Press Release

The Board of Directors of ERG S.p.A.
approves the Interim Report on Operations as at 31 March 2021

Consolidated adjusted[6] EBITDA: €161 million, €156 million in the 1st quarter of 2020.

Adjusted Group net result: €65 million, €53 million in the 1st quarter of 2020.

2021 Ebitda and Capex guidance revised upwards by 10 and 50 million euros respectively

- Quarterly results – Upturn in EBITDA owing to the high availability of water resources and the rise in unitary incentive value. These effects were partly offset by both the poor wind conditions outside of Italy and the end of the first ten years of energy efficiency certificates for the CCGT plant. Solar power showed essentially no change. The net result increased significantly also thanks to the reduction in financial charges, following the liability management operations finalised during the previous year.

- Development – The Group expands its presence in Europe by entering the Spanish market, through a co-development agreement in the photovoltaic and wind energy sectors, and the Swedish market, via the acquisition of a 62MW ready-to-build wind farm, taking the wind farms under construction or ready to build to around 400MW.

- ESG – ERG has been included in the "S&P Global Clean Energy Index", another major recognition of its constant commitment to the development of energy generation using renewable energy sources, the fight against climate change and the construction of a sustainable business model, in which ESG issues are closely integrated as part of business strategy.

- 2021 Guidance – The good results posted for the first quarter have led to an upward adjustment by 10 million Euro of the forecast for EBITDA, to within a range of between 490-510 million; likewise, estimated investments are now within a range of between 285-325 million, to include the acquisition in Sweden, and net financial debt, is up by 40 million Euro to between 1,390 and 1,490 million Euro, with respect to the earlier forecast.

- COVID-19 Emergency – Operations at the Italian and overseas production sites have gone ahead without interruption, demonstrating the effectiveness of measures adopted and resilience in counteracting the pandemic emergency. ERG has expressed its willingness to make available space and resources for the vaccination of any staff members who so request on a voluntary basis in accordance with the provisions set forth in the Italian *Protocol* issued on 6 April 2021.

Genoa, 14 May 2021 – At its meeting held yesterday, the Board of Directors of ERG S.p.A. approved the Interim Report on Operations as at 31 March 2021.

Consolidated adjusted financial results

Performance highlights (million Euro)	1st Quarter		
	2021	2020	Var. %
EBITDA	161	156	*3%*

[6]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"

EBIT	93	82	*14%*
Group net result	65	53	*22%*

	31/03/2021	**31/12/2020**	**Variation**
Net financial debt (million Euro)	1,316	1,439	*-123*
Leverage[7]	*42%*	*45%*	

Paolo Luigi Merli, ERG's Chief Executive Officer, commented: **"The year 2021 has started well, with better-than-expected results and an upturn compared to a year ago, due to the excellent performance of the hydroelectric power sector, particularly compared to the dry quarter in 2020. The heavy rainfalls during the period are reflected in the levels of our reservoirs, which continue to be above the historical average. The results posted by the Italian wind power sector were also good, compared to a weaker performance on the part of overseas wind power. Solar power was in line. Thermoelectric power, as anticipated, reflected the discontinuation of white certificates. We are seeing a strong growth in net profit also due to the lower cost of debt.**
This positive start has allowed us to carry out an upward adjustment to our EBITDA forecast for the year, which is now estimated at between 490 and 510 million Euro. We are particularly pleased about the recent developments in Sweden."

Change in the scope of business

During the period no variations in the business perimeter are reported.
Reference is made to the section "Main events occurred after the end of the quarter" for a description of changes that occurred following the close of the first quarter 2021.

First quarter 2021

In the first quarter of 2021 **adjusted revenues** came to 280 million Euro, up by 3 million compared to the first quarter of 2020 (277 million Euro) due above all to the increase in hydroelectric power production and the upturn in Italy's unitary incentive value (from 99.0 to 109.4 €/MWh). These effects were largely offset by the lower overseas wind power output and the end of the first ten years of high performance cogeneration eligibility for the CCGT facility.

Adjusted EBITDA[8] excluding special items, at 161 million Euro, was up by 4 million compared to 156 million Euro posted in the first quarter of 2020. The variation reflects the following:

- **Wind Power (-15 million):** EBITDA, at 94 million Euro, showed a downturn compared to 2020 (109 million Euro) following the decline in result outside of Italy which, at 33 million Euro (lower than 52 million Euro for the corresponding period of 2020), reflected the poor wind conditions compared to the particularly high winds during the first quarter of 2020 (540 GWh in 2021 compared to 768 GWh in 2020), despite the upturn in the market situation. These effects were only partly compensated by the improved Italian result of 61 million Euro, compared to 57 million Euro in the first quarter of 2020, due to the increase in output (+3%) and the higher *GRIN* incentive value.

- **Solar Power (-1 million):** EBITDA, at 11 million Euro, was essentially in line with the first quarter of 2020 (12 million Euro) with a slight decline in volumes (41 GWh in the first quarter of 2021 compared to 45 GWh in the first quarter of 2020) largely offset by the upturn in market price scenario compared to the corresponding period in 2020.

