Press release

The Board of Directors of ERG S.p.A. approves
the Interim Financial Report at 30 September 2021

Third quarter 2021

- ***Adjusted consolidated EBITDA[1]: EUR 119 million, EUR 99 million in the third quarter of 2020.***

- ***Adjusted Group net profit (loss): EUR 30 million, EUR 9 million in the third quarter of 2020***

First nine months of 2021

- ***Adjusted consolidated EBITDA: EUR 400 million, EUR 362 million in the first 9 months of 2020.***

- ***Adjusted Group net profit (loss): EUR 130 million, EUR 79 million in the first nine months of 2020.***

- Solid financial performance vs volatile scenario: in an extremely volatile market, characterised by an unprecedented increase in commodities' prices, the Group recorded excellent results, with marked growth in EBITDA (+20%) and in the Group's net profit (loss) (+65%) compared to the same period of 2020.

- Towards a pure "Wind & Solar" business model: at the beginning of August, ERG reached an agreement with Enel for the sale of the hydroelectric asset for EUR 1 billion, whose closing will take place in the very first days of 2022. An important step towards the transformation of ERG into a "Wind & Solar" pure player.

- Growth of the RES portfolio in Europe: in October ERG has reached an agreement, lately perfectioned, for the acquisition of 15 wind farms and solar plants – for a total installed capacity of 152.4 MW and an enterprise value of EUR 202 million – in France and Germany, geographical segments in which the Group is consolidating its presence, strengthening the local structure, and developing important industrial synergies. The related economic and financial effects will be consolidated from 4Q 2021.

- Focus on Repowering and organic development: ERG was awarded 143 MW of new capacity from Repowering in Italy with a 20-year tariff as part of the sixth auction called by GSE (Gestore dei Servizi Elettrici). It also obtained full authorisation for a project from Repowering and a green field in Italy for a total capacity of 100 MW as part of the seventh auction concluded on last 30 October 2021. Construction of wind farms continues in the UK for approximately 250 MW, in Poland for 60 MW, in France for 27 MW and in Sweden for 62 MW, in line with targets.

- Progress on "quasi-regulated" infrastructure model: a five-year PPA was signed in October with Engie for the withdrawal of renewable energy generated by five ERG wind farms located in France.

- Issue of the third green bond: thanks to the success of the recently placed third green bond of EUR 500 million, the first with a maturity of 10 years, ERG is now one of the leading Italian "green" issuers. As of today, ESG financing sources are equal to 86% of the total debt of the Group.

- 2021 guidance: for the third time in a row, forecasts have been revised upwards for EBITDA, which is now in a range between EUR 520 and EUR 550 million (previously 505-525 million), for capital

[1] To enhance the understandability of the business segments' performance, the operating results are shown excluding special items; these results are indicated with the "adjusted" definition.
For the definition of indicators and the reconciliation of the amounts involved, reference is made to that indicated in the "Alternative Performance Indicators" section in this document.

expenditure, which is now between EUR 640 and EUR 690 million (previously 450-500 million), and for net financial indebtedness, which is now between EUR 1,900 and EUR 2,000 million (previously 1550-1650 million).

Genoa, 12 November 2021 – The Board of Directors of ERG S.p.A., which met yesterday, approved the Interim Financial Report at 30 September 2021.

Adjusted consolidated financial results:

3rd Quarter			Performance highlights (million Euro)	9 months		
2021	**2020**	**Var %**		**2021**	**2020**	**Var. %**
119	99	*20%*	**EBITDA**	400	362	*10%*
50	25	*100%*	**EBIT**	196	139	*42%*
30	9	*236%*	**Group net result**	130	79	*65%*

	30/09/2021	31/12/2020	Variation
Net financial debt (million Euro)	1,829	1,439	*389*
Leverage [2]	*53%*	*45%*	

Paolo Merli, Chief Executive Officer of ERG, commented: *"The third quarter was definitely positive. Financial results benefited from major productions of hydroelectric, wind and solar sector, and also from the contribution of an increased installed capacity. More marked growth of the net profit with lower financial charges and depreciation resulting from the Liability Management and Life Time Extension programmes regarding debt and asset portfolio respectively.*
The unprecedented price scenario, linked to gas and CO2, from which we benefited only partially due to hedging, confirms the urgency of the energy transition.
During the period, ERG has accelerated its transformation towards a "Wind & Solar" pure player model thanks to the agreement for the sale of the hydroelectric asset and major investments to consolidate its presence abroad.
The competitive process for the sale of the CCGT plant is also at an advanced stage, which will complete the transformation.
We revise the guidance upwards for EBITDA, capital expenditure and net financial indebtedness between EUR 520-550, 640-690 and 1,900 and EUR 2,000 million respectively".

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

Change in business scope

During the third quarter of 2021, there were no changes in the business scope.

It should be noted that at the end of the first six months of 2021, the Group acquired 100% of the share capital of Omniwatt, a French company that owns a portfolio of five wind and two photovoltaic farms, reflecting in the Interim Financial Report at 30 June 2021 only the equity effects of the consolidation of the new assets.
The third quarter also reflects the full contribution to the income statement of the results of the assets acquired.

Lastly it should be noted that, as described in more detail in the events that occurred during the quarter, on 2 August 2021 ERG completed an agreement with Enel Produzione S.p.A. for the sale of the entire capital of ERG Hydro S.r.l.
The closing of the transaction is expected at the beginning of 2022.
To enhance understandability of the Group's performance, the adjusted results of the ordinary operations commented on in this document include also the results of assets being sold.
For the reconciliation of these amounts, reference is made to the "Alternative Performance Indicators" section.

For the changes occurred after the end of the third quarter 2021 reference should be made to the "Significant events after the end of the period" section.

Third quarter 2021

In the third quarter of 2021, ***adjusted revenue*** totalled EUR 264 million, an increase of EUR 41 million compared to the third quarter of 2020 (EUR 223 million), mainly due to greater hydroelectric output, the increased wind speeds in Italy and the significant increase in energy sale prices associated with the greater unit value of the incentive in Italy (from 99.0 to 109.4 EUR/MWh) and the contribution of the greater installed capacity in France (+80 MW). These effects were partly offset by the end of the first decade of high cogeneration of the CCGT plant.

Adjusted EBITDA[3], net of special items, amounted to EUR 119 million, up by EUR 19 million compared with the EUR 99 million recorded in the third quarter of 2020. The change is a result of the following factors:

- **Wind (EUR +15 million)**: EBITDA of EUR 57 million, a significant increase compared to the same period of 2020 (EUR 42 million) mainly due to the higher result in Italy of EUR 40 million (EUR 28 million in 2020), thanks to the increased output compared to the values of the third quarter of 2020 (384 GWh in 2021 compared to 355 GWh in 2020), the improved market scenario and the higher value of the GRIN incentive. The operating margin abroad, amounting to EUR 16 million, was up compared to the same period of 2020 (EUR 14 million) due to the better market scenario and a scope effect of EUR 2 million deriving from the consolidation of five wind farms in France.

- **Solar (EUR +1 million)**: EBITDA, amounting to EUR 24 million, was essentially in line with the third quarter of 2020 (EUR 23 million), with slightly lower volumes in Italy (72 GWh in the third quarter of 2021 compared to 76 GWh in the third quarter of 2020), largely offset by the increased market prices with respect to the same period of 2020. Scope effect of EUR 1 million (9 GWh) deriving from the consolidation of two photovoltaic farms in France.

