Press Release

The Board of Directors of ERG S.p.A.
approves the Half-Yearly Financial Report as at 30 June 2020

Consolidated adjusted[1] EBITDA: €263 million, €273 million in the first half of 2019.

Adjusted Group net result: €70 million, €68 million in the first half of 2019.

- COVID-19 emergency – Site production activities in Italy and overseas went ahead without interruption, demonstrating the effectiveness of the measures adopted and resilience in combatting the pandemic emergency, positively assessed also by Fitch in its affirmation of the Investment Grade Rating. Recourse to smart working is being encouraged also during Phase 3.

- Quarterly results – Slight downturn in EBITDA, affected by the negative price scenario due to the impact of COVID-19 and penalised by the persistent lack of water availability. These effects were mitigated by hedging transactions and by the increase in overseas wind power production, which exceeded Italian output. Net profit showed an upward trend as regards both the quarter and the half year.

- Development – The growth plan continues, with construction commencing on 280MW outside of Italy and progress being made as regards the authorisation procedure for repowering in Italy. Confirmed delay of six months due to the impact of COVID-19, already reflected in the guidance.

- 2020 Guidance – The forecast revised at the end of the first quarter is confirmed, indicating EBITDA within a range of between 480 and 500 million Euro, investments between 150-180 million Euro, and net financial between debt 1,350 and 1,430 million Euro.

- EMTN (Euro Medium Term Notes) – Following the recent renewal of its EMTN Programme to 2 billion, the Board of Directors of ERG S.p.A has authorised the issuance of bonds, also eligible as “green bonds”, up to the overall maximum of 500 million Euro, to be placed no later than 1 July 2021.

Genoa, 31 July 2020 – At its meeting held yesterday, the Board of Directors of ERG S.p.A. approved the Half-Yearly Financial Report as at 30 June 2020. The figures for the second quarter, which are not subject to approval by the Board of Directors or to independent audit, are to be considered pro-forma numbers and are presented here for the sake of completeness and continuity of the information provided.

Consolidated adjusted financial results

2nd Quarter			**Performance highlights (million Euro)**	**1st Half**		
2020	**2019**	**Var. %**		**2020**	**2019**	**Var. %**
107	110	-3%	**EBITDA**	263	273	-4%
32	36	-12%	**EBIT**	114	128	-11%
16	14	21%	**Group net result**	70	68	3%

	30.06.20	**31.12.19**	**Variation**
Net financial debt (million Euro)	1,503	1,476	+26
Leverage[2]	46%	45%	

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

Luca Bettonte ERG's Chief Executive Officer, commented: **"The quarter just ended is the one most severely penalised by the effects of COVID-19, with the collapse of electricity prices and demand throughout Europe. In view of the situation our results, which are in line with those recorded a year ago, can be considered decidedly positive.**

EBITDA for the period showed a slight downward trend and reflected the sharp reduction in the prices and margins of energy sales, as well as the low hydroelectric power output. The results for thermoelectric and hydroelectric power were therefore slightly lower than last year, compared on the other hand to the good performance recorded by solar power and wind power, where overseas output during the first six months exceeded Italian production. Lastly, a very important contribution towards stabilising profitability came from the hedging transactions carried out in previous years as part of the risk policy.

We therefore confirm the guidance revised at the end of the first quarter, with EBITDA forecast between 480 and 500 million Euro, net financial debt between 1,350 and 1,430 million Euro and investments estimated at between 150 and 180 million Euro".

COVID-19 Crisis

Following the global spread of the health crisis, at the end of January 2020 the World Health Organisation qualified the COVID-19 epidemic as a public health emergency of international concern and then, on 11 March 2020, declared COVID-19 to be a Pandemic.

As regards Italy, via specific Decrees of the Presidency of the Council of Ministers (*DPCM*), a state of emergency was declared, currently in force until October 15th, and explicit measures were adopted firstly in the Lombardy region and Northern Italy and later throughout the entire national territory. From the end of March a series of additional provisions were put in place for the suspension of industrial production activities, with the exception of those services considered essential, including among the latter the supply of electricity and the related maintenance operations and interventions. This shutdown situation was extended until May 3rd; from the next day with *DPCM* dated 26 April 2020, the so-called "phase 2" commenced and was then replaced by way of *DPCM* dated June 11th with "phase 3", which further alleviated the containment measures.

The other European countries where the ERG Group operates, including France and Germany, albeit with different timing, followed the same path taken by Italy and gradually suspended activities, apart from those services deemed to be essential and of public utility, which again includes the supply of electricity.

At the first signs of emergency the company promptly took action, putting in place all necessary measures to guarantee, on the one hand, the health of its employees and, on the other, the operational continuity of its assets in conditions of safety.

The most important organisational measure taken, which was in fact also recommended by the competent Authorities, concerned agile working (smart working), which was introduced in advance with respect to the provisions of law, and was extended to all days of the week and to all the Group's branches in Italy and abroad, involving over 70% of the company's people, corresponding to the entire "office-based" workforce, excluding only staff assigned to the running and maintenance of plants with a view to safeguarding the operational and management continuity of business assets in conditions of safety.

From May 4th ERG, whilst allowing potential access to respective offices, having carried out all interventions necessary to accommodate our people within the working environments in observance of the safety regulations and protocols envisaged for Phase 2, confirmed and encouraged the continuation of remote working.
Starting from June 22nd, according to the progressive development of the situation (Phase 3) a gradual and regulated return to working activities at most of ERG's offices took place, guaranteeing until 30 September 2020 the possibility to work remotely for three business days a week.

Also during this phase, and until the end of the emergency, this possibility was extended to all business days in the week for parents of children under the age of 14 who hold the requisites set forth by Article 90 of Law Decree 34/2020 (Relaunch Decree) and for the so-called "fragile workers".

Demonstrating the effectiveness of the measures undertaken, throughout the entire period of the health emergency there has been no interruption of company activity at any production site, either in Italy or abroad, nor have any cases been reported of contagion in the workplace.

During this period there have been no reductions in staff and none have been planned. Moreover, the company has not made use of social safety nets or compulsory short-time working. On the other hand, 18 new hires have entered the Group from March until now.

ERG's response to the COVID-19 crisis closely reflects its own business model, which has always been oriented towards the creation and sharing of sustainable value for shareholders, employees and the community in general.

With regard to the guidelines provided by the European Securities and Markets Authority (ESMA) on 11 March 2020 and subsequent communications, we therefore confirm that the Group's management has set up a continuous monitoring of the actual and potential impacts of the COVID-19 crisis on the Group's business activities, financial situation and economic performance.
More specifically, attention is being paid to the evolution of both the macroeconomic and the electricity scenario, in terms of the trend in demand and in electricity and gas prices, and the specific assessment of credit risk and liquidity risk.

It is well known that the ongoing international health crisis has led to a significant overall downturn in electricity demand as regards all the reference markets, due above all to the restrictions imposed on the parties involved in production activities, by way of procedures that differ from country to country.

In this situation electricity spot prices have posted major decreases in all the Group's countries of operation. However, both thanks to the significant impact of regulated remuneration systems on the Group's revenues and because a predominant part of RES-E output and the Clean Spark Spreads associated with the current year's thermoelectric power production were already covered by forward sales in previous years, in keeping with the Group's three-year hedging policies, during the first half of 2020 the effects on the Group's results have been limited.

During this period of evident uncertainty, the Group promptly prepared an update on the energy scenario, in order to consider the effects of the aforesaid economic and health crisis, hypothesising in particular a falloff in electricity demand, a downturn in the price of gas and therefore a decrease in the selling price of electricity in Italy and abroad above all over both a short and medium/long-term timeframe; calculation of the discount rate at 30 June 2020 was also updated and on average showed an upward trend with respect to the values at the end of 2019.

With reference to the 2018-2022 Business Plan, EBITDA guidance was downwardly revised by 4%, estimating an overall result of between 480 and 500 million Euro, compared to the previous range of 500-520 million Euro, in order to take account of the effects of the COVID-19 health crisis on electricity prices, within a scenario of lower volumes compared to expectations above all as regards hydroelectric power. FY2020 investments have been revised to a range of between 150 and 180 million Euro, with a downturn compared to the earlier indication of 185-215 million Euro, following some probable expenditure postponements to 2021 associated with the potential slowdown in construction activities and connection to the network caused by the lockdown in European countries.

