Press Release

The Board of Directors of ERG S.p.A. approves the Interim Report on Operations as at 31 March 2018

Consolidated adjusted[1] EBITDA: €162 million, restated €151 million[2] in the first quarter of 2017

Adjusted[1] Group net result: €56 million, restated €54 million[2] in the first quarter of 2017

Genoa, 15 May 2018 – At its meeting held yesterday, the Board of Directors of ERG S.p.A. approved the Interim Report on Operations as at 31 March 2018.

Consolidated adjusted[1] financial results

Performance highlights (million Euro)	First Quarter		
	2018	2017 restated[2]	Var. %
EBITDA	162	151	+7%
EBIT	94	90	+5%
Group net result	56	54	+3%

	31.03.18	31.12.17	Variation
Net financial debt (million Euro)	1,229	1,233	-4
Leverage[3]	38%	40%	

Luca Bettonte, ERG's Chief Executive Officer, commented: "**The first quarter results are very good and show an upturn compared to a year ago. The growth in hydroelectric and wind power output – given the same scope – together with the contribution from the new solar power assets and from the increased installed wind power capacity in France, Germany as well as, albeit temporarily, in UK, allowed us to offset both the poorer price and incentive scenario and the reduction in incentivised wind power capacity. A good performance was also reported by the thermoelectric power sector which, thanks to the flexibility of its plant and to the Energy Management business, was able to improve its profitability in the course of the period, also benefiting during the quarter from the higher prices as regards the Energy Efficiency Certificates generated. In view of these results, we are certainly confident about confirming the EBITDA guidance figure of Euro 475 million forecast for the end of the year. Lastly, in order to reflect our recent acquisition of Epuron, in France, for which the closing is scheduled to take place shortly and which effectively represents an anticipation and acceleration of investments included in the Plan, we have increased our year-end investment forecast from the previous Euro 450 million to around Euro 500 million, and net debt from the previous figure of Euro 1,260 million to approximately Euro 1,300 million, including the imminent distribution of dividends amounting to Euro 172 million.**"

[1] In order to facilitate the understanding of business performance, the financial results are shown excluding significant income components of a non-recurring nature (special items): these results are indicated using the term "adjusted".
For a definition of the indicators and reconciliation of the amounts in question, reference is made to the specific section of this Press Release "Alternative Performance Indicators"
[2] For a definition and reconciliation of restated amounts reference is made to the Preliminary Remarks section of this Press Release
[3] The ratio of total net financial debt (including project financing) to net invested capital

Preliminary remarks

- ***Quarterly report***
  We mention that on 23 February 2017 ERG S.p.A.'s Board of Directors passed a resolution, pursuant to Article 82-*ter* of the Issuers' Regulations, to continue preparing on a voluntary basis interim reports on operations (at 31 March and 30 September) with contents aligned to those of previous years' interim reports, consistent with 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 end of the first and third quarters of the financial year.

- ***Restated comparative data***
  - The sale of **TotalErg** was completed on 10 January 2018 and marked the definitive exit from the OIL industry on the part of the ERG Group, whose business starting from 2018 thus exclusively concerns the market for the generation of electricity from renewable sources. The comparison of 2018 results with those for the corresponding periods in 2017 is therefore affected by this variation in scope: consequently, in order to facilitate the understanding of performance during the two periods, and bearing in mind the Group's new strategic and industrial positioning, the comparative financial data for 2017 have been modified, excluding the adjusted results[4] pertaining to the TotalErg joint venture which were previously consolidated using the equity method and stated at the line "Net income (loss) from equity investments". In the first quarter of 2017 this contribution was positive by Euro 6 million (+Euro 24 million as regards FY2017).
  - Starting from 1 January 2018 accounting standard **IFRS 15 – Revenue from Contracts with Customers** has been applied, without significantly impacting the Group's Consolidated Financial Statements. More specifically, for some contracts ERG has been identified as "agent", providing for net revenue amounts to be reported showing just the total income.

(million Euro)	1st quarter 2017	*Deconsolidation of TotalErg*	*IFRS 15 reclassifications*	1st quarter 2017 restated
Financial highlights				
Revenues from ordinary operations	303	*(0)*	*(2)*	300
Recurring EBITDA	**151**	***0***	***0***	**151**
Recurring EBIT	**90**	***0***	***0***	**90**
Net result	65	*(11)*	*0*	54
of which Group net result	65	*(11)*	*0*	54
Recurring Group net result	**61**	***(6)***	***0***	**54**

First quarter 2018

In the first quarter of 2018 **revenues from ordinary operations** totalled Euro 284 million, with a downturn compared to Euro 300 million in 2017.

