Press release

The Board of Directors of ERG S.p.A.
approves the interim financial report at 30 June 2021

Adjusted consolidated EBITDA[1]: EUR 281 million, EUR 263 million in the first half of 2020

Adjusted Group net profit (loss): EUR 100 million, EUR 70 million in the first half of 2020

- Results: best half-year results ever for ERG which shows a growth mainly thanks to the high availability of hydroelectricity and a positive pricing scenario that mitigated the lower windiness abroad compared with the particularly high values recorded last year, as well as the thermoelectricity down due to the end of the first decade of white certificates. Marked increase in net profit, thanks also to lower financial charges related to liability management operations and lower amortisation/depreciation due to changes made to amortisation also because of Life Time Extension programmes.

- Recent Developments: the Group's progress continues to be in line with the strategic objectives of the Business Plan and with the consolidation of ERG's presence in France through the acquisition of 80MW of operating assets, 22MW of which in the solar segment, which represent the first step into the French photovoltaic market. The installed capacity across the Alps is around 500 MW. The development in repowering also continues, with the participation in the auction of the first three projects for a total capacity of 143 MW. Construction is also progressing at a good pace, confirming the expectation of installing 77 MW in the UK and France by the end of 2021.

- PPA: the first two PPAs were signed in the UK for the supply of renewable energy from the Evishagaran and Craiggore onshore wind farms in Northern Ireland, with COD expected by the end of 2021. A further important step towards an infrastructure-type model by securitising revenues as set forth in the Business Plan. This is the largest PPA on wind merchant plants ever signed in the Irish market.

- Diversity & Inclusion: D&I policy for an increasingly inclusive ERG approved and published today.

- Lead independent director: the Independent Member Mara Anna Rita Caverni, Chairman of the Risk Control and Sustainability Committee, was appointed as *Lead Independent Director.*

- EMTN (Euro Medium Term Notes): The Board of Directors has resolved to renew the issuing programme completed the renewal of the programme for non-convertible medium/long-term bond issues (Euro Medium Term Notes Programme - EMTN) up to the overall maximum amount of EUR 3,000 million.
  At the same time, the Board of Directors authorised, in compliance with the EMTN Programme, the issuance of bonds, which may also qualify as "green bonds", up to a maximum of EUR 500 million, to be carried out within one year from the completion of the renewal of the EMTN Programme.

- Capital turnover: The programme was launched for the potential disposal of the hydro and thermoelectric plants, entrusting management with the initiation of negotiations and the relevant in-depth analyses for the potential disposal of the aforementioned assets. Based on the information currently available, it is reasonably believed that this disposal may be completed within the first half of 2022.

- Guidance 2021: the guidance of the consolidated EBITDA for 2021 was revised upwards in the range of EUR 505-525 million compared to the previous figure of EUR 490-510 million. Capital expenditure for 2021 was revised upwards in the range of between EUR 450 million and EUR 500 million compared to the

[1]In order to facilitate an understanding of the business segment's performance, the operating results are shown with the exclusion of significant special income components of an exceptional nature (special items): these results are indicated with the term “adjusted”. For the definition of indicators and the reconciliation of the amounts involved, reference is made to that indicated in the section "Alternative Performance Indicators" of this press release.

previous indication of between EUR 285 million and EUR 325 million, mainly as a result of the recent acquisition of wind and solar plants of 80 MW already put in operation in France, as well as an acceleration in organic investments. In light of this, the debt guidance is also revised upwards in the range of 1550-1650 million (vs. a previous range of 1390-1490).

Genoa, 30 July 2021 – Today the Board of Directors of ERG S.p.A. approved the interim financial report at 30 June 2021. The figures of the second quarter, not submitted to approval by the Board of Directors and not subject to audit, are to be considered pro-forma and are provided for the sake of completeness and continuity of information.

