



Press Release

The Board of Directors of ERG S.p.A.
approves the Interim Management Report at 30 September 2017

Third quarter of 2017

- Consolidated recurring¹ EBITDA: €98 million, €78 million in the 3rd quarter of 2016
- Recurring² Group net result: €26 million, €9 million in the 3rd quarter of 2016

Nine months of 2017

- Consolidated recurring EBITDA: €356 million, €351 million in the 9 months of 2016
- Recurring Group net result: 113 million, €83 million in the 9 months of 2016

Genoa, 10 November 2017 – At its meeting held today, the Board of Directors of ERG S.p.A. approved the Interim Management Report at 30 September 2017.

Consolidated recurring financial results

3rd Quarter			Performance highlights (million Euro)	First nine months		
2017	2016	Var. %		2017	2016	Var. %
98	78	27%	EBITDA	356	351	2%
36	13	174%	EBIT	168	158	7%
26	9	203%	Group net result	113	83	37%

	30.09.17	31.12.16	Variation
Net financial debt (million Euro)	1,370	1,557	-187
Leverage³	43%	47%	

Luca Bettonte, ERG's Chief Executive Officer, commented: "The quarter's results show a strong growth over last year in the sectors of both programmable sources and non programmable sources. The wind power business performed well, with good wind conditions recorded both overseas and in Italy, where it benefited from a favourable price scenario, as did the hydroelectric power division, which by exploiting its flexibility was able to take advantage of the improvement in prices, thereby offsetting the scarce water availability during the period. A good performance was also reported by the thermoelectric power division, supported *inter alia* by the trend in White Certificate prices. In view of these results and given the still favourable price scenarios anticipated for the coming months, we have carried out an upward adjustment of our year-end guidance. We forecast EBITDA of Euro 455 million, in line with the 2016 result, and a further reduction in net debt to around Euro 1,300 million, owing to the increase in cash flow, the Euro 71 million in dividends paid by TotalErg and the expected reduction in investments to Euro 100 million. Following the recent extraordinary transactions and in anticipation of an imminent and clear definition of the regulatory and competitive situation insofar as concerns the geographical areas of interest to us, also with regard to the matter of repowering, we consider it appropriate to reschedule for early 2018 our presentation of the Business Plan."

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

We mention that on 23 February 2017 ERG S.p.A.'s Board of Directors, pursuant to Article 82-ter of the Issuers' Regulations, resolved to continue preparing, on a voluntary basis, interim reports on operations (at 31 March and at 30 September) with contents aligned to those of previous years' interim reports – according to the valuation and measurement criteria laid down by the International Financial Reporting Standards (IFRS) - which will be approved and subsequently published in continuity with the disclosures hitherto made to the market, namely within 45 days of the close of the first and third quarters of the financial year.

The consolidation principles and measurement criteria applied to this Report are the same as those indicated in the 2016 Consolidated Financial Statements to which reference is made.

Third quarter of 2017

Consolidated financial results

In the third quarter of 2017 revenues from ordinary operations came to Euro 227 million and were in line with the third quarter of 2016, mainly as a result of the higher wind power output compared to the corresponding period of 2016, reflecting the improved weather conditions (windiness), and the average increase in both energy prices and Energy Efficiency Certificates. These effects were more than offset by the drop in revenues due to the wind farms leaving the incentive mechanism, net of the incentive recovery following the loss of production for shutdowns requested by Terna in previous years, and by the lower revenues associated with the falloff in production as regards the CCGT facility.

Recurring EBITDA, at Euro 98 million, showed an increase with respect to Euro 78 million posted in the third quarter of 2016. This variation reflects the following:

Non Programmable Sources: EBITDA, at Euro 57 million, showed a growth compared to the corresponding period a year earlier (Euro 43 million), due above all to the increased windiness and output in all the geographical areas concerned, associated with the generally more favourable trend in prices as regards Italy, in addition to further cost efficiency interventions.

We also report that about 88% of Italian wind power output (95% in 2016) during the third quarter of 2017 benefited from the incentive tariff (former Green Certificate), for a unitary amount corresponding to around 107 Euro/MWh, higher than the corresponding period in 2016 (approximately 100 Euro/MWh), during which the entire energy output benefited from the incentives.