With reference to financial soundness, in May 2020 the Fitch rating agency affirmed the Investment Grade rating in view of the soundness of our business profile, the resilience demonstrated in combatting the post COVID-19 crisis and our ability in handling the effects associated with the pandemic.

Change in the scope of business

- On **24 February 2020** ERG, through its subsidiary ERG Eolienne France SAS, acquired from the Luxembourg company LongWing Energy France SA a 100% equity stake in five companies incorporated under French law, owners of three wind farms located in the French regions of Hauts de France, Centre - Vallée de la Loire and Nouvelle Aquitaine.
  The wind farms, which have an overall installed capacity of 38 MW, came on stream between 2010 and 2012 and have a total annual output, based on historical average, of around 70 GWh, corresponding to over 1,840 equivalent hours and equal to approximately 37 kt of avoided CO2 emissions per year. For a period of 15 years, starting from the commercial operation date, the plants are entitled to benefit from an

overall incentive tariff, which in 2019 averaged about 91 Euro/MWh.
The purchase price in terms of Enterprise Value amounts to around 40 million Euro. Average annual EBITDA is forecast at about 4.5 million Euro. The French Ministry for the Economy and Finance has approved the transaction. This press release reflects the impact of consolidating the acquired companies as from 1 January 2020.

- On **5 March 2020**, through its subsidiary ERG Power Generation S.p.A., ERG finalised with Cameonio Limited, a Polish holding company based in Cyprus, the acquisition of a 100% equity stake in **Laszki Wind Sp. Z.o.o.**, the owner of authorisations for the construction of a 36 MW wind farm in South East Poland, following the successful outcome of the auction on 5 December 2019.
  In the last auction, the project was awarded a feed-in tariff for a period of 15 years. Annual output when fully operational is estimated at around 90 GWh, corresponding to about 77 kt of avoided CO_2 emission. Construction is scheduled to commence during the fourth quarter of 2020 and the facility is expected to come on stream by the end of 2021. The overall investment for construction of the wind farm, including the price paid to acquire the building permits, amounts to approximately 48 million Euro. This transaction will allow ERG to expand its presence in the Polish on-shore wind power market, taking its installed capacity in Poland to 118 MW.

Second quarter 2020

Consolidated financial results
In the second quarter of 2020 **revenues** totalled 221 million Euro, with a downturn compared to 234 million Euro in the second quarter of 2019, mainly due to the lower hydroelectric power output due to the prolonged lack of water availability and the trend in energy prices which were well below those of the second quarter in 2019, albeit significantly mitigated by the price scenario hedging policies. These effects were partly offset by the growth in wind power output and the increase deriving from the higher unit incentive value in Italy (from 92.1 to 99.0 €/MWh). The contribution from the larger portfolio of assets managed outside of Italy, compared to the second quarter of 2019, reflects the application in the previous year of the consolidation method retroactive to January 1st for the results of some facilities acquired in France.

Adjusted EBITDA came to 107 million Euro, with a slight downturn compared to 110 million Euro for the second quarter of 2019. The variation reflects the following factors:

- **Wind power (+2 million):** EBITDA came to 57 million Euro, with a slight increase compared to the corresponding period in 2019 (56 million Euro) reflecting the more favourable wind conditions both in Italy and abroad. In particular, the results of the Italian wind farms (40 million Euro compared to 37 million Euro in the second quarter of 2019) benefited from the higher unit incentive value (99 Euro/MWh compared to 92 Euro/MWh), in the face of a weaker market price scenario and the fact that, during the period, some wind farms left the incentive system. The results outside of Italy were slightly down (-1 million Euro) mainly following the application in the previous year of the consolidation method retroactive to January 1st for the results of some facilities acquired in France during the second quarter of 2019, together with the unfavourable price scenario in Eastern Europe.

- **Solar power (+2 million):** EBITDA, at 22 million Euro, showed a slight upturn compared to the second quarter of 2019 (21 million Euro), mostly thanks to the improvement in radiation.

- **Hydroelectric power (-4 million):** EBITDA, at 16 million Euro (21 million Euro in the second quarter of 2019), showed a downturn compared to the corresponding period a year earlier, reflecting the prolonged lack of water availability, even more evident than during the second quarter of 2019, as well as the deterioration in the market scenario.

- **Thermoelectric power (-2 million):** EBITDA, at 15 million Euro, was down compared to the second quarter of 2019 (17 million Euro), reflecting above all the substantial reduction in generation margins, within a context of strong deterioration of the market scenario due to the lockdown for the COVID-19 health crisis. On the other hand, the quarter's result benefited from some adjustments relating to the site contracts.

Adjusted EBIT came to 32 million Euro (36 million Euro in the second quarter of 2019) after amortisation and depreciation totalling 75 million Euro, up by 1 million Euro compared to the second quarter of 2019 (73 million Euro) mainly ascribable to the operating wind farms acquired in Germany and France during 2019 and in the first quarter of 2020.

Adjusted Group net result came to 16 million Euro, with an increase compared to 14 million Euro in the second quarter of 2019, since the poorer operating results previously commented were more than offset by the lower financial charges and taxes.
The net financial charges were lower compared to the second quarter of 2019 due to a reduction in the cost of debt thanks to the major liability management transactions carried out during 2019, including the simultaneous issuance of a Green Bond subject to more favourable conditions. Moreover, the effective tax rate was much lower with respect to the second quarter of 2019 due to the reintroduction of tax benefits associated with economic growth (Allowance for Corporate Equity - ACE) and the positive effect for some of the Group's companies deriving from introduction of the *IRAP* (tax on regional production activities) relief, as set forth by Italy's 'Relaunch Decree' (cancellation of first *IRAP* down payment).

First half of 2020

Consolidated financial results

In the first six months of 2020 **adjusted revenues** came to 498 million Euro, with a downturn compared to the first half of 2019 (530 million Euro) due above all to the decrease in wind power and hydroelectric power output in Italy, as a result of the decidedly less favourable wind and water availability conditions, the trend in energy prices, which were notably below those for the first six months of 2019, together with a lower production of energy efficiency certificates pertaining to the CCGT plant, which is ending its first ten years of high-efficiency cogeneration eligibility. These effects were only partly offset by the growth in wind power production outside of Italy, also reflecting the expansion of the managed asset portfolio, together with the increase deriving from the higher unitary incentive value in Italy (from 92.1 to 99.0 €/MWh).

Adjusted EBITDA*,* excluding special items, came to 263 million Euro, down by 10 million Euro compared to 273 million Euro posted in the first half of 2019. The variation reflects the following factors:

- **Wind power (-4 million):** EBITDA, at 166 million Euro, showed a downturn compared to the corresponding period in 2019 (171 million Euro) mainly as a result of the lower prices and the decline in output (-196 GWh). More specifically, the results of the Italian wind farms (97 million Euro, with a decrease compared to117 million Euro in the first half of 2019), reflected the poor wind conditions during the period compared to the extremely high values recorded in the first six months of 2019, the poorer scenario as regards market prices and the exit from the incentive period of some of the wind farms; all of this was partly mitigated by the energy sales hedging transactions. On the other hand, the results outside of Italy showed a strong growth from both an economic (+16 million Euro) and quantity (+250GWh) perspective, thanks to the contribution of 72 MW from the new wind farms in France and Germany and the high winds during the period. It should be mentioned that, during the half year, the overseas wind power production (1,146 GWh) was above the output recorded in Italy (1,062 GWh).
- **Solar power (+1 million):** EBITDA, at 35 million Euro, showed a small increase compared to the first half of 2019 (34 million Euro), with higher volumes but a deterioration in price scenario compared to the corresponding period a year earlier.
- **Hydroelectric power (-4 million):** EBITDA came to 40 million Euro (44 million Euro in the first six months of 2019), with a downturn compared to the corresponding period a year earlier. The result reflects the lower output compared to the first half of 2019 due to the prolonged lack of resource availability in central Italy which, for the second consecutive year, was well below the historical ten-year averages, and the negative energy market scenario partly offset by hedging policies.
- **Thermoelectric power (-4 million):** EBITDA posted by the thermoelectric power sector, amounting to 30 million Euro, showed a decrease compared to 34 million Euro for the first six months of 2019 mainly due to the anticipated lower production of energy efficiency certificates following the end of the incentive period for the CCGT plant's module 1 and a notable downturn in generation margins compared to the corresponding period in 2019, within a strongly deteriorating market situation as a result of the COVID-19 health crisis lockdown. The half year also benefited from some insurance reimbursements and adjustments relating to site contracts. It should be mentioned that EBITDA benefited significantly from price scenario hedging policies as regards both RES-E output and clean spark spreads, carried out in line with Group risk policy.

