole Carispezia acted as Account Bank.

On **22 June 2017**, through its subsidiary ERG Power Generation S.p.A., ERG acquired from Abo Wind UK LTD the entire share capital of the company Evishagaran Wind Farm Ltd, a company incorporated in the United Kingdom, which holds authorisations to build a wind farm (35MW) in Northern Ireland, scheduled to come on stream by 2020.

Main events occurred after the end of the period

On **19 July,** the procedure was completed for the issue and placement with institutional investors of a Euro 100 million non-convertible bonded loan, each bond having a nominal value of Euro 100 thousand, as approved by the Company's Board of Directors on **12 July 2017**.
The purpose of issuing the unsecured loan is to raise additional funds for new investments in the renewable energy sector and to finance investments being carried out with regard to the Company's hydroelectric plants in Italy.
The notes will be unrated, will not be subject to the observance of financial covenants and will be repaid in full in January 2023.
The notes were issued at a price corresponding to 100% of their nominal value and will bear interest at a fixed rate of 2.175%. Interest will be paid annually in arrears.
The issue will allow the possibility to extend the duration of indebtedness, reduce the average cost of borrowing and diversify the Group's funding sources.
The bonds, which are intended exclusively for institutional investors in Italy and abroad, will not be offered or sold in the United States, Canada, Australia, Japan or in any other country where the offer or sale of bonds is forbidden under applicable laws.

On **4 July** the ERG Group announced the appointment of Sergio Chiericoni as new head of ERG Group business development in the role of Chief Business Development Officer.
An engineer with twenty years of experience in top management positions at international companies in the Energy sector, Sergio Chiericoni has led major development, design and construction projects in different countries all over the world, focusing over the last ten years on the Renewables sector.
This significant addition confirms ERG's strategy to impart further momentum to business development activities. The position, which reports directly to the Chief Executive Officer, has been filled by a manager with a long and proven experience in the implementation of strategic projects in the energy sector, on an international scale.

Business Outlook

Set out below is the foreseeable trend in the main scenario and performance indicators during 2017:

Non Programmable Sources
ERG continues to pursue its international growth strategy in the wind power sector, which has led it to achieve 674 MW of installed power capacity abroad, corresponding to 38% of the overall 1,768 MW installed, allowing the Group to position itself as eighth onshore operator at European level. The year 2017 will benefit by the contribution of the new overseas wind farms, with the coming on stream during the latter part of the year of the approximately 48 MW facility constructed in Northern Ireland (UK) and the new wind farms acquired in Germany (48.4 MW), whereby ERG will consolidate its position to around 216 MW, becoming the country's eighth largest wind power operator.

As regards Italy, a downturn in EBITDA is anticipated, primarily as a result of the low wind conditions and, secondly, due to around 214 MW gradually leaving the incentive system during the year. These effects will to some extent be offset by the higher incentive levels, the value of which is calculated based on the average price of electricity recorded in 2016, by a partial recovery of the price scenario in view of the trend documented during the early months of 2017 and by recognition of the value of restrictions on output imposed by the national grid operator in prior years in reference to the MW leaving the incentive system.

Generally speaking, the overall gross operating result for the wind power business is therefore expected to show a slight downward trend.

Programmable Sources
During 2017, ERG will continue interventions to consolidate the Terni hydroelectric complex and improve the operational efficiency of ERG Power's CCGT plant.

As regards the hydroelectric complex, despite the low water availability during the current year, a slight growth in results is anticipated due to the improvement in sales prices, the higher incentive levels benefiting approximately 40% of output (the latter is expected to show a downturn compared to the previous year), the increase in incentive entitlement following recognition of the RES-E (*IAFR*) qualification for the Cotilia and Sigillo plants and in view of the ongoing operations aimed at improving efficiency.

