Press Release

The Board of Directors of ERG S.p.A.
approves the Interim Management Report at 30 September 2020

Third quarter of 2020

- ***Consolidated adjusted[1] EBITDA: €99 million, €107 million in the third quarter of 2019***
- ***Adjusted Group net result: €9 million, €7 million in the third quarter of 2019***

Nine months of 2020

- ***Consolidated adjusted EBITDA: €362 million, €380 million in the 9 months of 2019.***
- ***Adjusted Group net result: €79 million, €75 million in the 9 months of 2019***

- COVID-19 Emergency – Business continuity guaranteed also during the third quarter both in Italy and abroad, in full observance of health and safety conditions and with a close and constant monitoring as regards the correct application of anti-COVID safety protocols. Recourse to smart working encouraged again during this phase.

- Quarterly results – Slight falloff in EBITDA, penalised by the prolonged adverse water conditions, the lower wind power production outside of Italy and the downturn in energy prices. The smaller quantity of energy efficiency certificates produced for the CCGT plant also had an impact, only partly offset by the improved wind conditions in Italy. Growth in net profit both as regards the quarter and for the 9 months.

- ESG (Environmental, Social, Governance) - Vigeo Eiris, one of the leading international ESG rating agencies, affirmed ERG's Advanced rating, the maximum score in its evaluation scale, and recently assigned to the company top position in the global ranking of best firms for reporting the business impact of Climate Change.

- Development – The power capacity under construction outside of Italy rises to 360 MW following the recent acquisition of an authorised 24.5 MW project in Poland and the overall 55 MW increase in authorised capacity for two wind farms in the United Kingdom. A framework agreement has been drawn up with Vestas for the supply of wind turbines with a potential capacity of 790 MW to be used for repowering and for greenfield projects in France and the UK. As regards Italy, the Simplification Decree introduced the possibility to take part in auctions also for repowering projects, surpassing the 2013 *Spalma Incentivi* (spreading incentives) Decree.

- Green Bond issuance – Under the 2 billion Euro EMTN (Euro Medium Term Notes) Programme, the second 500 million Euro Green Bond has been placed, at extremely favourable conditions and with requests corresponding to 6 times the amount of notes offered on the part of investors of high standing with a broad geographical diversification.

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

[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"

Genoa, 11 November 2020 – At its meeting held yesterday, the Board of Directors of ERG S.p.A. approved the Interim Management Report at 30 September 2020.

Consolidated adjusted financial results*:*

3rd Quarter			Performance highlights (million Euro)	Nine months		
2020	**2019**	**Var. %**		**2020**	**2019**	**Var. %**
99	107	-7%	**EBITDA**	362	380	-5%
25	29	-14%	**EBIT**	139	157	-12%
9	7	27%	**Group net result**	79	75	6%

	30.09.20	31.12.19	Variation
Net financial debt (million Euro)	1,421	1,476	-55
Leverage[2]	45%	45%	

Luca Bettonte, ERG's Chief Executive Officer, commented: **"In a market situation still penalised by the effects of COVID-19, the quarter's operating results show a limited downturn, with a growth in net profit, also thanks to the reduced cost of debt following the issuance of Green Bonds and simultaneous liability management transactions.**
Compared to a year ago, EBITDA reflects a negative perimeter effect, due to the full consolidation of the wind farms acquired in Germany during the third quarter of 2019, and the discontinued production of white certificates for one of the two CCGT modules. Without these effects, the results for the quarter would have been essentially in line with 2019, owing to the greater contribution from Italian wind and solar power and despite the falloff in hydroelectric power due to the prolonged lack of water availability in Central Italy. It is worth noting the major contribution from hedging transactions carried out with regard to the price scenario.
In view of the results for the quarter and the positive trend recorded in October, we confirm our guidance figures, while increasing our development potential outside of Italy and noting with great satisfaction the positive evolution of repowering regulations in Italy."

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 extended until 31 December 2020, and explicit measures were adopted and gradually extended throughout the national territory.
The other European countries where the ERG Group operates, including the UK, France and Germany, albeit with different timing and modalities, 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.

With *DPCM* dated 3 November 2020, which made reference to *DPCM*s dated 13, 18 and 24 October 2020, the Italian Government aimed to curb the new rise in COVID-19 contagions recorded in Italy, subject to the anti-contagion protocols and guidelines set forth for economic and production activities. The most important change concerned the allocation of Regions to risk areas (yellow, orange and red), impacting above all the mobility of operational staff, in any case permitted for our activities, but which must comply with different rules according to the classification of risks for the Region where they operate. Moreover, the provision also strongly recommends that private Employers should, insofar as possible, make use of smart working procedures; the provision is valid for thirty days.

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

At the first signs of emergency ERG 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 concerned agile working (smart working), currently extended, as also recommended by the aforesaid *DPCM* dated November 3rd, to all business 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 protecting the safe operational and management continuity of business assets.

ERG has given very careful attention to management of the personnel employed at its production sites, by adopting suitable safety measures from a perspective of both "Organisation" (able to guarantee social distancing and the remodulation of operational and logistic activities) and "Prevention and Protection" (training and information, individual protection devices, personal hygiene measures and cleaning/sanitisation of work environments), in observance of the indications given by the Competent Authorities and in agreement with the Trade Union Organisations.

At all operational sites the organisational, logistic and facility actions for the protection of workers' health and to safeguard all essential activities for ensuring service continuity and the running of plants in conditions of safety were prepared and promptly updated. On the basis of safety protocols issued by the authorities, details were set out in two documents issued respectively on April 15th and April 30th, intitled "*Company Protocol for the regulation of measures to combat and contain the spreading of the COVID-19 virus in work environments*" (15 April) and "*Company Protocol for the regulation of measures to combat and contain the spreading of the COVID-19 virus in work environments – PHASE 2*" (30 April).
These protocols were integrated as part of the Risk Assessment Documents (*DVR*) pertaining to the various Group companies, which were then updated with the prevention and protection measures undertaken to comply with the provisions set out in the above mentioned protocols. The document issued on 30 April 2020 was revised on 11 September 2020 and is available, as are all the others, on the Company's intranet. ERG has also engaged an independent Third-Party Company, accredited for the performance of on-site Audits, to verify the application of Anti-COVID safety protocols.

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, 29 new hires entered the Group between March and September and COVID-19 health insurance cover has also been taken out in favour of all employees, valid up to the end of 2020. Engagement and partnership activities with the communities where ERG operates have gone ahead and appropriate funds have been allocated by the Group companies and by the employees themselves to meet the most pressing needs of healthcare facilities.

In brief, 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.

Change in the scope of business

No variations are reported in the scope of business during the third quarter of 2020. Changes that have taken place following the close of the third quarter of 2020 are described in the chapter on "Main events occurred after the end of the quarter".