Adjusted EBITDA, at Euro 162 million, showed an increase over Euro 151 million posted in 2017. This variation reflects the following factors:

- **Wind power:** EBITDA came to Euro 107 million, with an increase over the corresponding period a year earlier (Euro 104 million), mainly due to the improvement in overseas results (+Euro 7 million) as a result of the higher output reflecting both the good wind conditions and the contribution from the Brockaghboy wind farm in the UK and the increased installed capacity in France and Germany. The upturn in overseas results were only partly offset by the poorer results of the Italian wind farms (Euro -4 million), due above all to the lower incentivised output (72% of the total compared to 86% in 2017) and the downturn in unitary incentive value (Euro 99/MWh compared to Euro 107/MWh), to some extent compensated by the growth in output and the hedging activities carried out by Energy Management.

- **Solar power:** EBITDA, at Euro 5 million, concerned the facilities acquired from Forvei at the beginning of 2018, comprising Euro 5 million for energy account revenues, Euro 1 million for market

[4] Net of special items and inventory gains (losses)

revenues, net of around Euro 1 million for overheads mostly pertaining to maintenance costs.

- **Hydroelectric power:** EBITDA came to Euro 35 million and was in line with the previous year which however had benefited from the recovery of prior incentives totalling Euro 8 million in connection with the cancellation of the RES-E qualification revocation for certain plants. Net of this effect the results show a sharp growth thanks to the abundant water availability recorded during the period, especially in the month of March.

- **Thermoelectric power:** the result posted by the thermoelectric power business, at Euro 18 million, was up by Euro 4 million compared to Euro 14 million for the first quarter of 2017, following both the improved performance seen on the energy markets thanks to the effect of hedging and production modulation, and the continued high profitability of the Energy Efficiency Certificate revenues earned by the CCGT plant owing to its qualification as high yield cogeneration facility. These factors more than offset the less profitable trend in the spark spread since energy prices do not yet fully incorporate the higher cost of gas and CO_2.

Adjusted EBIT came to Euro 94 million (Euro 90 million in the first quarter of 2017) after amortisation and depreciation totalling Euro 69 million (Euro 62 million in 2017).

The **Adjusted Group net result** amounted to Euro 56 million, with a slight upturn compared to the restated result of Euro 54 million for the first quarter of 2017, following the previously described increase in operating results.

The **Group net result** of Euro 85 million (restated Euro 54 million in the first quarter of 2017) reflects, in addition to the already described increased net operating results, also the capital gain from the sale of Brockaghboy.

Net financial debt came to Euro 1,229 million, showing a slight decrease (Euro -4 million) compared to 31 December 2017, and reflects above all the positive operating cash flow during the period (Euro 98 million) and the payments received for the sale of TotalErg (Euro 180 million) and Brockaghboy (Euro 106 million), which were partly offset by the impacts deriving from the acquisition of solar plants in Italy (Euro 346 million) and two wind farms in France (Euro 12 million).

Investments

Million Euro	**First quarter**	
	2018	**2017**
Wind power	17	8
Solar power	346	n.a.
Hydroelectric power	0	1
Thermoelectric power	2	2
Corporate	1	0
Total investments	**365**	**11**

In the first quarter of 2018 **investments** amounted to Euro 365 million (Euro 11 million in the first quarter of 2017) and mainly concerned the acquisition of solar plants in Italy (Euro 346 million) and two wind farms in France (Euro 12 million). Furthermore, during the period investments were carried out **in property, plant and equipment and intangible fixed assets totalling Euro 8 million,** of which 65% in the Wind Power sector (74% in 2017), above all in connection with the Linda project in Germany, 19% in the Thermoelectric Power sector (17% in 2017) and 10% in the Corporate sector (4% in 2017).

Wind Power: investments in the first quarter of 2018 (Euro 17 million) primarily refer to the acquisition from Vent d'Est SAS 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 – 12.0 MW – which came on stream in 2007 and Parc Eolienne d'Epense SAS – 4.25 MW – which came on stream in 2005) and to the acquisition of the Linda project for the construction of a 21.6 MW wind farm in Germany.

Solar Power: investments during the period refer to the acquisition of 30 photovoltaic plants, which came on stream between 2010 and 2011 and are located in 8 regions between the North and South of Italy, with an installed capacity of 89 MW and annual output of around 136 GWh. The entire installed capacity is eligible for incentives, with an average expiry date of 2030. The transaction's enterprise value amounted to around Euro 346 million, including the fair value measurement of funding pertaining to the acquisition.

Hydroelectric Power: investments in hydroelectric power, amounting to Euro 0.3 million, refer above all to maintenance contracts and projects scheduled in the area of Health, Safety and the Environment.

Thermoelectric Power: investments in the first quarter of 2018 (Euro 2 million) primarily concerned ERG Power's CCGT facility, which continued with its initiatives aimed at maintaining the plants' operational efficiency, flexibility and reliability. Moreover, the scheduled interventions went ahead 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, hydroelectric and solar power plants, and to purchases on organised markets and via physical bilateral contracts.