- **Hydroelectric Power (+30 million)**: EBITDA, at 54 million Euro (24 million Euro in the first quarter of 2020), showed a strong increase compared to the corresponding period a year earlier. The result reflects the notable improvement in output with respect to the first quarter of 2020 (667 GWh in the first quarter of 2021 compared to 324 GWh in the first quarter of 2020) thanks to the high resource availability in Central Italy, compared to the situation in 2020, which was well below the ten-year historical averages. The positive result also partly

[7] The ratio of total net financial debt (including project financing) to net invested capital

[8] Adjusted EBITDA is shown net of the positive effects deriving from application of IFRS 16, amounting to about 2 million Euro.

reflected the higher value of in the *GRIN* incentive. The heavy rainfall during the period caused the reservoir levels to exceed the historical average.

- **Thermoelectric Power (-9 million):** EBITDA as regards the thermoelectric power sector, at 6 million Euro, showed a downturn compared to 15 million in the first quarter of 2020, mainly following the end of high performance cogeneration eligibility for both modules of the CCGT plant, which accounted for around 6 million Euro, and the reduction in generation margins with respect to the same period in 2020, within a market scenario characterised by a significant rise in gas and CO2 prices. This result is in keeping with our expectations.

We mention that overall EBITDA reflected the hedging strategies implemented in keeping with the Group's risk policies.

Adjusted EBIT amounted to 93 million Euro (82 million Euro in the first quarter of 2020) after amortisation and depreciation totalling 68 million Euro, less than in the first quarter of 2020 (75 million Euro) mainly following a revision of the useful life of some assets pertaining to the hydroelectric and wind power facilities.

The **Adjusted Group net result** came to 65 million Euro, with an increase compared to the first quarter of 2020 (53 million Euro), reflecting the already mentioned improvement in operating results and the lower financial charges. Net financial charges were notably below those for the first quarter of 2020, due to the reduction in the cost of gross debt thanks to the liability management operations undertaken during the second half of 2020, following the issuance of a second Green Bond.

The **Group net result** came to 63 million Euro, with an increase over 52 million Euro in the first quarter of 2020, for the same reasons already mentioned.

Adjusted net financial debt stands at 1,316 million Euro, with a decrease of 123 million Euro compared to 31 December 2020 (1,439 million Euro). The change reflects above all the period's positive cash flow (156 million Euro[9]), partly offset by investments during the quarter (33 million Euro).

Adjusted net financial debt is shown without the effects deriving from application of IFRS 16, therefore not including the discounting of future lease fee payments corresponding to around 100 million Euro as at 31 March 2021.

Investments

Million Euro	**First quarter**	
	2021	**2020**
Wind Power	27	54
Solar Power	0	1
Thermoelectric Power	5	5
Hydroelectric Power	1	1
Corporate	0	0
Total Investments	**33**	**61**

Investments carried out in the first quarter of 2021, totalling **33 million Euro** (61 million Euro in the first quarter of 2020), refer to tangible and intangible fixed assets, of which 80% in the Wind Power sector (55% in the first quarter of 2020), primarily related to the continuation of wind farm constructions in the UK (approximately 250 MW) and Poland (60 MW), 14% concerns the Thermoelectric Power sector (30% in the first quarter of 2020) following the refurbishment investments that will guarantee high performance cogeneraton plant qualification for the CCGT's module 1 for a further ten years starting from the COD, scheduled during the fourth quarter of 2021. The remaining investments were allocated to minor maintenance and development projects. It is worth mentioning that in the first quarter of 2020 investments referred above all to the acquisition of wind farms in France (42 million Euro).

Wind Power: Investments in the first quarter of 2021 (27 million Euro) referred above all to development and

[9] Includes adjusted EBITDA, the change in net working capital, the payment of taxes and net financial income (expenses)

construction works concerning new wind farms in the UK (20 million Euro) and Poland (3 million Euro), the continuation of activities preparatory to Repowering and Reblading interventions (3 million Euro) on some Italian wind farms, as well as the usual maintenance operations aimed at further enhancing plant efficiency. Insofar as concerns the wind farms under construction in the UK, the stage of completion reached by the two projects in Northern Ireland, Evishagaran (47 MW) and Craiggore (24 MW), where the COD is planned for the end of 2021, has exceeded 60%, in accordance with schedule; also for the remaining wind farms in the UK (Scotland) and Poland, where the CODs are planned during 2022, the construction timelines are confirmed.

Solar Power: Investments in the first quarter of 2021 (0.5 million Euro) primarily concerned contracts aimed at further enhancing plant efficiency.

Hydroelectric Power: Investments in the first quarter of 2021 (1 million Euro) referred above all to contracts for the development of mini hydroelectric power plants, maintenance contracts and projects scheduled with regard to the seismic enhancement of infrastructures and in the area of Health, Safety and the Environment.

Thermoelectric Power: Investments in the first quarter of 2021 (5 million Euro) primarily referred to the revamping project concerning the steam generation facilities of the CCGT plant's module 1, which will also enable renewal of the right to accrue energy efficiency certificates starting from 1 January 2022, for a further ten years. Moreover, targeted investment projects continued aimed at maintaining the plants' operational efficiency, flexibility and reliability. The scheduled interventions also 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.

During the first quarter of 2021, total electricity sales amounted to 4.2 TWh (4.2 TWh in the first quarter of 2020), against a total of around 2.4 TWh produced by the Group's facilities (2.4 TWh in the corresponding period of 2020), of which about 0.5 TWh abroad and 1.9 TWh in Italy. The latter figure represents approximately 2.4% of overall domestic demand (2.1% in the first quarter of 2020).

