



## Press Release

**The Board of Directors of ERG S.p.A.  
approves the Interim Management Report as at 31 March 2017**

**Consolidated recurring EBITDA<sup>1</sup>: €151 million, €163 million in the first quarter of 2016**

**Recurring net Group result<sup>2</sup>: €61 million, €57 million in the first quarter of 2016**

**Genoa, 12 May 2017** – At its meeting held yesterday, the Board of Directors of ERG S.p.A. approved the Interim Management Report as at 31 March 2017.

### Consolidated recurring financial results

Performance highlights (million Euro)	First Quarter		
	2017	2016	Var. %
<b>EBITDA</b>	151	163	-7%
<b>EBIT</b>	90	99	-9%
<b>Group net result</b>	61	57	5%

	31.03.17	31.12.16	Variation
<b>Net financial debt (million Euro)</b>	1,464	1,557	-93
<b>Leverage<sup>3</sup></b>	45%	47%	

Luca Bettonte, ERG's Chief Executive Officer, commented: "The first quarter results are certainly satisfactory, especially bearing in mind the poor wind conditions in Italy and France compared with the high output recorded in the first quarter of 2016, the expected decrease in wind power incentivised capacity and, insofar as concerns thermoelectric power, the announced changes regarding the regulatory and competitive situation in Sicily. These effects were partially offset by the favourable price scenario in Italy, benefiting above all the Terni hydroelectric complex, also thanks to the flexibility of its plants, for some of which past incentives were also recognised. It is also important to mention the recovery of amounts pertaining to previous years' production losses for wind power facilities that have left the incentive system, following the machinery shutdowns requested at the time by the national grid operator. Lastly, we continue to pursue our expansion abroad plan with around 100 additional MW, partly purchased and partly constructed, which will be fully operational by the end of the year. Therefore, considering these results, we feel confident that our guidance for 2017, which forecasts, for the end of the year, EBITDA of Euro 430 million and a net debt of Euro 1,450 million, after payment of a dividend per share of Euro 0.50 and investments totalling Euro 140 million, primarily directed towards the development of wind power outside of Italy, can be achieved."

<sup>1</sup> Recurring results **do not** include inventory gains (losses) and non-recurring items.

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

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

## **Preliminary remark**

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) whose contents will be aligned to those of previous years' interim reports, consistent with the valuation and measurement criteria laid down by the International Financial Reporting Standards (IFRS), and 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.

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

## **First quarter 2017**

In the first quarter of 2017 **revenues from ordinary operations** totalled Euro 303 million, with a slight increase over the Euro 295 million posted for the first quarter of 2016, following a falloff in production which was more than compensated by the average rise in energy prices. 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 quarter of 2016 included the "reintegration payment" of around Euro 18 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.

## **Consolidated financial results**

**Recurring EBITDA** came to Euro 151 million, with a downturn compared to Euro 163 million posted in the first quarter of 2016. This variation reflects the following:

- **Non Programmable Sources:** EBITDA, at Euro 104 million, showed a downturn compared to the corresponding period a year earlier (Euro 117 million), due above all to the lack of windiness and the 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 almost the entire wind power output in Italy during the first quarter of 2017 benefited from the incentive tariff (former Green Certificate), for a unitary amount corresponding to approximately 107 Euro/MWh, which was higher compared to the corresponding period in 2016 (about 100 Euro/MWh).
- **Programmable Sources:** EBITDA, at Euro 50 million, was essentially in line with the previous year (Euro 48 million). The contribution provided by the hydroelectric power complex amounted to Euro 35 million with a sharp increase over Euro 21 million posted in 2016, thanks above all to the plants' flexibility in taking advantage of the particularly favourable peak prices during the quarter in the North-Central area given a situation of water availability that was basically unchanged with respect to the corresponding period a year earlier. It should also be noted that between the end of 2016 and the first quarter 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 15 million, showed a downturn compared to Euro 27 million for the first quarter of 2016, which still benefited from the "reintegration payment", amounting to around Euro 18 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, in force until 27 May 2016. Lastly we mention the significant contribution to the margin from the Energy Efficiency Certificate revenues earned by the CCGT plant owing to its qualification as high yield cogeneration facility, such as to make it one of the major beneficiaries of Energy Efficiency Certificates in Italy.