Programmable Sources: EBITDA, at Euro 42 million, showed an increase compared to the previous year (Euro 36 million). The contribution provided by the hydroelectric power complex amounted to Euro 19 million, with an upturn compared to the previous year's Euro 17 million, due above all to the plants' flexibility in taking advantage of the particularly favourable peak prices during the quarter in the North-Central area despite the situation of decidedly reduced water availability.

The result posted by the thermoelectric power division, at Euro 23 million, showed an increase compared to Euro 19 million for the corresponding period of 2016, reflecting both the improved trend in energy sales prices and the contribution of Energy Efficiency Certificate revenues payable to the CCGT plant owing to its qualification as high yield cogeneration facility.

Recurring EBIT came to Euro 36 million (Euro 13 million in the third quarter of 2016), after amortisation and depreciation totalling Euro 62 million (Euro 65 million in the third quarter of 2016).

Recurring Group net result was Euro 26 million, with a sharp growth compared to Euro 9 million in the third quarter of 2016, as a result of the previously mentioned improved operating results, lower net financial charges and increased revenues from the TotalErg investment (consolidated using the equity method).

Group net result⁴ came to Euro 30 million (Euro 19 million in the third quarter of 2016).

Net financial debt, at Euro 1,370 million, was down by Euro 144 million with respect to 30 June 2017 (Euro 1,514 million) reflecting above all the net operating cash flow during the period, the incentive payments received in connection with output for the first quarter of 2017, pursuant to current regulations, and the proceeds from the sale of Energy Efficiency Certificates generated in 2016.

⁴ Includes inventory gains (losses) totalling Euro +4 million (Euro +1 million in 2016). Values are shown net of tax effects. For more detailed information, reference is made to the chapter "alternative performance indicators".

Nine months 2017

In the first nine months of 2017, **revenues from ordinary operations** came to Euro 765 million, with a slight increase over Euro 757 million for the first nine months of 2016, despite the downturn in RES output compared to the corresponding period in 2016 as a result of the extremely adverse weather conditions (windiness and water availability). These effects were more than offset, above all, by the average increase not only in energy prices but also in 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 wind farms no longer covered by the incentive mechanism, which were partly offset by the incentive recovery mechanism relating to the loss of production for shutdowns requested by Terna in prior years. We mention that the previous year, up to the month of May 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 356 million, with an increase compared to Euro 351 million posted for the first nine months of 2016. The variation reflects the following:

Non Programmable Sources: EBITDA of Euro 227 million, with a downturn compared to the corresponding period a year earlier (Euro 230 million), mainly as a result of the lower windiness and output in Italy and France, where poorer wind conditions were recorded. These effects were substantially offset by the generally more favourable trend in prices, together with further cost efficiency interventions and the contribution from the newly-acquired wind farms in Germany. We also report that about 90% of Italian wind power output (96% in 2016) during the first nine months of 2017 benefited from the incentive tariff (former Green Certificate), for a unitary amount corresponding to around 107 Euro/MWh, higher than the corresponding period in 2016 (approximately 100 Euro/MWh).

Programmable Sources: EBITDA of Euro 136 million, with an increase compared to the previous year (Euro 129 million). The contribution provided by the hydroelectric power complex amounted to Euro 73 million, with a sharp upturn compared to Euro 59 million in 2016, due above all to the plants’ flexibility in taking advantage of the particularly favourable peak prices especially at the beginning of the year in the North-Central area, despite the situation of reduced water availability compared to the corresponding period a year earlier.

The results also benefited from the repeal of the revocation as regards the RES-E (*IAFR*) qualification for the Cotilia (48 MW) and Sigillo (5 MW) plants, following a GSE inspection procedure, 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 63 million, showed a downturn compared to Euro 70 million for the first nine 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 168 million (Euro 158 million in the first nine months of 2016) after amortisation and depreciation totalling Euro 188 million (Euro 193 million in the first nine months of 2016).

Recurring Group net result was Euro 113 million, with a growth compared to Euro 83 million for the first nine months of 2016, as a result of the previously mentioned improved operating results, 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.

Group net result⁵ came to Euro 114 million (Euro 92 million in the first nine months of 2016).