For the Thermoelectric power facility a slight downturn in results is anticipated following the discontinuation of Essential Units regulations and the related contribution covering fixed costs, associated with the fully operational status of the Sorgente-Rizziconi power line starting from 28 May 2016, which tends to curb profitability, a phenomenon largely mitigated by participation in the dispatching services market, maximisation of high yield cogeneration, recovery of operational efficiency and the Energy Management business.

Overall 2017 EBITDA is forecast at around Euro 430 million.

ERG's cash generation will enable a reduction in debt of around Euro 100 million, taking it to 1,450 million (Euro 1,557 million in 2016), despite new investments scheduled for around Euro 140 million, the distribution of an ordinary dividend of €0.5 per share and the payment of financial charges.

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, paragraph 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 2017 will be illustrated to analysts and investors at 11.00 a.m. (CEST) today, 10 August 2017, 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 e-Market Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued at 7.45 a.m. (CEST) on 10 August 2017, 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 S.p.A. and on the eMarket Storage authorised storage mechanism (www.emarketstorage.com). The Half-yearly Financial Report at 30 June 2017, 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 S.p.A. and on the eMarket Storage authorised storage mechanism (www.emarketstorage.com).

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Performance Highlights

FY 2016	(EUR million)		1st Half 2017	1st Half 2016	2nd quarter 2017	2nd quarter 2016
	Main Income Statement data					
1,025	Revenues from ordinary operations		538	530	236	235
455	**EBITDA recurring**		**258**	**273**	**107**	**111**
202	**EBIT recurring**		**133**	**145**	**43**	**46**
125	Net income		84	76	19	25
122	of which Group net income		84	73	19	25
107	**Group net profit (loss) recurring** (1)		**87**	**74**	**27**	**17**
	Main Financial data					
3,286	**Net invested capital**		**3,267**	**3,433**	**3,267**	**3,433**
1,729	Shareholders' Equity		1,753	1,593	1,753	1,593
1,557	Total net financial indebtedness		1,514	1,840	1,514	1,840
1,276	of which non-recourse Project Financing (2)		1,206	1,285	1,206	1,285
47%	Financial leverage		46%	54%	46%	54%
44%	**EBITDA Margin %**		**48%**	**52%**	**45%**	**47%**
	Operating data					
1,720	**Installed capacity at period end - wind farms**	MW	**1,768**	**1,720**	**1,768**	**1,720**
3,501	Electric power generation from wind farms	millions of KWh	1,809	2,048	746	822
480	**Installed capacity - thermoelectric plants**	MW	**480**	**480**	**480**	**480**
2,693	Electric power generation from thermoelectric plants	millions of KWh	1,175	1,293	574	597
527	**Installed capacity at period end - Hydoelectric plants**	MW	**527**	**527**	**527**	**527**
1,358	Electric power generation from hydroelectric plants	millions of KWh	652	751	266	367
12,303	**Total sales of electric power**	millions of KWh	**6,065**	**5,960**	**2,527**	**2,678**
60	Investments (3)	EUR million	26	19	16	15
715	**Employees at period end**	Units	**717**	**722**	**717**	**722**
	Market indicators					
42.8	Reference price of electricity - Italy (baseload) (4)	EUR/MWh	51.2	37.1	44.9	34.5
100.1	Feed In premium (former Green Certificates) - Italy	EUR/MWh	107.3	100.1	107.3	100.1
47.6	Sicily zone price (baseload)	EUR/MWh	56.8	41.9	57.0	39.5
47.6	North - Center zone price (peak)	EUR/MWh	58.7	40.0	49.1	36.8
139.0	Average selling price per unit of ERG Wind energy in Italy	EUR/MWh	152.7	135.6	160.6	134.6
92.6	Feed In Tariff (Germany)(5)	EUR/MWh	91.0	91.7	91.6	91.3
88.7	Feed In Tariff (France)(5)	EUR/MWh	89.0	88.6	89.0	88.7
84.0	Feed In Tariff (Bulgaria)(5)	EUR/MWh	96.7	96.7	96.7	96.7
33.4	Price of electricity - Poland	EUR/MWh	35.7	33.1	35.4	36.1
10.8	Price of Green Certificates - Poland	EUR/MWh	7.3	16.6	6.6	15.2
27.3	Price of electricity - Romania(6)	EUR/MWh	28.7	27.6	28.6	27.7
29.5	Price of Green Certificates - Romania(7)	EUR/MWh	29.2	29.5	29.0	29.5

To enhance understandability of business performance, recurring revenues and operating results are shown, therefore excluding non-recurring items.