Adjusted EBITDA is shown net of the positive effects deriving from application of IFRS 16, in the amount of 5 million Euro, and special items.

Adjusted EBIT came to 114 million Euro (128 million Euro in the first half of 2019) after amortisation and depreciation totalling 149 million Euro, up by 4 million Euro compared to the first six months of 2019 (145 million Euro) ascribable above all to the acquisition of operational wind farms in Germany and France during 2019 and the first quarter of 2020.

EBIT came to 112 million Euro (117 million Euro in the first six months of 2019) after amortisation and depreciation totalling 153 million Euro, up by 4 million Euro compared to the first half of 2019 (148 million Euro), ascribable to the same reasons specified in the comment on adjusted EBIT and application of the IFRS 16 standard (2 million Euro).

Adjusted Group net result came to 70 million Euro, with a slight increase compared to the result for the first six months of 2019, since the poorer operating results previously commented were more than offset by the lower financial charges and taxes. The net financial charges were notably lower compared to the first six months of 2019 due to a reduction in the cost of debt thanks to the major liability management transactions carried out during 2019, including the issuance of a Green Bond subject to extremely favourable conditions. Moreover, the effective tax rate was much lower with respect to the first half of 2019 due to the reintroduction of tax benefits associated with economic growth (Allowance for Corporate Equity - ACE) and the positive effect for some of the Group's companies deriving from introduction of *IRAP* relief, as set forth by Italy's 'Relaunch Decree' (cancellation of first *IRAP* down payment).

The **Group net result** came to 72 million Euro, compared to 2 million Euro for the first six months of 2019. It is worth mentioning that the first six months of 2019 reflected above all extraordinary charges associated with debt restructuring via the issuance of the first Green Bond and simultaneous closure of two important Project Financing facilities.

Adjusted net financial debt amounted to **1,503 million Euro**, with an increase of 26 million Euro compared to 31 December 2019 (1,476 million Euro). The variation primarily reflects investments during the period (86 million Euro), the distribution of dividends (114 million Euro), the payment of taxes (14 million Euro[3]) partly offset by the positive cash flow (190 million Euro[4]) also following the reduction in the timing of Italian incentive payments.
The adjusted net financial debt is shown net of the effects deriving from application of IFRS 16, therefore not including the discounting of future lease fee payments corresponding to around 76 million Euro as at 30 June 2020.

Investments

2nd Quarter		Million Euro	1st Half	
2020	**2019**		**2020**	**2019**
17	71	Wind power	71	81
0	0	Solar power	1	220
1	1	Hydroelectric power	2	2
6	2	Thermoelectric power	12	4
0	0	Corporate	1	1
25	**74**	**Total Investments**	**86**	**307**

Investments in the first six months of 2020 amounted to **86 million Euro** (307 million Euro in the first six months of 2019) of which approximately half concerned the acquisition of 38 MW of operating wind farms in France (42 million Euro) and a project for the construction of a 36 MW wind farm in Poland (2 million Euro). During the half year investments were carried out **in property, plant and equipment and intangible fixed assets for the amount of 42 million Euro,** of which 63% in the Wind power sector (76% in the first half of 2019), associated above all with the commencement of construction as regards the wind farms in Poland and the UK, 28% in the

[3] Includes the payment of substitute tax on the release of capital gains relating to the Andromeda Business Combination (Solar power) in 2019
[4] Includes adjusted EBITDA, the change In net working capital and net financial income (expenses)

Thermoelectric power sector (15% in the first half of 2019) following the launch of investments aimed at obtaining high-efficiency cogeneration eligibility for the CCGT plant's module 1 for another ten years, 6% in the Hydroelectric power sector (6% in the first half of 2019), 2% in the Solar power sector and 2% in the Corporate sector (2% in the first half of 2019), mainly in connection with the ICT area.

- **Wind power:** investments totalling **71 million Euro** refer above all to the acquisition of wind farms in France (38 MW) during the first quarter 2020, and development of the wind farms in Poland and the UK.

- **Solar power:** investments totalling **1 million Euro** refer above all to contracts aimed at further enhancing plant efficiency.

- **Hydroelectric power:** investments in hydroelectric power, **amounting to around 2 million Euro**, refer above all to 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 totalling **12 million Euro** primarily refer to the revamping project as regards 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 operational efficiency, flexibility and reliability of the plants. 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 **second quarter of 2020**, total electricity sales amounted to 3.4 TWh (3.6 TWh in the corresponding period of 2019), against a total of 1.7 TWh produced by the Group's facilities (1.8 TWh in the corresponding period of 2019), of which about 0.4 TWh abroad and 1.3 TWh in Italy. The latter figure represents approximately 1.9% of overall domestic electricity demand (1.8% in the second quarter of 2019).

During the **first half of 2020**, total electricity sales amounted to 7.6 TWh (7.6 TWh in the first half of 2019), against a total of 4.0 TWh produced by the Group's facilities (4.1 TWh in the corresponding period of 2019), of which about 1.1 TWh abroad and 2.9 TWh in Italy. The latter figure represents approximately 2.0% of overall domestic electricity demand (2.0% in the first half of 2019).

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 policy.

In the second quarter of 2020 the net supply of steam to captive customers at the Priolo Gargallo petrochemical site amounted to 264 thousand tonnes, with an increase compared to 180 thousand tonnes during the corresponding period of 2019. **In the first half of 2020** steam sales[5] carried out amounted to 600 thousand tonnes, with an upturn compared to 493 thousand tonnes during the corresponding period of 2019.

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

	2nd quarter				1st half			
2020	2019	Δ	Δ%	**Electricity output (GWh)**	2020	2019	Δ	Δ%
842	**826**	**16**	**2%**	**Wind power output**	**2.208**	**2.154**	**54**	**3%**
464	454	*9*	*2%*	*- Italy*	*1.062*	*1.257*	*-196*	*-16%*
378	371	*7*	*2%*	*- Overseas*	*1.146*	*897*	*250*	*28%*
76	**74**	**1**	**2%**	**Solar power output**	**120**	**119**	**2**	**1%**
229	**291**	**-62**	**-21%**	**Hydroelectric power output**	**553**	**593**	**-40**	**-7%**
504	**598**	**-94**	**-16%**	**Thermoelectric power output**	**1,131**	**1,216**	**-86**	**-7%**
1,651	**1,789**	**-138**	**-8%**	**ERG plants total output**	**4,012**	**4,081**	**-70**	**-2%**

With regard to output, **in the second quarter of 2020** we particularly report:

Wind power: **wind power electricity output** totalled 842 GWh, with a slight increase compared to the second quarter of 2019 (826 GWh), reflecting an approximate growth of 2% in Italian production (from 454 GWh to 464 GWh) and 2% outside of Italy (from 371 GWh to 378 GWh).
The growth in Italian output (+9 GWh) concerned the improved wind conditions compared to those recorded during the corresponding period in 2019 as regards all regions with the exception of Sicily and Sardinia.
Outside of Italy, the net increase of 7 GWh reflects the higher volumes in Germany (+18 GWh, essentially ascribable to the output of facilities recently acquired or that came into commercial operation during the latter half of 2019), and the slight upturn in East European production (+3 GWh), while the decline in France (-14 GWh) concerns the application, during the previous year, of the method used, retroactive to January 1st, to consolidate the output pertaining to some of the plants acquired during the second quarter of 2019.