- **Hydroelectric (EUR +16 million)**: EBITDA of EUR 34 million (EUR 18 million in the third quarter of 2020), up considerably compared with the same period of the previous year. The result benefits from notably higher output than the third quarter of 2020 (325 GWh in the third quarter of 2021 compared to 225 GWh in the third quarter of 2020), thanks to the high resource availability, in particular when compared to 2020, which was well below the average historical levels.

- **Thermoelectric (EUR -13 million):** thermoelectric EBITDA, amounting to EUR 8 million (EUR 21 million in the third quarter of 2020), was affected both by the end of the high-yield cogeneration period and by a particularly unfavourable scenario due to the significant and sudden increase in gas and CO_2 prices, only in part mitigated by hedging transactions. The results were also affected by the general shutdown of Module 1, at the beginning of September, aimed at revamping it, which will make it possible, among other

[3] The adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 3 million, as well as other special items and the IFRS 5 reclassification.

things, to benefit from white certificates for another 10 years from the restart of the module.

It should be noted that the overall gross operating profit (loss) is impacted by the electricity price hedging policies implemented in line with the Group's risk policies.

Adjusted EBIT amounting to EUR 50 million (EUR 25 million in the third quarter of 2020), after depreciation and amortisation of EUR 69 million, was down compared to the third quarter of 2020 (EUR 74 million), mainly as a result of the review of the useful life of some assets relating to hydroelectric and wind plants.

Adjusted profit attributable to the owners of the parent was EUR 30 million, an increase compared to the third quarter of 2020 (EUR 9 million), in consideration of the aforementioned better operating results and lower financial expense. Net financial expense (EUR 7 million) was significantly lower than the third quarter of 2020 (EUR 13 million) due to the reduction in the cost of gross debt thanks to the full contribution of liability management transactions that took place in the second half of 2020 and the first nine months of 2021.

Profit attributable to owners of the parent was EUR 9 million, an increase compared to the negative EUR 5 million in the third quarter of 2020 due to the same reasons outlined above. The result also includes the effects of the write-down of the wind assets subject to repowering and the costs related to the liability management transactions carried out in the third quarter.

The **adjusted net financial indebtedness** totalled EUR 1,829 million, up (EUR 137 million) compared to 30 June 2021 (EUR 1,692 million). The change reflects mainly the capital expenditure in the period (EUR 56 million) primarily connected with the wind farms in the United Kingdom, Poland, France and Sweden, as well as the developments of Repowering and Reblading projects, the impact on liquidity of daily settlement of the fair value change in commodity future hedging instruments (EUR 168 million), only partly offset by the positive cash flow (EUR 94 million[4]).
It should also be noted that the indebtedness at the end of the period reflects the negative fair value of commodity futures of roughly EUR 277 million (EUR 108 million at 30 June 2021).
Adjusted net financial indebtedness is presented net of the effects deriving from the application of IFRS 16, therefore excluding the discounting of future lease payments of approximately EUR 111 million at 30 September 2021.

First nine months 2021

In the first nine months of 2021, **adjusted revenue** totalled EUR 789 million, a significant increase of EUR 69 million compared to the same period of 2020 (EUR 721 million), mainly due to greater hydroelectric generation and the significant increase in energy sale prices and in the unit value of the incentive in Italy (from 99.0 to 109.4 EUR/MWh). These effects were only partly offset by the reduction in wind generation abroad and the end of the first decade of high cogeneration of the CCGT plant.

Adjusted EBITDA[5], net of special items, amounted to EUR 400 million, up by EUR 38 million compared with the EUR 362 million recorded in the first nine months of 2020. The change is a result of the following factors:

- **Wind (EUR +5 million):** EBITDA of EUR 214 million, up compared to the same period of 2020 (EUR 208 million) as a result of the improved result in Italy of EUR 145 million (EUR 125 in the first nine months of 2020) primarily due to the better market scenario and the higher value of the GRIN incentive. This result was partly offset by the lower margin abroad, amounting to EUR 68 million (EUR 83 million in the first nine months of 2020), which was affected by the poor wind conditions compared to the particularly high values of 2020 (1,242 GWh in 2021 compared to 1,466 GWh in 2020), in a general context of sustained recovery of the market scenario, to which is added a scope effect of EUR 2 million deriving from the consolidation of five wind farms in France.

- **Solar:** EBITDA, equal to EUR 57 million, is substantially in line with the first nine months of 2020 (EUR 57 million) thanks also to the contribution of EUR 1 million deriving from the two new solar farms in France starting

[4] Includes the adjusted EBITDA, the change in working capital and net financial expense.
[5] The adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 7 million, as well as other special items and the IFRS 5 reclassification.

from 30 June 2021.

- **Hydroelectric (EUR +60 million):** EBITDA of EUR 117 million (EUR 58 million in the first nine months of 2020), up considerably compared with the same period of the previous year. The result benefits from notably higher outputs than the first nine months of 2020 (1,323 GWh in the first nine months of 2021 compared to 778 GWh in the same period of 2020), thanks to the high resource availability, particularly when compared to 2020, which was well below the average historical levels.

- **Thermoelectric (EUR -28 million):** thermoelectric EBITDA, amounting to EUR 23 million, was below the EUR 51 million in the first nine months of 2020, mainly as a result of the end of the high yield cogeneration period on both modules of the CCGT plant for approximately EUR 17 million, partly offset by higher margins deriving from dispatching services. The scenario effect, with the reduction in generation margins due mainly to the significant increase in gas and CO2 prices, was only partly mitigated by hedging transactions. The results were also affected by the general shutdown of Module 1 from the beginning of September. The first nine months of 2020 had benefited from insurance reimbursements and adjustments relating to site contracts.

It should be noted that the overall gross operating profit (loss) is impacted by the electricity price hedging policies implemented in line with the Group's risk policies.

Adjusted EBIT amounted to EUR 196 million (EUR 139 million in the first nine months of 2020), after depreciation and amortisation of EUR 204 million, down significantly compared to the same period of 2020 (EUR 224 million), mainly as a result of the review of the useful life of some assets relating to hydroelectric and wind plants.

Adjusted profit attributable to the owners of the parent was EUR 130 million, including approximately EUR 2 million attributable to minority interests, up significantly compared to the first nine months of 2020 (EUR 79 million), in view of the above-mentioned improved operating results and lower financial expense. Net financial expense (EUR 23 million) was lower than the same period of 2020 (EUR 38 million) due to the reduction in the cost of gross debt thanks to the full contribution of liability management transactions that took place during 2020 and in the first half of 2021.

Profit attributable to owners of the parent was EUR 101 million, an increase compared to EUR 67 million in the first nine months of 2020 due to the same reasons outlined above. The result includes also the effects of the write-down of the wind assets subject to repowering and the costs related to the liability management transactions carried out in 2021.