(1) does not include inventory gains (losses) of TotalErg, 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) in tangible and intangible fixed assets. Do not include the M&A investments amounting to EUR 39.5 million made in 2017 for the acquisition of the companies of the DIF Group in Germany and the M&A investments amounting to EUR 306.5 million made in 2016.
(4) Single National Price
(5) the values of the Feed-In Tariff abroad refer to the prices obtained by the wind farms
(6) the Electricity price Romania refers to the price fixed by the company via bilateral agreements

Performance Highlights by segment

FY 2016	(EUR million)	1st Half 2017	1st Half 2016	2nd quarter 2017	2nd quarter 2016
	Revenues from ordinary operations:				
423	**Non Programmable Sources**	**232**	**244**	**95**	**100**
423	Wind power	232	244	95	100
601	**Programmable Sources**	**306**	**288**	**141**	**136**
479	Thermoelectric power(1)	230	228	111	106
122	Hydroelectric power	76	61	29	31
32	**Corporate**	**20**	**16**	**10**	**8**
(31)	*Intra-segment revenues*	*(20)*	*(18)*	*(10)*	*(9)*
1,025	**Total revenues**	**538**	**530**	**236**	**235**
	EBITDA:				
308	**Non Programmable Sources**	**170**	**187**	**66**	**70**
308	Wind power	170	187	66	70
161	**Programmable Sources**	**94**	**93**	**44**	**44**
77	Thermoelectric power(1)	40	52	25	24
84	Hydroelectric power	54	41	19	20
(13)	**Corporate**	**(6)**	**(6)**	**(4)**	**(4)**
455	**EBITDA *recurring***	**258**	**273**	**107**	**111**
	Amortisation, depreciation and write-downs				
(163)	**Non Programmable Sources**	**(79)**	**(83)**	**(41)**	**(42)**
(163)	Wind power	(79)	(83)	(41)	(42)
(88)	**Programmable Sources**	**(45)**	**(44)**	**(23)**	**(22)**
(30)	Thermoelectric power	(16)	(15)	(8)	(7)
(58)	Hydroelectric power	(29)	(29)	(15)	(15)
(3)	**Corporate**	**(1)**	**(1)**	**(1)**	**(1)**
(254)	**Amortisation and depreciation *recurring***	**(126)**	**(129)**	**(64)**	**(65)**
	EBIT:				
145	**Non Programmable Sources**	**91**	**104**	**25**	**28**
145	Wind power	91	104	25	28
73	**Programmable Sources**	**49**	**48**	**22**	**22**
47	Thermoelectric power(1)	24	37	17	17
26	Hydroelectric power	25	12	4	5
(16)	**Corporate**	**(7)**	**(7)**	**(4)**	**(4)**
202	**EBIT *recurring***	**133**	**145**	**43**	**46**
	Investments on tangible and intangible fixed assets:				
44	**Non Programmable Sources**	**20**	**13**	**12**	**11**
44	Wind power	20	13	12	11
13	**Programmable Sources**	**5**	**5**	**3**	**4**
10	Thermoelectric power	4	4	2	3
4	Hydroelectric power	1	1	1	1
3	**Corporate**	**1**	**1**	**1**	**0**
60	**Total investments**	**26**	**19**	**16**	**15**

Reclassified Income Statement

The income statement and statement of financial position results for the first half of 2016, shown below, **include non-recurring items**. In the first half of 2017, there were no non-recurring items.
Please see the section "*Alternative performance indicators*" for the analysis of the results net of these items which more fully represent the operating performance of the group.