Adjusted consolidated financial results

2nd quarter			Key economic data (Million Euro)	1st half-year		
2021	**2020**	**%**		**2021**	**2020**	**% change**
121	107	*13%*	**EBITDA**	281	263	*7%*
54	32	*67%*	**Operating profit (loss)**	147	114	*29%*
35	16	*112%*	**Profit attributable to owners of the parent**	100	70	*43%*

	30/06/2021	31/12/2020	Change
Net financial indebtedness	1,692	1,439	*252*
Leverage[2]	*50%*	*45%*	

Paolo Merli, ERG's Chief Executive Officer, commented: *"We are extremely satisfied both with the record results and with the execution, during the period, of major development investments in line with and ahead of the Business Plan. The excellent performance of hydroelectricity and the positive price scenarios contributed in the particular to the operating results. The strong profit growth also benefited from a further reduction in the cost of debt and lower depreciation and amortisation due to the extension of the useful life of assets, also as a result of specific Life Time Extension programmes. Our development path continues both through M&A, with the consolidation of 80MW in France, and through the advancement in construction and pipeline development, with the participation in the last auction in Italy of three of our Repowering projects for a total of 143MW.*
We are revising our EBITDA guidance upwards for the year, which is now expected to be between EUR 505 and 525 million, our Capex guidance between EUR 450 and 500 million and, consequently, our debt guidance in the range of EUR 1550-1650 million".

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

COVID-19 emergency

2021 saw a continuation of the international public-health COVID-19 emergency: in said context, ERG continued to implement all the necessary measures to ensure both the health of its employees and the operational continuity of its assets in safe conditions.
The main measure used by the organisation, as also recommended by the competent Authorities, was remote working, which was extended to all the Group's offices across Italy and abroad, involving over 70% of the corporate workforce, corresponding to all "white collar" staff, and excluding only personnel responsible for plant operation and maintenance in order to safeguard operational and management continuity and ensure the safety of company assets.
In the first half of 2021, staff continued to operate in remote working mode five days a week. Starting from July, until new information is released, this method was confirmed for two working days per week.
This option, as stated previously, has been extended to all the Group's Italian offices where the remote working option is compatible with the effective performance of the duties assigned, ensuring that the utmost attention is given to guaranteeing full business continuity.

ERG continues to manage the staff employed across its production sites very carefully, through the adoption of appropriate organisational safety measures (aimed at ensuring social distancing and the reconfiguration of operational and logistical activities) and prevention and protection measures (training and information, personal protective equipment, personal hygiene measures and cleaning/sanitisation of workplaces), in observance of the anti-COVID protocol in work environments, the guidelines of the competent authorities, and in agreement with trade union organisations. The corporate documents that regulate the actions taken are provided to all personnel in an appropriate section of the company intranet and periodically updated.

As part of the broader framework of the national vaccination campaign in progress and in an attempt to make a proactive contribution to it, ERG has launched a vaccine information campaign, to ensure people can participate in a fully informed manner. The initiative was entrusted to the Internal Managers of the Prevention and Protection Services and to the company doctors in the various offices.

No staff reductions have been planned or carried out during this period. Moreover, the company has not had to make use of so-called 'social shock absorbers' nor has it had to implement the forced reduction of working hours. By contrast, the Group welcomed 50 new hires in 2020 and a further 39 in the first half of 2021, in order to support the company's growth process. Engagement and partnership activities with the areas in which ERG is present have continued and financial resources have been allocated by group companies and employees themselves to meet the most urgent needs of healthcare facilities.

Change in business scope

- **Wind –Sweden**

  On **10 May 2021** ERG, through its Swedish holding, completed the acquisition from the BayWa r.e. Group, active in the development, construction and management of renewable energy plants, of the permits for the construction of a wind farm with a capacity of 62 MW in southern Sweden. The project involves the installation of 10 latest generation Siemens Gamesa turbines of 6.2 MW, whose estimated annual production is roughly 210 GWh, equal to almost 3,400 equivalent hours and roughly 140 kt of avoided CO_2 emissions every year. Construction started on the wind farm in the first half of this year and is expected to enter into operation by the end of 2022.The total capital expenditure amounts to EUR 99 million, including both construction permits and construction costs. BayWa r.e will support ERG through the entire phase of construction, until commissioning of the plant.

- **Wind, Solar – France**

  On **24 June 2021** ERG, through its subsidiary ERG Eolienne France SAS, signed an agreement with FPCI Capenergie 3, the fund managed by the Parisian private equity investor Omnes Capital, for the acquisition of 100% of the share capital of Omniwatt, a French company that owns a portfolio composed of 5 wind farms, for a total of 58 MW and two solar plants for a total of 22 MW.