The adjusted **net financial indebtedness** totalled **EUR 1,829 million**, up (EUR 389 million) compared to 31 December 2020 (EUR 1,439 million). The change reflects mainly the impact of the recent acquisitions in France and Sweden (EUR 188 million), the capital expenditure in the period (EUR 179 million) connected mainly with the development of the wind farms in the United Kingdom, Poland, France and Sweden, as well as the developments of Repowering and Reblading projects, the distribution of dividends (EUR 113 million), the payment of taxes (EUR 25 million), the impact on liquidity of daily settlement of the fair value change in commodity future hedging instruments (EUR 254 million), partly offset by the positive cash flow (EUR 354 million[6]) and other positive items (EUR 15 million).
It should also be noted that the indebtedness at the end of the period reflects the negative fair value of commodity futures of roughly EUR 277 million (EUR 108 million at 30 June 2021).
Adjusted net financial indebtedness is presented net of the effects deriving from the application of IFRS 16, therefore excluding the discounting of future lease payments of approximately EUR 111 million at 30 September 2021.

[6] Includes the adjusted EBITDA, the change in working capital and net financial expense.

Capital expenditure

3rd Quarter		EUR million	Nine months	
2021	**2020**		**2021**	**2020**
48	19	Wind	325	90
0	1	Solar	24	2
6	1	Thermoelectric	13	13
1	2	Hydroelectric	4	4
0	0	Corporate	1	1
56	**23**	**Total capital expenditure**	**367**	**110**

During the third quarter of 2021, **investments** in property, plant and equipment and intangible assets were made equal to **EUR 56 million** (EUR 23 million in the third quarter of 2020), of which 86% in the Wind sector (82% in the third quarter of 2020), due to the continuation of the construction of the wind farms in the UK for roughly 250 MW, Poland for 60 MW, France for 27 MW and Sweden for 62 MW, and to the start of Repowering activities on the Partinico-Monreale, Mineo-Militello and Vizzini wind farms for 143 MW of new wind capacity; 11% refers to the Thermoelectric sector (5% in the third quarter of 2020) as a result of capital expenditure to modernise and boost the efficiency of the combined cycle, 2% refers to the Hydroelectric sector (8% in the third quarter of 2020), 0.5% to the Solar sector (3% in the third quarter of 2020) and 1% to the Corporate sector (2% in the third quarter of 2020), mostly for ICT and minor maintenance and development projects.

In the first nine months of 2021, **capital expenditure** totalled **EUR 367 million** (EUR 110 million in the first nine months of 2020), and refer primarily to the acquisition in June of wind farms and solar plants in France (for EUR 147 million), and a project for the construction of a wind farm in Sweden (EUR 41 million). During the period under review, **investments in property, plant and equipment and intangible assets** were made in the amount of approximately EUR 179 million, of which 89% in the Wind sector (70% in the same period of 2020), mainly in relation to the continuation of the construction of the wind farms in the UK for roughly 250 MW, Poland for 60 MW, France for 27 MW and Sweden for 62 MW, and to the start of Repowering activities on the Partinico-Monreale, Mineo-Militello and Vizzini wind farms for 143 MW of new wind capacity; 7% refers to the Thermoelectric sector (20% in the first nine months of 2020) as a result of capital expenditure to modernise and boost the efficiency of the combined cycle, which will guarantee the CAR (High Yield Cogeneration) qualification for Module 1 of the CCGT for an additional ten years, 2% refers to the Hydroelectric sector (6% in the first nine months of 2020), 1% to the Solar sector (3% in the first nine months of 2020) and 1% to the Corporate sector (2% in the first nine months of 2020), mostly for ICT and minor maintenance and development projects.

Wind: (EUR 325 million), of which EUR 48 million in the third quarter refers primarily to the acquisition of wind farms in France (58 MW) and a project for the construction of a wind farm in Sweden and to the development and construction of new wind farms in the UK (EUR 100 million), Poland (EUR 35 million) and France (EUR 5 million), the start of Repowering activities on the Partinico-Monreale, Mineo-Militello and Vizzini plants (EUR 4 million) and the completion of Reblading activities on the Lacedonia-Monteverde plant (EUR 6 million), in addition to the usual maintenance targeted at further boosting plant efficiency.
With regard to the wind farms under construction, the two projects in the UK (in Northern Ireland), Evishagaran for 47 MW and Craiggore for 24 MW, whose COD is expected at the end of 2021, show approximately 90% progress, in line with forecasts, the project in France Valle dell'Aa Ext. for 7 MW shows progress of more than 50% also with COD expected at the end of 2021. For the remaining wind farms under construction in the UK (Scotland), Poland and France, whose CODs are expected in 2022, the construction timelines are confirmed.

Solar: (EUR 24 million) refers mainly to the acquisition of photovoltaic plants in France (22 MW) and contracts aimed at further improving the efficiency of plants.

Hydroelectric: (EUR 4 million) relates mainly to mini hydro plant development contracts, maintenance contracts and planned projects in the fields of seismic improvement of infrastructures, Health, Safety and the Environment.

Thermoelectric: (EUR 13 million) relates mainly to the project to revamp the steam turbine, the electric generator and the steam generation plants of Module 1 of the CCGT plant, geared towards greater plant efficiency, which will make it possible to renew the right to accrual of energy efficiency certificates from the parallel connection of new components, expected by the end of 2021, for a further ten years.
The targeted investment initiatives aimed at preserving the operating efficiency, flexibility and reliability of the

plants continued. Progress was also made on the planned Health, Safety and Environment projects.

Operating data

The ERG Group's electric power sales, made in Italy through the ERG Power Generation S.p.A.'s Energy Management & Sales Operating Unit, refer to the electric power generated by its wind, thermoelectric, hydroelectric and solar plants, as well as purchases on organised markets and through physical bilateral agreements.

During the **third quarter of 2021**, total sales of electricity amounted to 3.1 TWh (3.4 TWh in the third quarter of 2020), versus a total output from the Group plants of approximately 1.6 TWh (1.7 TWh in the same period of 2020), of which roughly 0.3 TWh abroad and 1.2 TWh in Italy. The latter figure corresponds to approximately 1.5% of electric power demand in Italy (1.7% in the first nine months of 2020).

During the **first nine months of 2021**, total sales of electricity amounted to 10.6 TWh (11.0 TWh in the first nine months of 2020), versus a total output from the Group plants of approximately 5.7 TWh (5.7 TWh in the same period of 2020), of which roughly 1.3 TWh abroad and 4.5 TWh in Italy. The latter figure corresponds to approximately 1.9% of electric power demand in Italy (1.9% in the first nine months of 2020).

The breakdown of sale volumes and electricity output, by type of source, is shown in the following table[7]:

3rd quarter					Nine months			
2021	**2020**	**Δ**	**Δ%**	**Electricity Output (GWh)**	**2021**	**2020**	**Δ**	**Δ%**
702	**674**	**27**	**4%**	**Wind power output**	**2.696**	**2.883**	**-186**	**-6%**
384	*355*	*30*	*8%*	*- Italy*	*1.454*	*1.416*	*37*	*3%*
318	*320*	*-2*	*-1%*	*- Overseas*	*1.242*	*1.466*	*-224*	*-15%*
81	**76**	**5**	**7%**	**Solar power output**	**195**	**196**	**0**	**0%**
72	*76*	*-4*	*-5%*	*- Italy*	*186*	*196*	*-9*	*-5%*
9	*0*	*9*	*n.a*	*- Overseas*	*9*	*0*	*9*	*n.a*
325	**225**	**100**	**44%**	**Hydroelectric power output**	**1.323**	**778**	**545**	**70%**
459	**694**	**-235**	**-34%**	**Thermoelectric power output**	**1.509**	**1.824**	**-315**	**-17%**
1.567	**1.669**	**-102**	**-6%**	**ERG plants total output**	**5.724**	**5.681**	**43**	**1%**

Wholesale sales of energy include sales on the IPEX electricity stock exchange, both on the "day before market" (MGP) and on the "intraday market" (MI), as well as the "dispatching services market" (MSD), in addition to sales to the main operators of the sector on the "over the counter" (OTC) platform. The latter are carried out by the Energy Management & Sales Operating Unit, with a view to developing the forward contracting activities and also hedging output, in line with Group risk policies, also through the use of the Power Purchase Agreements (PPAs).

