

LETTER TO SHAREHOLDERS

Dear Shareholders,

2018 was again a very important year for ERG, as in addition to completing the Group's industrial transformation process, we accelerated significantly with respect to our growth objectives in renewables, entering the solar sector and expanding abroad.

In January 2018 we completed the sale of TotalErg and acquired 30 photovoltaic plants for a total of 89 MW located in 8 Italian regions, concluding the transformation of our business model, and becoming leading European producers of energy from renewable sources, and first in Italy among wind power operators.

In March we presented our 2018-2022 Business Plan to the financial community, a plan focused on growth abroad and a technological upgrade of our wind power fleet in Italy. The plan calls for increasing our installed capacity by around 850 MW by organic development and co-development agreements in Europe, new acquisitions in target countries and a Repowering & Reblading plan for our wind farms. Industrial know-how, asset quality, operational efficiency and the flexibility of our integrated Energy Management portfolio are the characteristics that set us apart and which we continue to leverage to achieve our objectives.

In France, we acquired a pipeline of around 750 MW and strengthened our local structure, adding a team with robust experience in developing greenfield projects and with a valuable network of local relationships. As part of the development of the pipeline, we increased our installed wind capacity by 55 MW which, added to the recent acquisition in March this year of a further 52 MW, brings the total to 360 MW.

In Germany, we were awarded the construction of a 21.6 MW wind farm, while in the UK we acquired a project authorised to build a 79.2 MW wind farm in the north of Scotland.

At the beginning of 2019, by purchasing two more photovoltaic plants in Lazio, for 51.4 MW, we reached over 140 MW of installed solar capacity, ahead of our plan objectives and ranking us among the top five photovoltaic operators in Italy.

Thanks to these operations, we have further optimised our electricity generation mix, both in terms of the balance between programmable and non-programmable sources, and for its geographical diversification, exceeding 3,000 MW of installed capacity.

2018 was a very busy year for the innovative Repowering and Reblading project for our wind power fleet in Italy. We have started the authorisation process and, with regard to reblading, we are starting on the first project, due to become operational during the second quarter of 2019.

For 2018 our economic and financial results show a gross operating margin of EUR 491 million, up from both the EUR 472 million of 2017 and the EUR 475 million estimated at the beginning of the year and in line with the guidance revised upwards in June.

The adjusted EBIT was EUR 216 million (EUR 220 million in 2017) after amortisation and depreciation of EUR 275 million, up by EUR 23 million compared to 2017 (EUR 252 million).

The Group's net profit was EUR 133 million (EUR 108 million in 2017 restated) and reflects, in addition to net operating results, the gain on the sale of the Brockaghboy wind farm in the United Kingdom in March 2018 (EUR 27 million).

In 2018 investments amounted to EUR 510 million (EUR 94 million in 2017) and are mainly attributable to the acquisition of solar power plants in Italy, acquisitions in France and the acquisition of the company that holds the authorisations for the construction of the park in Scotland, mentioned above. In addition, in 2018, we made investments of EUR 60 million in property, plant and equipment and intangible assets.

Net financial indebtedness totalled EUR 1,343 million, up from EUR 1,233 million at 31 December 2017.

The 2018 financial year benefited from the contribution of new wind power capacity in France and solar power capacity in Italy and from the excellent performance of hydroelectric power, despite a fourth-quarter characterised by lower margins in thermoelectric power, mainly due to the lower value of white certificates, and poor windiness both in Italy and abroad. In general, the trend in electricity prices in our reference markets was positive.

In the wind sector, the gross operating margin amounted to EUR 274 million, down from EUR 316 million in the previous year, due to a less favourable wind context both in Italy and abroad, in addition to lower production incentives in Italy, lower unit incentive values and higher dispatching charges. Thanks to the higher installed capacity in France and a favourable scenario in Romania and Poland, despite the lower windiness, the results abroad improved.

As far as the contribution of solar energy is concerned, the gross operating margin, amounting to EUR 32 million, was in line with the forecasts made at the time we purchased the plants at the beginning of the year.

The gross operating margin of our hydroelectric business totalled EUR 146 million, a sharp increase over the EUR 94 million earned the previous year. This performance reflects the positive impact of the high availability of water resources during the period, particularly starting in March, and the use of reservoirs during the year.

The result for the thermoelectric business, at EUR 53 million, was lower than the EUR 78 million earned in 2017, due mainly to the lower contribution provided by White Certificates. Moreover, the results were affected by the significantly less profitable trend of the clean spark spread, following the equally significant increase in the price of CO₂ and gas, which were not fully reflected in the price of energy over the year.