Overall electricity sales in the first quarter of 2018 came to 3.7 TWh (3.5 TWh in the corresponding period of 2017), against a total of around 2.2 TWh produced by the Group's facilities (2.0 TWh in the corresponding period of 2017), of which approximately 0.5 TWh abroad and 1.7 TWh in Italy. The latter figure represents about 2.1% of overall domestic electricity demand (2.1% also in the first quarter of 2017).

	1st Quarter			
Electricity output (GWh)	**2018**	**2017**	**Δ**	**Δ%**
Wind power output	**1,219**	**1,062**	**157**	**15%**
- Italy	*732*	*658*	*75*	*11%*
- Overseas	*487*	*405*	*82*	*20%*
Solar power output	**21**	**n.a.**	**n.a.**	**n.a.**
Hydroelectric power output	**469**	**386**	**84**	**22%**
Thermoelectric power output	**527**	**600**	**-73**	**-12%**
ERG plants total output	**2,237**	**2,048**	**189**	**9%**

With regard to output, in the first quarter of 2018:

Wind power: **wind power output** totalled 1,219 GWh, with an upturn compared to the first quarter of 2017 (1,062 GWh), increasing by 11% in Italy (from 658 GWh to 732 GWh) and 20% abroad (from 405 GWh to 487 GWh). The growth in Italian output (+75 GWh) reflects the improved wind conditions with respect to those recorded in the first quarter of 2017 regarding essentially all regions.
Outside of Italy, the increase of +82 GWh is ascribable to the contribution from the plant in Northern Ireland (29 GWh), together with the higher output in France and Germany which also benefited from productions by the facilities in Germany (DIF) and France (Vent d'Est), amounting respectively to 23 GWh and 11 GWh; these were not present in the corresponding period of 2017. These higher productions abroad were partly mitigated by the poorer output in Eastern Europe (-20 GWh) compared to the same period in 2017.

Solar power: **solar power output** totalled 21 GWh and refers to plants acquired at the beginning of the year.

Hydroelectric power: **hydroelectric power output,** which benefited from the abundant water availability recorded during the period, totalled 469 GWh, with an increase compared to both the corresponding period in 2017 (405 GWh), and the ten-year historical average.

Thermoelectric power: **thermoelectric power output** totalled 527 GWh, down by 73 GWh compared to the corresponding period in 2017 (600 GWh).

Main events during the quarter

On **10 January 2018** ERG sold a 51% shareholding in TotalErg S.p.A. and a 51% stake in Total Italia S.r.l. Conclusion of the transaction followed approval by the competent Antitrust Authority and completion of the spin-off of the above mentioned TotalErg S.p.A. business unit in favour of Total Italia S.r.l..

On **12 January 2018** ERG, through its subsidiary ERG Power Generation S.p.A., acquired from VEI Green S.r.l. - an investment holding company controlled by PFH S.p.A., with the participation of leading Italian institutional investors – a 100% stake in ForVei S.r.l., the ninth largest photovoltaic operator in Italy with a total installed capacity of 89 MW.

On **12 January 2018** ERG, through its subsidiary ERG Windpark Beteiligungs GmbH, acquired a 100% equity stake in Windpark Linda GmbH & Co. KG, holder of authorisations for the construction of a wind farm in Germany with a capacity of 21.6 MW and annual output when fully operational estimated at around 50 GWh.

On **7 March 2018** ERG's Board of Directors approved the 2018-2022 Strategic Plan.

On **21 March 2018** ERG, through its subsidiary ERG Eolienne France SAS, acquired from Vent d'Est SAS a 75% equity interest in two companies owners of two wind farms in France with an overall capacity of 16.25 MW.

Main events occurred after the end of the period

On **6 April 2018** ERG, through its subsidiary ERG Power Generation S.p.A., signed an agreement with Impax New Energy Holding Cooperatief W.A. regarding the acquisition in France of two wind farms (26 MW) and a pipeline of approximately 750 MW. The transaction closing is scheduled to take place during the second quarter of 2018.

On **23 April 2018** the ERG S.p.A. Shareholders' Meeting appointed the new Board of Directors, confirming Edoardo Garrone as Chairman and resolving to pay a dividend of 1.15 Euro per share, including an extraordinary component of 0.40 Euro. ERG's Board of Directors confirmed Alessandro Garrone as Executive Deputy Chairman, Giovanni Mondini as Deputy Chairman and Luca Bettonte as Chief Executive Officer.

On **27 April 2018** ERG, through its subsidiary ERG Eolienne France SAS, signed an agreement with Global Wind Power France regarding the acquisition of a 100% equity interest in WP France SAS, the holder of rights, permits and authorisations for a 6.9 MW wind farm project in France.