Electricity sold wholesale includes sales on the IPEX power exchange, in both the "Day-ahead Market" (*MGP*) and the "Intraday Market" (*MI*) and in the "Ancillary Services Market" (*MSD*), as well as sales to leading sector operators using the "over the counter" (OTC) platform. The latter are carried out by Energy Management with a view to developing forward contracting activities also for the purpose of hedging generation, in line with the Group's risk policies.

In the **first quarter of 2021** steam sales[10] carried out amounted to 285 thousand tonnes, with a reduction compared to 336 thousand tonnes during the corresponding period of 2020, due to the decrease in requests from the Priolo site.

		1st quarter		
Electricity output (GWh)	**2021**	**2020**	Δ	Δ%
Wind power output	**1,156**	**1,366**	**-211**	**-15%**
- Italy	*616*	*598*	*18*	*3%*
- Overseas	*540*	*768*	*-229*	*-30%*
Solar power output	**41**	**45**	**-4**	**-8%**
Hydroelectric power output	**667**	**324**	**344**	**106%**
Thermoelectric power output	**525**	**626**	**-101**	**-16%**
ERG Plants total output	**2,390**	**2,361**	**29**	**1%**

10 Steam supplied to end users net of the steam quantities withdrawn by the same and pipeline leaks.

With regard to output, in the first quarter of 2021 we particularly report:

Wind Power: In the first quarter of 2021 wind power electricity output totalled 1,156 GWh, with a reduction of 15% compared to the corresponding period in 2020 (1,366 GWh), due to the poorer wind conditions abroad (-30%) compared to the particularly high winds during the same period a year earlier, only partly compensated by the improved windiness in Italy (+3%).
The upturn in Italian output (+18 GWh) is associated with the better wind conditions compared to those recorded in 2020, as regards all regions with the exception of Calabria.
Outside of Italy, the downturn of 229 GWh in output due to the low winds recorded compared to the corresponding period in 2020 concerns all countries and particularly France (-109 GWh), Germany (-68 GWh) and Poland (-33 GWh).

Solar Power: In the first quarter of 2021 output totalled around 41 GWh, showing a slight decrease compared to the first quarter of 2020, with a related load factor of 13%.

Hydroelectric Power: ERG Hydro's overall output in the first quarter of 2021, totalling 667 GWh, benefited from a net unit revenue, considering the sales price of electricity on the markets, incentives during the period and other minor components, of around 95 Euro/MWh, with a decrease compared to 102 Euro/MWh in the first quarter of 2020.

Thermoelectric Power: Net electricity output by ERG Power during the first quarter of 2021 amounted to 525 GWh, with a downturn compared to the corresponding period in 2020 (626 GWh) in the presence of a market situation with generation margins heavily penalised by the significant rise in gas and CO2 prices, partly offset by the clean spark spread hedging strategies carried out in line with the Group's risk policies.
The net supply of steam to captive customers at the Priolo Gargallo petrochemical site amounted to 285 thousand tonnes, with an decrease compared to 336 thousand tonnes in the corresponding period of 2020.

Main events during the quarter

On **28 January 2021** ERG, through its subsidiary ERG Power Generation S.p.A, signed a framework agreement with ENERCON GmbH for the supply of wind turbines with a potential capacity of around 190 MW destined for repowering projects in Italy and for a greenfield project in the United Kingdom. The agreement, potentially worth 120 million Euro, in addition to the supply, also includes the transportation, installation, commissioning and maintenance envisaged during the initial phase of the wind turbines' life cycle. (Press Release dated 28 January 2021)

On **28 January 2021** the redemption option was exercised in respect of all the remaining Notes issued on 19 July 2017, for an aggregate principal amount of Euro 25,000,000. (Press Release dated 28 January 2021)

Main events occurred after the end of the quarter

On **14 April 2021** ERG obtained Single Authorisations in connection with the Repowering project for four wind farms - Mineo, Militello, Vizzini and Monreale/Partinico – located in the region of Sicily.

On **21 April 2021** ERG joined the "S&P Global Clean Energy Index", Standard & Poor's stock exchange index comprising 82 leading green energy producing businesses at international level with high ESG standards. Inclusion by S&P in the Global Clean Energy index – with a weight of 0.34% - represents another major recognition of ERG's ongoing commitment to both the development of a RES portfolio consistent with the fight against climate change and the creation of a sustainable growth model that views ESG issues as an essential element of the value chain. (Press Release dated 21.04.2021)

On **26 April 2021** the Shareholders' Meeting of ERG S.p.A. approved the 2020 Annual Financial Statements, resolving to pay a dividend of Euro 0.75 per share, appointed the new Board of Directors and confirmed Edoardo Garrone as Chairman. The Board of Directors, having met on the same date, confirmed Alessandro Garrone as Executive Deputy Chairman, Giovanni Mondini as Deputy Chairman and appointed as the new Chief Executive Officer Paolo Luigi Merli, who therefore tendered his resignation from both the office of General Manager, which he previously held with the title of "Corporate General Manager & CFO", and the office of Manager responsible for preparing the Company's financial reports. The Board of Directors then appointed as the Manager responsible for preparing the Company's financial reports Michele Pedemonte, in his role as Chief Financial Officer, who will be in charge of performing the said role starting this year, with regard to the information and accounting and financial documents relating to FY2021.