As regards output, in the **third quarter of 2021** the following is noted in particular:

Wind: the electricity output from wind power amounted to 702 GWh, up 4% compared to the corresponding period of 2020 (674 GWh), due to more favourable wind conditions in Italy (+8%) compared to the low wind speeds in the same period of 2020, with volumes Abroad largely in line.
The increase in output in Italy (+30 GWh) is related to better wind conditions than those recorded in 2020 in all regions with the exception of Molise (-15%), with Puglia and Campania recording notably better volumes.
With regard to abroad, the output of 318 GWh was substantially in line with the same period of the previous year, with lower output linked to the worse wind conditions, substantially offset by the scope effect relating to the consolidation of five wind farms in France starting from 30 June 2021 (+25 GWh).

Solar: output amounted to approximately 81 GWh, up compared to the third quarter of 2020, mainly due to new wind farms in France for 22 MW. The average load factor was 22%, down slightly compared to 2020.

Hydroelectric: the total output of ERG Hydro in the **third quarter of 2021**, equal to 325 GWh, benefited from a

[7] Electric power sources refer to the output of the Group's plants and to the purchases made on wholesale markets; uses include sales made through physical bilateral agreements and on the spot and forward markets.

net unit revenue, considering the energy sale value on the markets and incentives in the period and other minor components, amounting to approximately 135 EUR/MWh, up compared to 120 EUR/MWh in the same period of 2020.
The average sale prices reflect both the electricity sales price net of hedges and the feed-in premium (former green certificate), recognised on a portion of approximately 40% of output with a higher unit value than that of 2020 of 99.0 EUR/MWh and equal to approximately 109.4 EUR/MWh.

Thermoelectric: ERG Power's net electric power generation was 459 GWh, down on the same period of 2020 (694 GWh) due to a market environment with generation margins strongly affected by the significant increase in the price of gas and CO2, partially offset by the clean spark spread hedging policies implemented in line with the Group's risk policies.
The net supply of steam to captive customers of the Priolo Gargallo petrochemical site totalled 230 thousand tonnes, up with respect to 209 thousand tonnes in the same period of 2020.

First nine months of 2021

Wind: the electricity output from wind power amounted to 2,696 GWh, down 6% compared to the corresponding period of 2020 (2,883 GWh), due to less favourable wind conditions abroad (-15%) compared to the particularly high wind levels in the same period of 2020, only partly offset by the increased volumes in Italy (+3%).
The increase in output in Italy (+37 GWh) is related to better wind conditions than those recorded in 2020, with Sicily recording notably better volumes (+16%), partly offset by the reductions in Calabria (-9%).
The reduction of 224 GWh in output abroad due to the low wind speeds recorded with respect to the same period of 2020 is attributable to all countries and is more pronounced in France (-91 GWh), despite the consolidation of five wind farms as of 30 June 2021 (+25 GWh), Germany (-65 GWh) and Poland (-37 GWh).

Solar: output amounted to approximately 195 GWh, in line with the first nine months of 2020, and the related load factor was 20%, essentially in line with 2020. The load factor is estimated by taking account of the actual entry into operation of the plants in the individual periods.

Hydroelectric: ERG Hydro's output, equal to 1,323 GWh, benefited from a net unit revenue, considering the energy sale value on the markets and incentives in the period and other minor components, amounting to approximately 112 EUR/MWh, up slightly compared to 111 EUR/MWh in the same period of 2020.
The average sale prices reflect both the electricity sales price net of hedges and the feed-in premium (former green certificate), recognised on a portion of approximately 40% of output with a higher unit value than that of 2020 of 99.0 EUR/MWh and equal to approximately 109.4 EUR/MWh.

Thermoelectric: ERG Power's net electricity power generation was 1,509 GWh, down on the same period of 2020 (1,824 GWh) due to a market environment with generation margins strongly affected by the significant increase in the price of gas and CO2, partially offset by the clean spark spread hedging policies implemented in line with the Group's risk policies and the greater use of the dispatching services market.
The net supply of steam to captive customers of the Priolo Gargallo petrochemical site totalled 751 thousand tonnes, down with respect to 809 thousand tonnes in the same period of 2020.

Significant events during the quarter

On 21 July 2021, ERG, through its subsidiaries Evishagaran Wind Farm Limited and Craiggore Energy Limited, signed a long-term agreement with ElectroRoute Energy Supply LtD, a leading company in trade and energy services, for two Power Purchase Agreements (PPAs) for the supply of renewable energy produced by the onshore wind farms of Evishagaran and Craiggore in Northern Ireland.
The two plants, with a total installed capacity of 70 MW and an estimated annual output of more than 250 GWh, currently at an advanced phase of construction, will enter operation by the end of 2021. Energy will be supplied in "pay as produced" mode, with remuneration at a fixed price on all energy produced. ElectroRoute will also guarantee the "Route to Market" service to allow the injection of energy to the country's electricity grid.
(Press release of 21 July 2021).

On **2 August 2021**, ERG, through its subsidiary ERG Power Generation S.p.A., completed an agreement with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l. The consideration in terms of enterprise value, calculated at 31 December 2021, amounts to EUR 1.0 billion.
The portfolio of assets owned by ERG Hydro S.r.l. consists of an integrated system for the generation of

hydroelectric energy that extends across Umbria, Lazio and Marche. It consists of 19 hydroelectric plants, 7 mini-hydro plants, 7 dams, 4 water basins (corresponding to Salto, Turano, Corbara and Piediluco) and a pumping station,
with a capacity of 527 MW. Average annual generation is around 1.5 TWh. The operation of the hydroelectric complex is ensured by 114 people, included within the scope, including technicians highly specialised in the operational management of the plants, energy management specialists and dedicated staff. Thanks to a successful collaboration with the trade unions and the serious willingness of the buyer, the company has reached an innovative agreement for the electricity sector that guarantees important protections for the ERG employees who are part of the company being sold.
The closing of the deal is expected at the beginning of 2022.
(Press release of 02/08/2021).

On **5 August 2021**, ISS ESG upgraded ERG to A- rating (formerly B+), placing the Group in first place in the world ranking in the “Electric Utilities” sector, which includes 125 international companies. ISS assigns the best score to the ERG Group, based on its excellent performance in the environmental, social and governance areas. The Science Based Target initiative (SBTi) approved and certified the emission reduction targets reflected in the 2021-2025 Business Plan.
(Press release of 05/08/2021).