As far as our financial structure is concerned, in 2018 ERG obtained an Investment Grade rating from the Fitch rating agency, thanks to which it will have optimal access to the Debt Capital Market and the possibility of diversifying its sources of financing, thus being able to optimise costs and improve its financial flexibility.

In this context, in November two Environmental Social Governance loans were signed for EUR 240 million.

In December ERG also launched an EMTN programme of up to EUR 1 billion, which forms part of the strategy to gradually reshape the Group's financial structure from *Project* to *Corporate Financing*, in line with the prospective change in the industry and the expected development of our generation portfolio.

Following the EMTN programme, a EUR 500 million Green Bond was issued in April 2019 to finance or refinance the Group's wind and solar power generation projects, which attracted the interest of the most highly-rated investors in the main European countries and attracted more than six times the offer. This important result is based on the high credibility we have built up over time with our stakeholders, their confidence in the fundamental elements of our Business Plan and its future, as well as the financial market's recognition of our business model's strong orientation towards sustainable development.

For 2019 we expect, in advance versus the Plan's objectives, a gross operating margin between EUR 495 and EUR 515 million and net indebtedness between EUR 1,360 and EUR 1,440 million, including investments between EUR 340 and EUR 370 million.

The Board of Directors will propose to the Shareholders' Meeting an ordinary dividend of EUR 0.75 per share, as indicated in the Business Plan.

At the same time as the Financial Statements, the Board of Directors approved the Consolidated Non-Financial Statement: a commitment to transparency and sharing information concerning the economic, environmental and social aspects of our business, which we have been reporting voluntarily for over 10 years, by publishing our Sustainability Report.

During 2018 we also redefined our sustainability commitments, in line with our Business Plan and in line with the United Nations' sustainable development goals for 2030 (UN SDGs), for which we will be particularly committed to the generation of electricity from renewable sources (UN SDG 7), attention to the environment (UN SDG 6 and 15), working conditions (UN SDG 8) and welfare (UN SDG 4).

The generation of energy by its plants powered by renewable sources has enabled ERG to contribute to the fight against climate change, avoiding again this year the emission of over 3 million tonnes of CO₂, equivalent to about 800,000 round-trips from Rome to New York.

We have also adopted the Human Rights Policy, which formalises our commitment to promoting respect for human rights, equal opportunity and open and transparent relations with stakeholders, as has always been part of ERG's DNA and way of doing business.

We have continued to develop our plans to support start-ups on technological innovation projects in the energy world, new generations and cultural activities in the areas in which we operate. We have reached over 10,000 young people with our education initiatives on renewable energy and the environment, *Vai col Vento!* and *A tutta Acqua!*, support for sports events and the *ERG Re-Generation Challenge* call for ideas – again during 2018.

Our commitment to sustainable development has been recognized internationally by being ranked 16th worldwide – first among Italian companies and the only Italian company among the first 80 – in the Corporate Knights Global 100 Most Sustainable Corporations in the World Index and being attributed the B rating of the Climate Change program promoted by the Carbon Disclosure Project (CDP), a result higher than both the average for the Utilities sector and the European average.

Once again in 2018, we continued our commitment to training, attended by 92% of our people, dedicating an average of 5.9 staff-days, 83% of which to technical and managerial topics.

2018 was also the year of our 80th anniversary celebrations, with many initiatives culminating in the event held on 19 October in Genoa, at the Doge's Palace and the Carlo Felice Theatre, with more than 1,500 guests, including company employees and external guests. As a contribution to our hometown, that last year was severely affected by the collapse of the Morandi bridge, we have made available to the City of Genoa EUR 1 million to support redevelopment and sustainable development projects in the lower Val Polcevera Valley.

For the celebration of our 80th anniversary, our parent company San Quirico S.p.A. and ERG signed an agreement to freely assign 80 ERG treasury shares to each employee of the Italian companies of the Group. ERG has also

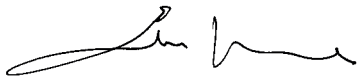
decided to grant employees of all Group companies an extraordinary award of EUR 1,500 which, for employees of foreign companies, was increased by a sum corresponding to the value of the shares assigned to each employee of the Italian companies.

A long and fascinating story in the heart of energy, combining growth and sustainability: this is how we can define ERG's 80th anniversary. Past, present and future made of continuous dynamism and openness to change, our Evolving Energies.

Genoa, 17 April 2019

Edoardo Garrone

Chairman



Luca Bettonte

Chief Executive Officer