Third Quarter 2020

In the third quarter of 2020 **adjusted revenues** came to 223 million Euro, with a downturn compared to the third quarter of 2019 (231 million Euro), mainly due to the decline in wind power production outside of Italy, reflecting the decidedly unfavourable wind and water conditions, the trend in energy prices below those for the third quarter of 2019, together with a smaller production of energy efficiency certificates pertaining to the CCGT facility, which is ending its first ten years of high-efficiency cogeneration eligibility. These effects were only partly offset by the growth in Italian wind power output and by 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 99 million Euro, down by 7 million Euro compared to 107 million Euro posted in the corresponding period of 2019. The variation reflects the following factors:

- **Wind power (-2 million):** EBITDA, at 42 million Euro, showed a slight decrease compared to the corresponding period in 2019 (43 million Euro), due above all to the lower output by wind farms outside of Italy (-54 GWh), reflecting adverse wind conditions and unfavourable price scenarios, partly mitigated by the contribution of 38 MW from the new French wind farms. It is important to mention that the 2019 result benefited from nine months of full contribution from the wind farms acquired in Germany during the third quarter of 2019, entirely consolidated starting from 1 January 2019.
The results in Italy have improved with respect to the third quarter of 2019, 28 million compared to 23 million Euro, thanks to the growth in output (+37 GWh) and the higher incentive value, partly offset by the exit from the incentive period of some wind farms. The overall result benefits from the ongoing hedging transactions envisaged by the risk policies.

- **Solar power (+0.5 million):** EBITDA, at 23 million Euro, showed a slight increase compared to the third quarter of 2019 (22 million Euro) with stable volumes but an improvement in the mix effect of FIT prices compared to the corresponding period a year earlier.

- **Hydroelectric power (-2 million):** EBITDA came to 18 million Euro (20 million Euro in the third quarter of 2019), with a downturn compared to the corresponding period a year earlier. The result reflects the lower output with respect to the third quarter of 2019 due to the prolonged lack of resource availability in Central Italy, which for the second year running was well below the historical ten-year averages, and the negative energy market scenario partly offset by hedging policies and the increase in incentive volume.

- **Thermoelectric power (-4 million):** EBITDA as regards the Thermoelectric power sector, at 21 million Euro, showed a decrease compared to 25 million Euro in the third quarter of 2019, mainly due to the anticipated lower production of energy efficiency certificates by around 3 million Euro 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.

Adjusted EBITDA is shown net of the positive effects deriving from application of IFRS 16, in the amount of 3 million Euro, and special items.

Adjusted EBIT came to 25 million Euro (29 million in the third quarter of 2019) after amortisation and depreciation totalling 74 million Euro, with a decrease of 3 million Euro compared to the third quarter of 2019 (78 million Euro), which reflected the full contribution from the wind farms acquired in Germany during the third quarter of 2019, but entirely consolidated from 1 January 2019.

EBIT came to 25 million Euro (28 million in the third quarter of 2019) after amortisation and depreciation totalling 76 million Euro, down by 3 million compared to the third quarter of 2019 (79 million Euro), ascribable to the same reasons specified in the comment on adjusted EBIT and to application of the IFRS 16 standard (2 million Euro).

Adjusted Group net result came to 9 million Euro, with a slight upturn compared to the third quarter of 2019, since the poorer operating results previously commented were more than offset by the decrease in financial charges and taxes. The net financial charges were notably lower compared to the third 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 issuance of a second Green Bond in 2020 subject to extremely favourable conditions. Moreover, the effective tax rate was considerably less than in the third quarter of 2019 mainly due to the reintroduction of tax benefits associated with economic growth (Allowance for Corporate Equity - ACE).

The **Group net result,** at -5 million Euro compared to 4 million Euro in the third quarter of 2019, reflected the extraordinary charges associated with debt restructuring via the issuance of a second Green Bond and simultaneous closure of 4 Corporate Loans and 14 Project Financing facilities as part of a major Voluntary Prepayment programme.

Adjusted net financial debt amounted to **1,421 million Euro**, down by 82 million Euro compared to 30 June 2020 (1,503 million Euro). The variation reflects investments during the period (23 million Euro) mainly connected with wind farm construction activities in the UK and France, more than offset by the positive cash flow (113 million Euro[3]) also following the payment of Energy Efficiency Certificates accrued during 2019.
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 75 million Euro as at 30 September 2020.

[3] Includes adjusted EBITDA, the change In net working capital and net financial income (expenses)

Nine months 2020

In the first nine months of 2020 **adjusted revenues from ordinary operations** came to 721 million Euro, with a downturn compared to the first nine months of 2019 (762 million Euro), mainly due to the decline in wind power and hydroelectric power production in Italy, as a result of the decidedly unfavourable wind and water conditions, the trend in energy prices below those for the nine months of 2019, together with a smaller production of energy efficiency certificates pertaining to the CCGT facility, which is ending its first ten years of high-efficiency cogeneration eligibility. These effects were only partly offset by the growth in overseas wind power output, also reflecting the expansion of the asset management portfolio, and by 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 362 million Euro, down by 18 million Euro compared to 380 million Euro posted in the first nine months of 2019. The variation reflects the following factors:

- **Wind power (-6 million):** EBITDA amounted to 208 million Euro, with a decrease compared to the corresponding period in 2019 (214 million Euro) due to the poorer result in Italy (125 million Euro, less than 140 million Euro for the first nine months of 2019), which reflected the lack of wind compared to the particularly high values recorded in the corresponding period of 2019, the weaker market price scenario and the exit of some wind farms from the incentive period. This was all partly mitigated by the ongoing hedging transactions envisaged by the risk policies and the higher incentive value. On the other hand, the results outside of Italy showed a growth from both an economic (+9 million Euro) and volume (+195 GWh) perspective, thanks to the contribution of 38 MW from the new French wind farms and the high winds during the period. It should also be noted that the overseas wind output (1,466 GWh) exceeded Italian production (1,416 GWh) during the first nine months.

- **Solar power (+1,5 million):** EBITDA, at 57 million Euro*,* showed a slight improvement compared to the first nine months of 2019 (56 million) with slightly higher volumes and an improvement in the FIT incentive mix effect, offset by the weaker market price scenario compared to the corresponding period a year earlier.
- **Hydroelectric power (-6 million):** EBITDA, at 58 million Euro (64 million in the first nine months of 2019), showed a downward trend compared to the corresponding period a year earlier. The result reflects the decrease in output with respect to the first nine months of 2019 due to the prolonged lack of resource availability in Central Italy, which for the second year running was well below the historical ten-year averages, and the negative energy market scenario only partly offset by hedging policies and the increase in incentive value.
- **Thermoelectric power (-8 million):** EBITDA posted by the thermoelectric power sector, amounting to 51 million Euro, showed a decrease compared to 59 million Euro in the first nine months of 2019, mainly due to the anticipated lower production of energy efficiency certificates by around 5 million Euro 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 result also benefited from some insurance reimbursements and adjustments relating to site contracts. We mention that EBITDA benefited significantly from price scenario hedging policies in reference to both RES-E output and the clean spark spreads implemented in line with the Group's risk policies.