Solar power: **solar power output** totalled 76 GWh, showing a slight increase (+1 GWh) compared to the corresponding period in 2019, with an overall load factor of 25% (24% in the second quarter of 2019).

Hydroelectric power: **hydroelectric power output**, which reflects the lack of water availability recorded during the period, totalled 229 GWh (291 GWh in the corresponding period of 2019). We mention that the average sale prices reflect both the electricity sale price and the amount of the incentive tariff (former green certificate), recognised on a portion of approximately 40% of output for a higher unit value with respect to 2019 (92 Euro/MWh), equal to around 99 Euro/MWh.

Thermoelectric power: **thermoelectric power output** totalled 504 GWh, with a decrease compared to the corresponding period in 2019 (598 GWh) in the presence of a market situation with generation margins heavily penalised by the significant decrease in Sicilian market prices, partly contained by the reduction in the price of gas and CO_2, together with the clean spark spread hedging policies carried out in line with Group risk policy.

In the **first six months of 2020**:

Wind power: wind power **electricity output** totalled 2,208 GWh, up by 3% compared to the corresponding period in 2019 (2,154 GWh), reflecting a strong decline of -16% in Italian output (from 1,257 GWh to 1,062 GWh) and a sharp overseas growth of 28% (from 897 GWh to 1,146 GWh).
The downturn in Italian production (-196 GWh) is associated with the poorer wind conditions compared to those recorded in 2019 in essentially all regions and particularly Campania, Puglia, Molise and Sicily.
Outside of Italy, the net increase of 250 GWh is ascribable to the higher output in France (+148 GWh, of which 45 GWh concerned the electricity produced by facilities recently acquired and 104 GWh reflected the high winds recorded compared to the first six months of 2019) and in Germany (+76 GWh, of which 69 GWh concerned the wind farms acquired or which came on stream during 2019, and 7 GWh reflected the improved wind conditions recorded).

Solar power: output totalled around 120 GWh, showing a slight increase compared to the first half of 2019, with a related load factor of 19% (in line with 19% for the corresponding period in 2019).

Hydroelectric power: ERG Hydro's total output amounting to 553 GWh benefited from a net unit revenue, taking into consideration the electricity sale price of revenues from the Ancillary Services Market (MSD) and from the period's replacement incentives and other minor components, which corresponded overall to about 107 Euro/MWh, with a slight increase compared to 105 Euro/MWh in the first half of 2019.

Thermoelectric power: net electricity output by ERG Power amounted to 1,131 GWh, with a reduction compared to the corresponding period in 2019 (1,216 GWh) in the presence of a market situation with generation margins heavily penalised by the significant decrease in Sicilian market prices, partly contained by the reduction in the price of gas and CO2, together with the clean spark spread hedging policies carried out in line with Group risk policy.
The net supply of steam to captive customers at the Priolo Gargallo petrochemical site amounted to 600 thousand tonnes, with an increase compared to 493 thousand tonnes in the corresponding period of 2019.

Main events during the half year

On **22 January 2020** ERG S.p.A. was promoted to an "AA" rating, following the "A" rating assigned in 2018, by MSCI ESG Research Ltd. ("MSCI"), one of the leading research firms measuring companies' performance on the grounds of environmental, social and governance (ESG) factors. ERG also ranked 35th place among the world's TOP 50 companies in the Corporate Knights Global 100 Most Sustainable Corporations in the World Index and maintained its CDP-Climate Change "B" rating.

On **24 February 2020** a 100% equity stake was acquired in five companies incorporated in France, owners of three wind farms with a total installed capacity of 38 MW.

On **5 March 2020** a 100% equity stake was acquired in Laszki Wind Sp. Z.o.o., a Polish company that holds authorisations for the construction of a 36 MW wind farm, following its successful participation in the auction on 5 December 2019

On **9 March 2020**, with regard to the Italian and worldwide COVID-19 emergency and the consequent restrictions on personal mobility, ERG proactively extended the possibility to operate remotely (in smart working) to all business days of the week. This possibility was gradually extended to employees of all the Group's branches insofar as this form of working was compatible with the effective performance of responsibilities assigned (approximately 70% of the company's personnel), giving maximum attention to ensuring business continuity and the security of production sites. Starting from June 22nd, according to the progressive development of the situation, a gradual and regulated return to working activities at most of ERG's offices took place, guaranteeing the possibility to work remotely for three business days a week. At the present time, this operational procedure has been confirmed until September 30th, unless extended, with varying procedures defined from branch to branch.

On **21 April 2020** the ERG S.p.A. Shareholders' Meeting approved the 2019 Annual Accounts, resolved to pay a dividend of Euro 0.75 per share and approved an amendment to the Articles of Association to introduce the mechanism for increasing voting rights.
During his speech, the Chief Executive Officer provided full information regarding the actions and initiatives taken by the Group to deal with the COVID-19 crisis.
For the first time, the Shareholders' Meeting was held exclusively using telecommunications systems and was attended by a number of shareholders representing 79.4% of the company's capital.

On **14 May 2020** the rating agency Fitch Ratings ("Fitch") affirmed ERG S.p.A.'s Long Term Issuer Default Rating (IDR) at BBB-, with stable outlook, and senior unsecured rating at BBB-.

On **30 June 2020** ERG Eolica Fossa del Lupo S.r.l., a subsidiary of ERG Power Generation S.p.A., completed the Amend & Extend of its non-recourse project facilities agreement, for the residual amount of 103 million Euro. Via this transaction it was possible to improve the financing terms and extend the loan maturity by three years Moreover, the Amend & Extend allowed the financing to be classified as a "Green Loan" and "Sustainability Linked Loan" in compliance with the Green Loan Principles and the Sustainability Linked Loan Principles, further confirming ERG's strong commitment to sustainable development.

Main events occurred after the end of the period

On **1 July 2020** ERG S.p.A. finalised the renewal of its Euro Medium Term Notes Programme ("EMTN

Programme") for the issuance of non-convertible medium/long-term bonds, increasing the maximum amount to 2,000 million Euro, as approved by the Board of Directors' resolution of 18 June 2020.
The renewal and increase of the EMTN Programme will allow ERG to continue benefiting from the flexibility offered by this instrument in the case of future bond issues.

On **6 July 2020** Vigeo Eiris, one of the leading international ESG (Environmental, Social, Governance) rating agencies, affirmed ERG S.p.A.'s Advanced rating, the highest in its scale of ratings, acknowledging the company's strong ESG commitment and the value of its social responsibility policy.

Further information

ERG approves the issuance of one or more bonds for a maximum amount of 500 million Euro.

The Board of Directors of ERG S.p.A. has authorised the issuance under its EMTN Programme (Euro Medium Term Notes Programme - see PR dated 1 July 2020), no later than 1 July 2021, of one or more non-convertible and unsubordinated bonds, also eligible as 'green bonds', in minimum denominations of 100,000 Euro and up to the overall maximum nominal value of 500 million Euro, to be placed with qualified institutional investors and listed on the Luxembourg Stock Exchange.
These information does not constitute or form part of a public offering of financial products or an invitation for offers to purchase financial products in Italy within the meaning set forth by Legislative Decree no. 58 dated 24 February 1998. The documentation relating to the offering has not been/will not be submitted to approval by CONSOB. The distribution of this announcement may be contrary to the applicable law in some jurisdictions. This announcement does not constitute an offer for sale of financial products in the United States of America, Canada, Australia or Japan or any other jurisdiction where such offer or sale is prohibited and may not be directly or indirectly published or distributed in such jurisdictions. The financial products referred to have not been and will not be registered pursuant to the 1933 Securities Act of the United States of America, as subsequently amended; the said products may not be offered or sold in the United States of America without registration or an applicable exemption from registration requirements.

Business outlook

ERG continues to pursue its international Wind power development strategy and the Repowering programme as regards its Italian wind farms, within the new complicated and difficult health crisis situation associated with COVID-19. The social and economic implications of the crisis concern the downward trend in energy prices and the normal course of activities on the part of the public administration and those of the industrial and financial operators with whom the Group interfaces on a regular basis.