Net financial debt, at Euro 1,370 million, was down by Euro 187 million with respect to 31 December 2016 due above all to the positive net operating cash flow, also following the incentive payments received in connection with output for the first quarter of 2017, and the dividend paid by TotalErg, which offset the impact

⁵ Includes inventory gains (losses) amounting to + Euro 1 million (+ Euro 6 million in 2016). Values are shown net of tax effects. For more detailed information, reference is made to the chapter “Alternative performance indicators”.

arising from 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.

Investments

3 rd Quarter		Million Euro	Nine months	
2017	2016		2017	2016
7	8	Non Programmable Sources	27	21
7	8	Wind power	27	21
4	3	Programmable Sources	9	8
2	2	Thermoelectric power	5	6
2	1	Hydroelectric power	4	2
0	0	Corporate	1	1
11	12	Total investments	37	31

We first of all mention that the information concerning investments for the period 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 corresponding period a year earlier 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 (and an expected average annual output of around 410 GWh), 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 **third quarter of 2017**, the ERG Group carried out investments in tangible and intangible fixed assets totalling Euro 11 million (12 million in the same period of 2016) of which Euro 10.9 million concerned property, plant and equipment (11.5 million in the third quarter of 2016) and Euro 0.2 million concerned intangible fixed assets (Euro 0.5 million in the third quarter of 2016).

In the **first nine months of 2017**, the ERG Group carried out investments in tangible and intangible fixed assets totalling Euro 37 million (Euro 31 million in the same period of 2016) of which Euro 36 million concerned property, plant and equipment (Euro 29 million in the first nine months of 2016) and Euro 1 million concerned intangible fixed assets (Euro 2 million in the first nine months of 2016).

Non Programmable Sources

Investments in the third quarter of 2017 (Euro 7 million) and during the first nine months of 2017 (Euro 27 million) 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 approximately Euro 24 million. More specifically, the Brockaghboy wind farm, comprising nineteen Nordex N90 2.5 MW wind turbines, for a total capacity of 47.5 MW, was completed at the end of August and the 'commissioning' phase is currently nearing completion.

Programmable Sources

Investments in the third quarter of 2017 (Euro 4 million) and during the first nine months of 2017 (Euro 9 million) concerned above all ERG Power's CCGT facility, 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

Energy

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 **third quarter of 2017**, total electricity sales came to 2.5 TWh (3.1 TWh in the same period of 2016), against a total of around 1.6 TWh produced by the Group's facilities (1.6 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 1.6% of overall domestic electricity demand (1.7% in the third quarter of 2016).

During the **first nine months of 2017**, total electricity sales came to 8.6 TWh (9.1 TWh in the same period of 2016), against a total of around 5.3 TWh produced by the Group's facilities (5.7 TWh in the same period of 2016), of which approximately 1.0 TWh abroad and 4.2 TWh in Italy. The latter figure corresponds to about 1.8% of overall domestic electricity demand (2.0% in the first nine months of 2016).

3 rd quarter		Electricity output (GWh)	Nine months	
2017	2016		2017	2016
723	583	Wind power output	2,532	2,631
444	368	<i>of which Italy</i>	1,523	1,711
279	215	<i>of which overseas</i>	1,009	920
638	740	Thermoelectric power output	1,812	2,032
232	277	Hydroelectric power output	884	1,028
1,593	1,600	Total output	5,228	5,692

With regard to output, in the third quarter of 2017:

- **Electricity output from Non Programmable Sources** amounted to 723 GWh compared to 583 GWh for the corresponding period in 2016, with an overall 24% growth in output, of which +21% in Italy (from 368 GWh to 444 GWh) and +30% abroad (from 215 GWh to 279 GWh). The upturn in Italian production (+76 GWh) reflects the improved wind conditions recorded during the period with respect to the third quarter of 2016, when they were below the historical average. Outside of Italy, the increase of 64 GWh is ascribable to both the contribution from the German wind farms (DIF) acquired in 2017 and the higher output reported by all overseas facilities.
- **Net electricity output from Programmable Sources** (thermoelectric and hydroelectric power) totalled 870 GWh, with a decrease compared to the third quarter of 2016 (1,017 GWh), as a result of both the reduced net electricity output by ERG Power (down from 740 GWh to 638 GWh), and the lower contribution from ERG Hydro's hydroelectric assets (232 GWh in the third quarter of 2017 compared to 277 GWh for the corresponding period in 2016).