On **27 April 2021** ERG and Renergetica, a company active on the international market in the development of renewable energy projects and listed on the AIM Italia market managed by Borsa Italiana, signed an agreement for co-development in the Spanish market on Greenfield projects in the solar and wind power sectors, for a total of around 100 MW per year. Renergetica will also support ERG in the acquisition of “Ready-to-Build” and “in Operation” projects. (Press Release dated 27.04.2021)

On **10 May 2021** ERG, through its Swedish holding company, finalised the acquisition from the BayWa r.e. Group of permits for the construction of a 62 MW wind farm in Southern Sweden. Construction of the wind farm should commence by the middle of this year and the coming on stream is expected to take place by the end of 2022. The overall investment amounts to 99 million Euro, including both the building permits and the construction costs. (Press Release dated 10.05.2021)

Business outlook

The expected outlook for the main operating and performance indicators in 2021 is as follows.

Wind Power

ERG is continuing to pursue its strategy of international development in Wind and in the programme for the Repowering of its own wind farms in Italy, regarding which 3 authorisations have been obtained. EBITDA for Italy is expected to grow compared to 2020 due to the higher volumes and expected increase in sales prices. Outside of Italy, a downturn in the result is anticipated compared to 2020 due to the less favourable wind conditions compared to the particularly high winds recorded in 2020 and following the exit from the incentive system of approximately 76 MW in France, albeit partially offset by the higher contribution expected from the Eastern European wind farms and the coming on stream at the end of the year of the first wind farms currently under construction in the United Kingdom.
Overall EBITDA is expected to show a slight upturn compared to the previous year.

Solar Power

In 2021, ERG will continue to benefit from certain synergies associated with optimisation of the Energy Management portfolio and the insourcing of some activities previously carried out by third parties, capitalising its own industrial competencies in the operating consolidation of the managed assets.
EBITDA for FY2021 is expected to be in line with 2020.

Hydroelectric Power

In consideration of the high water availability recorded in the first few months of the year, we expect to see estimated volumes in excess of the ten-year statistical average and above the very low volumes in 2020, thanks also to the significant quantity of water that has accumulated in the reservoirs; this higher volume forecast will be accompanied by the optimisation of Energy Management output on the energy markets. The result will also benefit from both the expected upturn in sales prices and a higher incentive price.
Therefore, EBITDA is expected to increase sharply compared to the values for 2020.

Thermoelectric Power

The forecast of the 2021 result will reflect above all the complete exit from the first period of High Efficiency Cogeneration (*CAR*) and the upturn in GAS and CO2 prices observed during the first quarter, which was not fully compensated by electricity prices. The shutdown of the combined cycle plant, scheduled during the year, will be dedicated to investments aimed at refurbishing the plant’s module 1 in order to benefit from the production of energy efficiency certificates starting from 2022.
EBITDA is expected to show a definite downturn compared to 2020.

For FY2021, we are therefore carrying out an upward adjustment of our consolidated EBITDA guidance, estimating an overall result within a range of between 490 and 510 million Euro compared to the previous range of 480-500 million Euro (481 million Euro in 2020), thanks to the forecast increase in production volumes particularly in the Hydroelectric power sector and the anticipated improvement in sales prices. These effects are partly offset by Overseas Wind power production due to the expected less favourable wind conditions.

The capital expenditure for 2021 has been revised to within a range of 285 to 325 million Euro, with an increase compared to our earlier indication of 235-275 million (156 million Euro in 2020) following the recent acquisition of a ready-to-build project in Sweden. This wind power project has an Enterprise Value of 99 million Euro, with an expected COD by the end of 2022 and installed capacity of 62MW.

Net financial debt at the end of 2021, reflecting the said variations in terms of EBITDA and investments, is expected to be within a range of between 1.39 and 1.49 billion Euro, with an upturn compared to the previous range of 1.35-1.45 (1.44 billion Euro in 2020).

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 2021-2023 Long-Term Incentive Plan, as approved by the Board of Directors on 11 March 2021, 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 26 April 2021 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 26 April 2021, in the Information Document drawn up in accordance with Article 114-*bis* of the Consolidated Finance Act and in the report on the remuneration policy and the fees paid 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 2021-2023 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 – 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 FY2021, the Chief Executive Officer for the three-year period 2021-2023 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 FY2021. This decision took account of the proposal made by the Executive Deputy Chairman, unanimously subscribed to by the other directors vested with offices and accepted by the Board of Directors, to reduce by 18% the amount of remunerations associated with powers and/or offices conferred by the Board of Directors, with respect to the benchmark panel (as envisaged in the Company's current Remuneration Policy), as a spontaneous action to convey genuine participation in the difficulties being experienced by the community as a result of the pandemic and, more generally, to reduce the "salary gap" with respect to the average cost to the company of the workforce. The sums deriving from the said reduction will be reinvested, under the Company's investment policies, in team management and the Group's talent pools, reskilling of resources and the inclusion of young high-school and university graduates through agreements with schools and universities.