In view of the foregoing, we therefore set out the foreseeable trend in the main scenario and performance indicators anticipated for 2020, bearing in mind that the results for the first six months of the year are in line with the forecast estimated in our previous interim report:

- **Wind power**: The result outside of Italy will exceed that recorded in 2019, reflecting the improved wind conditions during the early months of the year, albeit with a downturn in prices, particularly in Eastern Europe, and thanks to the contribution from the higher installed capacity, including the newly-acquired wind farms in France (38 MW). Conversely, as regards Italy, EBITDA is expected to show a decline with respect to 2019, following the decrease in windiness recorded during the early months of the year compared to the particularly good conditions in 2019, together with the unfavourable price scenario, partly offset by the higher incentive prices and price hedging interventions. It should be mentioned that a further 26 MW left the incentive system at the beginning of the year. **Overall EBITDA for the Wind Power sector is expected to show a downturn compared to the previous year.**

- **Solar power:** In 2020, ERG will benefit by certain synergies arising from optimisation of the Energy Management portfolio and from the insourcing of some activities previously carried out by third parties, capitalising on its industrial skills in the operational enhancement of managed assets. **EBITDA for FY2020 is expected to show an upturn with respect to 2019.**

- **Hydroelectric power:** The result is estimated considering the low water availability hitherto recorded, anticipating also for 2020 volumes below the average ten-year statistics and in line with the particularly depressed values reported in 2019; these volumes will be entitled to benefit from the incentive on around 40% of the amount, but at a higher price with respect to 2019. Moreover, Energy Management's production optimisation interventions on the energy markets will continue with a view to containing the negative impact of the price scenario, notwithstanding the hedging transactions already carried out. **The hydroelectric power sector is therefore expected to post a slight decrease in EBITDA compared to 2019.**

- **Thermoelectric power:** The result forecast for 2020, compared to 2019, will reflect a downward trend in the price and margin scenario, even after the hedging interventions carried out on the Clean Spark Spreads, as well as a reduction in the quantities of energy efficiency certificates following the exit from the high-efficiency cogeneration period of one of the two plant modules. More specifically, during the latter part of the year, the results are expected to be in line with those of the first six months which benefited from some insurance reimbursements and adjustments relating to site contracts. **An overall reduction in EBITDA is estimated with respect to 2019.**

For FY2020, we confirm the consolidated EBITDA guidance announced in the previous quarterly report, estimating an overall result within a range of between 480 and 500 million Euro.

FY2020 investment expenditures concern, above all, the progress in the construction of greenfield projects as regards the wind farms scheduled to come on stream in 2021/22 in Great Britain (about 200 MW), Poland (36 MW) and France (50 MW); also included are the initial capex for activities associated with the plant upgrade and simultaneous renewal of the High-Efficiency Cogeneration (HEC) status for the CCGT facility's module 1, the already mentioned acquisition of 38 MW in France and the usual fleet maintenance investments. The overall amount is less that the figure for 2019, which was characterised by major M&A transactions, and will be within a range of between 150 and 180 million Euro, confirming the guidance announced at the end of the last quarter.

Cash generation, taking into account the points mentioned with regard to EBITDA and investments, will enable a reduction in end-of-year net debt to between 1.35 and 1.43 billion Euro, confirming the guidance announced in the previous quarter. This will imply a reduction with respect to the figure of 1.48 billion at the end of 2019, also due to the lower financial charges thanks to the full effect of liability management operations following the Green Bond issued during 2019.

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, 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 Interim 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, 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 second quarter and the half year will be illustrated to analysts and investors today at 2:30 p.m. (CEST), during a conference call and simultaneous webcast, which may be viewed by visiting the Company's website (www.erg.eu); the presentation will be available on the said website, in the "Investor Relations/Presentations" section, at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued at 12:15 a.m. (CEST) on 31 July 2020, 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 Half-Yearly Financial Report at 30 June 2020 is available to the public at the Company's registered office at via De Marini 1, Genoa, on the Company's website (www.erg.eu) in the section "Investor Relations/Financial statements and reports", at the *offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism (www.emarketstorage.com).*

Contacts:

Anna Cavallarin Head of Media Relations & Digital Channels - tel. + 39 010 2401804 cell. + 39 3393985139 – acavallarin@erg.eu
Emanuela Delucchi Head of IR & CSR manager– tel. + 39 010 2401806 – e-mail: edelucchi@erg.eu - ir@erg.eu
Matteo Bagnara IR - tel. + 39 010 2401423 **–** e-mail: ir@erg.eu
www.erg.eu - @ergnow

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.

IFRS 16

In application of IFRS 16, the Group, as lessee, has recognised liabilities for leases and right-of-use assets related above all to the Wind business and concerning the use of land, warehouses, buildings, equipment, substations and machine inventory.
Starting from 1 January 2019, the application of this Standard has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as depreciation of the right-of-use assets and as financial expenses 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, basically when the related lease payments were made.

The application of IFRS 16 in the first half of 2020 led to:

• an improvement in Gross Operating Profit (EBITDA) in respect of lease payments that fall within the scope of IFRS 16, amounting to about 5 million Euro;
• an increase (around 76 million Euro at 30 June 2020) in net financial debt and net invested capital (approximately 75 million Euro at 30 June) associated with application of the liability method indicated by the Standard;
• higher depreciation expenses (3 million Euro) and increased financial charges (2 million Euro) linked to application of the above mentioned method.

Based on the foregoing, and given the typical nature of the item, in order to optimise presentation of the margins pertaining to the businesses, it was decided to recognise, in the adjusted Income Statement, depreciation for the period in respect of rights of use and financial charges on the IFRS 16 debt, as part of Adjusted EBITDA by way of reasonable approximation of the lease costs in keeping with the financial event (instalment for the period) pertaining to the same. Accordingly, the adjusted net financial debt and adjusted net invested capital are shown net of the liability linked to the discounting of future lease payments. For a reconciliation of the above mentioned amounts, reference is made to the information provided in the "Alternative Performance Indicators" section.

Performance highlights

Year			1st Half		2nd quarter	
2019	*(EUR million)*		2020	2019	2020	2019
	Key economic data					
1,022	Revenues Adjusted (1)		498	530	221	234
504	**EBITDA adjusted (1)**		**263**	**273**	**107**	**110**
205	**EBIT adjusted (1)**		**114**	**128**	**32**	**36**
33	Net Profit		74	3	22	(47)
32	of which profit attributable to owners of the parent		72	2	20	(47)
104	**Adjusted Net profit attributable to owners of the parent (1)**		**70**	**68**	**16**	**14**
	Key financial data					
3,264	**Net adjusted invested capital (2)**		**3,236**	**3,403**	**3,236**	**3,403**
1,787	Shareholders' Equity Adjusted		1,733	1,741	1,733	1,741
1,476	Total net financial indebtedness (2)		1,503	1,662	1,503	1,662
812	of which non-recourse Project Financing (3)		783	809	783	809
45%	Financial leverage adjusted		46%	49%	46%	49%
49%	**EBITDA Margin %**		**53%**	**52%**	**48%**	**47%**
	Operating data					
1,929	**Installed capacity of wind farms at the end of the period**	*MW*	**1,967**	**1,895**	**1,967**	**1,895**
4,000	Electric power generation from wind farms	*KWh million*	2,208	2,154	842	826
480	**Installed capacity of thermoelectric plants**	*MW*	**480**	**480**	**480**	**480**
2,504	Electric power generation from thermoelectric plants	*KWh million*	1,131	1,216	504	598
527	**Installed capacity of hydroelectric plants at the end of the period**	*MW*	**527**	**527**	**527**	**527**
1,229	Electric power generation from hydroelectric plants	*KWh million*	553	593	229	291
141	**Installed capacity of solar plants at the end of the period**	*MW*	**141**	**141**	**141**	**141**
226	Electric power generation from solar plants	*KWh million*	120	119	76	74
15,121	**Total sales of electric power**	*KWh million*	**7,607**	**7,642**	**3,361**	**3,572**
432	Capital expenditure (4)	*EUR million*	86	307	25	74
754	**Employees at period end**	*Units*	**765**	**761**	**765**	**761**
	Net unit revenues (5)					
118	Wind Italy	*Euro/MWh*	119	119	117	117
96	Wind Germany	*Euro/MWh*	97	100	96	98
89	Wind France	*Euro/MWh*	90	89	89	89
73	Wind Poland	*Euro/MWh*	72	71	72	74
79	Wind Bulgaria	*Euro/MWh*	61	77	51	70
67	Wind Romania	*Euro/MWh*	52	67	42	62
n.a.	Wind UK	*Euro/MWh*	n.a.	n.a.	n.a.	n.a.
314	Solar	*Euro/MWh*	311	314	311	306
102	Hydroelectric	*Euro/MWh*	107	105	115	102
40	Thermoelectric	*Euro/MWh*	30	38	33	41

To enhance the understanding of the business segments' performance, adjusted revenue and operating results are shown, therefore excluding special items.