Adjusted EBITDA is shown net of the positive effects deriving from both application of IFRS 16, in the amount of approximately 8 million Euro, as well as special items.

Adjusted EBIT came to 139 million Euro (157 million in the first nine months of 2019) after amortisation and depreciation totalling 224 million Euro, with a slight increase of 1 million Euro compared to the first nine months of 2019 (223 million Euro), ascribable above all to the operational wind farm acquisitions in France during the first quarter of 2020.

EBIT came to 138 million Euro (144 million in the first nine months of 2019) after amortisation and depreciation totalling 229 million, with an increase of 1 million Euro compared to the first nine months of 2019 (228 million Euro) ascribable to the same reasons mentioned in the comment on adjusted EBIT and to the application of standard IFRS 16 (5 million Euro).

Adjusted Group net result came to 79 million Euro, including approximately 2 million Euro pertaining to minorities, with an increase compared to the first nine months of 2019 (75 million Euro), since the poorer operating results previously commented were more than offset by the decrease in financial charges and taxes. The net financial charges were notably lower compared to the first nine months of 2019 due to a reduction in the cost of debt thanks to the major liability management transactions launched during 2019, including the issuance of a second Green Bond in 2020 subject to extremely favourable conditions. Moreover, the effective tax rate was considerably less than in the first nine months of 2019 following the reintroduction of tax benefits associated with economic growth (Allowance for Corporate Equity - ACE).

The **Group net result** came to 67 million Euro compared to 6 million in the first nine months of 2019. We report that the difference with respect to the 'Adjusted' values is primarily ascribable to the extraordinary charges associated with debt restructuring via the issuance of a second Green Bond and simultaneous closure of 4 Corporate Loans and 14 Project Financing facilities as part of a major Voluntary Prepayment programme. It is worth mentioning that the first nine months of 2019 also reflected above all extraordinary charges, moreover considerably higher than those for 2020, in connection with the issuance of the first Green Bond and the simultaneous closure of two major Project Financing facilities.

Adjusted net financial debt stands at **1,421 million Euro**, with a decrease (55 million Euro) compared to 31 December 2019 (1,476 million Euro). The variation primarily reflects investments during the period (110 million Euro), the distribution of dividends (114 million Euro), the payment of taxes (14 million Euro[4]) more than offset by the positive cash flow (303 million Euro[5]).
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 75 million Euro as at 30 September 2020.

Investments

3rd Quarter		**Million Euro**	**Nine months**	
2020	**2019**		**2020**	**2019**
19	92	Wind power	90	172
1	0	Solar power	2	220
1	1	Thermoelectric power	13	5
2	1	Hydroelectric power	4	3
0	0	Corporate	1	1
23	**94**	**Total Investments**	**110**	**401**

During the third quarter investments were carried out **in property, plant and equipment and intangible assets for the amount of 23 million Euro,** of which 82% in the Wind power sector (73% in the third quarter of 2019), mainly related to wind farm construction activities in the UK and France, 5% in the Thermoelectric power sector (10% in the third quarter of 2019), 8% in the Hydroelectric power sector (11% in the third quarter of 2019), 3% in the Solar power sector (2% in the third quarter of 2019) and 2% in the Corporate sector (4% in the third quarter of 2019), mainly in connection with the ICT area and minor maintenance and development projects.

Investments in the first nine months of 2020 came to **110 million Euro** (401 million Euro in the first nine months of 2019) and partly referred to 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). Moreover, during the period investments were carried out **in property, plant and equipment and intangible fixed assets for the amount of 66 million Euro,** of which 70% in the Wind power sector (75% in the first nine months of 2019), associated above all with the commencement of construction as regards the wind farms in Poland, the UK and France, 20% in the Thermoelectric power sector (14% in the first nine months 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 (8% in the first nine months of 2019), 3% in the Solar power sector (1% in the first nine months of 2019) and 2% in the Corporate sector (3% in the first nine months of 2019), mainly concerning the ICT area and minor maintenance and development projects.

Wind power: investments in the first nine months of 2020 **(90 million Euro,** of which **19 million Euro** in the third

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

quarter of 2020) refer above all to the acquisition of wind farms in France (38 MW) during the first quarter of 2020, as well as construction work on the new farms in Poland, the UK and France.

Solar power: investments during the first nine months of 2020 **(2 million Euro,** of which **1 million Euro** in the third quarter of 2020) concerned above all contracts aimed at further enhancing plant efficiency.

Hydroelectric power: investments in the first nine months of 2020 **(4 million Euro,** of which **2 million Euro** in the third quarter of 2020) referred 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 in the first nine months of 2020 (**13 million Euro,** of which **1 million Euro** in the third quarter of 2020) primarily referred 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 **third quarter of 2020**, total electricity sales amounted to 3.4 TWh (3.5 TWh in the third quarter of 2019), against a total of 1.7 TWh produced by the Group's facilities (1.7 TWh in the same period of 2019), of which about 0.3 TWh abroad and 1.3 TWh in Italy. The latter figure represents approximately 1.9% of overall domestic electricity demand (1.7% in the third quarter of 2019).

During the **first nine months of 2020**, total electricity sales amounted to 11.0 TWh (11.2 TWh in the first nine months of 2019), against a total of 5.7 TWh produced by the Group's facilities (5.8 TWh in the same period of 2019), of which about 1.5 TWh abroad and 4.2 TWh in Italy. The latter figure represents approximately 2.0% of overall domestic electricity demand (1.9% in the first nine months 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.