On **5 August 2021** and **8 September 2021**, ERG S.p.A. completed the placement of a third bond of EUR 500,000,000 with a maturity of 10 years at a fixed rate, issued as part of the EUR 3 billion Euro Medium Term Notes (EMTN) Programme.
The issue was in the form of a Green Bond, with approximately 40% intended to be used to refinance wind and solar projects that have recently entered the ERG Group's portfolio and the remaining ca. 60% to finance new wind and solar projects in other European countries in which ERG operates.
The issue was very successful, being over six times oversubscribed, receiving applications from top standing investors and representatives from many different geographical areas, with significant participation of green and sustainable investors.
The notes, which have a minimum unit value of EUR 100,000, pay an annual gross coupon at a fixed rate of 0.875% and were placed at an issuing price of 99.752% of their nominal amount.
(Press releases of 05/08/2021 and 08/09/2021).

On **6 August 2021**, through its investee Erg Power Generation S.p.A., ERG concluded an agreement with ISAB (Lukoil Group) for the amendment and extension to 2032 of the current contract for the supply of the entire energy requirements of the ISAB refinery in Priolo Gargallo, for which the term had been envisaged at 31 March 2025. ERG’s CCGT plant will supply approximately 150 GWh of electricity and approximately one million tonnes of steam to ISAB, the main consumer of the Priolo site, on an annual basis.
(Press release of 06/08/2021).

On **28 September 2021**, ERG was awarded a tariff for 20 years on 143 MW of new wind capacity as part of the sixth auction called by GSE (Gestore dei Servizi Elettrici). This refers, specifically, to three repowering projects, Partinico-Monreale, Mineo-Militello and Vizzini, all located in Sicily, for which ERG obtained the Single Authorisations on 14 April 2021. ERG’s projects were awarded at a minimum discount of 2%.
The entry into operation of the new wind farms, the construction of which is in the start-up phase and the generation of which is estimated to be approximately 330 GWh per year, equal to approximately 166 kt of CO_2 emissions avoided each year, is expected between the end of 2022 and the third quarter of 2023.
The total capital expenditure in the three projects amounts to approximately EUR 150 million.
(Press release of 28/09/2021).

Significant events after the reporting date

On **1 October 2021** and **28 October 2021**, ERG, through its subsidiary ERG Eolienne France SAS and ERG Windpark Beteiligungs GmbH, signed with NAEV Austria Beteiligungs GmbH and NAEV Austria GmbH & Co. OG two agreements for the acquisition of the entire share capital of 15 companies owning a 152.4 MW renewable portfolio in operation in France and Germany. The plant portfolio consists of seven photovoltaic installations and three wind farms in France, for a total installed capacity of 56.7 MW and 40.6 MW, respectively, and five wind farms in Germany, for a total of 55.1 MW.
(Press releases of 01/10/2021 and 28/10/2021).

On **1 October 2021**, through its subsidiaries in France, ERG signed an agreement with ENGIE SA, world leader

in energy and services, for a five-year Power Purchase Agreement (PPA) for the withdrawal of renewable energy produced by five ERG wind farms located in France.
The five plants, which have a total installed capacity of 55 MW and an annual energy output of over 100 GWh, will exit the FIT (Feed-in Tariff) incentive scheme at the end of 2021.
Energy will be supplied in "pay as produced" mode, with remuneration at a fixed price on all energy produced.
(Press release of 01/10/2021)

On **14 October 2021**, ERG and the Italian Institute of Technology (Istituto Italiano di Tecnologia, IIT) signed a multi-year collaboration agreement aimed at accelerating the digitalisation process in the renewable energy sector.
(Press release of 14/10/2021)

On **19 October 2021**, ERG entered the new MIB ESG Index of Borsa Italiana, the first ESG index dedicated to the 40 leading listed Italian issuers that stand out for their best practices in sustainability.
(Press release of 19/10/2021)

Business outlook

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

Wind

EBITDA for Italy is expected to grow compared to 2020, as a result of greater volumes and higher expected sales prices. By contrast, the result abroad is forecast to be in line with that of 2020, due to less favourable wind conditions registered in the first nine months with respect to the particularly high wind speeds of 2020. These effects will be partially offset by the consolidation, starting from the second half-year, of the wind farms acquired in France (58 MW) and by the scope deriving from the new acquisition of three wind farms in France (41 MW) and five wind farms in Germany (55 MW), which will be consolidated in the fourth quarter, in addition to the greater contribution expected from the wind farms in Eastern Europe and Germany due to the better scenario and the entry into operation at the end of the period of the first wind farms currently under construction in the United Kingdom.

The total EBITDA is expected to be significantly higher than the previous year.

Solar

In 2021, ERG implements its international development strategy with the acquisition of two solar plants in France for a total of 22 MW, whose economic effects will be consolidated starting from 1 July of the current year, and the acquisition of seven additional photovoltaic plants in France for a total of 57 MW, which will be consolidated in the fourth quarter. The Italian plants will continue to benefit from some synergies deriving from the optimisation of the Energy Management portfolio, and from the in-sourcing of some activities previously carried out by third parties, capitalising its own industrial skills in the operational consolidation of the managed assets.

The EBITDA for the entire year 2021 is forecast to increase slightly over 2020.

Hydroelectric

Estimated volumes are expected to be higher than the historical average, in particular with respect to the low volumes in 2020, thanks to the high availability of water and the use of reservoirs. The result will also benefit from very high sales prices as well as a higher incentive value.

Therefore, EBITDA is expected to increase sharply compared to the values recorded in 2020.

Thermoelectric

The 2021 result will be impacted by the loss of revenue from white certificates owing to the end of the first CAR (High Yield Cogeneration) period, decreased generation margins with higher gas and CO_2 prices, only partially offset by electricity prices, as well as the extraordinary shutdown of the plant, targeted at the upgrading of the steam system, which will enable the company to benefit from the production of energy efficiency certificates from 2022. These effects will be only partially offset by the higher revenue from the performance on the dispatching services markets.

EBITDA is expected to contract relative to 2020.

In light of the above affects, the guidance of the consolidated EBITDA for 2021 was revised upwards in the range

of EUR 520-550 million compared to the previous figure of EUR 505-525 million (EUR 481 million in 2020); these estimates were made in an extraordinary context of electricity price volatility.
Capital expenditure for 2021 was revised upwards in the range of between EUR 640 million and EUR 690 million compared to the previous indication of between EUR 450 million and EUR 500 million (EUR 156 million in 2020), mainly as a result of the recent acquisition of wind and solar plants of 152 MW already put in operation in France and Germany.
Net financial indebtedness at the end of 2021, reflecting the above-mentioned changes in EBITDA and capital expenditure, is expected to be in the range of between EUR 1.90 billion and EUR 2.00 billion, marking an increase compared to the previous range of between EUR 1.55 billion and EUR 1.65 billion (EUR 1.44 billion in 2020). It should also be noted that the indebtedness at the end of the period reflects the increase in negative fair value of commodity futures linked to the hedging of the price scenario, in line with the Group's risk policies.

Additional information

With reference to the estimates and forecasts, it should be noted that the actual results may differ significantly from those presented due to a number of factors, including: future price trends, the operating performances of plants, wind conditions, water availability, irradiation, the impact of energy industry and environmental regulations, the impact of the COVID-19 pandemic and other changes in business conditions and competitors' actions.

The format of the Financial Statements corresponds with that of the statements indicated in the Interim Financial Report. Specific explanatory notes illustrate the adjusted result measurements.