(1) Does not include special items and related applicable theoretical taxes.
(2) 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 76 million from net financial indebtedness and net invested capital at 30th June 2020 (EUR 75 million).
(3) Including cash and cash equivalents and excluding the fair value of the derivatives hedging interest rates.
(4) In property, plant and equipment and intangible assets. They also include M&A investments of EUR 44 million made in the first half of 2020 for the acquisition of companies owning wind farms in France (EUR 42 million) and a project for the construction of a wind farm in Poland (EUR 2 million). In the first half of 2019, investments through Merger & Acquisition transactions amounted to 280 million euro for the acquisition of two photovoltaic plants from Soles Montalto Gmbh with a total installed capacity of 51.4 MW (220 million euro), for the acquisitions of companies owners of wind farms in France (52 million), a pipeline in Germany (2 million) and a project for the construction of a wind farm in the United Kingdom (6 million).
(5) 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 to generation/sale including, for example, the cost of fuel and imbalance costs.

Performance by sector

Year 2019	(EUR million)	1st Half 2020	1st Half 2019	Δ	2nd quarter 2020	2nd quarter 2019	Δ
	Adjusted revenues						
414	Wind power	225	226	*(1)*	85	82	*3*
71	Solar	38	37	*0*	24	23	*1*
119	Hydroelectric power	59	62	*(3)*	26	30	*(4)*
418	Thermoelectric power (1)	176	205	*(29)*	85	99	*(13)*
37	Corporate	17	18	*(1)*	8	9	*(1)*
(37)	*Intra-segment revenues*	*(17)*	*(18)*	*1*	*(8)*	*(9)*	*1*
1,022	**Total adjusted revenues**	**498**	**530**	***(33)***	**221**	**234**	***(13)***
	Adjusted EBITDA						
301	Wind power	166	171	*(4)*	57	56	*2*
63	Solar	35	34	*1*	22	21	*2*
87	Hydroelectric power	40	44	*(4)*	16	21	*(4)*
69	Thermoelectric power (1)	30	34	*(4)*	15	17	*(2)*
(16)	Corporate	(8)	(9)	*1*	(4)	(5)	*0*
504	**Adjusted EBITDA**	**263**	**273**	***(10)***	**107**	**110**	***(3)***
	Amortisation, depreciation and write-downs						
(169)	Wind power	(84)	(82)	*(2)*	(41)	(42)	*0*
(41)	Solar	(21)	(20)	*(1)*	(10)	(10)	*(1)*
(57)	Hydroelectric power	(29)	(29)	*(0)*	(14)	(14)	*(0)*
(28)	Thermoelectric power (1)	(15)	(14)	*(1)*	(7)	(7)	*(1)*
(3)	Corporate	(2)	(1)	*(0)*	(1)	(1)	*(0)*
(299)	**Amortisation and depreciation adjusted**	**(149)**	**(145)**	***(4)***	**(75)**	**(73)**	***(1)***
	Adjusted EBIT						
132	Wind power	83	89	*(6)*	16	14	*2*
22	Solar	14	14	*0*	12	11	*1*
30	Hydroelectric power	11	16	*(4)*	2	7	*(5)*
41	Thermoelectric power (1)	15	20	*(5)*	7	10	*(3)*
(19)	Corporate	(10)	(10)	*1*	(5)	(5)	*(0)*
205	**Adjusted EBIT**	**114**	**128**	***(15)***	**32**	**36**	***(4)***
	Investments (2)						
189	Wind power	71	81	*(10)*	17	71	*(54)*
221	Solar	1	220	*(219)*	0	0	*0*
6	Hydroelectric power	2	2	*1*	1	1	*(0)*
15	Thermoelectric power	12	4	*8*	6	2	*4*
2	Corporate	1	1	*0*	0	0	*0*
432	**Total investments**	**86**	**307**	***(220)***	**25**	**74**	***(49)***

It should be noted that, with regards to revenues, the comparative data for the first half of 2019 were subject to restatement (on Wind power 226 million compared to 228 million previously exposed, on Hydroelectric 62 million compared to 60 million previously exposed) with reference to a different allocation of business coverage.

(1) Includes the residual contribution from minor portfolios managed by Energy Management not attributable to individual business units

(2) 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, as already indicated in the Introduction, 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.
It should be recalled that this section reflects the impacts of the consolidation, from 1 January 2020, of the companies acquired during the first quarter 2020.
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 section Alternative Performance Indicators below.

(EUR million)	1st Half		2nd quarter	
Adjusted Income Statement	**2020**	**2019**	**2020**	**2019**
Revenue	497.8	530.4	220.5	234.0
Other revenue	10.7	6.3	4.0	3.3
TOTAL REVENUE	**508.5**	**536.8**	**224.6**	**237.3**
Costs for purchase and changes in inventory	(131.3)	(146.6)	(60.6)	(68.5)
Costs for services and other operating costs	(81.6)	(84.8)	(40.6)	(42.9)
Personnel Expense	(32.6)	(32.0)	(16.6)	(16.2)
EBITDA	**263.0**	**273.4**	**106.7**	**109.7**
Amortisation, depreciation and write-downs of fixed assets	(149.4)	(145.3)	(74.6)	(73.4)
EBIT	**113.6**	**128.1**	**32.1**	**36.3**
Net financial income (expenses)	(25.4)	(32.8)	(12.0)	(15.2)
Net income (loss) from equity investments	0.1	0.1	0.0	0.0
Profit before taxes	**88.3**	**95.3**	**20.1**	**21.1**
Income taxes	(17.2)	(27.2)	(2.3)	(6.9)
Profit for the period	**71.1**	**68.1**	**17.8**	**14.2**
Minority interests	(1.3)	(0.6)	(1.5)	(0.7)
Group's net profit (loss)	**69.7**	**67.5**	**16.3**	**13.5**

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 reclassified Statement of Financial Position is shown below and does not include, at 30 June 2020, the impact deriving from the application of IFRS 16 of approximately EUR 76 million of increased net financial indebtedness with a balancing entry in Net invested capital amounting to approximately EUR 75 million.