Business outlook

Set out below is the foreseeable trend in the main scenario and performance indicators during 2018:

Wind Power: ERG continues to pursue its international development strategy in the Wind Power sector, via the acquisition of two wind farms in France with a total capacity of 26MW and a development company with a pipeline of 750MW, which will allow it to achieve an installed capacity in France of almost 300MW by the end of 2018.
Regarding Italy, a decline in EBITDA is expected as a result of around 72MW gradually leaving the incentive system during the year and the lower price of the incentive, the value of which is determined based on the average price of electricity recorded in 2017. These effects will be only marginally offset by the wind conditions which are expected to be slightly better than those recorded in 2017.
Overall, the Wind Power sector is expected to post a downturn in total EBITDA.

Solar Power: ERG entered the Solar Power sector in 2018 via the acquisition of FORVEI (89 MW), further consolidating its technological diversification strategy. Moreover, due to the significant size of the operation it will be possible to expand and optimise Energy Management's portfolio and capitalise industrial skills in the management of assets..
Overall EBITDA for the Solar Power sector is generally expected to contribute towards improving the Group's result compared to 2017, the year before the Group made its entry into this technology.

Hydroelectric Power: during 2018, ERG will continue interventions to consolidate the Terni hydroelectric complex. An upturn in results is expected due to the higher volumes anticipated compared to the previous year, such as to more than offset the lower price of the incentive provided for approximately 40% of output and the revenues connected with the recovery of prior incentives totalling around Euro 8 million which had benefited the hydroelectric power sector in 2017.

Thermoelectric Power: during 2018, ERG will continue to improve the operating efficiency of ERG Power's CCGT plant. A downturn in results is expected due to the less favourable price scenario, partially mitigated by participation in the dispatching services market, maximisation of high yield cogeneration, recovery of operational efficiency and the Energy Management business.

Overall 2018 EBITDA is forecast at around Euro 475 million, with a slight upturn compared to 2017 despite the decreasing incentivised perimeter in the Italian Wind Power sector and the lower *GRIN* incentive tariff (99 as opposed to 107 €/MWh on Wind and Hydro incentivised volumes); these effects are compensated by the forecast growth in volumes as regards the Hydro sector and by the contribution from the new Solar Power assets.

ERG's cash generation, both from operating activities and deriving from the sale of TotalErg and Brockaghboy, will make it possible to maintain debt essentially stable at around Euro 1.3 billion (Euro 1.2 billion in 2017), offsetting the new investments amounting to approximately Euro 500 million, the distribution of an ordinary and extraordinary dividend of €1.15 per share and the payment of financial charges.

Additional information

The Board of Directors, following a proposal by the Nominations and Remuneration Committee and with the approval of the Board of Statutory Auditors, has defined the conditions required for implementation of the 2018-2020 Long-Term Incentive Plan, as approved by the Board of Directors on 7 March 2018, again following a proposal by the Nominations and Remuneration Committee and with the approval of the Board of Statutory Auditors, and by the Shareholders' Meeting on 23 April 2018 pursuant to Article 114-*bis* of the Consolidated Finance Act. In this connection, reference is made to the description provided, for the purposes of the Shareholders' Meeting on 23 April 2018, in the Information Document drawn up in accordance with Article 114-*bis* of the Consolidated Finance Act and in the remuneration report prepared in accordance with Article 123-*ter* of the Consolidated Finance Act, both of which are available on the Company's website (www.erg.eu). The Company will provide the market with information concerning the 2018-2020 Long-Term Incentive Plan when making the disclosures set forth by Article 84-*bis*, paragraph 5 of the Issuers' Regulations.

The Board of Directors – following a proposal by the Nominations and Remuneration Committee and with the approval of the Board of Statutory Auditors – continuing the decisions taken during the three-year period 2015-2017 and in keeping with the Company's current Remuneration Policy, has determined the remuneration of the Chairman, the Executive Deputy Chairman and the Deputy Chairman, for FY2018, the Chief Executive Officer for the three-year period 2018-2020 and the members of the Strategic Committee who are not employees of the Group and do not hold offices within the Board of Directors, for FY2018.

In reference to our estimates and forecasts, 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, fuel distribution and 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 recurring results.

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 first quarter of 2018 will be illustrated to analysts and investors today at 11.00 a.m. (CEST), during a conference call and simultaneous webcast, which may be viewed by visiting the Company's website (www.erg.eu); the presentation will be available on the said website, in the "Investor Relations/Presentations" section, at the offices of Borsa Italiana S.p.A. and on the eMarket Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued at 7.50 a.m. (CEST) on 15 May 2018, is available to the public on the Company's website (www.erg.eu) in the section "Media/Press Releases", at the offices of Borsa Italiana and on the eMarket Storage authorised storage mechanism (www.emarketstorage.com). The Interim Report on Operations at 31 March 2018 is available to the public at the Company's registered office at via De Marini 1, Genoa, on the Company's website (www.erg.eu) in the section "Investor Relations/Financial statements and reports", at the offices of Borsa Italiana and on the eMarket Storage authorised storage mechanism (www.emarketstorage.com).