**Recurring EBIT** came to Euro 90 million (Euro 99 million in the first quarter of 2016) after amortisation and depreciation totalling Euro 62 million (Euro 64 million in the first quarter of 2016).

**Recurring Group net result** amounted to Euro 61 million, with a growth compared to Euro 57 million for the first quarter of 2016, following the already described decline in operating results, which were more than offset by the decline in 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 around Euro 3 million by way of minority interests.

The **Group net result**<sup>4</sup> came to Euro 65 million (Euro 48 million in the first quarter of 2016). We mention that the 2016 result, with respect to the recurring Group net result, reflected the major inventory losses of TotalErg due to reductions in the price of crude oil and oil products.

In the first quarter of 2017 **Group investments** totalled Euro 11 million (Euro 4 million in the first quarter of 2016), of which 73% in the sector of Non Programmable sources (49% in the first quarter of 2016), mainly connected with construction of the Brockaghboy wind farm in Northern Ireland, and 23% in the sector of Programmable sources (37% in the first quarter of 2016).

**Net financial debt** came to Euro 1,464 million, with a decrease of Euro 93 million with respect to 31 December 2016, reflecting above all to the positive net operating cash flow partly offset by the seasonal trends in working capital and investments during the period.

## Investments

Million Euro	First quarter	
	2017	2016
<b>Non Programmable sources</b>	<b>8</b>	<b>2</b>
Wind power	8	2
<b>Programmable sources</b>	<b>2</b>	<b>2</b>
Thermoelectric power	2	1
Hydroelectric power	1	1
<b>Corporate</b>	<b>0</b>	<b>1</b>
<b>TOTAL INVESTMENTS</b>	<b>11</b>	<b>4</b>

In the **first quarter of 2017** the ERG Group carried out investments in tangible and intangible fixed assets totalling Euro 10.7 million (Euro 4 million during the corresponding period of 2016) of which Euro 10.1 million concerned property, plant and equipment (Euro 3.3 million in the first quarter of 2016) and Euro 0.6 million concerned intangible fixed assets (Euro 0.7 million in the first quarter of 2016).

### Non Programmable Sources

Investments during the first quarter 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 7 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 quarter 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 plants, and to purchases on organised markets and via physical bilateral contracts.

<sup>4</sup> Includes inventory gains (losses) totalling Euro 4 million (Euro -8 Million in the first quarter of 2016) and non recurring items amounting to Euro 0 million (Euro - 2 million in the first quarter of 2016). Values are shown net of tax effects. For more detailed information, reference is made to the chapter "Alternative Performance Indicators".

During the first quarter of 2017, total electricity sales came to 3.5 TWh (3.3 TWh in the same period of 2016), against a total of around 2.0 TWh produced by the Group's facilities (2,3 TWh in the same period of 2016), of which approximately 0.4 TWh abroad and 1.6 TWh in Italy. The latter figure corresponds to approximately 2.1% of overall domestic demand (2.0% in the first quarter of 2016).

FY 2016	<i>Electricity Output (GWh)</i>	1 <sup>st</sup> quarter	
		2017	2016
3,501	Wind power output	1,062	1,226
2,220	of which Italy	658	774
1,281	of which Overseas	405	452
2,693	Thermoelectric power output	600	695
1,358	Hydroelectric power output	386	384
<b>7,552</b>	<b>Total</b>	<b>2,048</b>	<b>2,306</b>

In the first quarter of 2017 **electricity output from Non Programmable sources** amounted to 1,062 GWh, showing a decrease compared to the first quarter of 2016 (1,226 GWh), with output down by around 15% in Italy (from 774 GWh to 658 GWh) and 10% outside of Italy (from 452 GWh to 405 GWh).

The downturn in Italian production (-117 GWh) reflects the poorer wind conditions compared to the typical seasonal values, significantly inferior to the particularly favourable scenario recorded in the first quarter of 2016, especially in Sicily, Campania, Calabria and Sardinia. As regards overseas production, the overall downturn of 47 GWh is mainly ascribable to the lower output of the French wind farms.

During the first quarter of 2017 **net electricity output from Programmable sources** (thermoelectric and hydroelectric power) totalled 986 GWh, with a downturn compared to the first quarter of 2016 (1,080 GWh), following the decrease in net electricity output by ERG Power (down from 695 GWh to 600 GWh), while the contribution from ERG Hydro's hydroelectric assets was basically unchanged (386 GWh in the first quarter of 2017 compared to 384 GWh in the corresponding period of 2016).