06/30/2019	**Adjusted Statement of Financial Position**	**06/30/2020**	**12/31/2019**
	(EUR million)		
3,472.1	Non current assets	3,349.6	3,422.2
225.5	Net working capital	149.6	125.6
(5.6)	Provisions for employee benefits	(5.2)	(5.4)
333.8	Other assets	242.1	210.6
(622.4)	Other liabilities	(500.5)	(489.5)
3,403.4	**Net invested capital**	**3,235.5**	**3,263.5**
1,722.9	Group Shareholders' Equity	1,722.0	1,775.6
18.2	Non-controlling interests	10.6	11.5
1,662.4	Net financial indebtedness	1,502.9	1,476.4
3,403.4	**Equity and financial debt**	**3,235.5**	**3,263.5**

Cash Flow

(EUR million)	1st Half 2020	1st Half 2019	2nd quarter 2020	2nd quarter 2019
Adjusted EBITDA	263.0	273.4	106.7	109.7
Change in net working capital	(47.7)	(78.9)	(17.5)	6.1
Cash Flow from operations	**215.4**	**194.5**	**89.1**	**115.9**
Investments in property, plant and equipment and intangible assets	(42.1)	(26.6)	(24.9)	(13.7)
Company acquisitions (business combinations)	(44.3)	(280.2)	-	(60.6)
Capital expenditure in financial non-current assets	(0.1)	-	-	-
Divestments and other changes	1.4	1.0	1.4	0.5
Cash Flow from investments/divestments	**(85.0)**	**(305.9)**	**(23.5)**	**(73.8)**
Financial income (expense)	(25.4)	(32.8)	(12.0)	(15.2)
Closure fair value ERG Wind loan	-	(43.5)	-	(43.5)
Net gains (losses) on equity investment	0.1	0.1	0.0	0.0
Cash Flow from financial management	**(25.4)**	**(76.3)**	**(12.0)**	**(58.7)**
Cash Flow from tax management	**(13.7)**	**-**	**(13.7)**	**-**
Distribution of dividends	(113.9)	(112.4)	(113.9)	(112.4)
Other changes in equity	(3.9)	(19.3)	(13.5)	(19.1)
Cash Flow from Shareholders'equity	**(117.7)**	**(131.7)**	**(127.4)**	**(131.5)**
Change in the consolidation scope	**-**	**-**	**-**	**-**
Opening net financial indebtedness	**1,476.4**	**1,343.0**	**1,415.5**	**1,514.2**
Change in the period	*26.5*	*319.4*	*87.4*	*148.2*
Closing net financial indebtedness	**1,502.9**	**1,662.4**	**1,502.9**	**1,662.4**

The **Cash Flows from operations** of the **first half of 2020** is positive by EUR 215 million, up by EUR 21 million compared to the corresponding period of 2019, mainly due to changes in working capital and in particular to the adjustment of the timelines for the collection of incentives in the Wind and Hydroelectric sectors, introduced in the third quarter of 2019.

The **Cash Flows from investments** of the **first half of 2020** are tied mainly to the M&A activity and in particular to the acquisition of operational wind farms in France (EUR 42 million) and a project for the construction of a wind farm in Poland (EUR 2 million), and to the investments in the period (EUR 42 million).

The **Cash Flows from financing activities** refer to the interest accrued during the period. Cash flows for 2019 also include the effect of the closure of the fair value of the project financing of ERG Wind Investment Ltd.

The **Cash Flows from equity** refer to the changes in the hedging reserve tied to derivative financial instruments, as well as the translation reserve.

The **Adjusted net financial indebtedness** totalled **EUR 1,503 million**, down (EUR 26 million) compared to 31 December 2019 (EUR 1,476 million). The change mainly reflects the investments in the period (EUR 86 million), the distribution of dividends (EUR 114 million), the payment of taxes (EUR 14 million[6]) partly offset by the positive cash flow (EUR 190 million[7]), also as a result of the reduction of the timelines for collection of incentives in Italy.

[6] Includes payment of substitute tax in relation to the exemption on capital gains related to the Andromeda (Solar) Business Combination in 2019.
[7] Includes the adjusted EBITDA, the change in working capital and net financial income (expenses)

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 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
In the first half of 2020, the only post related to the COVID-19 emergency, isolated as a special item, relates to the EUR 2 million donation made by the Group.

Reconciliation with adjusted operating results

Year 2019	EBITDA	1st Half 2020	1st Half 2019	2nd quarter 2020	2nd quarter 2019
495.9	**EBITDA**	**264.9**	**264.9**	**108.4**	**101.7**
	Special items exclusion				
	Corporate				
9.3	*- Reversal of ancillary charges on non-recurring operations [1]*	*1.4*	*6.4*	*1.0*	*4.1*
(0.9)	*- Adjustment for impact of IFRS 16 [2]*	*(0.5)*	*(0.4)*	*(0.3)*	*(0.2)*
-	*- Reversal of COVID-19 donation [3]*	*2.0*	*-*	*-*	*-*
7.2	*- Reversal of HR and corporate reorganisation costs [4]*	*-*	*6.0*	*-*	*6.0*
(8.2)	*- Reversal for release of provision for disposed businesses [5]*	*-*	*-*	*-*	*-*
	Thermoelectric				
(1.0)	*- Adjustment for impact of IFRS 16 [2]*	*(0.6)*	*(0.4)*	*(0.3)*	*(0.2)*
	Hydroelectric				
(0.2)	*- Adjustment for impact of IFRS 16 [2]*	*(0.1)*	*(0.1)*	*(0.0)*	*(0.1)*
	Solar				
(0.4)	*- Adjustment for impact of IFRS 16 [2]*	*(0.2)*	*(0.2)*	*(0.1)*	*(0.1)*
	Wind				
(6.5)	*- Adjustment for impact of IFRS 16 [2]*	*(3.8)*	*(2.8)*	*(2.0)*	*(1.4)*
8.5	*- Reversal of allocations to tax-related provisions [5]*	*-*	*-*	*-*	*-*
503.7	**Adjusted EBITDA**	**263.0**	**273.4**	**106.7**	**109.7**

Year 2019	Amortisation, depreciation and impairment losses	1st Half 2020	1st Half 2019	2nd quarter 2020	2nd quarter 2019
(306.0)	**Amortisation and depreciation and impairment losses**	**(152.8)**	**(148.4)**	**(76.0)**	**(75.1)**
	Special items exclusion				
6.7	*- Adjustment for impact of IFRS 16 [2]*	*3.4*	*3.1*	*1.4*	*1.6*
0.5	*- Reversal of amortisation and depreciation on disposed Businesses [5]*	*-*	*-*	*-*	*-*
(298.8)	**Adjusted depreciation and amortisation**	**(149.4)**	**(145.3)**	**(74.6)**	**(73.4)**

Year 2019	Profit attributable to owners of the parent	1st Half 2020	1st Half 2019	2nd quarter 2020	2nd quarter 2019
31.6	**Profit attributable to owners of the parent**	**72.4**	**1.9**	**20.0**	**(47.3)**
	Special items exclusion				
1.0	*Adjustment for impact of IFRS 16 [2]*	*-*	*0.6*	*(0.2)*	*0.3*
-	*Exclusion of the impact of the COVID-19 donation [3]*	*1.5*	*-*	*-*	*-*
5.4	*Exclusion of impact of HR and corporate reorganisation costs [4]*	*-*	*4.5*	*-*	*4.5*
2.0	*Exclusion of ancillary charges on Corporate / Germany loan prepayments [6]*	*-*	*2.0*	*-*	*0.3*
49.4	*Exclusion of ancillary charges on ERG Wind loan prepayments [6]*	*-*	*49.4*	*-*	*49.4*
1.5	*Exclusion of ancillary charges on ERG Power loan prepayments [6]*	*-*	*1.5*	*-*	*1.5*
8.7	*Exclusion of ancillary charges on non-recurring operations [1]*	*1.4*	*6.0*	*1.0*	*3.8*
-	*Exclusion of IRAP 2019 balance - Relaunch Decree [7]*	*(0.6)*	*-*	*(0.6)*	*-*
-	*Exclusion of deferred taxes on Solar goodwill exemption [8]*	*(3.1)*	*-*	*(3.1)*	*-*
(5.1)	*Exclusion of expenses related to disposed Businesses [5]*	*-*	*-*	*-*	*-*
6.4	*Exclusion of expenses related to allocations to tax-related provisions [5]*	*-*	*-*	*-*	*-*
2.7	*Exclusion of the net gain on refinancing (IFRS 9) [9]*	*(1.9)*	*1.6*	*(0.8)*	*1.0*
103.6	**Adjusted profit attributable to the owners of the parent**	**69.7**	**67.5**	**16.3**	**13.5**

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.

3. Donation. Reference is made to the information provided in the specific COVID-19 emergency section of this Report.

4. Expenses related to corporate reorganisation of the Group, in particular to the simplification and rationalisation of the organisational-corporate structure of the Group in Italy and abroad.

5. Allocation that took place in the period, related to the reappraisal of the tax-related risks on the wind business and partial release on the Provision for Businesses disposed of by the Group.