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Performance highlights

FY 2017 restated	(EUR million)		1st quarter 2018	1st quarter 2017 restated
	Main Income Statement data			
1,056	Revenues from ordinary operations		284	300
472	**EBITDA adjusted**		**162**	**151**
220	**EBIT adjusted**		**94**	**90**
207	Net income		85	54
207	of which Group net income		85	54
117	**Group net profit (loss) adjusted** (1)		**56**	**54**
	Main Financial data			
3,110	**Net invested capital**		**3,197**	**3,269**
1,877	Shareholders' Equity		1,968	1,805
1,233	Total net financial indebtedness (2)		1,229	1,464
1,115	of which non-recourse Project Financing (3)		1,365	1,279
40%	Financial leverage		38%	45%
45%	**EBITDA Margin %**		**57%**	**50%**
	Operating data			
1,814	**Installed capacity at period end - wind farms**	*MW*	**1,783**	**1,720**
3,613	Electric power generation from wind farms	*milioni di KWh*	1,219	1,062
480	**Installed capacity - thermoelectric plants**	*MW*	**480**	**480**
2,453	Electric power generation from thermoelectric plants	*milioni di KWh*	527	600
527	**Installed capacity at period end - Hydoelectric plants**	*MW*	**527**	**527**
1,144	Electric power generation from hydroelectric plants	*milioni di KWh*	469	386
n.a.	**Installed capacity - solar plants**	*MW*	**90**	**n.a.**
n.a.	Electric power generation from solar plants	*milioni di KWh*	21	n.a
11,747	**Total sales of electric power**	*milioni di KWh*	**3,654**	**3,538**
54	Investments (4)	*milioni di Euro*	365	11
714	**Employees at period end**	*Unità*	**714**	**715**
	Net unit revenues			
144.0	Wind Italy	*Euro/MWh*	125.9	145.2
96.4	Wind Germany	*Euro/MWh*	93.4	96.5
88.3	Wind France	*Euro/MWh*	87.5	89.0
45.5	Wind Poland	*Euro/MWh*	50.0	43.5
62.5	Wind Bulgaria	*Euro/MWh*	71.1	67.1
57.8	Wind Romania	*Euro/MWh*	49.7	64.2
97.9	Wind UK	*Euro/MWh*	100.4	n.a.
n.a.	Solar	*Euro/MWh*	288.5	n.a.
109.1	Hydroelectrict power	*Euro/MWh*	94.0	95.0
45.5	Thermoelectric power	*Euro/MWh*	50.8	43.7

To enhance understandability of business performance, recurring revenues and operating results are shown, therefore excluding special items. The comparative restated 2017 data not take account of the results of TotalErg, sold in January 2018.

(1) does not include special items and related applicable theoretical taxes
(2) includes the financial loan to api S.p.A. (EUR 36 million) as deferred component of the TotalErg sale price
(3) including cash and cash equivalents and excluding the fair value of the derivatives to hedge interest rates
(4) in tangible and intangible fixed assets. Including M&A investments equal to EUR 357 million performed in the 1st quarter of 2018 for the acquisition of the companies of the ForVei Group (solar) and for the acquisitions of companies owning wind farms in France and Germany. In 2017, M&A investments amounted to EUR 39.5 million

Performance highlights by segment

FY 2017 restated	(EUR million)	1st quarter 2018	1st quarter 2017 restated
	Revenues from ordinary operations:		
445	**Wind power**	133	137
n.a.	**Solar**	6	n.a
137	**Hydroelectric power**	44	46
473	**Thermoelectric power** [(1)]	101	117
38	Corporate	9	10
(37)	*Intra-segment revenues*	*(9)*	*(10)*
1,056	**Total revenues**	**284**	**300**
	EBITDA adjusted		
316	**Wind power**	107	104
n.a.	**Solar**	5	n.a
94	**Hydroelectric power**	35	35
78	**Thermoelectric power** [(1)]	18	14
(16)	Corporate	(2)	(2)
472	**EBITDA adjusted**	**162**	**151**
	Amortisation, depreciation and write-downs		
(160)	**Wind power**	(41)	(38)
n.a.	**Solar**	(5)	n.a
(58)	**Hydroelectric power**	(15)	(15)
(31)	**Thermoelectric power** [(1)]	(8)	(8)
(3)	Corporate	(1)	(1)
(252)	**Amortisation and depreciation adjusted**	**(69)**	**(62)**
	EBIT		
156	**Wind power**	66	65
n.a.	**Solar**	0	n.a
35	**Hydroelectric power**	20	21
48	**Thermoelectric power** [(1)]	11	7
(19)	Corporate	(3)	(3)
220	**EBIT adjsuted**	**94**	**90**
	Investments [(2)]		
75	**Wind power**	17	8
n.a.	**Solar**	346	n.a
6	**Hydroelectric power**	0	1
10	**Thermoelectric power**	2	2
3	Corporate	1	0
94	**Total investments**	**365**	**11**

[(1)] Includes Energy Management contribution

[(2)] Including investments in tangible and intangible fixed assets and M&A investments

Adjusted Income Statement

To enhance understandability of Group performance, the operating results are shown excluding non-recurring items. As already indicated in the Introduction, the pro forma comparative data are shown in order to take account of the change in scope linked to the TotalErg transaction and the application of IFRS 15.
For the definition of measures, the composition of the financial statements and the reconciliation of the amounts involved, as well as for the restatement of the comparative pro-forma figures, reference is made to what has been indicated in the section Alternative Performance Measures below.