The Manager responsible for preparing the Company's financial reports, Michele Pedemonte, declares, pursuant to paragraph 2, Article 154-bis of the Consolidated Finance Act, that the accounting information this press release contains matches the documentary records, books and accounting entries.

The results of the third quarter and the first nine months of 2021 will be explained to analysts and investors today at 2:30 pm (CET) during a conference call with relevant webcasting that can be followed by connecting to the Company's website (www.erg.eu); their presentation will be made available on the same website in the "Investor Relations/Presentations" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued on 12 November 2021, is available to the public on the Company's website (www.erg.eu) in the "Media/Press Releases" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com). The Interim Financial Report at 30 September 2021 is available to the public at the offices of the Company in Genoa, via De Marini 1, on the Company's website (www.erg.eu) in the "Investor Relations/Financial Statements and Reports" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com).

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Financial Statements and Alternative Performance Indicators

Alternative Performance Indicators (APIs) and adjusted results

Some of the APIs used in this document are different from the financial indicators expressly provided for by the 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 also shown with the exclusion of significant special income components of an exceptional nature (special items): these results are indicated with the term "**Adjusted results**".*
*The results, which include significant special income statement components of an exceptional nature (special items) are also defined as "**Reported results**".A definition of the indicators and the reconciliation of the amounts involved are provided in the "Alternative Performance Indicators" section.*

Performance highlights

3rd quarter		(EUR million)		9 months	
2021	**2020**	**Key economic data**		**2021**	**2020**
264	223	Revenues Adjusted [1]		789	721
119	**99**	**EBITDA adjusted [1]**		**400**	**362**
50	**25**	**EBIT adjusted [1]**		**196**	**139**
10	(5)	Net Profit		103	69
9	(5)	of which profit attributable to owners of the parent		101	67
30	**9**	**Adjusted Net profit attributable to owners of the parent [1]**		**130**	**79**
		Key financial data			
3,424	**3,156**	**Net adjusted invested capital [2]**		**3,424**	**3,156**
1,595	1,735	Shareholders' Equity Adjusted		1,595	1,735
1,829	1,421	Total net financial indebtedness [2]		1,829	1,421
269	643	of which non-recourse Project Financing [3]		269	643
53%	45%	Financial leverage adjusted		53%	45%
45%	**45%**	**EBITDA Margin %**		**51%**	**50%**
		Operating data			
2,025	**1,967**	**Installed capacity of wind farms at the end of the period**	*MW*	**2,025**	**1,967**
702	674	Electric power generation from wind farms	*KWh million*	2,696	2,883
480	**480**	**Installed capacity of thermoelectric plants**	*MW*	**480**	**480**
459	694	Electric power generation from thermoelectric plants	*KWh million*	1,509	1,824
527	**527**	**Installed capacity of hydroelectric plants at the end of the period**	*MW*	**527**	**527**
325	225	Electric power generation from hydroelectric plants	*KWh million*	1,323	778
163	**141**	**Installed capacity of solar plants at the end of the period**	*MW*	**163**	**141**
81	76	Electric power generation from solar plants	*KWh million*	195	196
3,103	**3,427**	**Total sales of electric power**	*KWh million*	**10,606**	**11,034**
56	23	Capital expenditure [4]	*EUR million*	367	110
807	**773**	**Employees at period end**	*Units*	**807**	**773**
		Net unit revenues [5]			
140	122	Wind Italy	*Euro/MWh*	128	120
118	95	Wind Germany	*Euro/MWh*	102	97
89	88	Wind France	*Euro/MWh*	89	89
94	89	Wind Poland	*Euro/MWh*	86	76
121	66	Wind Bulgaria	*Euro/MWh*	88	62
121	58	Wind Romania	*Euro/MWh*	91	54
n.a.	n.a.	Wind UK	*Euro/MWh*	n.a.	n.a.
346	321	Solar Italy	*Euro/MWh*	334	315
82	n.a.	Solar France	*Euro/MWh*	82	n.a.
135	120	Hydroelectric	*Euro/MWh*	112	111
35	40	Thermoelectric [6]	*Euro/MWh*	31	34

(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 111 million from net financial indebtedness and approximately EUR 109 million from net invested capital.
(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 188 million made in the first nine months of 2021 for the acquisition of companies owning wind and solar farms in France (EUR 147 million) and a project for the construction of a wind farm in Sweden (EUR 41 million). In the first nine months of 2020 investments through Merger & Acquisition transactions amounted EUR 44 million for the acquisition of wind farms in France (EUR 42 million) and a project for the construction of a wind farm in Poland (EUR 2 million).
(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 with generation/sale including, for example, the cost of fuel and imbalance costs.
(6) With regard to thermoelectric, the contribution margin is meant net of the associated variable costs (CO_2, gas).

Performance by sector

3rd quarter 2021	2020	Δ	(EUR million)	9 months 2021	2020	Δ
			Adjusted revenues			
94	71	*23*	Wind power	309	296	*13*
26	24	*1*	Solar	64	62	*1*
43	27	*16*	Hydroelectric power	147	86	*62*
101	100	*0*	Thermoelectric power [1]	269	277	*(8)*
9	9	*0*	Corporate	27	26	*2*
(9)	*(9)*	*(0)*	*Intra-segment revenues*	*(27)*	*(26)*	*(2)*
264	**223**	***41***	**Total adjusted revenues**	**789**	**721**	***69***
			Adjusted EBITDA			
57	42	*15*	Wind power	214	208	*5*
24	23	*1*	Solar	57	57	*(0)*
34	18	*16*	Hydroelectric power	117	58	*60*
8	21	*(13)*	Thermoelectric power [1]	23	51	*(28)*
(3)	(4)	*1*	Corporate	(11)	(12)	*1*
119	**99**	***19***	**Adjusted EBITDA**	**400**	**362**	***38***
			Amortisation, depreciation and write-downs			
(40)	(42)	*2*	Wind power	(116)	(125)	*10*
(10)	(10)	*0*	Solar	(31)	(31)	*0*
(11)	(14)	*3*	Hydroelectric power	(33)	(43)	*10*
(8)	(7)	*(0)*	Thermoelectric power	(22)	(22)	*(0)*
(1)	(1)	*(0)*	Corporate	(2)	(2)	*(0)*
(69)	**(74)**	***5***	**Amortisation and depreciation adjusted**	**(204)**	**(224)**	***20***
			Adjusted EBIT			
17	0	*17*	Wind power	98	83	*15*
13	13	*1*	Solar	27	26	*0*
23	3	*20*	Hydroelectric power	85	15	*70*
(0)	13	*(13)*	Thermoelectric power [1]	0	29	*(28)*
(4)	(4)	*1*	Corporate	(13)	(14)	*1*
50	**25**	***25***	**Adjusted EBIT**	**196**	**139**	***58***
			Investments [2]			
48	19	*28*	Wind power	325	90	*235*
0	1	*(1)*	Solar	24	2	*22*
1	2	*(0)*	Hydroelectric power	4	4	*0*
6	1	*5*	Thermoelectric power	13	13	*(0)*
0	0	*0*	Corporate	1	1	*(0)*
56	**23**	***32***	**Total investments**	**367**	**110**	***257***

[1] Includes the residual contribution from minor portfolios managed by Energy Management not attributable to individual business units. With regard to revenues, the share for the resale of electricity purchased from the market was approximately EUR 70 million (EUR 35 million in 2020).
[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 operating performance, as already stated in the Introduction, this section contains the adjusted operating results, presented to exclude the impacts relating to the adoption of IFRS 9 and of special items, and with the reclassification for IFRS 16. The adjusted operating results also include in ordinary operations the results of the hydroelectric assets being sold, including among other things the full contribution of amortisation and depreciation for the first nine months of 2021.
Lastly, this document reflects the economic impacts of the consolidation as from 1 July 2021 of the French wind companies acquired in June 2021.
For the definition of indicators, the composition of the financial statements and the reconciliation of the amounts involved, reference is made to that indicated in the Alternative Performance Indicators section below.