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

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 output of around 84 GWh per year, corresponding to about 66,000 t of avoided CO<sub>2</sub> 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 14 million Euro, corresponding to an enterprise value of approximately 40 million Euro, with average annual EBITDA forecast at around 5 million Euro.

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.

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

On **20 April 2017**, after completion of the shareholders' meeting proceedings, Mr. 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.

On **2 May 2017**, through its subsidiary ERG Power Generation, ERG completed the closing with DIF RE Erneuerbare Energien 1 GmbH and DIF RE Erneuerbare Energien 3 GmbH for the acquisition of a 100% equity interest in six German companies owners of six wind farms in Germany, with an overall installed capacity of 48.4 MW.

## **Business outlook**

### **Non Programmable Sources**

ERG continues to pursue its international growth strategy in the wind power sector, which by 2016 led it to achieve 626 MW of installed power capacity abroad, corresponding to 37% of the overall 1,720 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 (48.5 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 as a result of around 214 MW gradually leaving the incentive system during the year and the forecast decline in windiness, which already includes the lack of wind recorded during the first few months of 2017. 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, a growth is anticipated owing to the improvement in sales prices, the higher incentive levels benefiting approximately 40% of output (the latter is expected to show a slight downturn compared to the previous year), the increase in incentive entitlement as a result of the RES-E (IAFR) qualification recognition for the Cotilia and Sigillo plants and participation in the dispatching services market, and in view of the ongoing operations aimed at improving efficiency.

For the Thermoelectric power facility a 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 from 28 May 2016, which tends to curb profitability, a phenomenon to some extent 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, 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 partly offset by the development of new overseas wind power production capacity, maximisation of Energy Management activities on all markets and a continuous search for business and central operating cost efficiencies.

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.

## **Additional information**

With regard to the resignation tendered by Mr. Luigi Ferraris on 20 April 2017 from his office as Board Member of ERG S.p.A. and member of the Strategic Committee, the Board of Directors, 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, has appointed as new Director of the Company Mr. Alessandro Careri<sup>5</sup> (already 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 Board of Directors of TotalErg S.p.A.)

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<sup>5</sup> The curriculum vitae of Alessandro Careri is available on the Company's website ([www.erg.eu](http://www.erg.eu)).

who will remain in office until the next ERG S.p.A. Shareholders' Meeting.  
At the present time, Alessandro Careri does not hold any shares of the Company.

Moreover, 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.

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

*The layout of the accounting statements corresponds to the format used in the Report on Operations. Appropriate explanatory notes illustrate the results recurring.*

*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 2017 will be illustrated to analysts and investors today at 12.00 noon (CEST), during a conference call and simultaneous webcast, which may be viewed by visiting the Company's website ([www.erg.eu](http://www.erg.eu)); the presentation will be available on the said website, in the "Investor Relations/Presentations" section, at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism ([www.emarketstorage.com](http://www.emarketstorage.com)) 15 minutes before the conference call.*

*This press release, issued at 7.45 a.m. (CEST) on 12 May 2017, is available to the public on the Company's website ([www.erg.eu](http://www.erg.eu)) in the section "Media/Press Releases", at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism ([www.emarketstorage.com](http://www.emarketstorage.com)). The Interim Management Report as at 31 March 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](http://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](http://www.emarketstorage.com)).*

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## Performance highlights

FY 2016

(EUR million)

1st quarter

2017 2016

### Main Income Statement data

1,025	Revenues from ordinary operations	303	295
<b>455</b>	<b>EBITDA recurring</b>	<b>151</b>	<b>163</b>
<b>202</b>	<b>EBIT recurring</b>	<b>90</b>	<b>99</b>
125	Net income	65	51
122	of which Group net income	65	48
<b>107</b>	<b>Group net profit (loss) recurring <sup>(1)</sup></b>	<b>61</b>	<b>57</b>