	1st quarter	
	2018	**2017 restated**
(EUR million)		
Revenues from ordinary operations	284.4	300.5
Other revenues and income	2.8	2.8
TOTAL REVENUES	**287.1**	**303.3**
Costs for purchase and changes in inventory	(69.3)	(99.4)
Costs for services and other operating costs	(40.7)	(37.4)
Cost of labor	(14.6)	(15.2)
EBITDA	**162.5**	**151.3**
Amortisation, depreciation and write-downs of fixed assets	(68.6)	(61.5)
EBIT	**93.9**	**89.8**
Net financial income (expenses)	(18.1)	(16.5)
Net income (loss) from equity investments	0.0	0.0
Profit before taxes	**75.9**	**73.3**
Income taxes	(19.5)	(18.9)
Profit for the period	**56.4**	**54.4**
Minority interests	(0.1)	0.0
Group's net profit (loss)	**56.3**	**54.4**

Reclassified Statement of Financial Position

The reclassified balance sheet contains the assets and liabilities of the mandatory financial statements, indicated in the Notes to the Financial Statements published on the occasion of the annual financial report and the half-yearly financial report, highlighting the **uses** of resources in fixed assets and in working capital and the related **funding sources** . Said financial statements are consistent with the mandatory financial statements.
For the definition of the indicators for the main items used in the Reclassified Balance Sheet, reference is made to that indicated in the "Alternative Performance Measures" section below.

Reclassified Statement of Financial Position	03/31/2018	03/31/2017
(EUR million)		
Fixed assets	3,322.6	3,260.8
Net working capital	196.9	150.0
Employees' severance indemnities	(6.4)	(6.4)
Other assets	318.8	278.7
Other liabilities	(634.9)	(573.0)
Net invested capital	**3,197.0**	**3,110.1**
Group Shareholders' Equity	1,966.7	1,877.5
Minority interests	1.2	0.0
Net financial indebtedness	1,229.1	1,232.7
Shareholders' equity and financial debt	**3,197.0**	**3,110.1**

Cash Flow

	1st quarter 2018	2017
EBITDA adjusted	162.5	151.3
Change in working capital	(64.6)	(37.5)
Operative Cash Flow	**97.9**	**113.8**
Investments on tangible and intangible fixed assets	(8.1)	(10.7)
Acquisition of companies *(business combination)*	(357.3)	-
Investments on financial fixed assets	(1.7)	(0.2)
TotalErg transaction	179.5	-
Sale net asset Brockahgboy	105.8	-
Divestments and other changes	(1.3)	-
Cash Flow from investments	**(83.1)**	**(11.0)**
Net Financial income (expenses)	(18.1)	(16.5)
Net income (loss) from equit investments	0.0	(0.0)
Cash Flow from financial management	**(18.0)**	**(16.5)**
Cash flow from tax management	**-**	**-**
Distribution of dividends	-	-
Other changes in shareholders' equity	8.9	6.6
Cash Flow from Shareholders'equity	**8.9**	**6.6**
Change in scope of consolidation	**(2.2)**	**-**
Initial net financial indebtedness	**1,232.7**	**1,557.2**
Change in the period	*(3.6)*	*(92.9)*
Final net financial indebtedness	**1,229.1**	**1,464.3**

Cash flow from operations in the first quarter of 2018 were positive in the amount of EUR 98 million, a decrease of EUR 16 million compared to the same period of 2017, primarily due to seasonal dynamics of working capital influenced by TotalErg's exit from Group VAT.

Cash flow from investments is mainly linked to M&A activities and in particular the acquisition of ForVei (EUR 346 million) and Vent d'Est SAS (EUR 12 million), A detailed analysis of investments in tangible and intangible fixed assets during the period made may be found in the specific section.
The cash flow from divestments is mainly linked to the sale of the shareholding in TotalErg and of the UK Brockaghboy wind farm.

Cash flow from financial management refers to the higher payables linked to interest accrued during the period.

Cash flow from shareholders' equity relates mainly to the effects of the transition to IFRS 9 at the date of first application (1 January 2018), net of the related tax effects. The item also includes the effects of application said standard in the first quarter.