The Board of Directors, as part of the process to bring the Company into line with the provisions of the Corporate Governance Code promoted by Borsa Italiana, has adopted a policy for managing the dialogue with shareholders and investors in general and a regulation aimed, *inter alia*, at governing (i) the rules for the working of the said body and its committees, the modalities for taking meeting minutes and the procedures for handling disclosures to the directors; (ii) the "quantitative" and "qualitative" criteria to be used when evaluating the independence of members of the Board of Directors and the Board of Statutory Auditors, the relevance or otherwise of possible relations maintained by the same with the Company or with other related parties; (iii) the maximum number of offices in the management or control bodies of other relevant companies that can be considered compatible with an efficient performance of the office of Director and (iv) the Chief Executive Officer succession plan.

The Board of Directors, with the approval of the Control, Risk and Sustainability Committee, has updated the list of Managers with strategic responsibilities, in keeping with the new organisational structure and with the 2021-2025 Business Plan, effective immediately, as well as the Procedure for Related Party Transactions, with a view to implementing the provisions set forth in Article 2391-*bis* of the Italian Civil Code and *CONSOB* resolution no. 21624 dated 10 December 2020, with effect from 1 July 2021. The Board of Statutory Auditors has acknowledged the compliance of the aforesaid updates with the provisions laid down in the Rules governing related party transactions.

In reference to the estimates and forecasts contained in this section, 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, conditions pertaining to wind, water availability and irradiation, the impact of regulations for the oil and *energy industry and the environment, the effects of the Covid-19 pandemic and other changes in business conditions and in the action of the competition.*

The layout of the accounting schedules corresponds to the format used in the Report on Operations. Appropriate explanatory notes illustrate the adjusted results.

Pursuant to Article 154-bis, paragraph 2 of the Consolidated Finance Act, the manager responsible for preparing the company's financial reports, Michele Pedemonte, declares that the accounting information contained in this press release corresponds to the accounting documents, books and records.

The results for the first quarter will be illustrated to analysts and investors today at 14:30 (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 e-Market Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued on 14 May 2021, 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 Report on Operations at 31 March 2021 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).

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Financial statements and Alternative Performance Indicators

Alternative Performance Indicators (APIs) and Adjusted results

Certain Alternative Performance Indicators (APIs) are used in this document, which differ from the financial indicators expressly set forth by the IAS/IFRS adopted by the Group.

These alternative indicators are utilised by the Group with a view to facilitating the disclosure of information on its business performance as well as its net financial debt.

*Lastly we mention that, in order to facilitate an understanding of the business segments' performance, the operating results are also shown with the exclusion of significant special income components of an extraordinary nature (special items): these results are indicated with the term "**Adjusted results**".*

For a definition of the indicators and reconciliation of the amounts involved, reference is made to the information provided in the specific "Alternative Performance Indicators" section.

Performance highlights

Year 2020	(EUR million) Key economic data		1st quarter 2021	1st quarter 2020
974	Revenues Adjusted [1]		280	277
481	**EBITDA adjusted [1]**		**161**	**156**
183	**EBIT adjusted [1]**		**93**	**82**
110	Net Profit		63	52
108	of which profit attributable to owners of the parent		63	52
106	**Adjusted Net profit attributable to owners of the parent [1]**		**65**	**53**
	Key financial data			
3,209	**Net adjusted invested capital [2]**		**3,148**	**3,255**
1,770	Shareholders' Equity Adjusted		1,832	1,839
1,439	Total net financial indebtedness [2]		1,316	1,415
417	of which non-recourse Project Financing [3]		409	831
45%	Financial leverage adjusted		42%	43%
49%	**EBITDA Margin %**		**57%**	**56%**
	Operating data			
1,967	**Installed capacity of wind farms at the end of the period**	*MW*	**1,967**	**1,967**
3,911	Electric power generation from wind farms	*KWh million*	1,156	1,366
480	**Installed capacity of thermoelectric plants**	*MW*	**480**	**480**
2,441	Electric power generation from thermoelectric plants	*KWh million*	525	626
527	**Installed capacity of hydroelectric plants at the end of the period**	*MW*	**527**	**527**
1,097	Electric power generation from hydroelectric plants	*KWh million*	667	324
141	**Installed capacity of solar plants at the end of the period**	*MW*	**141**	**141**
228	Electric power generation from solar plants	*KWh million*	41	45
14,897	**Total sales of electric power**	*KWh million*	**4,223**	**4,246**
156	Capital expenditure [4]	*EUR million*	33	61
784	**Employees at period end**	*Units*	**798**	**757**
	Net unit revenues [5]			
119	Wind Italy	*Euro/MWh*	119	121
96	Wind Germany	*Euro/MWh*	93	98
89	Wind France	*Euro/MWh*	89	90
78	Wind Poland	*Euro/MWh*	83	72
66	Wind Bulgaria	*Euro/MWh*	77	67
56	Wind Romania	*Euro/MWh*	77	59
n.a.	Wind UK	*Euro/MWh*	n.a.	n.a.
315	Solar	*Euro/MWh*	323	310
109	Hydroelectric	*Euro/MWh*	95	102
35	Thermoelectric	*Euro/MWh*	25	28

(6) Does not include special items and related applicable theoretical taxes.
(7) Adjusted net financial indebtedness and the adjusted net invested capital are presented net of the effects deriving from the application of IFRS 16 therefore excluding the recognition of assets and the discounting of future lease payments of approximately EUR 100 million from net financial indebtedness and approximately EUR 97 million from net invested capital.
(8) Including cash and cash equivalents and excluding the fair value of the derivatives hedging interest rates.
(9) In property, plant and equipment and intangible assets. In first quarter 2020 it included M&A investments of EUR 44 million for the acquisition of wind farms in France (EUR 42 million) and a project for the construction of a wind farm in Poland (EUR 2 million).
(10) Net unit revenue is expressed in EUR/MWh and is calculated by dividing the technology output by the revenue achieved on energy markets, inclusive of the impact of hedges, of any incentives due and the relative variable costs associated with generation/sale including, for example, the cost of fuel and imbalance costs.