### Main Financial data

<b>3,286</b>	<b>Net invested capital</b>	<b>3,269</b>	<b>3,454</b>
1,729	Shareholders' Equity	1,805	1,713
1,557	Total net financial indebtedness	1,464	1,741
1,276	of which non-recourse Project Financing <sup>(2)</sup>	1,279	1,461
47%	Financial leverage	45%	50%
<b>44%</b>	<b>EBITDA Margin %</b>	<b>50%</b>	<b>55%</b>

### Operating data

<b>1,720</b>	<b>Installed capacity at period end - wind farms</b>	MW	<b>1,720</b>	<b>1,720</b>
3,501	Electric power generation from wind farms	millions of KWh	1,062	1,226
<b>480</b>	<b>Installed capacity - thermoelectric plants</b>	MW	<b>480</b>	<b>480</b>
2,693	Electric power generation from thermoelectric plants	millions of KWh	600	695
<b>527</b>	<b>Installed capacity at period end - Hydroelectric plants</b>	MW	<b>527</b>	<b>527</b>
1,358	Electric power generation from hydroelectric plants	millions of KWh	386	384
<b>12,303</b>	<b>Total sales of electric power</b>	millions of KWh	<b>3,538</b>	<b>3,281</b>
60	Investments <sup>(3)</sup>	EUR million	11	4
<b>715</b>	<b>Employees at period end</b>	Units	<b>715</b>	<b>715</b>

### Market indicators

42.8	Reference price of electricity - Italy (baseload) <sup>(4)</sup>	EUR/MWh	57.5	39.6
100.1	Feed In premium (former Green Certificates) - Italy	EUR/MWh	107.3	100.1
47.6	Sicily zone price (baseload)	EUR/MWh	56.5	44.3
47.6	North - Center zone price (peak)	EUR/MWh	67.8	43.1
139.0	Average selling price per unit of ERG Wind energy in Italy	EUR/MWh	147.4	136.4
92.6	Feed In Tariff (Germany) <sup>(5)</sup>	EUR/MWh	93.8	91.9
88.7	Feed In Tariff (France) <sup>(5)</sup>	EUR/MWh	89.0	88.6
84.0	Feed In Tariff (Bulgaria) <sup>(5)</sup>	EUR/MWh	96.7	96.7
33.4	Price of electricity - Poland	EUR/MWh	36.0	31.5
10.8	Price of Green Certificates - Poland	EUR/MWh	5.8	26.3
27.3	Price of electricity - Romania <sup>(6)</sup>	EUR/MWh	28.7	27.5
29.5	Price of Green Certificates - Romania <sup>(7)</sup>	EUR/MWh	29.4	29.5

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

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

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

<sup>(3)</sup> in tangible and intangible fixed assets. Do not include the M&A investments amounting to EUR 306.5 million carried out in 2016.

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

<sup>(5)</sup> the values of the Feed-In Tariff abroad refer to the prices obtained by the wind farms

<sup>(6)</sup> the Electricity price Romania refers to the price fixed by the company via bilateral agreements