Change in the scope of consolidation relates to the effects of the line-by-line consolidation of equity investments previously recognised with the cost method since they were not yet operational (WP France 6) or were not of a significant size (ISAB Energy Solare).

ALTERNATIVE PERFORMANCE MEASURES

Definitions

On 3 December 2015 CONSOB issued Communication no. 92543/15, which transposes the Guidelines regarding the use and the presentation of Alternative Performance Measures in the context of regulated financial information, issued on 5 October 2015 by the European Securities and Markets Authority (ESMA). The Guidelines, which updated the CESR Recommendation on Alternative Performance Measures (CESR/05 - 178b), aim to promote the usefulness and the transparency of alternative performance measures in order to improve their comparability, reliability and capacity for understanding.
Some of the Alternative Performance Measures (APM) used in this document are different from the financial indicators expressly provided by the IAS/IFRS adopted by the Group.
These alternative measures are used by the Group in order to facilitate the communication of information on business performance as well as on net financial indebtedness.
Finally, it is noted that in order to facilitate the understanding of businesses' operating performance, results of operations are shown excluding special income items: these results are indicated with the term "Adjusted results".
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.

Below are the definitions of the APMs used by the Group and a reconciliation with the items of the financial statement models adopted:

- **EBITDA** is an indicator of operating performance calculated by adding "Amortisation, depreciations and write-downs" to the net operating profit. EBITDA is explicitly indicated as a subtotal in the financial statements.
- **Adjusted EBITDA** is the gross operating margin, as defined above, with the exclusion of significant special income components.
- **EBITDA margin** is an indicator of the operating performance calculated by comparing the adjusted EBITDA and the Revenues from ordinary operations of each individual business.
- The **adjusted tax rate** is calculated by comparing the adjusted values of taxes and profit before tax
- **Adjusted Group net profit** is the net result of the Group with the exclusion of significant special income components, net of the related tax effects.
- **Investments** are obtained from the sum of investments in tangible and intangible assets. Starting from this Report, they also include the value of the acquisitions of net assets within the scope of M&A transactions.
- **Net working capital** is defined by the sum of inventories, trade receivables and trade payables.
- **Net invested capital** is determined by the algebraic sum of fixed assets, net working capital, liabilities related to employee severance indemnities, other assets and other liabilities.
- **Net financial indebtedness** is an indicator of the financial structure and is determined in accordance with CONSOB communication 15519/2006, also including the non-current financial loan to api S.p.A. (EUR 36 million) as a deferred component of the TotalErg sale price, as well as non-current portion of assets relating to derivative instruments.
- **Financial leverage** is calculated by comparing total net financial liabilities (including Project Financing) and the net invested capital.

Reconciliation with adjusted operating results

Anno 2017 restated	EBITDA	Notes	1st quarter 2018	1st quarter 2017 restated
457.6	**EBITDA from continuing operations**		***159.2***	***151.3***
2.3	*Contribution of discontinuing operation (Brockahgboy)*	***1***	*3.3*	*-*
459.9	**EBITDA IAS Reported**		***162.5***	***151.3***
12.4	*Exclusion Special items:* *- Reversal of ancillarycharges on extraordinary operations*		*-*	*-*
472.3	**Adjusted EBITDA**		***162.5***	***151.3***
	Amortization and depreciation and write-downs			
(250.9)	**Amortization and depreciation on continuing operations**		***(67.9)***	***(61.5)***
(1.3)	*Contribution of discontinuing operation (Brockahgboy)*	***1***	*(0.7)*	*-*
(252.2)	**Amortization and depreciation adjusted**		***(68.6)***	***(61.5)***
	Group's net Profit (loss)			
107.9	**Group's net Profit (loss)**		**84.9**	**54.4**
9.3	*Exclusion of ancillary charges on extraordinary operations*		*-*	*-*
-	*Exclusion of capital gain of Brockaghboy sale*	***2***	*(26.3)*	*-*
-	*Exclusion of net proceeds (IFRS 9) on refinancing*	***3***	*(2.3)*	*-*
117.2	**Adjusted Group Net Profit (loss)**		***56.3***	***54.4***

1. The accounting results of Brockaghboy, the subsidiary sold on 7 March 2018, are subject to the requirements of IFRS 5.
   In this Report, the results achieved in the period 1 January 2018 to 7 March 2018 by the assets sold are shown and commented on in ordinary operations, in line with the approach already adopted in the Report on Operations of the 2017 Financial Statements.

2. The aforementioned sale of Brockaghboy resulted in the recognition of a capital gain or EUR 26 million, net of the related tax effects and other ancillary components, which for the purposes of this Report is considered a special item.

3. During the period the Group renegotiated a loan. IFRS 9 does not allow for the deferment of the economic effects of the renegotiation of loans on the residual life of the debt: this resulted in the accounting in the quarter of a gain of approximately EUR 3 million. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted income statement financial charges related to the debt service payment, with the recognition of deferred benefits of the renegotiation along the duration of the debt and not all in one immediate posting at the time of the amendment. The aforementioned adjustment relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.