Performance by sector

Year 2020	(EUR million)	1st quarter 2021	2020	Δ
	Adjusted revenues			
402	Wind power	121	140	*(18)*
73	Solar	13	14	*(1)*
118	Hydroelectric power	63	33	*30*
381	Thermoelectric power [1]	83	91	*(8)*
36	Corporate	9	9	*0*
(36)	*Intra-segment revenues*	*(9)*	*(9)*	*(0)*
974	**Total adjusted revenues**	**280**	**277**	***3***
	Adjusted EBITDA			
282	Wind power	94	109	*(15)*
66	Solar	11	12	*(1)*
81	Hydroelectric power	54	24	*30*
67	Thermoelectric power [1]	6	15	*(9)*
(15)	Corporate	(4)	(4)	*(0)*
481	**Adjusted EBITDA**	**161**	**156**	***4***
	Amortisation, depreciation and write-downs			
(165)	Wind power	(38)	(42)	*4*
(42)	Solar	(10)	(10)	*0*
(57)	Hydroelectric power	(11)	(14)	*4*
(30)	Thermoelectric power	(7)	(7)	*0*
(4)	Corporate	(1)	(1)	*(0)*
(298)	**Amortisation and depreciation adjusted**	**(68)**	**(75)**	***7***
	Adjusted EBIT			
118	Wind power	55	67	*(11)*
23	Solar	1	2	*(1)*
24	Hydroelectric power	43	9	*33*
37	Thermoelectric power [1]	(2)	8	*(9)*
(19)	Corporate	(5)	(4)	*(0)*
183	**Adjusted EBIT**	**93**	**82**	***12***
	Investments [2]			
127	Wind power	27	54	*(27)*
2	Solar	0	1	*(0)*
6	Hydroelectric power	1	1	*0*
18	Thermoelectric power	5	5	*(1)*
2	Corporate	0	0	*(0)*
156	**Total investments**	**33**	**61**	***(28)***

(3) Includes the residual contribution from minor portfolios managed by Energy Management not attributable to individual business units. With regard to revenues, the share for the resale of electricity purchased from the market was approximately EUR 15 million (EUR 13 million in 2020).
(4) Includes investments in property, plant and equipment and intangible assets and M&A investments.

Adjusted Income Statement

To enhance understandability of the Group's performance, the operating results are shown in this section excluding impacts relating to the adoption of IFRS 9 and of special items, and with the reclassification for IFRS 16. For the definition of indicators, the composition of the financial statements and the reconciliation of the amounts involved, reference is made to that indicated in the Alternative Performance Indicators section below.

(EUR million)	1st quarter		
Adjusted Income Statement	**2021**	**2020**	**Δ**
Revenue	280	277	*3*
Other revenue	1	7	*(6)*
TOTAL REVENUE	**281**	**284**	***(2)***
Costs for purchase and changes in inventory	(66)	(71)	*5*
Costs for services and other operating costs	(39)	(41)	*2*
Personnel Expense	(17)	(16)	*(1)*
EBITDA	**161**	**156**	***4***
Amortisation, depreciation and write-downs of fixed assets	(68)	(75)	*7*
EBIT	**93**	**82**	***12***
Net financial income (expenses)	(8)	(13)	*6*
Net income (loss) from equity investments	0	0	*(0)*
Profit before taxes	**85**	**68**	***17***
Income taxes	(21)	(15)	*(6)*
Profit for the period	**65**	**53**	***12***
Minority interests	0	0	*0*
Group's net profit (loss)	**65**	**53**	***12***

Adjusted Statement of Financial Position

The reclassified statement of financial position contains the assets and liabilities of the mandatory financial statements, used in the preparation of the annual financial report, highlighting the **uses** of resources in non-current assets and in working capital and the related funding **sources**. For the definition of the indicators for the main items used in the Reclassified Statement of Financial Position, reference is made to that indicated in the "Alternative Performance Indicators" section below.
The *adjusted* values at 31 March 2021 do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 100 million with a balancing entry in net invested capital amounting to approximately EUR 97 million.