In the first nine months of 2017:

- **Electricity output from Non Programmable Sources** amounted to 2,532 GWh, showing a decrease compared to the first nine months of 2016 (2,631 GWh), with production down by around 11% in Italy (from 1,711 GWh to 1,523 GWh) and up by 10% abroad (from 920 GWh to 1,009 GWh). The downturn in Italian production (-189 GWh) reflects the wind conditions, which were poorer with respect to the normal seasonal values and inferior to those recorded during the first nine months of 2016. Outside of Italy, the increase of 89 GWh is ascribable to the contribution from the

German plants (DIF) acquired during the period and to the good productions as regards Poland and Romania, partly offset by the lower output in France.

- **Net electricity output from Programmable Sources** (thermoelectric and hydroelectric power) totalled 2,696 GWh, with a downturn compared to the first nine months of 2016 (3,061 GWh), following both the reduction in net electricity output by ERG Power (down from 2,032 GWh to 1,812 GWh), and the lower contribution from ERG Hydro's hydroelectric assets (884 GWh in the first nine months of 2017 compared to 1,028 GWh for the corresponding period in 2016).

Main events during the quarter

On **4 July** the ERG Group announced the appointment of Sergio Chiericoni as the new head of ERG Group business development in the role of Chief Business Development Officer.

This important addition confirms ERG's strategy to give further impetus to business development activities. The position, which reports directly to the Chief Executive Officer, has been assigned to a manager with a long and proven experience in the implementation of strategic projects in the energy sector on an international scale.

On **19 July** the process for the issuance and placement with institutional investors of a non-convertible bond with a nominal amount of Euro 100 million and a denomination per bond of Euro 100 thousand, as approved by the ERG S.p.A. Board of Directors on **12 July**, was concluded.

The purpose of the unsecured loan is to raise additional funds for new investments in the renewable energy sector and to refinance investments made in connection with the hydroelectric plants in Italy.

The notes are unrated, are not subject to financial covenants and will be repaid in a lump sum in January 2023.

The bonds were issued at a price equal to 100% of their nominal value and will accrue interest at a fixed rate of 2.175%. Interest will be paid annually in arrears.

The issue offers the possibility to extend the financial debt duration, reduce its average cost and diversify the Group's funding sources.

Main events occurred after the end of the period

On **11 October** ERG, through its subsidiary ERG Eolienne France SAS, signed an agreement with Vent d'Est SAS, a company located in the Grand Est region of France with industrial expertise in the management and development of wind power installations and sound relations at local community level, for the acquisition of a 75% equity interest in two companies owners of two wind farms with an overall capacity of 16.25 MW (Parc Eolienne de la Voie Sacrée SAS, 12 MW, which came on stream in 2007 and Parc Eolienne d'Epense SAS, 4.25 MW, which came on stream in 2005). The remaining 25% is held by Renvico France SAS.

The value of the acquisition, based on 100%, corresponds to an enterprise value of Euro 12.9 million. The closing, subject *inter alia* to waiver by the minority shareholder of pre-emption rights, is scheduled to take place by the end of the year. The transaction also provides for a co-development agreement to be entered into with Vent d'Est SAS regarding an early-stage pipeline of projects totalling around 300 MW again located in France, in areas characterised by very strong winds.

The agreement will then pave the way for the launch of greenfield development activities also in France, under the leadership of ERG insofar as concerns the technical definition of the projects and cost management.

This acquisition, in keeping with geographical diversification and overseas growth Plan objectives, will allow ERG to increase to around 270 MW the total installed power in France, where a strategy is already underway to gradually internalise wind farm management activities.

On **3 November** ERG S.p.A. and Total Marketing Services S.A. signed a binding agreement with the api Group for the sale of a 100% equity interest in TotalErg S.p.A., a company operating in oil product distribution and refining. The transaction perimeter includes approximately 2,600 retail service stations, the Rome logistic hub and 25.16% of the Trecate refinery.

The transaction, for which the closing is scheduled to take place by 31 January 2018, is subject to approval by the Antitrust and completion of the spin-off of the Total Italia S.p.A. business unit operating in the lubricant

sector in favour of Total Italia S.r.l.. Regarding the latter ERG S.p.A. and Total Marketing Services S.A., again on 3 November, signed a binding agreement providing for ERG S.p.A.'s sale to the Total group of its (51%) stake in the said company. We also mention that, on 10 August 2017, TotalErg S.p.A. had already finalised the sale to the Ambienta sgr S.p.A. fund and to Aber S.r.l. of its subsidiary Restiani S.p.A., which operates in the heating services sector, and on 5 October 2017, the sale to UGI Italia S.r.l. of its subsidiary Totalgaz Italia S.r.l., a company operating in the LPG distribution business.