3rd quarter			*(EUR million)*	9 months		
2021	**2020**	**Δ**	**Adjusted Income Statement**	**2021**	**2020**	**Δ**
264	223	41	Revenue	789	721	*69*
3	1	1	Other revenue	6	12	*(6)*
266	**224**	42	**TOTAL REVENUE**	**795**	**733**	***63***
(89)	(71)	(18)	Costs for purchase and changes in inventory	(223)	(202)	*(21)*
(43)	(39)	(4)	Costs for services and other operating costs	(123)	(121)	*(2)*
(16)	(15)	(1)	Personnel Expense	(50)	(48)	*(2)*
119	**99**	19	**EBITDA**	**400**	**362**	***38***
(69)	(74)	5	Amortisation, depreciation and write-downs of fixed assets	(204)	(224)	*20*
50	**25**	25	**EBIT**	**196**	**139**	***58***
(7)	(13)	5	Net financial income (expenses)	(23)	(38)	*15*
0	0	(0)	Net income (loss) from equity investments	0	0	*(0)*
42	**12**	30	**Profit before taxes**	**173**	**101**	***73***
(11)	(3)	(8)	Income taxes	(42)	(20)	*(22)*
31	**10**	21	**Profit for the period**	**131**	**81**	***51***
(1)	(1)	(0)	Minority interests	(2)	(2)	*0*
30	**9**	21	**Group's net profit (loss)**	**130**	**79**	***51***

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 it does not include at 30 September 2021:

- the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 111 million with a balancing entry in net invested capital amounting to approximately EUR 109 million
- the impact related to the application of IFRS 5 on the hydroelectric scope.

30/09/2021	**Adjusted Statement of Financial Position**	**30/09/2021**	**30/06/2021**	**31/12/2020**
	(EUR million)			
3,298	Non current assets	3,404	3,437	3,262
123	Net working capital	126	101	152
(5)	Provisions for employee benefits	(5)	(5)	(5)
220	Other assets	446	333	213
(479)	Other liabilities	(547)	(466)	(412)
3,156	**Net invested capital**	**3,424**	**3,400**	**3,209**
1,724	Group Shareholders' Equity	1,585	1,699	1,760
11	Non-controlling interests	10	9	10
1,421	Net financial indebtedness	1,829	1,692	1,439
3,156	**Equity and financial debt**	**3,424**	**3,400**	**3,209**
45%	**Financial Leverage**	53%	50%	45%

Cash Flow

3rd quarter 2021	3rd quarter 2020	*(EUR million)* Cash Flow	9 months 2021	9 months 2020
119	99	Adjusted EBITDA	400	362
(17)	26	Change in net working capital	(23)	(22)
102	**125**	**Cash Flow from operations**	**377**	**340**
(56)	(23)	Investments in property, plant and equipment and intangible assets	(179)	(66)
-	-	Company acquisitions (business combinations)	(188)	(44)
(0)	-	Capital expenditure in financial non-current assets	(0)	(0)
(4)	(1)	Divestments and other changes	3	0
(60)	**(25)**	**Cash Flow from investments/divestments**	**(364)**	**(110)**
(7)	(13)	Financial income (expense)	(23)	(38)
(11)	(11)	Closure of loans	(13)	(11)
0	0	Net gains (losses) on equity investment	0	0
(19)	**(23)**	**Cash Flow from financial management**	**(36)**	**(49)**
-	**-**	**Cash Flow from tax management**	**(25)**	**(14)**
-	-	Distribution of dividends	(113)	(114)
(161)	4	Other changes in equity	(229)	1
(161)	**4**	**Cash Flow from Shareholders'equity**	**(342)**	**(113)**
-	**-**	**Change in the consolidation scope**	**-**	**-**
1,692	**1,503**	**Opening net financial indebtedness**	**1,439**	**1,476**
137	*(82)*	*Change in the period*	*389*	*(55)*
1,829	**1,421**	**Closing net financial indebtedness**	**1,829**	**1,421**

ALTERNATIVE PERFORMANCE INDICATORS

Definitions

On 3 December 2015 CONSOB issued Communication no. 92543/15, which transposes the Guidelines regarding the use and presentation of Alternative Performance Indicators (APIs) in the context of regulated financial information, issued on 5 October 2015 by the European Securities and Markets Authority (ESMA). The Guidelines, which updated the CESR Recommendation on Alternative Performance Indicators (CESR/05 – 178b), aim to promote the usefulness and transparency of alternative performance indicators so as to improve their comparability, reliability and comprehensibility.
Some of the APIs used in this document are different from the financial indicators expressly provided for by the IAS/IFRS adopted by the Group.
These alternative indicators are used by the Group in order to facilitate the communication of information on its business performance as well as its net financial indebtedness.
Finally, in order to facilitate an understanding of the business segments' performance, the operating results are shown with the exclusion of significant special income components of an extraordinary nature (special items): these results are indicated with the term "Adjusted results".
Since the composition of these indicators is not regulated by the applicable standards, the method used by the Group to determine these indicators may not be consistent with the method used by other operators and so these might not be fully comparable.

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

- **Adjusted revenue**[8] 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**[7] 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**[7] 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**[7] 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**[7] 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**[7] 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.

[8] Adjusted results also do not include effects of the application of IFRS 5 on hydroelectric assets held for sale

- **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 nine months of 2021, no items related to the COVID-19 emergency were recorded; note that, in 2020, the charitable donation of EUR 2 million approved by the Group was isolated as a special item.

IFRS 16
The Group, as lessee, has recognised new liabilities for leases and higher right-of-use assets related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory.
The application of the standard has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as amortisation of the right-of-use assets and as financial expense correlated to the liability linked to the discounting of future lease payments.
Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially when the relative lease payments were made.
The application of IFRS 16 in the first nine months of 2021 has therefore led to:

- an improvement in gross operating margin (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 7 million;
- an increase (approximately EUR 111 million) in the net financial indebtedness and the net invested capital (approximately EUR 109 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation expense (EUR 5 million) and greater financial expense (EUR 3 million) linked to the application of the above-mentioned method.

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

ERG Hydro Asset Rotation
In the first half of 2021, the ERG Group implemented an evaluation process relating to the opportunity for a potential asset rotation of the hydroelectric plants to aid in further accelerating the growth and development of its business model.
Following the close of the first half of 2021, the bids were received in early July 2021 from the interested operators.
The Group, having read the market assessments, therefore decided, starting from 20 July, to launch a program for the potential disposal of the hydroelectric plants, entrusting its management with the start of negotiations and the related analyses for the potential disposal of the aforementioned assets.