The average entry into operation of the portfolio is 2017; the plants benefit from an incentive tariff regime with average expiry in 2034.Total annual estimated production is 174 GWh, equal to more than 2,400 equivalent hours for wind assets and over 1,200 equivalent hours for photovoltaic assets, and corresponding to 95 kt of avoided CO_2 emissions every year.
The value of the transaction in terms of equity value is EUR 45 million. Average expected EBITDA is roughly EUR 11 million and the net financial indebtedness at the end of 2020 is EUR 101 million.
In consideration of the fact that the companies were acquired at the end of the half-year, this Report reflects only the equity effects of the consolidation of the new assets, given that the contribution to the income statement was not significant.
If the companies had been consolidated retroactively from 1 January 2021, the acquired companies would have contributed revenue of EUR 7.5 million to the Group's income statement, and an adjusted gross operating profit of EUR 5 million.

Second quarter 2021

Consolidated financial results

In the second quarter of 2021, **adjusted revenue** totalled EUR 245 million, an increase of EUR 25 million compared to the second quarter of 2020 (EUR 221 million), mainly due to greater hydroelectric production, the 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 partly offset by the end of the first decade of high cogeneration of the CCGT plant.

Adjusted EBITDA, net of special items, amounted to EUR 121 million, up by EUR 14 million compared with the EUR 107 million recorded in the second quarter of 2020.The change is a result of the following factors:

- **Wind (EUR +6 million):** EBITDA equal to EUR 63 million, up compared to 2020 (EUR 57 million) mainly due to the better result in Italy, which came to EUR 44 million and up compared to the same period of 2020 (EUR 40 million), which was mostly affected by the better energy sale prices and the higher value of the GRIN incentive. Added to these effects are the better results abroad, totalling EUR 19 million, showing an increase compared to the second quarter of 2020 (EUR 17 million), due to the greater price scenario in Eastern Europe and the larger productions in France.

- **Solar:** EBITDA, amounting to EUR 22 million, is essentially in line with the second quarter of 2020 (EUR 22 million), with slightly lower volumes (74 GWh in the second quarter of 2021 compared to 76 GWh in the second quarter of 2020), largely offset by the increased market prices with respect to the same period in 2020.

- **Hydroelectric (EUR +13 million):** EBITDA of EUR 30 million (EUR 16 million in the second quarter of 2020), up considerably compared with the same period of the previous year. The result derives from notably higher production (331 GWh in the second quarter of 2021 compared to 229 GWh in the second quarter of 2020), thanks to the high resource availability in central Italy, in contrast to 2020, which was well below the average historical levels. The effect of the higher value of the GRIN incentive contributed to the positive result. The large amount of rainfall during the period led to higher reservoir levels than the historical average.

- **Thermoelectric (EUR -5 million):** thermoelectric EBITDA, amounting to EUR 9 million, is below the EUR 15 million in the second quarter 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 6 million, partly mitigated by the greater proceeds coming from the dispatching services (MSD) compared to the same period of 2020, in a scenario context marked by the significant increase in gas and CO_2 prices. It should also be noted that the second quarter of 2020 benefitted from steam adjustments from site customers (EUR +5 million).

It should be noted that the overall gross operating margin was impacted by the hedging policies implemented in line with the Group's risk policies.

Adjusted EBIT amounted to EUR 54 million (EUR 32 million in the second quarter of 2020), after depreciation and amortisation of EUR 67 million, appreciably down compared to the second quarter of 2020 (EUR 75 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 35 million, an increase compared to the result of the second quarter of 2020 (EUR 16 million), in consideration of the better operating results and lower financial charges, already commented on.Net financial expense was significantly lower than the second quarter of 2020 due to the reduction in the cost of gross debt thanks to the full contribution of significant liability management operations initiated in the second half of 2020.

First half of 2021

Consolidated financial results

In the first half of 2021, **adjusted revenue** totalled EUR 526 million, an increase of EUR 28 million compared to the first half of 2020 (EUR 498 million), mainly due to greater hydroelectric production, the 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 partly offset by the reduction in wind production abroad and the end of the first decade of high cogeneration of the CCGT plant.