6. Financial expenses correlated to the early closure of a Corporate loan and project financing as part of Liability Management activities concurrently with the launch of the first Green Bond in 2019.

7. Reversal of the IRAP benefit deriving from the Relaunch Decree (Decreto Rilancio), which introduced the cancellation of the payment of the IRAP balance for the 2019 tax period.

8. Exclusion of the positive effect related to the goodwill exemption for the Andromeda Business Combination (Solar) in 2019.

9. The Group renegotiated a number of loans during the period. 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 a net gain of approximately EUR 3 million being accounted for in the first half of 2020. 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.

Below is the reconciliation between the financial statements and the adjusted statements.

Income Statement 1st Half 2020

(EUR million)	Financial Statement	*Adjustment for IFRS 16*	*Adjustment for IFRS 9*	*Reversal of special items*	Financial Statement adjusted
Revenue	497.8	-	-	-	497.8
Other revenue	10.7	-	-	-	10.7
TOTAL REVENUE	**508.5**	**-**	**-**	**-**	**508.5**
Costs for purchase and change in inventories	(131.3)	-	-	-	(131.3)
Costs for services and other operating costs	(79.8)	*(5.3)*	-	*3.4*	(81.6)
Cost of labour	(32.6)	-	-	-	(32.6)
EBITDA	**264.9**	***(5.3)***	**-**	***3.4***	**263.0**
Amortisation, depreciation and write-downs of fixed assets	(152.8)	*3.4*	-	-	(149.4)
EBIT	**112.1**	***(1.9)***	**-**	***3.4***	**113.6**
Net financial income (expenses)	(24.8)	*1.9*	*(2.5)*	-	(25.4)
Net income (loss) from equity investments	0.1	-	-	-	0.1
Profit before taxes	**87.3**	***0.0***	***(2.5)***	***3.4***	**88.3**
Income taxes	(13.6)	-	*0.6*	*(4.2)*	(17.2)
Net result from continued operations	**73.7**	***0.0***	***(1.9)***	***(0.8)***	**71.1**
Net result from asset sold	-	-	-	-	-
Profit for the period before minorities	**73.7**	***0.0***	***(1.9)***	***(0.8)***	**71.1**
Minority interests	(1.3)	-	-	-	(1.3)
Group's net profit (loss)	**72.4**	***0.0***	***(1.9)***	***(0.8)***	**69.7**

Income Statement 1st Half 2019

(EUR million)	Values in Consolidated Financial Statement	*Adjustment for IFRS 16*	*Adjustment for IFRS 9*	*Reversal of special items*	Consolidated Financial Statement adjusted
Revenues from ordinary operations	530.4	-	-	-	530.4
Other revenues and income	6.3	-	-	-	6.3
TOTAL REVENUES	**536.8**	**-**	**-**	**-**	**536.8**
Costs for purchase	(146.6)	-	-	-	(146.6)
Costs for services and other operating costs	(91.2)	*(3.9)*	-	*10.3*	(84.8)
Cost of labour	(34.1)	-	-	*2.1*	(32.0)
EBITDA	**264.9**	***(3.9)***	**-**	***12.4***	**273.4**
Amortisation, depreciation and write-downs of fixed assets	(148.4)	*3.1*	-	-	(145.3)
EBIT	**116.5**	***(0.8)***	**-**	***12.4***	**128.1**
Net financial income (expenses)	(105.2)	*1.6*	*2.1*	*68.7*	(32.8)
Net income (loss) from equity investments	(0.3)	-	-	*0.3*	0.1
Profit before taxes	**11.1**	***0.8***	***2.1***	***81.4***	**95.3**
Income taxes	(8.5)	*(0.2)*	*(0.5)*	*(18.0)*	(27.2)
Net result from continued operations	**2.5**	***0.6***	***1.6***	***63.4***	**68.1**
Net result from asset sold	-	-	-	-	-
Profit for the period before minorities	**2.5**	***0.6***	***1.6***	***63.4***	**68.1**
Minority interests	(0.6)	-	-	-	(0.6)
Group's net profit (loss)	**1.9**	***0.6***	***1.6***	***63.4***	**67.5**

Reclassified statement of financial position at 30 June 2020

(EUR million)	Values in Consolidated Financial Statement	*Adjustment for IFRS 16*	Consolidated Financial Statement adjusted
Intangible of non-current assets	1,084.1	-	1,084.1
Property, plant and equipment	2,289.8	*(76.7)*	2,213.1
Equity investments and other non current assets	52.3	-	52.3
Non current assets	**3,426.2**	***(76.7)***	**3,349.6**
Inventories	23.0	-	23.0
Trade receivables	188.6	-	188.6
Trade payables	(59.2)	-	(59.2)
Excise duties payables to tax authorities	(2.7)	-	(2.7)
Net working capital	**149.6**	**-**	**149.6**
Provisions for employee benefits	(5.2)	-	(5.2)
Other assets	240.3	*1.8*	242.1
Other liabilities	(500.5)	-	(500.5)
Net invested capital	**3,310.4**	***(74.9)***	**3,235.5**
Equity attributable to the owners of the parent	1,720.6	*1.4*	1,722.0
Non controlling interests	10.6	-	10.6
Medium-long term financial indebtedness	2,083.4	*(69.8)*	2,013.57
Short term net financial indebtedness	(504.2)	*(6.5)*	(510.68)
Equity and financial debt	**3,310.4**	***(74.9)***	**3,235.5**

Reclassified statement of financial position at 31 December 2019

(EUR million)	Values in Consolidated Financial Statement	*Adjustment for IFRS 16*	Consolidated Financial Statement adjusted
Intangible of non-current assets	1,110.7	-	1,110.7
Property, plant and equipment	2,336.3	*(78.5)*	2,257.9
Equity investments and other non current assets	53.6	-	53.6
Non current assets	**3,500.6**	***(78.5)***	**3,422.2**
Inventories	22.3	-	22.3
Trade receivables	193.5	-	193.5
Trade payables	(87.8)	-	(87.8)
Excise duties payables to tax authorities	(2.3)	-	(2.3)
Net working capital	**125.6**	**-**	**125.6**
Provisions for employee benefits	(5.4)	-	(5.4)
Other assets	323.9	*1.9*	325.9
Other liabilities	(604.8)	-	(604.8)
Net invested capital	**3,340.1**	***(76.5)***	**3,263.5**
Equity attributable to the owners of the parent	1,774.6	*1.0*	1,775.6
Non controlling interests	11.5	-	11.5
Medium-long term financial indebtedness	2,100.9	*(70.1)*	2,030.79
Short term net financial indebtedness	(547.0)	*(7.4)*	(554.39)
Equity and financial debt	**3,340.1**	***(76.5)***	**3,263.5**

Reclassified statement of financial position at 30 June 2019

(EUR million)	Values in Consolidated Financial Statement	*Adjustment for IFRS 16*	Consolidated Financial Statement adjusted
Intangible of non-current assets	1,046.1	-	1,046.1
Property, plant and equipment	2,445.0	*(73.1)*	2,371.8
Equity investments and other non current assets	54.2	-	54.2
Non current assets	**3,545.2**	***(73.1)***	**3,472.1**
Inventories	22.4	-	22.4
Trade receivables	278.7	-	278.7
Trade payables	(74.0)	-	(74.0)
Excise duties payables to tax authorities	(1.6)	-	(1.6)
Net working capital	**225.5**	**-**	**225.5**
Provisions for employee benefits	(5.6)	-	(5.6)
Other assets	330.4	*3.4*	333.8
Other liabilities	(622.4)	-	(622.4)
Net invested capital	**3,473.1**	***(69.7)***	**3,403.4**
Equity attributable to the owners of the parent	1,722.4	*0.6*	1,722.9
Non controlling interests	18.2	-	18.2
Medium-long term financial indebtedness	2,101.9	*(65.9)*	2,036.05
Short term net financial indebtedness	(369.3)	*(4.4)*	(373.70)
Equity and financial debt	**3,473.1**	***(69.7)***	**3,403.4**