The total sum payable to ERG S.p.A. for the transaction's equity value amounts to Euro 273 million. This figure includes extraordinary dividends distributed by TotalErg S.p.A. totalling Euro 71 million (of which Euro 20 million paid on 11 May 2017 and the remainder on 26 October 2017) and a deferred component of approximately Euro 36 million settled by way of a Vendor Loan Agreement signed with api, repayable in five and a half years.

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 slight 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 (*IAPR*) 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 improvement in results is anticipated, despite 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. This was largely mitigated by the favourable scenario (also in reference to Energy Efficiency Certificate prices), participation in the dispatching services market, maximisation of high yield cogeneration, recovery of operational efficiency and the Energy Management business.

Generally speaking, therefore, total EBITDA as regards Programmable Sources is expected to show a slight increase.

Overall 2017 EBITDA is forecast at around Euro 455 million, despite the decreasing incentive perimeter in the Italian wind power sector and discontinuation of the essential units cost reintegration system as regards thermoelectric power; these effects are offset by the more favourable price scenarios, the contribution from the development of new overseas wind power production capacity, maximisation of Energy Management activities on all markets and the continuous pursuit of business and central operating cost efficiencies.

ERG's cash generation will enable a reduction in debt to approximately Euro 1,300 million (showing a notable decrease from Euro 1,557 million in 2016).

This indication takes into account estimated new investments totalling around Euro 100 million, the payment by TotalErg, on 26 October 2017, of approximately Euro 50 million in extraordinary dividends, the distribution of an ordinary dividend of Euro 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 third quarter and first nine months of 2017 will be illustrated to analysts and investors today, 10 November 2017, at 3.30 p.m. (CET), 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 1.15 p.m. (CET) on 10 November 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 e-Market Storage authorised storage mechanism (www.emarketstorage.com). The Interim Management Report at 30 September 2017 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 e-Market Storage authorised storage mechanism (www.emarketstorage.com).

Contacts:

Sabina Alzona Media Relations Manager - tel. + 39 010 2401804 mob. + 39 340 1091311

Emanuela Delucchi IR Manager – tel. + 39 010 2401806 – e-mail: ir@erg.eu

Matteo Bagnara IR - tel. + 39 010 2401423 - e-mail: ir@erg.eu

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Performance highlights

3th quarter		(EUR million)	9 months	
2017	2016		2017	2016
Main Income Statement data				
227	227	Revenues from ordinary operations	765	757
98	78	EBITDA recurring	356	351
36	13	EBIT recurring	168	158
30	19	Net income	114	94
30	19	of which Group net income	114	92
26	9	Group net profit (loss) recurring ⁽¹⁾	113	83
Main Financial data				
3,153	3,289	Net invested capital	3,153	3,289
1,783	1,612	Shareholders' Equity	1,783	1,612
1,370	1,677	Total net financial indebtedness	1,370	1,677
1,209	1,332	of which non-recourse Project Financing ⁽²⁾	1,209	1,332
43%	51%	Financial leverage	43%	51%
43%	34%	EBITDA Margin %	47%	46%
Operating data				
1,768	1,720	Installed capacity at period end - wind farms	1,768	1,720
723	583	Electric power generation from wind farms	2,532	2,631
480	480	Installed capacity - thermoelectric plants	480	480
638	740	Electric power generation from thermoelectric plants	1,812	2,032
527	527	Installed capacity at period end - Hydroelectric plants	527	527
232	277	Electric power generation from hydroelectric plants	884	1,028
2,537	3,093	Total sales of electric power	8,601	9,140
11	12	Investments ⁽³⁾	26	31
717	721	Employees at period end	717	721
Market indicators				
51.6	40.9	Reference price of electricity - Italy (baseload) ⁽⁴⁾	51.3	38.4
107.3	100.1	Feed In premium (former Green Certificates) - Italy	107.3	100.1
62.3	54.3	Sicily zone price (baseload)	58.7	46.1
59.9	45.4	North - Center zone price (peak)	59.1	41.8
143.8	138.4	Average selling price per unit of ERG Wind energy in Italy	150.1	136.2
91.5	91.9	Feed In Tariff (Germany) ⁽⁵⁾	91.5	92.1
89.1	88.6	Feed In Tariff (France) ⁽⁵⁾	89.0	88.6
96.7	96.4	Feed In Tariff (Bulgaria) ⁽⁵⁾	96.7	96.6
38.6	32.56	Price of electricity - Poland	36.6	32.7
7.8	7.12	Price of Green Certificates - Poland	7.5	11.8
28.8	27.24	Price of electricity - Romania ⁽⁶⁾	28.7	27.4
28.8	29.6	Price of Green Certificates - Romania ⁽⁷⁾	29.1	29.6