On 2 August 2021, ERG concluded this programme by signing an agreement with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l. The consideration in terms of enterprise value, calculated at 31 December 2021, amounts to EUR 1.0 billion.
The operation scope involves the assets portfolio owned by ERG Hydro S.r.l., which consists of an integrated system for the generation of hydroelectric energy that extends across Umbria, Lazio and Marche. It consists of 19 hydroelectric plants, 7 mini-hydro plants, 7 dams, 4 water basins (corresponding to Salto, Turano, Corbara and Piediluco) and a pumping station, for an effective capacity of 527 MW. The operation of the hydroelectric complex is ensured by 114 people, included within the scope, including technicians highly specialised in the operational management of the plants, energy management specialists and dedicated staff.
The closing of the transaction is expected at the beginning of 2022.

In consideration of the above, for the purposes of the application of the IFRS 5 provisions, the Net Assets and the results relating to the hydroelectric scope described above were recorded under assets/liabilities held for sale in the reported financial statements at 30 September 2021.

For clearer disclosure, the results of the ordinary operations of the assets being sold are shown and commented on in the adjusted values of this document.
Furthermore, it should be noted that in application of IFRS 5, the depreciation of hydroelectric assets was calculated up to the IFRS 5 classification date (beginning of July 2021); for the purposes of the adjusted results, the full contribution of depreciation in the first nine months of 2021 was instead taken into consideration.
Lastly, it should be noted that the IFRS 5 disclosure indicated herein is to be considered indicative and not exhaustive.
The Management reserves the right to apply this Standard in full in the Annual Financial Report of the 2021 Financial Statements.

ERG Power Asset Rotation

In the first half of 2021, the ERG Group implemented an evaluation process relating to the opportunity for a potential asset rotation of the thermoelectric plants to aid in further accelerating the growth and development of its business model.

Following the close of the first half of 2021, the bids were received in early July 2021 from the interested operators.

The Group, having read the market valuations, continued the valuation process that, at 30 September 2021 (Reporting Date of this document), was still being finalised.

In consideration of the above, in this document, the Net Assets under Assets held for sale were not recorded in the reported financial statements as the conditions set forth in paragraph 12 of IFRS 5 were not met.

Reconciliation with adjusted operating results

3rd quarter		EBITDA		9 months	
2021	**2020**	*(Euro million)*	**Note**	**2021**	**2020**
85.3	**84.0**	**EBITDA from continuing operations**		**282.5**	**308.7**
33.8	*17.6*	*Contribution of Assets Held for Sale*		*117.4*	*57.9*
119.1	**101.7**	**EBITDA**		**399.9**	**366.5**
		Special items exclusion			
		Corporate			
2.2	*0.4*	*- Reversal of ancillary charges on non-recurring operations*	1	*4.9*	*1.8*
(0.3)	*(0.3)*	*- IFRS 16 reclassification*	2	*(0.8)*	*(0.8)*
-	-	*- Reversal of COVID-19 donation*	3	-	*2.0*
-	-	*- Reversal CEO termination indemnity*	4	*2.8*	-
		Thermoelectric			
(0.2)	*(0.3)*	*- IFRS 16 reclassification*	2	*(0.8)*	*(0.9)*
		Hydroelectric			
(0.0)	*(0.0)*	*- IFRS 16 reclassification*	2	*(0.1)*	*(0.1)*
		Solar			
(0.1)	*(0.2)*	*- IFRS 16 reclassification*	2	*(0.3)*	*(0.4)*
		Wind			
(2.0)	*(2.0)*	*- IFRS 16 reclassification*	2	*(5.4)*	*(5.8)*
118.6	**99.3**	**Adjusted EBITDA**		**400.1**	**362.3**

3rd quarter		Amortisation, depreciation and impairment losses		9 months	
2021	**2020**	*(Euro million)*		**2021**	**2020**
(82.3)	**(61.8)**	**Amortisation and depreciation expense for continuing operations**		**(198.0)**	**(185.8)**
(11.0)	*(14.4)*	*Contribution of Assets Held for Sale*		*(32.8)*	*(43.2)*
(93.2)	**(76.2)**	**Amortisation and depreciation and impairment losses**		**(230.8)**	**(229.0)**
		Special items exclusion			
1.6	*1.8*	*- IFRS 16 reclassification*	2	*4.5*	*5.2*
22.7	-	*- Reversal write-down of plants in Germany*	5	*22.7*	-
(68.9)	**(74.4)**	**Adjusted depreciation and amortisation**		**(203.6)**	**(223.8)**

3rd quarter		Profit attributable to owners of the parent		9 months	
2021	**2020**	*(Euro million)*		**2021**	**2020**
8.7	**(5.5)**	**Profit attributable to owners of the parent**		**101.0**	**66.9**
		Special items exclusion			
(7.8)	-	*Exclusion of IFRS 5 impact on D&A ERG Hydro*	6	*(7.8)*	-
(0.0)	*(0.0)*	*IFRS 16 reclassification*	2	*(0.0)*	*(0.0)*
-	-	*Exclusion of the impact of the COVID-19 donation*	3	-	*1.5*
10.1	*13.6*	*Exclusion of ancillary charges on loan prepayments*	7	*11.3*	*13.6*
2.1	*0.4*	*Exclusion of ancillary charges on non-recurring transactions*	1	*4.8*	*1.8*
-	-	*Exclusion CEO termination indemnity*	4	*2.1*	-
-	-	*Exclusion of IRAP 2019 balance - Decreto Rilancio*	8	-	*(0.6)*
-	-	*Exclusion of deferred taxes on goodwill exemption Solar and alignment Hydro plants*	9	-	*(3.1)*
0.1	*(0.2)*	*Exclusion of expenses related to disposed Businesses*	10	*0.1*	*(0.2)*
16.4	-	*Exclusion of write-down Repowering Italy*	5	*16.4*	-
0.6	*0.7*	*Exclusion impact gains/losses on IFRS 9*	11	*1.8*	*(1.2)*
30.2	**9.0**	**Adjusted profit attributable to the owners of the parent**		**129.7**	**78.7**

1. Accessory charges relating to other non-recurring transactions and the acquisitions in 2021 relating to operational wind farms and solar installations in France, the acquisition of a project for the development of a wind farm in Sweden, as well as the unsuccessful acquisitions.

2. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.

3. Donation approved in the first half of 2020.

4. Termination indemnity related to the end of office and succession of the Chief Executive Officer, which took place on 26 April 2021.

5. Reversal of the write-down of the net residual value of the property, plant and equipment and intangible assets of wind farms in the Italian portfolio, following the authorisation of three Repowering projects obtained during the year.

6. Exclusion of the amortisation adjustment of ERG Hydro, in application of IFRS 5 following the classification as Assets held for sale.

7. Financial expense related to the early closure of Corporate loans and project financing as part of Liability Management transactions.

8. Reversal of the IRAP benefit deriving from the Italian “Rilancio” Decree, which introduced the cancellation of the payment of the IRAP balance for the 2019 tax period.

9. Exclusion of the positive effect related to the release of deferred taxation on the revaluation of hydroelectric plants and the substitute tax on capital gains related to the Andromeda (Solar) Business Combination in 2019.

10. Provisions relating to exceptional items on businesses disposed of by the Group

11. 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 2021. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted income statement financial expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing transactions of previous years.