<sup>(7)</sup> price referred to the unit value of the green certificate

## Performance highlights by segment

FY 2016		1st quarter	
		2017	2016
	(EUR million)		
	<b>Revenues from ordinary operations:</b>		
<b>423</b>	<b>Non Programmable Sources</b>	<b>137</b>	<b>145</b>
423	Wind power	137	145
<b>601</b>	<b>Programmable Sources</b>	<b>165</b>	<b>152</b>
479	Thermoelectric power <sup>(1)</sup>	119	122
122	Hydroelectric power	46	30
<b>32</b>	<b>Corporate</b>	<b>10</b>	<b>8</b>
(31)	<i>Intra-segment revenues</i>	(10)	(9)
<b>1,025</b>	<b>Total revenues</b>	<b>303</b>	<b>295</b>
	<b>EBITDA:</b>		
<b>308</b>	<b>Non Programmable Sources</b>	<b>104</b>	<b>117</b>
308	Wind power	104	117
<b>161</b>	<b>Programmable Sources</b>	<b>50</b>	<b>48</b>
77	Thermoelectric power <sup>(1)</sup>	14	27
84	Hydroelectric power	35	21
<b>(13)</b>	<b>Corporate</b>	<b>(2)</b>	<b>(2)</b>
<b>455</b>	<b>EBITDA recurring</b>	<b>151</b>	<b>163</b>
	<b>Amortisation, depreciation and write-downs</b>		
<b>(163)</b>	<b>Non Programmable Sources</b>	<b>(38)</b>	<b>(41)</b>
(163)	Wind power	(38)	(41)
<b>(88)</b>	<b>Programmable Sources</b>	<b>(23)</b>	<b>(22)</b>
(30)	Thermoelectric power	(8)	(7)
(58)	Hydroelectric power	(15)	(15)
<b>(3)</b>	<b>Corporate</b>	<b>(1)</b>	<b>(1)</b>
<b>(254)</b>	<b>Amortisation and depreciation recurring</b>	<b>(62)</b>	<b>(64)</b>
	<b>EBIT:</b>		
<b>145</b>	<b>Non Programmable Sources</b>	<b>65</b>	<b>75</b>
145	Wind power	65	75
<b>73</b>	<b>Programmable Sources</b>	<b>27</b>	<b>26</b>
47	Thermoelectric power <sup>(1)</sup>	7	20
26	Hydroelectric power	21	6
<b>(16)</b>	<b>Corporate</b>	<b>(3)</b>	<b>(3)</b>
<b>202</b>	<b>EBIT recurring</b>	<b>90</b>	<b>99</b>
	<b>Investments on tangible and intangible fixed assets:</b>		
<b>44</b>	<b>Non Programmable Sources</b>	<b>8</b>	<b>2</b>
44	Wind power	8	2
<b>13</b>	<b>Programmable Sources</b>	<b>2</b>	<b>2</b>
10	Thermoelectric power	2	1
4	Hydroelectric power	1	1
<b>3</b>	<b>Corporate</b>	<b>0</b>	<b>1</b>
<b>60</b>	<b>Total investments</b>	<b>11</b>	<b>4</b>



## Reclassified Income Statement

The income statement and statement of financial position results for the first quarter of 2016, shown below, include non-recurring items. In the first quarter 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

1st quarter

	Reclassified Income Statement	2017	2016
	(EUR million)		
1,025.5	Revenues from ordinary operations	302.6	295.4
16.3	Other revenues and income	2.8	3.2
<b>1,041.8</b>	<b>TOTAL REVENUES</b>	<b>305.4</b>	<b>298.5</b>
(330.2)	Costs for purchase and changes in inventory	(99.6)	(73.3)
(196.0)	Costs for services and other operating costs	(39.3)	(48.9)
(62.3)	Cost of labor	(15.2)	(14.6)
<b>453.3</b>	<b>EBITDA</b>	<b>151.3</b>	<b>161.8</b>
(253.7)	Amortisation, depreciation and write-downs of fixed assets	(61.5)	(64.1)
<b>199.6</b>	<b>EBIT</b>	<b>89.8</b>	<b>97.7</b>
(83.9)	Net financial income (expenses)	(16.5)	(20.7)
37.7	Net income (loss) from equity investments	10.7	(5.5)
<b>153.5</b>	<b>Profit before taxes</b>	<b>83.9</b>	<b>71.5</b>
(28.7)	Income taxes	(18.9)	(20.6)
<b>124.9</b>	<b>Profit for the period</b>	<b>65.0</b>	<b>50.9</b>
(2.4)	Minority interests	0.0	(3.1)
<b>122.5</b>	<b>Group's net profit (loss)</b>	<b>65.0</b>	<b>47.8</b>

## Reclassified Statement of Financial Position

Reclassified Statement of Financial Position	03/31/2017	03/31/2016
(EUR million)		
Fixed assets	3,337.6	3,372.2
Net working capital	203.8	160.2
Employees' severance indemnities	(6.9)	(6.7)
Other assets	355.9	310.1
Other liabilities	(621.3)	(549.5)
<b>Net invested capital</b>	<b>3,269.0</b>	<b>3,286.3</b>
Group Shareholders' Equity	1,804.7	1,729.1
Minority interests	0.0	0.0
Net financial indebtedness	1,464.3	1,557.2
<b>Shareholders' equity and financial debt</b>	<b>3,269.0</b>	<b>3,286.3</b>