31/03/2020	**Adjusted Statement of Financial Position**	**31/03/2021**	**31/12/2020**
	(EUR million)		
3,400	Non current assets	3,227	3,262
174	Net working capital	135	152
(5)	Provisions for employee benefits	(5)	(5)
206	Other assets	234	213
(519)	Other liabilities	(442)	(412)
3,255	**Net invested capital**	**3,148**	**3,209**
1,828	Group Shareholders' Equity	1,823	1,760
11	Non-controlling interests	10	10
1,415	Net financial indebtedness	1,316	1,439
3,255	**Equity and financial debt**	**3,148**	**3,209**

Cash Flow

Year 2020	(EUR million)	1st quarter 2021	1st quarter 2020
481	Adjusted EBITDA	161	156
(41)	Change in net working capital	3	(30)
440	**Cash Flow from operations**	**163**	**126**
(111)	Investments in property, plant and equipment and intangible assets	(33)	(17)
(44)	Company acquisitions (business combinations)	-	(44)
(0)	Capital expenditure in financial non-current assets	-	(0)
(0)	Divestments and other changes	3	(0)
(156)	**Cash Flow from investments/divestments**	**(30)**	**(62)**
(47)	Financial income (expense)	(8)	(13)
(24)	Closure of loans	(1)	-
0	Net gains (losses) on equity investment	0	0
(71)	**Cash Flow from financial management**	**(9)**	**(13)**
(25)	**Cash Flow from tax management**	**(1)**	**-**
(115)	Distribution of dividends	-	-
(35)	Other changes in equity	1	10
(150)	**Cash Flow from Shareholders'equity**	**1**	**10**
-	**Change in the consolidation scope**	**-**	**-**
1,476	**Opening net financial indebtedness**	**1,439**	**1,476**
(37)	*Change in the period*	*(123)*	*(61)*
1,439	**Closing net financial indebtedness**	**1,316**	**1,415**

ALTERNATIVE PERFORMANCE INDICATORS

Definitions

On 3 December 2015 CONSOB issued Communication no. 92543/15, which transposes the Guidelines regarding the use and presentation of Alternative Performance Indicators (APIs) 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 Indicators (CESR/05 – 178b), aim to promote the usefulness and transparency of alternative performance indicators so as to improve their comparability, reliability and comprehensibility.
Some of the APIs used in this document are different from the financial indicators expressly provided for by the IAS/IFRS adopted by the Group.
These alternative indicators are used by the Group in order to facilitate the communication of information on its business performance as well as its net financial indebtedness.
Finally, in order to facilitate an understanding of the business segments' performance, the operating results are shown with the exclusion of significant special income components of an extraordinary nature (special items): these results are indicated with the term "Adjusted results".
Since the composition of these indicators is not regulated by the applicable standards, the method used by the Group to determine these indicators may not be consistent with the method used by other operators and so these might not be fully comparable.

Definitions of the APIs used by the Group and a reconciliation with the items of the Financial Statements templates adopted are as follows:

- **Adjusted revenue** is revenue, as indicated in the Financial Statements, with the exclusion of significant special income components of an extraordinary nature (special items);

- **EBITDA** is an indicator of operating performance calculated by adding "Amortisation, depreciation and impairment" 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 statement components of an extraordinary nature (special items) and with the reclassification of the impact tied to the IFRS 16 application;

- **Adjusted EBIT** is the net operating profit, explicitly indicated as a subtotal in the Financial Statements, with the exclusion of significant special income statement components of an extraordinary nature (special items) and with the reclassification of the impact tied to the IFRS 16 application;

- **EBITDA margin** is an indicator of the operating performance calculated by comparing the adjusted EBITDA to the Revenue from sales and services of each individual business segment;

- The **Adjusted tax rate** is calculated by comparing the adjusted values of taxes and profit before tax;

- **Adjusted profit attributable to the owners of the parent** is the profit attributable to the owners of the parent, with the exclusion of significant special income statement components of an extraordinary nature (special items), and with the reclassification of the impact tied to the IFRS 16 application, net of the related tax effects;

- **Investments** are the sum of investments in property, plant and equipment and intangible assets;

- **Net operating working capital** is the sum of Inventories, Trade Receivables and Trade Payables;

- **Net invested capital** is the sum of Non-current assets, Net operating working capital, Liabilities related to Post-employment benefits, Other assets and Other liabilities;

- **Adjusted net invested capital** is Net invested capital, as defined above, with the exclusion of the impact relative to the application of IFRS 16 mainly linked to the increase in right-of-use assets;

- **Net financial indebtedness** is an indicator of the financial structure and is determined in accordance with CONSOB communication no. 15519/2006, also including the portion of non-current assets relative to derivative financial instruments.

- **Adjusted net financial indebtedness** is the net financial indebtedness, as defined above, net of the liability linked to the discounting of future lease payments, following the application of IFRS 16.

- **Financial leverage** is calculated by comparing the adjusted net financial indebtedness (including Project Financing) to the adjusted net invested capital.

- **Special items** include significant special income components of an extraordinary nature. These include:
    - income and expenses connected to events whose occurrence is non-recurring, i.e. those transactions or events that do not frequently re-occur over the normal course of business;
    - income and expenses related to events that are not typical of normal business activities, such as restructuring and environmental costs;
    - capital gains and losses linked to the disposal of assets;
    - significant impairment losses recognised on assets following impairment tests;
    - income and the associated reversals recognised in application of IFRS 9, in relation to the restructuring of loans in place.

COVID-19 emergency
There are no items related to the COVID-19 emergency in the first quarter 2021; in the same period of the previous year the donation made by the Group, equal to EUR 2 million, was isolated as a special item

IFRS 16
In application of IFRS 16, the Group, as lessee, has recognised a liability for leases and right-of-use assets related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory.
The application of the standard as from 1 January 2019 has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as amortisation of the right-of-use asset and as financial expense correlated to the liability linked to the discounting of future lease payments.
Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially when the relative lease payments were made.
The application of IFRS 16 has therefore led to:

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 2 million;
- an increase (approximately EUR 100 million) in the net financial indebtedness and the net invested capital (approximately EUR 97 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation (EUR 1 million) and greater financial expense (EUR 1 million) linked to the application of the above-mentioned method.