Steam sales[6] carried out in the third quarter of 2020 amounted to 209 thousand tonnes, with an upturn compared to 186 thousand tonnes during the same period of 2019; 809 thousand tonnes in the first nine months of 2020 (679 thousand tonnes during the corresponding period of 2019)

3rd quarter					Nine months			
2020	**2019**	**Δ**	**Δ%**	**Electricity Output (GWh)**	**2020**	**2019**	**Δ**	**Δ%**
674	**692**	**-17**	**-2%**	**Wind power output**	**2,883**	**2,846**	**37**	**1%**
355	317	*37*	*12%*	*Italy*	*1,416*	*1,575*	*-158*	*-10%*
320	374	*-54*	*-15%*	*Overseas*	*1,466*	*1,271*	*195*	*15%*
76	**75**	**0**	**0%**	**Solar power output**	**196**	**194**	**2**	**1%**
225	**274**	**-49**	**-18%**	**Hydroelectric power output**	**778**	**867**	**-89**	**-10%**
694	**725**	**-32**	**-4%**	**Thermoelectric power output**	**1,824**	**1,941**	**-117**	**-6%**
1,669	**1,767**	**-98**	**-6%**	**ERG Plants total output**	**5,681**	**5,848**	**-168**	**-3%**

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

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

Wind power: wind power **electricity output** totalled 674 GWh, down by 2% compared to the corresponding period of 2019 (692 GWh), reflecting a sharp decline of -15% in overseas production (from 374 GWh to 320 GWh) partly offset by a strong growth of 12% in Italy (from 317 GWh to 355 GWh).
The upturn in Italian output (+37 GWh) is associated with the improved wind conditions compared to those recorded in 2019 as regards all regions with the exception of Sardinia.
Outside of Italy, the net decrease of 54 GWh is mainly attributable to the decline in German output (-59 GWh, of which -47 GWh concerned the acquisitions and the coming on stream of wind farms during 2019 retroactive to January 1st and -12 GWh reflected the poorer wind conditions).

Solar power: **output** amounted to about 76 GWh, showing a slight increase compared to the third quarter of 2019, with a related load factor of 24% (in line with 24% for the corresponding period of 2019).

Hydroelectric power: ERG Hydro's overall **output** in the third quarter of 2020, totalling 225 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 120 Euro/MWh, with an increase compared to 106 Euro/MWh in the third quarter of 2019.

Thermoelectric power: ERG Power's net electricity output totalled 694 GWh, with a decrease compared to the corresponding period in 2019 (725 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, together with the clean spark spread hedging policies carried out in line with Group risk policy.

In the first nine months of 2020

Wind power: wind power **electricity output** totalled 2,883 GWh, with a growth of 1% compared to the corresponding period of 2019 (2,846 GWh), reflecting a strong decline of -10% in Italian output (from 1,575 GWh to 1,416 GWh) and a sharp overseas growth of 15% (from 1,271 GWh to 1,466 GWh). The downturn in Italian production (-158 GWh) is associated with the poorer wind conditions compared to those recorded in 2019 as regards all regions, with a sharp decline in Campania, Puglia and Sicily. Outside of Italy, the overall increase of 195 GWh is mainly attributable to the higher production in France (+152 GWh, of which +57 GWh due to the output of recently acquired facilities and +95 GWh reflected the high winds recorded compared to the same period of 2019) and Germany (+17 GWh).

Solar power: **output** totalled approximately 196 GWh, showing a slight growth compared to the first nine months of 2019, with a related load factor of 21% (in line with 21% for the same period in 2019).

Hydroelectric power: ERG Hydro's total **output** in the first nine months of 2020, amounting to 778 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, of about 111 Euro/MWh, with an increase compared to 105 Euro/MWh in the first nine months of 2019

Thermoelectric power: net electricity output by ERG Power amounted to 1,824 GWh, with a reduction compared to the corresponding period in 2019 (1,941 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.

Main events during the quarter

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 (see Press Release dated 6 July 2020).

On **4 September 2020** ERG S.p.A. completed its placement of a second 7-year fixed rate bond for 500,000,000 Euro, issued as part of its 2 billion Euro EMTN (Euro Medium Term Notes) Programme.

The issue was very well received, with a request corresponding to 6 times the amount of notes offered, on the part of investors of high standing with a broad geographical diversification, and saw a significant participation of green and sustainable investors (see Press Releases dated 1 July 2020 and 4 September 2020).

On **22 September 2020** ERG, through its subsidiary ERG Power Generation S.p.A, signed a framework agreement with Vestas, global leader in the design, construction and maintenance of wind turbines, for the supply of wind turbines with a potential capacity of 790 MW, comprising over 500 MW destined for repowering projects in Italy and the remainder for scheduled greenfield projects in France and the United Kingdom (see Press Release dated 22 September 2020).

Main events occurred after the end of the quarter

On **1 October 2020** Vigeo Eiris, one of the leading international ESG (Environmental, Social, Governance) rating agencies, assigned to ERG the maximum score (88/100) and top position in its ranking of the best firms for reporting the business impact of Climate Change (see Press Release dated 1 October 2020).

On **23 October 2020**, through its subsidiary ERG Poland Holding, ERG finalised with the Vortex Energy group the acquisition of a 100% equity stake in EW piotrków kujawski SP. z.o.o., the owner of authorisations for the construction of a 24.5 MW wind farm in the north-central area of Poland.
The overall investment for construction of the wind farm, including the price paid to acquire the building permits, amounts to approximately 36.5 million Euro (see Press Release dated 23 October 2020).

On **26 October 2020**, ERG won an auction for two wind farms in France with a total capacity of 27 MW. When fully operational, the two wind farms will have a total annual output estimated at around 66 GWh, corresponding to approximately 36 kt of avoided CO2 emissions, equal to the needs of about 22,500 households. Construction works are expected to start by the first quarter of 2021 and the coming on stream is respectively scheduled within the fourth quarter of 2021 as regards Vallée de l'Aa 2 and the second quarter of 2022 for Champagne I, with an overall investment of 33 million Euro (see Press Release dated 26 October 2020).

On **4 November 2020,** through its subsidiaries *Sandy Knowe Wind Farm Limited and Creag Riabhach Wind Farm Limited,* ERG obtained authorisation to increase the capacity of Sandy Knowe and Creag Riabhach wind farms, currently under construction in Scotland, respectively from 48 MW to 90 MW and from 79 MW to 92 MW.
The total investment for the construction of the two wind farms amounts to about 214 million Euro (see Press Release dated 4 November 2020).

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 complex and difficult situation that has arisen due to the health emergency associated with the two waves of COVID-19. The main social and economic implications of the crisis for the business conducted by ERG, which operates in a sector considered essential, concern the downward trend in energy prices, following the restrictions on production systems, and a general slowdown in authorisation, grid connection and plant construction procedures.