Adjusted EBITDA[3], net of special items, amounted to EUR 281 million, up by EUR 18 million compared with the EUR 263 million recorded in the first half of 2020. The change is a result of the following factors:

- **Wind (EUR -9 million):** EBITDA of EUR 157 million, down compared with 2020 (EUR 166 million) due to the poorer results abroad, amounting to EUR 52 million (EUR 70 million in the same period of 2020), affected by the low wind speeds compared to the particularly high values in the first half of 2020 (925 GWh in 2021 compared to 1,146 GWh in 2020), in a general context of recovery of the market scenario. These effects were only partially offset by the better result in Italy, amounting to EUR 105 million (EUR 97 million in the first half of 2020), primarily due to the better market scenario and the higher value of the GRIN incentive.

- **Solar (EUR -1 million):** EBITDA, amounting to EUR 34 million, is essentially in line with the first half of 2020 (EUR 35 million), with slightly lower volumes (115 GWh in the first half of 2021 compared to 120 GWh in the first half of 2020), largely offset by the increased market prices with respect to the same period in 2020.

- **Hydroelectric (EUR +43 million):** EBITDA of EUR 84 million (EUR 40 million in the first half of 2020), up considerably compared with the same period of the previous year. The result benefits from notably higher outputs than the first half of 2020 (998 GWh in the first half of 2021 compared to 553 GWh in the first half of 2020), thanks to the high resource availability, in particular when compared to 2020, which was well below the average historical levels. The large amount of rainfall at the end of 2020 and in the first few months of 2021 led to higher reservoir levels than the historical average.

- **Thermoelectric (EUR -15 million):** thermoelectric EBITDA, amounting to EUR 15 million, is below the EUR 30 million in the first half 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 12 million, partly offset by higher margins deriving from dispatching services. The scenario effect with contracted generation margins following the significant increase in gas and CO_2 prices was mitigated by the hedging transactions. The first half 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 amounting to EUR 147 million (EUR 114 million in the first half of 2020), after depreciation and amortisation of EUR 135 million, was down compared to the first half of 2020 (EUR 149 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 100 million, an increase compared to the first half of 2020 (EUR 70 million), in consideration of the better operating results and lower financial charges,

[3] Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 5 million.

already commented on.Net financial expense (EUR 16 million) was significantly lower than the first half of 2020 (EUR 25 million) due to the reduction in the cost of gross debt thanks to the full contribution of liability management transactions initiated in the second half of 2020.

Profit attributable to owners of the parent was EUR 92 million, an increase compared to EUR 72 million in the first half of 2020 due to the same reasons outlined above.

The *adjusted net financial indebtedness* totalled EUR **1,692 million**, up (EUR 252 million) compared to 31 December 2020 (EUR 1,439 million).The change reflects mainly the impact of the recent acquisitions in France and in Sweden (EUR 188 million), the capital expenditure in the period (EUR 123 million) mainly connected with 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 86 million), partly offset by the positive cash flow (EUR 258 million[4]) and other positive items (EUR 23 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 108 million.
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 113 million at 30 June 2021.

Capital expenditure

2nd quarter		EUR million	1st half-year	
2021	**2020**		**2021**	**2020**
250	17	Wind	277	71
23	0	Solar	24	1
2	6	Thermoelectric	7	12
2	1	Hydroelectric	3	2
0	0	Corporate	1	1
278	**25**	**Total capital expenditure**	**311**	**86**

In the first half of 2021, **capital expenditure** totalled **EUR 311 million** (EUR 86 million in the first half of 2020), and refer primarily to the recent acquisition 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 half-year, **investments were made in property, plant and equipment and intangible assets**, of which 91% in the Wind sector (63% in the first half of 2020), mainly related to the continuation of construction of the wind farms in the UK for roughly 250 MW, Poland for 60 MW and Sweden for 62 MW; 6% refers to the Thermoelectric sector (28% in the first half 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) to ensure the high cogeneration plant qualification for module 1 of the CCGT for an additional ten years, 2% refers to the Hydroelectric sector (6% in the first half of 2020), 1% to the Solar sector (2% in the first half of 2020) and 1% to the Corporate sector (2% in the first half of 2020), mostly for ICT and minor maintenance and development projects.

- **Wind:** Capital expenditure **(EUR 277 million**) refers primarily to the acquisition of wind farms in France (58MW) 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 72 million), Poland (EUR 25 million) and France (EUR 4 million), the continuation of activities in preparation for Repowering and Reblading (EUR 6 million) on some Italian wind farms, in addition to the usual maintenance targeted at further boosting plant efficiency.