## Cash flow

FY 2016		1st quarter	
		2017	2016
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
	(EUR million)		
381.3	Adjusted cash flow from current operations <sup>(1)</sup>	134.9	145.4
(14.2)	Income tax paid	0.0	0.0
69.5	Change in working capital	(40.5)	(90.9)
(34.3)	Change in other operating assets and liabilities	2.9	(19.9)
<b>402.3</b>	<b>TOTAL</b>	<b>97.3</b>	<b>34.7</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(55.9)	Net investments on tangible and intangible fixed assets	(10.7)	(8.2)
(0.1)	Net investments in financial fixed assets	(0.2)	0.8
<b>(56.1)</b>	<b>Total</b>	<b>(11.0)</b>	<b>(7.4)</b>
	<b>CASH FLOW FROM SHAREHOLDERS' EQUITY:</b>		
(142.8)	Distributed dividends	0.0	0.0
(6.2)	Other changes in equity <sup>(3)</sup>	6.6	(14.5)
<b>(149.0)</b>	<b>Total</b>	<b>6.6</b>	<b>(14.5)</b>
<b>(306.5)</b>	<b>CHANGES IN SCOPE OF CONSOLIDATION<sup>(2)</sup></b>	<b>0.0</b>	<b>(306.3)</b>
<b>(109.3)</b>	<b>CHANGE IN NET FINANCIAL INDEBTEDNESS</b>	<b>92.9</b>	<b>(293.5)</b>
<b>1,447.9</b>	<b>INITIAL NET FINANCIAL INDEBTEDNESS</b>	<b>1,557.2</b>	<b>1,447.9</b>
<b>109.3</b>	<b>CHANGE IN THE PERIOD</b>	<b>(92.9)</b>	<b>293.5</b>
<b>1,557.2</b>	<b>FINAL NET FINANCIAL INDEBTEDNESS</b>	<b>1,464.3</b>	<b>1,741.4</b>

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

<sup>(2)</sup> the change in the scope of consolidation in 2016 refers mainly to the line-by-line consolidation of the companies acquired from Impax Asset Management.

<sup>(3)</sup> 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 and non-recurring items and inventory gains (losses)<sup>6</sup>.

Starting with the present Report, these results, previously defined as “at replacement costs”, shall be indicated with the definition “recurring”.

Recurring results are indicators that are not defined in the 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)**<sup>1</sup> are equal to the difference between the replacement cost of products sold in the period and the cost resulting from application of the weighted average cost. They represent the higher (lower) value, in the event of price increases (decreases), applied to the quantities corresponding to levels of inventories physically present at the beginning of the period and still present at the end of the period.

The equity investment in the TotalErg joint venture is consolidated using the equity method of accounting.

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<sup>6</sup> 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		1st quarter	
		2017	2016
	<b>EBITDA</b>		
<b>453.3</b>	<b>EBITDA</b>	<b>151.3</b>	<b>161.8</b>
	<i>Exclusion of non-recurring items:</i>		
	<b>Programmable Sources</b>		
0.3	- Charges for company reorganisation	0.0	0.0
	<b>Non Programmable Sources</b>		
0.9	- Charges for company reorganisation	0.0	0.0
0.9	- Ancillary charges - extraordinary operations	0.0	0.8
<b>455.4</b>	<b>EBITDA at replacement cost</b>	<b>151.3</b>	<b>162.6</b>
FY 2016	<b>GROUP'S NET PROFIT (LOSS)</b>	1st quarter	
		2017	2016
<b>122.5</b>	<b>Group net result</b>	<b>65.0</b>	<b>47.8</b>
(15.7)	<i>Exclusion of inventory gains / losses</i>	(4.4)	7.9
	<i>Exclusion of non-recurring items:</i>		
0.8	<i>Exclusion of ancillary charges - extraordinary operations</i>	0.0	0.7
4.1	<i>Exclusion of TotalErg non-recurring items</i>	0.0	0.1
5.9	<i>Exclusion of loan prepayment effects</i>	0.0	0.9
0.0	<i>Exclusion of tax adjustment effects</i>	0.0	0.0
0.8	<i>Exclusion of charges for company reorganisation</i>	0.0	0.0
0.0	<i>Exclusion of extraordinary gains - LUKERG joint venture dissolution</i>	0.0	0.0
0.0	<i>Exclusion of provision for equity investment risks</i>	0.0	0.0
(11.0)	<i>Exclusion of financial gains / charges on minorities option</i>	0.0	0.0
<b>107.3</b>	<b>Group net profit (loss) at replacement cost (1)</b>	<b>60.6</b>	<b>57.5</b>