In view of the foregoing and the results for the first nine months, which are in keeping with earlier forecasts, we set out the foreseeable trend in the main scenario and performance indicators anticipated for FY2020:

- **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, following the decrease in windiness recorded during the first part of the year compared to our expectations and above all the particularly good conditions in 2019. **Overall EBITDA for the Wind Power sector is expected to show a slight downturn compared to the previous year.**

- **Solar power:** The result for FY2020 will benefit from an improvement in irradiation, the impact of the aforementioned price hedging transactions, 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 assuming that also during the latter months of 2020 volumes will be below the average ten-year statistics, implying a lower output compared to the already particularly depressed values reported in 2019. The volume effect will be only partially mitigated by the higher value of the incentive to which part of production is entitled and Energy Management's interventions, with special reference to the hedging transactions and plant modulation interventions, with a view to concentrating sales within the most profitable hours. **The hydroelectric power sector is therefore expected to post a decrease in EBITDA compared to the already depressed values in 2019.**

- **Thermoelectric power:** The result forecast for 2020, compared to 2019, will reflect both a downward trend in the price and margin scenarios and the lower production of energy efficiency certificates, following the exit from the high-efficiency cogeneration period of one of the two plant modules from the beginning of 2020, regarding which a repowering intervention is underway in order to renew its incentive period for a further 10 years. Although results for the last quarter of the year are expected to exceed those for the corresponding period a year earlier, **a slight reduction in EBITDA is anticipated for FY2020 with respect to FY2019.**

In summary, for FY2020 at consolidated level **we confirm the EBITDA guidance** announced in the previous quarter, 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 currently under construction in the United Kingdom (about 250 MW), Poland (60 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,** again confirming the guidance announced at the end of the last quarter.

Considering the points mentioned with regard to EBITDA and investments, we also confirm the guidance announced in the previous quarter as regards end-of-year net debt. Cash generation net of the investments indicated will enable a reduction in net debt from 1.48 billion Euro at the end of 2019 to a range of between 1.35 and 1.43 billion Euro, also reflecting the lower financial charges due to the full effect of liability management transactions following the Green Bonds issued during 2019 and 2020.

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 impact of the COVID-19 pandemic, 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 third quarter will be illustrated to analysts and investors today at 11 a.m. (CET), 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 7.30 a.m. (CET) on 11 November 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 Interim Management Report at 30 September 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).

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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.

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 power business and concerning the use of land, warehouses, buildings, equipment, substations and machine inventory.
Application of this Standard, starting from 1 January 2019, 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 nine months 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 8 million Euro;
- an increase at 30 September 2020 (about 75 million Euro) in net financial debt and net invested capital (approximately 74 million Euro) associated with application of the liability method indicated by the Standard;
- higher depreciation expenses (5 million Euro) and increased financial charges (3 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 amounts indicated above, reference is made to the information provided in the section "Alternative Performance Indicators".

Performance highlights

3rd quarter				9 months	
2020	**2019**	*(EUR million)*		**2020**	**2019**
		Key economic data			
223	231	Revenues Adjusted [1]		721	762
99	**107**	**EBITDA adjusted [1]**		**362**	**380**
25	**29**	**EBIT adjusted [1]**		**139**	**157**
(5)	5	Net Profit		69	8
(5)	4	of which profit attributable to owners of the parent		67	6
9	**7**	**Adjusted Net profit attributable to owners of the parent [1]**		**79**	**75**
		Key financial data			
3.156	**3.320**	**Net adjusted invested capital [2]**		**3.156**	**3.320**
1.735	1.751	Shareholders' Equity Adjusted		1.735	1.751
1.421	1.569	Total net financial indebtedness [2]		1.421	1.569
643	843	of which non-recourse Project Financing [3]		643	843
45%	47%	Financial leverage adjusted		45%	47%
45%	**46%**	**EBITDA Margin %**		**50%**	**50%**
		Operating data			
1.967	**1.929**	**Installed capacity of wind farms at the end of the period**	*MW*	**1.967**	**1.929**
674	692	Electric power generation from wind farms	*KWh million*	2.883	2.846
480	**480**	**Installed capacity of thermoelectric plants**	*MW*	**480**	**480**
694	725	Electric power generation from thermoelectric plants	*KWh million*	1.824	1.941
527	**527**	**Installed capacity of hydroelectric plants at the end of the period**	*MW*	**527**	**527**
225	274	Electric power generation from hydroelectric plants	*KWh million*	778	867
141	**141**	**Installed capacity of solar plants at the end of the period**	*MW*	**141**	**141**
76	75	Electric power generation from solar plants	*KWh million*	196	194
3.427	**3.549**	**Total sales of electric power**	*KWh million*	**11.034**	**11.191**
23	94	Capital expenditure [4]	*EUR million*	110	401
773	**754**	**Employees at period end**	*Units*	**773**	**754**
		Net unit revenues [5]			
122	121	Wind Italy	*Euro/MWh*	120	119
95	95	Wind Germany	*Euro/MWh*	97	98
88	88	Wind France	*Euro/MWh*	89	89
89	73	Wind Poland	*Euro/MWh*	76	71
66	67	Wind Bulgaria	*Euro/MWh*	62	75
58	72	Wind Romania	*Euro/MWh*	54	69
n.a.	n.a.	Wind UK	*Euro/MWh*	n.a.	n.a.
321	319	Solar	*Euro/MWh*	315	316
120	106	Hydroelectric	*Euro/MWh*	111	105
40	44	Thermoelectric	*Euro/MWh*	34	40

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 75 million from net financial indebtedness and net invested capital at 30th September 2020 (EUR 74 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 nine months 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 nine months of 2019, investments through Merger & Acquisition transactions amounted to 364 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 Germany and France(respectively 84 million and 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

3rd quarter 2020	3rd quarter 2019	Δ	(EUR million)	9 months 2020	9 months 2019	Δ
			Adjusted revenues			
71	72	*(1)*	**Wind power**	296	302	*(6)*
24	24	*0*	**Solar**	62	62	*0*
27	29	*(2)*	**Hydroelectric power**	86	90	*(5)*
100	107	*(6)*	**Thermoelectric power** [1]	277	308	*(32)*
9	8	*0*	**Corporate**	26	26	*(1)*
(9)	*(8)*	*(0)*	*Intra-segment revenues*	*(26)*	*(26)*	*1*
223	**231**	***(9)***	**Total adjusted revenues**	**721**	**762**	***(41)***
			Adjusted EBITDA			
42	43	*(2)*	**Wind power**	208	214	*(6)*
23	22	*0*	**Solar**	57	56	*1*
18	20	*(2)*	**Hydroelectric power**	58	64	*(6)*
21	25	*(4)*	**Thermoelectric power** [1]	51	59	*(8)*
(4)	(4)	*0*	**Corporate**	(12)	(13)	*1*
99	**107**	***(7)***	**Adjusted EBITDA**	**362**	**380**	***(18)***
			Amortisation, depreciation and write-downs			
(42)	(45)	*3*	**Wind power**	(125)	(127)	*1*
(10)	(11)	*1*	**Solar**	(31)	(31)	*(0)*
(14)	(14)	*0*	**Hydroelectric power**	(43)	(43)	*(0)*
(7)	(7)	*(0)*	**Thermoelectric power** [1]	(22)	(21)	*(1)*
(1)	(1)	*(0)*	**Corporate**	(2)	(2)	*(0)*
(74)	**(78)**	***3***	**Amortisation and depreciation adjusted**	**(224)**	**(223)**	***(1)***
			Adjusted EBIT			
0	(1)	*2*	**Wind power**	83	87	*(5)*
13	12	*1*	**Solar**	26	25	*1*
3	6	*(2)*	**Hydroelectric power**	15	21	*(6)*
13	18	*(4)*	**Thermoelectric power** [1]	29	38	*(9)*
(4)	(4)	*0*	**Corporate**	(14)	(15)	*1*
25	**29**	***(4)***	**Adjusted EBIT**	**139**	**157**	***(19)***
			Investments [2]			
19	92	*(72)*	**Wind power**	90	172	*(82)*
1	0	*1*	**Solar**	2	220	*(218)*
2	1	*1*	**Hydroelectric power**	4	3	*1*
1	1	*0*	**Thermoelectric power**	13	5	*8*
0	0	*(0)*	**Corporate**	1	1	*0*
23	**94**	***(71)***	**Total investments**	**110**	**401**	***(291)***