Based on the above, and given the typical nature of the item, in order to best present the business profitability, it has been deemed opportune to recognise, in the adjusted Income Statement, the amortisation of the right-of-use assets during the period and the financial expense on the IFRS 16 payable within the adjusted EBITDA, by way of a reasonable estimate of the lease costs in accordance with the financial expression (periodic instalment) of the same. Similarly, the adjusted net financial indebtedness and the adjusted net invested capital are presented net of the liability linked to the discounting of future lease payments. For the reconciliation of the above-mentioned amounts, reference is made to the “Alternative Performance Indicators” section.

Reconciliation with adjusted operating results

Year 2020	EBITDA (Euro million)	1st quarter 2021	1st quarter 2020
468.4	**EBITDA**	**163.1**	**156.5**
	Special items exclusion		
	Corporate		
2.5	*- Reversal of ancillary charges on non-recurring operations* (1)	-	*0.4*
(1.1)	*- IFRS 16 reclassification* (2)	*(0.3)*	*(0.3)*
2.0	*- Reversal of COVID-19 donation* (3)	-	*2.0*
1.1	*- Reversal for release of provision for disposed businesses* (4)	-	-
	Thermoelectric		
(1.2)	*- IFRS 16 reclassification* (2)	*(0.3)*	*(0.3)*
	Hydroelectric		
(0.2)	*- IFRS 16 reclassification* (2)	*(0.0)*	*(0.0)*
15.8	*- Reversal of allocation to provision for Local Entities* (5)	-	-
	Solar		
(0.4)	*- IFRS 16 reclassification* (2)	*(0.1)*	*(0.1)*
0.2	*- Reversal of allocation to provision for Local Entities* (5)	-	-
	Wind		
(7.4)	*- IFRS 16 reclassification* (2)	*(1.7)*	*(1.8)*
1.1	*- Reversal of allocation to provision for Local Entities* (5)	-	-
480.8	**Adjusted EBITDA**	**160.8**	**156.3**

Year 2020	Amortisation, depreciation and impairment losses (Euro million)	1st quarter 2021	1st quarter 2020
(313.3)	**Amortisation and depreciation and impairment losses**	**(69.1)**	**(76.8)**
	Special items exclusion		
6.5	*- IFRS 16 reclassification* (2)	*1.4*	*1.9*
9.3	*- Reversal write-down of plants in Germany* (6)	-	-
(297.5)	**Adjusted depreciation and amortisation**	**(67.6)**	**(74.8)**

Year 2020	Profit attributable to owners of the parent (Euro million)	1st quarter 2021	1st quarter 2020
107.9	**Profit attributable to owners of the parent**	**63.5**	**52.4**
	Special items exclusion		
0.0	*IFRS 16 reclassification* (2)	*0.0*	*0.2*
1.8	*Exclusion of the impact of the COVID-19 donation* (3)	-	*1.5*
30.4	*Exclusion of ancillary charges on loan prepayments* (7)	*0.9*	-
2.4	*Exclusion of ancillary charges on non-recurring transactions* (1)	-	*0.4*
(0.6)	*Exclusion of IRAP 2019 balance - Decreto Rilancio* (8)	-	-
(57.0)	*Exclusion of deferred taxes on goodwill exemption Solar and alignment Hydro plants* (9)	-	-
1.0	*Exclusion of expenses related to disposed Businesses* (4)	-	*(0.0)*
13.8	*Exclusion of expenses related to allocations to Local Entities provisions* (5)	-	-
6.6	*Exclusion of write-down of plants in Germany* (6)	-	-
(0.5)	*Exclusion impact gains/losses on IFRS 9* (10)	*0.6*	*(1.1)*
105.8	**Adjusted profit attributable to the owners of the parent**	**65.0**	**53.4**

1. Ancillary charges pertaining to other non-recurring transactions and to the acquisitions that took place in 2020 in relation to operational wind farms in France.
2. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.
3. Donation approved in the first quarter of 2020.
4. Allocations related to the Provision for Businesses disposed of by the Group.
5. Allocations to provisions for institutional risks against charges related to fees to be paid to Local Entities for public concessions (equal to EUR 17 million in 2020).
6. Impairment losses recognised on some wind farms in Germany following the Impairment Test procedure on the 2020 Financial Statements.
7. Financial expenses correlated to the early closure of Corporate and project financing loans as part of Liability Management activities concurrently with the placement of the second Green Bond in 2020.
8. Reversal of the IRAP benefit deriving from the “Decreto Rilancio”, which introduced the cancellation of the payment of the IRAP balance for the 2019 tax period.
9. Exclusion of the positive effect related to the release of deferred taxation on the revaluation of hydroelectric plants and the exemption on capital gains related to the Andromeda (Solar) Business Combination in 2019.
10. The Group renegotiated a number of loans during the year. IFRS 9 does not allow for the deferment of the positive economic effects of the renegotiation of loans on the residual life of the liability: this resulted in net gains of approximately EUR 1 million being accounted for in the first quarter 2021. 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 expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein 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.