FY 2016	Reclassified Income Statement	1st half 2017	1st half 2016	2nd quarter 2017	2nd quarter 2016
	(EUR million)				
1,025.5	Revenues from ordinary operations	538.3	530.2	235.7	234.8
16.3	Other revenues and income	4.7	8.1	1.9	5.0
1,041.8	**TOTAL REVENUES**	**543.0**	**538.3**	**237.6**	**239.8**
(330.2)	Costs for purchase and changes in inventory	(171.9)	(131.0)	(72.2)	(57.8)
(196.0)	Costs for services and other operating costs	(81.1)	(104.1)	(41.8)	(55.2)
(62.3)	Cost of labor	(31.8)	(32.0)	(16.6)	(17.4)
453.3	**EBITDA**	**258.2**	**271.2**	**106.9**	**109.4**
(253.7)	Amortisation, depreciation and write-downs of fixed assets	(125.6)	(128.7)	(64.1)	(64.6)
199.6	**EBIT**	**132.6**	**142.5**	**42.8**	**44.8**
(83.9)	Net financial income (expenses)	(34.0)	(46.0)	(17.5)	(25.3)
37.7	Net income (loss) from equity investments	11.9	8.2	1.3	13.8
153.5	**Profit before taxes**	**110.5**	**104.8**	**26.5**	**33.2**
(28.7)	Income taxes	(26.1)	(29.2)	(7.1)	(8.6)
124.9	**Profit for the period**	**84.4**	**75.5**	**19.4**	**24.6**
(2.4)	Minority interests	0.0	(3.0)	0.0	0.0
122.5	**Group's net profit (loss)**	**84.4**	**72.5**	**19.4**	**24.7**

Reclassified Statement of Financial Position

06/30/2016	Reclassified Statement of Financial Position	06/30/2017	12/31/2016
	(EUR million)		
3,454.1	Fixed assets	3,320.3	3,372.2
313.1	Net working capital	210.1	160.2
(6.4)	Employees' severance indemnities	(6.5)	(6.7)
369.9	Other assets	329.3	310.1
(697.6)	Other liabilities	(586.6)	(549.5)
3,433.2	**Net invested capital**	**3,266.7**	**3,286.3**
1,540.7	Group Shareholders' Equity	1,752.6	1,729.1
52.4	Minority interests	0.0	0.0
1,840.1	Net financial indebtedness	1,514.1	1,557.2
3,433.2	**Shareholders' equity and financial debt**	**3,266.7**	**3,286.3**

Cash Flow

FY 2016		1st half 2017	1st half 2016	2nd quarter 2017	2nd quarter 2016
	CASH FLOWS FROM OPERATING ACTIVITIES:				
	(EUR million)				
381.3	Adjusted cash flow from current operations [1]	222.9	231.6	88.0	86.1
(14.2)	Income tax paid	(15.2)	(8.7)	(15.2)	(8.7)
69.5	Change in working capital	(46.8)	(109.8)	(6.3)	(18.9)
(34.3)	Change in other operating assets and liabilities	(5.7)	(29.0)	(8.6)	(9.1)
402.3	**TOTAL**	**155.2**	**84.2**	**57.9**	**49.4**
	CASH FLOWS FROM INVESTING ACTIVITIES:				
(55.9)	Net investments on tangible and intangible fixed assets	(24.2)	(15.6)	(13.4)	(7.4)
(0.1)	Net investments in financial fixed assets	15.4	4.4	15.7	3.6
(56.1)	**Total**	**(8.7)**	**(11.2)**	**2.3**	**(3.8)**
	CASH FLOW FROM SHAREHOLDERS' EQUITY:				
(142.8)	Distributed dividends	(74.4)	(142.8)	(74.4)	(142.8)
(6.2)	Other changes in equity [3]	10.6	(16.0)	4.0	(1.5)
(149.0)	**Total**	**(63.8)**	**(158.8)**	**(70.4)**	**(144.3)**
(306.5)	**CHANGES IN SCOPE OF CONSOLIDATION[2]**	**(39.5)**	**(306.5)**	**(39.5)**	**(0.1)**
(109.3)	**CHANGE IN NET FINANCIAL INDEBTEDNESS**	**43.1**	**(392.3)**	**(49.8)**	**(98.8)**
1,447.9	**INITIAL NET FINANCIAL INDEBTEDNESS**	**1,557.2**	**1,447.9**	**1,464.3**	**1,741.4**
109.3	***CHANGE IN THE PERIOD***	***(43.1)***	***392.3***	***49.8***	***98.8***
1,557.2	**FINAL NET FINANCIAL INDEBTEDNESS**	**1,514.1**	**1,840.1**	**1,514.1**	**1,840.1**