It should be noted that the comparative data for the first nine months of 2019 were subject to restatement (on Wind power 302 million compared to 298 million previously exposed, on Solar 62 million compared to 61 million previously exposed, on Hydroelectric 90 million compared to 88 million previously exposed and on Thermoelectric 308 million compared to 314 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, 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.

3rd quarter 2020	3rd quarter 2019	*(EUR million)* Adjusted Income Statement	9 months 2020	9 months 2019
222,8	231,5	Revenue	720,6	761,9
1,4	2,0	Other revenue	12,1	8,3
224,2	**233,4**	**TOTAL REVENUE**	**732,7**	**770,2**
(70,9)	(71,1)	Costs for purchase and changes in inventory	(202,1)	(217,7)
(39,0)	(40,2)	Costs for services and other operating costs	(120,6)	(125,0)
(15,1)	(15,5)	Personnel Expense	(47,7)	(47,5)
99,3	**106,6**	**EBITDA**	**362,3**	**380,0**
(74,4)	(77,6)	Amortisation, depreciation and write-downs of fixed assets	(223,8)	(222,9)
24,9	**29,0**	**EBIT**	**138,5**	**157,1**
(12,6)	(15,0)	Net financial income (expenses)	(38,0)	(47,8)
0,1	0,0	Net income (loss) from equity investments	0,2	0,1
12,5	**14,0**	**Profit before taxes**	**100,7**	**109,3**
(2,8)	(6,0)	Income taxes	(20,0)	(33,2)
9,7	**7,9**	**Profit for the period**	**80,8**	**76,1**
(0,7)	(0,9)	Minority interests	(2,1)	(1,5)
9,0	**7,1**	**Group's net profit (loss)**	**78,7**	**74,6**

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 September 2020, the impact deriving from the application of IFRS 16 of approximately EUR 75 million of increased net financial indebtedness with a balancing entry in Net invested capital amounting to approximately EUR 74 million.

06/30/2019	Adjusted Statement of Financial Position *(EUR million)*	09/30/2020	06/30/2020	12/31/2019
3.491,3	Non current assets	3.297,7	3.349,6	3.422,2
107,1	Net working capital	122,7	149,6	125,6
(5,5)	Provisions for employee benefits	(5,3)	(5,2)	(5,4)
337,5	Other assets	220,2	242,1	210,6
(610,8)	Other liabilities	(479,1)	(500,5)	(489,5)
3.319,7	**Net invested capital**	**3.156,2**	**3.235,5**	**3.263,5**
1.731,5	Group Shareholders' Equity	1.723,6	1.722,0	1.775,6
19,0	Non-controlling interests	11,4	10,6	11,5
1.569,1	Net financial indebtedness	1.421,3	1.502,9	1.476,4
3.319,7	**Equity and financial debt**	**3.156,2**	**3.235,5**	**3.263,5**
47%	**Financial Leverage**	45%	46%	45%

Cash Flow

3rd quarter			9 months	
2020	**2019**	*(EUR million)*	**2020**	**2019**
99,3	106,6	Adjusted EBITDA	362,3	380,0
25,8	118,4	Change in net working capital	(21,9)	39,5
125,1	**225,0**	**Cash Flow from operations**	**340,4**	**419,4**
(23,4)	(10,7)	Investments in property, plant and equipment and intangible assets	(65,6)	(37,3)
-	(83,7)	Company acquisitions (business combinations)	(44,3)	(364,0)
-	-	Capital expenditure in financial non-current assets	(0,1)	-
(1,1)	(0,1)	Divestments and other changes	0,3	0,9
(24,5)	**(94,5)**	**Cash Flow from investments/divestments**	**(109,6)**	**(400,4)**
(12,6)	(15,0)	Financial income (expense)	(38,0)	(47,8)
-	-	Closure fair value ERG Wind loan	-	(43,5)
0,1	0,0	Net gains (losses) on equity investment	0,2	0,1
(12,4)	**(15,0)**	**Cash Flow from financial management**	**(37,8)**	**(91,3)**
-	**(25,5)**	**Cash Flow from tax management**	**(13,7)**	**(25,5)**
-	-			
-	-	Distribution of dividends	(113,9)	(112,4)
(6,5)	3,2	Other changes in equity	(10,4)	(16,1)
(6,5)	**3,2**	**Cash Flow from Shareholders'equity**	**(124,2)**	**(128,5)**
-	**-**	**Change in the consolidation scope**	**-**	**-**
1.502,9	**1.662,4**	**Opening net financial indebtedness**	**1.476,4**	**1.343,0**
(81,6)	*(93,2)*	*Change in the period*	*(55,1)*	*226,1*
1.421,3	**1.569,1**	**Closing net financial indebtedness**	**1.421,3**	**1.569,1**

The **Cash Flows from operations** of the **third quarter of 2020** are positive by EUR 125 million, down by EUR 100 million compared to the same period of 2019, mainly due to the adjustment of the timelines for the collection of incentives in the Wind and Hydroelectric sectors, introduced in the third quarter of 2019, which had led to the collection of incentives for the first seven months of 2019.

The **Cash Flows from operations** of the **first nine months of 2020** are positive by EUR 340 million, down by EUR 79 million compared to the corresponding period of 2019, mainly due to the changes in working capital referred to above.

The **Cash Flows from investments** for the **third quarter of 2020** are tied to the investments in the period (EUR 23 million) related to the development of wind farms in the UK and France.

The **Cash Flows from investments** in the **first nine months of 2020** are tied 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 66 million).

Cash flows from financing activities refer to the interest accrued during the year. Cash flows for the first nine months of 2019 also included 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, to the translation reserve and to the dividends distributed.