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

⁽⁷⁾ Price referred to the unit value of the green certificate

Performance highlights by segment

3th quarter			9 months	
2017	2016		2017	2016
		(EUR million)		
		Revenues from ordinary operations:		
87	71	Non Programmable Sources	319	316
87	71	Wind power	319	316
139	155	Programmable Sources	445	440
111	129	Thermoelectric power ⁽¹⁾	341	353
29	26	Hydroelectric power	104	87
10	8	Corporate	30	24
(10)	(8)	<i>Intra-segment revenues</i>	(29)	(23)
227	227	Total revenues	765	757
		EBITDA:		
57	43	Non Programmable Sources	227	230
57	43	Wind power	227	230
42	36	Programmable Sources	136	129
23	19	Thermoelectric power ⁽¹⁾	63	70
19	17	Hydroelectric power	73	59
(0)	(2)	Corporate	(6)	(8)
98	78	EBITDA recurring	356	351
		Amortisation, depreciation and write-downs		
(40)	(42)	Non Programmable Sources	(119)	(125)
(40)	(42)	Wind power	(119)	(125)
(22)	(22)	Programmable Sources	(67)	(67)
(7)	(7)	Thermoelectric power	(23)	(22)
(15)	(15)	Hydroelectric power	(44)	(44)
(1)	(1)	Corporate	(2)	(2)
(62)	(65)	Amortisation and depreciation recurring	(188)	(193)
		EBIT:		
17	2	Non Programmable Sources	108	105
17	2	Wind power	108	105
20	14	Programmable Sources	69	62
16	11	Thermoelectric power ⁽¹⁾	39	48
4	3	Hydroelectric power	29	14
(1)	(3)	Corporate	(8)	(10)
36	13	EBIT recurring	168	158
		Investments on tangible and intangible fixed assets:		
7	8	Non Programmable Sources	27	21
7	8	Wind power	27	21
4	3	Programmable Sources	9	8
2	2	Thermoelectric power	5	6
2	1	Hydroelectric power	4	2
0	0	Corporate	1	1
11	12	Total investments	37	31

⁽¹⁾ Energy Management contribution is included

Reclassified Income Statement

The income statement and statement of financial position results for the nine months of 2016, shown below, **include non-recurring items**.

In the nine months 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.

3th quarter		Reclassified Income Statement	9 months	
2017	2016		2017	2016
		<i>(EUR million)</i>		
227.0	226.8	Revenues from ordinary operations	765.3	757.0
2.3	3.5	Other revenues and income	7.1	11.6
229.4	230.4	TOTAL REVENUES	772.4	768.7
(76.9)	(90.7)	Costs for purchase and changes in inventory	(248.8)	(221.7)
(40.1)	(48.6)	Costs for services and other operating costs	(121.2)	(152.7)
(14.1)	(13.5)	Cost of labor	(45.9)	(45.5)
98.2	77.6	EBITDA	356.4	348.8
(62.4)	(64.6)	Amortisation, depreciation and write-downs of fixed assets	(188.1)	(193.2)
35.8	13.1	EBIT	168.4	155.6
(15.3)	(18.0)	Net financial income (expenses)	(49.3)	(64.0)
14.3	19.8	Net income (loss) from equity investments	26.2	28.1
34.8	14.9	Profit before taxes	145.3	119.6
(4.9)	4.0	Income taxes	(30.9)	(25.2)
30.0	18.9	Profit for the period	114.4	94.4
0.0	0.6	Minority interests	0.0	(2.4)
30.0	19.5	Group's net profit (loss)	114.4	92.0