In relation to the wind farms under construction in the UK, the two projects in Northern Ireland, Evishagaran (47 MW) and Craiggore (24 MW), whose CODs are expected at the end of 2021, are more than 75% complete, in line with the forecasts, while for the remaining wind farms in the UK (Scotland) and Poland, whose CODs are expected in 2022, the construction timelines are confirmed.

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

• **Solar:** Capital expenditure in the first half of 2021 **(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:** Capital expenditure in the first half of 2021 **(EUR 3 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:** Capital expenditure in the first half of 2021 (**EUR 7 million**) relates mainly to the project to revamp 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 facilities 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 **second quarter of 2021**, total sales of electricity amounted to 3.3 TWh (3.4 TWh in the same period of 2020), in the presence of an overall output for the Group plants of approximately 1.8 TWh (1.7 TWh in the same period of 2020), of which roughly 0.4 TWh abroad and 1.4 TWh in Italy. The latter figure corresponds to approximately 1.8% of electric power demand in Italy (1.9% in the second quarter of 2020).

During **the first half of 2021**, total sales of electricity amounted to 7.5 TWh (7.6 TWh in the first half of 2020), versus a total output from the Group plants of approximately 4.2 TWh (4.0 TWh in the same period of 2020), of which roughly 0.9 TWh abroad and 3.2 TWh in Italy. The latter figure corresponds to around 2.1% of electricity demand in Italy (2.0% in the first half of 2020).

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).

In the **second quarter of 2021**, the net supply of steam to captive customers of the Priolo Gargallo petrochemical site totalled 236 thousand tonnes, down with respect to 264 thousand tonnes in the same period of 2020.In the **first half of 2021**, steam sales amounted to 521 thousand tonnes, a decrease compared to the 600 thousand tonnes in the same period of 2020.

	2nd quarter					1st semester		
2021	**2020**	**Δ**	**Δ%**	**Electricity Output (GWh)**	**2021**	**2020**	**Δ**	**Δ%**
839	**842**	**-3**	**0%**	**Wind power output**	**1.994**	**2.208**	**-214**	**-10%**
454	464	*-10*	*-2%*	*- Italy*	1.070	1.062	*8*	*1%*
385	378	*7*	*2%*	*- Overseas*	925	1.146	*-222*	*-19%*
74	76	**-2**	**-3%**	**Solar power output**	115	120	**-6**	**-5%**
331	229	**102**	**44%**	**Hydroelectric power output**	998	553	**445**	**81%**
525	504	**20**	**4%**	**Thermoelectric power output**	1.050	1.131	**-81**	**-7%**
1.768	**1.651**	**117**	**7%**	**ERG plants total output**	**4.157**	**4.012**	**145**	**4%**

As regards production, in the **second quarter of 2021** the following is particularly pointed out:

Wind: wind production totalled 839 GWh, slightly down compared to the second quarter of 2020 (842 GWh), following the 2% reduction in Italy (from 464 GWh to 454 GWh) and increased production abroad by about 2% (from 378 GWh to 385 GWh).
The reduction in productions in Italy (-10 GWh) is linked to wind conditions slightly lower than those recorded in the same period of 2020, with volumes basically in line in all regions except for Campania, where the reduction is sharper. As regards abroad, the net increase of 7 GWh is attributable to the higher volumes in France and Germany (+11 GWh and +3 GWh, respectively) and to the slight reduction in Eastern European productions (-7 GWh).

Solar: solar production amounted to 74 GWh, slightly down (-2 GWh) compared to the same period of 2020; the total load factor was 24% (25% in the second quarter of 2020).

Hydroelectric: hydroelectric production, which was affected by the good water resources recorded in the period, totalled 331 GWh (229 GWh in the same period of 2020).

Thermoelectric: thermoelectric production totalled 525 GWh, up compared to the same period of 2020 (504 GWh) versus a market context with generation margins heavily penalised by the significant increase in gas and CO2 prices as compared to 2020, which was particularly distinguished by the significant decrease in market prices in Sicily.

In the **first half of 2021**:

Wind: the **electricity output** from wind power amounted to 1,994 GWh, down 10% compared to the corresponding period of 2020 (2,208 GWh), due to less favourable wind conditions abroad (-19%) compared to the high wind levels in the same period of 2020, only partly offset by the slight recovery in wind levels in Italy (+1%).
The increase in production in Italy (+8 GWh) is related to better wind conditions to those recorded in 2020, with production essentially consistent in all regions, with the exception of Sicily, which recorded notably better volumes (+18%), partially offset by the reductions in Calabria (-14%).
The reduction of 222 GWh in production abroad due to the low wind speeds recorded with respect to the same period of 2020 is attributable to all countries and more pronounced in France (-98 GWh), Germany (-66 GWh) and Poland (-36 GWh).