The **Adjusted net financial indebtedness** totalled **EUR 1,421 million**, down (EUR 55 million) compared to 31 December 2019 (EUR 1,476 million). The change mainly reflects the investments in the period (EUR 110 million), the distribution of dividends (EUR 114 million) and the payment of taxes (EUR 14 million[7]), partly offset by the positive cash flows (EUR 303 million[8]), including as a result of the collection of Energy Efficiency Certificates accrued in 2019.

[7] Includes payment of substitute tax in relation to the capital gains exemption related to the Andromeda (Solar) Business Combination in 2019
[8] 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

3rd quaarter 2020	3rd quaarter 2019	EBITDA	9 months 2020	9 months 2019
101,7	**107,1**	**EBITDA**	**366,5**	**372,0**
		Special items exclusion		
		Corporate		
0,4	*2,0*	*- Reversal of ancillary charges on non-recurring operations* (1)	*1,8*	*8,4*
(0,3)	*(0,2)*	*- Adjustment for impact of IFRS 16* (2)	*(0,8)*	*(0,7)*
-	-	*- Reversal of COVID-19 donation* (3)	*2,0*	-
-	-	*- Reversal of HR and corporate reorganisation costs* (4)	-	*6,00*
		Thermoelectric		
(0,3)	*(0,3)*	*- Adjustment for impact of IFRS 16* (2)	*(0,9)*	*(0,7)*
		Hydroelectric		
(0,0)	*(0,0)*	*- Adjustment for impact of IFRS 16* (2)	*(0,1)*	*(0,1)*
		Solar		
(0,2)	*(0,1)*	*- Adjustment for impact of IFRS 16* (2)	*(0,4)*	*(0,3)*
		Wind		
(2,0)	*(1,8)*	*- Adjustment for impact of IFRS 16* (2)	*(5,8)*	*(4,6)*
99,3	**106,6**	**Adjusted EBITDA**	**362,3**	**380,0**

3rd quaarter 2020	3rd quaarter 2019	Amortisation, depreciation and impairment losses	9 months 2020	9 months 2019
(76,2)	**(79,5)**	**Amortisation and depreciation and impairment losses**	**(229,0)**	**(227,9)**
		Special items exclusion		
1,8	*1,9*	*- Adjustment for impact of IFRS 16* (2)	*5,2*	*5,0*
(74,4)	**(77,6)**	**Adjusted depreciation and amortisation**	**(223,8)**	**(222,9)**

3rd quaarter 2020	3rd quaarter 2019	Profit attributable to owners of the parent	9 months 2020	9 months 2019
(5,5)	**4,5**	**Profit attributable to owners of the parent**	**66,9**	**6,4**
		Special items exclusion		
(0,0)	*0,1*	*Adjustment for impact of IFRS 16* (2)	*(0,0)*	*0,7*
		Exclusion of the impact of the COVID-19 donation (3)	*1,5*	-
-	-	*Exclusion of impact of HR and corporate reorganisation costs* (4)	-	*4,5*
13,6	-	*Exclusion of ancillary charges on loan prepayments* (5)	*13,6*	*2,0*
-	-	*Exclusion of ancillary charges on ERG Wind loan prepayments* (5)	-	*49,4*
-	-	*Exclusion of ancillary charges on ERG Power loan prepayments* (5)	-	*1,5*
0,4	*1,9*	*Exclusion of ancillary charges on non-recurring operations* (1)	*1,8*	*7,8*
		Exclusion of IRAP 2019 balance - Relaunch Decree (6)	*(0,6)*	-
		Exclusion of deferred taxes on Solar goodwill exemption (7)	*(3,1)*	-
(0,2)	-	*Exclusion of expenses related to disposed Businesses*	*(0,2)*	-
0,7	*0,6*	*Exclusion of the net gain on refinancing (IFRS 9)* (8)	*(1,2)*	*2,2*
9,0	**7,1**	**Adjusted profit attributable to the owners of the parent**	**78,7**	**74,6**

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.

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. Financial expenses correlated to the early closure of Corporate loans and project financing as part of Liability Management activities concurrently with the placement of the Green Bonds in 2019 and 2020.

6. 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.

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

8. 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 net gains of approximately EUR 2 million being accounted for in the first nine months 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 3rd Quarter 2020

(EUR million)	Financial Statement	*Adjustment for IFRS 16*	*Adjustment for IFRS 9*	*Reversal of special items*	Financial Statement adjusted
Revenue	222,8	-	-	-	222,8
Other revenue	1,4	-	-	-	1,4
TOTAL REVENUE	**224,2**	**-**	**-**	**-**	**224,2**
Costs for purchase and change in inventories	(70,9)	-	-	-	(70,9)
Costs for services and other operating costs	(36,6)	*(2,8)*	-	*0,4*	(39,0)
Cost of labour	(15,1)	-	-	-	(15,1)
EBITDA	**101,7**	***(2,8)***	**-**	***0,4***	**99,3**
Amortisation, depreciation and write-downs of fixed assets	(76,2)	*1,8*	-	-	(74,4)
EBIT	**25,5**	***(1,0)***	**-**	***0,4***	**24,9**
Net financial income (expenses)	(29,5)	*0,9*	*0,9*	*15,1*	(12,6)
Net income (loss) from equity investments	0,3	-	-	*(0,2)*	0,1
Profit before taxes	**(3,7)**	***(0,0)***	***0,9***	***15,3***	**12,5**
Income taxes	(1,1)	-	*(0,2)*	*(1,5)*	(2,8)
Net result from continued operations	**(4,7)**	***(0,0)***	***0,7***	***13,8***	**9,7**
Net result from asset sold	-	-	-	-	-
Profit for the period before minorities	**(4,7)**	***(0,0)***	***0,7***	***13,8***	**9,7**
Minority interests	(0,7)	-	-	-	(0,7)
Group's net profit (loss)	**(5,5)**	***(0,0)***	***0,7***	***13,8***	**9,0**

Income Statement 3rd Quarter 2019

(EUR million)	Financial Statement	*Adjustment for IFRS 16*	*Adjustment for IFRS 9*	*Reversal of special items*	Financial Statement adjusted
Revenue	231,5	-	-	-	231,5
Other revenue	2,0	-	-	-	2,0
TOTAL REVENUE	**233,4**	**-**	**-**	**-**	**233,4**
Costs for purchase and change in inventories	(71,1)	-	-	-	(71,1)
Costs for services and other operating costs	(39,7)	*(2,5)*	-	*2,0*	(40,2)
Cost of labour	(15,5)	-	-	-	(15,5)
EBITDA	**107,1**	***(2,5)***	**-**	***2,0***	**106,6**
Amortisation, depreciation and write-downs of fixed assets	(79,5)	*1,9*	-	-	(77,6)
EBIT	**27,6**	***(0,6)***	**-**	***2,0***	**29,0**
Net financial income (expenses)	(16,6)	*0,8*	*0,7*	-	(15,0)
Net income (loss) from equity investments	0,0	-	-	-	0,0
Profit before taxes	**11,0**	***0,2***	***0,7***	***2,0***	**14,0**
Income taxes	(5,6)	*(0,1)*	*(0,2)*	*(0,2)*	(6,0)
Net result from continued operations	**5,4**	***0,1***	***0,6***	***1,9***	**7,9**
Net result from asset sold	-	-	-	-	-
Profit for the period before minorities	**5,4**	***0,1***	***0,6***	***1,9***	**7,9**
Minority interests	(0,9)	-	-	-	(0,9)
Group's net profit (loss)	**4,5**	***0,1***	***0,6***	***1,9***	**7,1**