(1) the 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 2017 refers to the line-by-line consolidation of the German companies acquired from the DIF RE Group. The figures relating to the first half of 2016 refer principally to the line-by-line consolidation of the companies acquired from Impax Asset Management.

(3) the other changes in shareholders' equity mainly refer to the changes in the cash flow hedge reserve linked to the financial derivatives.

Alternative performance indicators

To enhance understandability of business performance, the operating results are also shown excluding non-recurring items and **inventory gains (losses)**[5].
As from the Interim Report on Operations at 31 March 2017, these results, previously defined as “at replacement costs”, are indicated with the definition “recurring”.

Recurring results 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 recurring results are described below.

Non-recurring items include significant income entries of an unusual nature.

Inventory gains (losses)[19] are equal to the difference between the replacement cost of sold products 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 equity investment in the TotalErg joint venture is consolidated using the equity method of accounting.

[5] Inventory gains and losses refer solely to the “income from equity investment” and refer to the TotalErg joint venture

Reconciliation with recurring operating results

FY 2016	EBITDA	1st Half 2017	1st Half 2016	2nd quarter 2017	2nd quarter 2016
453.3	**EBITDA**	***258.2***	***271.2***	***106.9***	***109.4***
	Exclusion of non-recurring items:				
	Programmable Sources				
0.3	*- Charges for company reorganisation*	*0.0*	*0.3*	*0.0*	*0.3*
	Non Programmable Sources				
0.9	*- Charges for company reorganisation*	*0.0*	*0.9*	*0.0*	*0.9*
0.9	*- Ancillary charges - extraordinary operations*	*0.0*	*0.9*	*0.0*	*0.1*
455.4	**EBITDA at replacement cost**	***258.2***	***273.3***	***106.9***	***110.7***

FY 2016	GROUP'S NET PROFIT (LOSS)	1st Half 2017	1st Half 2016	2nd quarter 2017	2nd quarter 2016
122.5	**Group net result**	**84.4**	**72.5**	**19.4**	**24.7**
(15.7)	*Exclusion of inventory gains / losses*	*2.9*	*(6.0)*	*7.3*	*(13.9)*
	Exclusion of non-recurring items:				
0.8	*Exclusion of ancillary charges - extraordinary operations*	*0.0*	*0.9*	*0.0*	*0.1*
4.1	*Exclusion of TotalErg non-recurring items*	*0.0*	*0.3*	*0.0*	*0.2*
5.9	*Exclusion of loan prepayment effects*	*0.0*	*5.9*	*0.0*	*4.9*
0.8	*Exclusion of charges for company reorganisation*	*0.0*	*0.8*	*0.0*	*0.8*
(11.0)	*Exclusion of financial gains / charges on minorities option*	*0.0*	*0.0*	*0.0*	*0.0*
107.3	**Group net profit (loss) at replacement cost**	***87.3***	***74.3***	***26.7***	***16.9***