Below is the reconciliation between the Financial Statements and the recurring statements shown and commented upon in this Report.

First quarter 2018

(EUR million)	**Values in Consolidated Financial Statement**	***Reversal of Broackaghboy IFRS 5 reclassification***	***Reversal of special items***	**1st quarter Adjusted**
Revenues from ordinary operations	281.4	*2.9*	-	284.4
Other revenues and income	1.9	*0.9*	-	2.8
TOTAL REVENUES	**283.3**	***3.8***	**-**	**287.1**
Costs for purchase	(69.8)	*(0.0)*	-	(69.8)
Changes in inventory	0.4	-	-	0.4
Costs for services and other operating costs	(40.1)	*(0.6)*	-	(40.7)
Cost of labor	(14.6)	-	-	(14.6)
EBITDA	**159.2**	***3.3***	**-**	**162.5**
Amortisation, depreciation and write-downs of fixed	(67.9)	*(0.7)*	-	(68.6)
EBIT	**91.3**	***2.6***	**-**	**93.9**
Net financial income (expenses)	(14.6)	*(0.6)*	*(2.8)*	(18.1)
Net income (loss) from equity investments	0.0	*26.8*	*(26.8)*	0.0
Profit before taxes	**76.7**	***28.8***	***(29.6)***	**75.9**
Income taxes	(20.3)	*(0.2)*	*1.0*	(19.5)
Net result from continued operations	**56.5**	***28.5***	***(28.6)***	**56.4**
Net result from asset sold	28.5	*(28.5)*	-	-
Profit for the period before minorities	**85.0**	**-**	***(28.6)***	**56.4**
Minority interests	(0.1)	-	-	(0.1)
Group's net profit (loss)	**84.9**	**-**	***(28.6)***	**56.3**

Comparative pro forma data 1st Quarter 2017

It was considered appropriate to amend the 2017 comparative data in order to take account of the following:

- The aforementioned sale of **TotalErg** on 10 January 2018 marked the ERG Group's definitive departure from the OIL industry. Since this date, its business has therefore been focused exclusively on the market for the generation of energy from renewable sources. The comparison of the 2018 results with those of the same periods of 2017 is therefore affected by this change in scope. As such, in order to facilitate the understanding of the performance in the two periods and in view of the Group's new strategic and industrial positioning, the 2017 comparative figures were amended so as to exclude the recurring results[5] of the joint venture TotalErg which had previously been consolidated under the equity method and reported in the line "Net income (loss) from equity investments". In the first quarter of 2017 this contribution was positive in the amount of EUR 6 million (EUR +24 million for the whole of 2017).
- **IFRS 15 - Revenue from Contracts with Customers** has been applied as from 1 January 2018, with no significant impact on the Group's Consolidated Financial Statements. In particular, some ERG contracts were identified as "agent", requiring a net representation (netting) of certain operating costs as a reduction in revenues.

(EUR million)	1st quarter	*IFRS 15 reclassifications*	*Exclusion of inventory gain/losses*	*Exclusion TotalErg net result*	1st quarter 2017 adjsuted RESTATED
Revenues from ordinary operations	302.6	*(2.1)*	-	-	300.5
Other revenues and income	2.8	-	-	-	2.8
TOTAL REVENUES	**305.4**	***(2.1)***	**-**	**-**	**303.3**
Costs for purchase	(98.7)	*0.2*	-	-	(98.5)
Changes in inventory	(0.9)	-	-	-	(0.9)
Costs for services and other operating costs	(39.3)	*1.9*	-	-	(37.4)
Cost of labor	(15.2)	-	-	-	(15.2)
EBITDA	**151.3**	***0.0***	**-**	**-**	**151.3**
Amortisation, depreciation and write-downs of fixed	(61.5)	-	-	-	(61.5)
EBIT	**89.8**	***0.0***	**-**	**-**	**89.8**
Net financial income (expenses)	(16.5)	-	-	-	(16.5)
Net income (loss) from equity investments	10.7	-	*(4.4)*	*(6.2)*	0.0
Profit before taxes	**83.9**	***0.0***	***(4.4)***	***(6.2)***	**73.3**
Income taxes	(18.9)	-	-	-	(18.9)
Net result from continued operations	**65.0**	***0.0***	***(4.4)***	***(6.2)***	**54.4**
Net result from asset sold	-	-	-	-	-
Profit for the period before minorities	**65.0**	***0.0***	***(4.4)***	***(6.2)***	**54.4**
Minority interests	-	-	-	-	-
Group's net profit (loss)	**65.0**	***0.0***	***(4.4)***	***(6.2)***	**54.4**

[5] *Net of special items and inventory gains (losses)*