Income Statement 9 months 2020

(EUR million)	Financial Statement	*Adjustment for IFRS 16*	*Adjustment for IFRS 9*	*Reversal of special items*	Financial Statement adjusted
Revenues	720,6	-	-	-	720,6
Other revenues	12,1	-	-	-	12,1
TOTAL REVENUE	**732,7**	**-**	**-**	**-**	**732,7**
Costs for purchase and change in inventories	(202,1)	-	-	-	(202,1)
Costs for services and other operating costs	(116,3)	*(8,1)*	-	*3,8*	(120,6)
Cost of labour	(47,7)	-	-	-	(47,7)
EBITDA	**366,5**	***(8,1)***	**-**	***3,8***	**362,3**
Amortisation, depreciation and write-downs of fixed assets	(229,0)	*5,2*	-	-	(223,8)
EBIT	**137,6**	***(2,9)***	**-**	***3,8***	**138,5**
Net financial income (expenses)	(54,2)	*2,8*	*(1,6)*	*15,1*	(38,0)
Net income (loss) from equity investments	0,4	-	-	*(0,2)*	0,2
Profit before taxes	**83,7**	***(0,0)***	***(1,6)***	***18,7***	**100,7**
Income taxes	(14,7)	-	*0,4*	*(5,7)*	(20,0)
Net result from continued operations	**69,0**	***(0,0)***	***(1,2)***	***13,0***	**80,8**
Net result from asset sold	-	-	-	-	-
Profit for the period before minorities	**69,0**	***(0,0)***	***(1,2)***	***13,0***	**80,8**
Minority interests	(2,1)	-	-	-	(2,1)
Group's net profit (loss)	**66,9**	***(0,0)***	***(1,2)***	***13,0***	**78,7**

Income Statement 9 months 2019

(EUR million)	Financial Statement	*Adjustment for IFRS 16*	*Adjustment for IFRS 9*	*Reversal of special items*	Financial Statement adjusted
Revenue	761,9	-	-	-	761,9
Other revenue	8,3	-	-	-	8,3
TOTAL REVENUE	**770,2**	**-**	**-**	**-**	**770,2**
Costs for purchase and change in inventories	(217,7)	-	-	-	(217,7)
Costs for services and other operating costs	(130,8)	*(6,4)*	-	*12,3*	(125,0)
Cost of labour	(49,6)	-	-	*2,1*	(47,5)
EBITDA	**372,0**	***(6,4)***	**-**	***14,4***	**380,0**
Amortisation, depreciation and write-downs of fixed assets	(227,9)	*5,0*	-	-	(222,9)
EBIT	**144,1**	***(1,4)***	**-**	***14,4***	**157,1**
Net financial income (expenses)	(121,8)	*2,4*	*2,8*	*68,7*	(47,8)
Net income (loss) from equity investments	(0,2)	-	-	*0,3*	0,1
Profit before taxes	**22,1**	***1,0***	***2,8***	***83,4***	**109,3**
Income taxes	(14,2)	*(0,3)*	*(0,7)*	*(18,1)*	(33,2)
Net result from continued operations	**7,9**	***0,7***	***2,2***	***65,3***	**76,1**
Net result from asset sold	-	-	-	-	-
Profit for the period before minorities	**7,9**	***0,7***	***2,2***	***65,3***	**76,1**
Minority interests	(1,5)	-	-	-	(1,5)
Group's net profit (loss)	**6,4**	***0,7***	***2,2***	***65,3***	**74,6**

Reclassified statement of financial position at 30 September 2020

(EUR million)	Values in Consolidated Financial Statement	Adjustment for IFRS 16	Consolidated Financial Statement adjusted
Intangible of non-current assets	1.067,5	-	1.067,5
Property, plant and equipment	2.252,3	(75,2)	2.177,0
Equity investments and other non current assets	53,2	-	53,2
Non current assets	**3.372,9**	**(75,2)**	**3.297,7**
Inventories	23,1	-	23,1
Trade receivables	165,1	-	165,1
Trade payables	(62,4)	-	(62,4)
Excise duties payables to tax authorities	(3,1)	-	(3,1)
Net working capital	**122,7**	**-**	**122,7**
Provisions for employee benefits	(5,3)	-	(5,3)
Other assets	218,9	1,3	220,2
Other liabilities	(479,1)	-	(479,1)
Net invested capital	**3.230,1**	**(73,9)**	**3.156,2**
Equity attributable to the owners of the parent	1.722,1	1,4	1.723,6
Non controlling interests	11,4	-	11,4
Medium-long term financial indebtedness	2.121,2	(66,5)	2.054,75
Short term net financial indebtedness	(624,6)	(8,9)	(633,47)
Equity and financial debt	**3.230,1**	**(73,9)**	**3.156,2**

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	208,6	1,9	210,6
Other liabilities	(489,5)	-	(489,5)
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 September 2019

(EUR million)	Values in Consolidated Financial Statement	Adjustment for IFRS 16	Consolidated Financial Statement adjusted
Intangible of non-current assets	1.062,0	-	1.062,0
Property, plant and equipment	2.449,6	(74,9)	2.374,8
Equity investments and other non current assets	54,5	-	54,5
Non current assets	**3.566,2**	**(74,9)**	**3.491,3**
Inventories	22,6	-	22,6
Trade receivables	150,1	-	150,1
Trade payables	(63,7)	-	(63,7)
Excise duties payables to tax authorities	(1,9)	-	(1,9)
Net working capital	**107,1**	**-**	**107,1**
Provisions for employee benefits	(5,5)	-	(5,5)
Other assets	334,6	2,9	337,5
Other liabilities	(610,8)	-	(610,8)
Net invested capital	**3.391,6**	**(71,9)**	**3.319,7**
Equity attributable to the owners of the parent	1.730,8	0,7	1.731,5
Non controlling interests	19,0	-	19,0
Medium-long term financial indebtedness	2.141,1	(68,2)	2.072,85
Short term net financial indebtedness	(499,3)	(4,4)	(503,70)
Equity and financial debt	**3.391,6**	**(71,9)**	**3.319,7**