Reclassified Statement of Financial Position

09/30/2016	Reclassified Statement of Financial Position	09/30/2017	06/30/2017	12/31/2016
	(EUR million)			
3,409.0	Fixed assets	3,280.8	3,320.3	3,372.2
205.7	Net working capital	140.8	210.1	160.2
(6.4)	Employees' severance indemnities	(6.6)	(6.5)	(6.7)
365.6	Other assets	319.7	329.3	310.1
(685.4)	Other liabilities	(582.2)	(586.6)	(549.5)
3,288.5	Net invested capital	3,152.6	3,266.7	3,286.3
1,559.7	Group Shareholders' Equity	1,782.5	1,752.6	1,729.1
51.8	Minority interests	0.0	0.0	0.0
1,677.0	Net financial indebtedness	1,370.1	1,514.1	1,557.2
3,288.5	Shareholders' equity and financial debt	3,152.6	3,266.7	3,286.3

Cash Flow

3th quarter			9 months	
2017	2016		2017	2016
		CASH FLOWS FROM OPERATING ACTIVITIES:		
		<i>(EUR million)</i>		
83.3	70.5	Adjusted cash flow from current operations ⁽¹⁾	306.2	302.0
0.0	0.0	Income tax paid	(15.2)	(8.7)
69.2	107.4	Change in working capital	22.4	(2.4)
0.1	(3.1)	Change in other operating assets and liabilities	(5.6)	(32.1)
152.6	174.7	TOTAL	307.8	258.9
		CASH FLOWS FROM INVESTING ACTIVITIES:		
(11.0)	(12.3)	Net investments on tangible and intangible fixed assets	(35.2)	(28.0)
(0.4)	0.9	Net investments in financial fixed assets	15.0	5.4
(11.4)	(11.4)	Total	(20.1)	(22.6)
		CASH FLOW FROM SHAREHOLDERS' EQUITY:		
0.0	0.0	Distributed dividends	(74.4)	(142.8)
2.7	(0.4)	Other changes in equity ⁽³⁾	13.3	(16.4)
2.7	(0.4)	Total	(61.1)	(159.2)
0.0	0.2	CHANGES IN SCOPE OF CONSOLIDATION⁽²⁾	(39.5)	(306.3)
144.0	163.2	CHANGE IN NET FINANCIAL INDEBTEDNESS	187.1	(229.1)
1,514.1	1,840.1	INITIAL NET FINANCIAL INDEBTEDNESS	1,557.2	1,447.9
(144.0)	(163.2)	CHANGE IN THE PERIOD	(187.1)	229.1
1,370.1	1,677.0	FINAL NET FINANCIAL INDEBTEDNESS	1,370.1	1,677.0

(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 nine months 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 nine months 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)**⁶.

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)¹ 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.

⁶ Inventory gains and losses refer solely to the “income from equity investment” and refer to the TotalErg joint venture

Reconciliation with operating results at adjusted replacement cost

3th quarter			9 months	
2017	2016	EBITDA	2017	2016
98.3	77.6	EBITDA	356.4	348.8
<i>Exclusion of non-recurring items:</i>				
Programmable Sources				
0.0	0.0	- Charges for company reorganisation	0.0	0.3
Non Programmable Sources				
0.0	0.0	- Charges for company reorganisation	0.0	0.9
0.0	(0.0)	- Ancillary charges - extraordinary operations	0.0	0.9
98.3	77.6	EBITDA at replacement cost	356.4	350.9
			1st Half	
GROUP'S NET PROFIT (LOSS)			2017	2016
30.0	19.5	Group net result	114.4	92.0
(4.0)	(0.4)	<i>Exclusion of inventory gains / losses</i>	(1.2)	(6.4)
<i>Exclusion of non-recurring items:</i>				
0.0	(0.0)	<i>Exclusion of ancillary charges - extraordinary operations</i>	0.0	0.8
0.0	0.5	<i>Exclusion of TotalErg non-recurring items</i>	0.0	0.8
0.0	0.0	<i>Exclusion of loan prepayment effects</i>	0.0	5.9
0.0	0.0	<i>Exclusion of charges for company reorganisation</i>	0.0	0.8
0.0	(11.0)	<i>Exclusion of financial gains / charges on minorities option</i>	0.0	(11.0)
25.9	8.6	Group net profit (loss) at replacement cost	113.2	82.9