Solar: output amounted to approximately 115 GWh, down slightly compared with the first half of 2020, and the related load factor was 19%, 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 financial years.

Hydroelectric: total productions of ERG Hydro in the first half of 2021, equal to 998 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 104 EUR/MWh, down compared to 107 EUR/MWh in the first half 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 1,050 GWh, down on the same period of 2020 (1,131 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.

Main events during the half-year

On **28 January 2021** ERG, through its subsidiary ERG Power Generation S.p.A., signed a framework agreement with ENERCON GmbH to supply wind turbines with a potential capacity of approximately 190 MW, which are earmarked for repowering projects in Italy and a greenfield project in the United Kingdom. In addition to the supply, the agreement, which has a potential value of EUR 120 million, includes the transport, installation, commissioning and maintenance foreseen in the first phase of life of the wind turbines.

On **28 January 2021** Exercise of the redemption option for all outstanding bonds issued on 19 July 2017, for a total nominal amount of EUR 25,000,000.

On **14 April 2021** ERG obtained the Single Authorisations as part of the Repowering project for the four wind farms of Mineo - Militello - Vizzini and Monreale/Partinico, located in the Sicily region, for a total capacity of 143 MW.

On **21 April 2021** ERG joined, with a weight of 0.34%, the “S&P Global Clean Energy Index”, the stock market index of Standard & Poor’s, which incorporates 82 companies at international level that are key players in the production of green energy with high ESG standards. S&P's inclusion in the Global Clean Energy Index.

On **26 April 2021** The Shareholders' Meeting of ERG S.p.A. approved the 2020 separate financial statements and resolved the payment of EUR 0.75 per share, appointed the new Board of Directors, confirmed Edoardo Garrone as the Chairman and approved the long-term incentive plan (2021-2023 LTI System)

The Board of Directors, in its meeting on the same date, confirmed Alessandro Garrone as executive Deputy Chairman, Giovanni Mondini as Deputy Chairman and appointed Paolo Luigi Merli as the new Chief Executive Officer.

On **27 April 2021** ERG and Renergetica, a company that develops renewable energy source projects on the international market and listed on the AIM Italia market managed by Borsa Italiana, signed a co-development agreement in the Spanish market for greenfield projects in the photovoltaic and wind power sectors, with an objective of roughly 100 MW per year, when at operating at full capacity. In an initial phase, Renergetica will also support ERG in the acquisition of Ready to Build and in Operations projects.

On **10 May 2021** ERG, through its Swedish holding, completed the acquisition from the BayWa r.e. Group, of the construction permits for a wind farm with a capacity of 62 MW in southern Sweden. Construction started at first half of this year, and it will enter into operation by the end of 2022.The total capital expenditure amounts to EUR 99 million, including both construction permits and construction costs.

On **14 May 2021** ERG, through its subsidiary ERG Power Generation, and TIM, leading Group in Italy and Brazil in the ICT sector, through its subsidiary Telenergia, signed a 10-year corporate PPA (Power Purchase Agreement) for the supply of 3.4 Terawatt-hours (TWh) of green energy for the 2022-2031 period.
The agreement, the biggest ever signed between the two Italian companies, involves the supply to TIM of 100% "green" energy directly from the ERG portfolio derived from wind plants. The scope of supply will partly be in “baseload” mode and partly in “pay as produced” mode by the wind plants subject to "reblading", Lacedonia Monteverde (Av) and Avigliano (Pz) from 2023, with the possibility of increasing their volume by including other repowering projects planned by ERG on its wind farms.

On **24 June 2021** ERG, through its subsidiary ERG Eolienne France, signed an agreement with FPCI Capenergie 3, the fund managed by the Parisian private equity investor Omnes Capital, for the acquisition of 100% of the share capital of Omniwatt, a French company that owns a portfolio composed of 5 wind farms, for a total of 58 MW and two solar plants for a total of 22 MW.

Significant events after the reporting date

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.

On 30 July 2021, the Board of Directors of ERG S.p.A. has resolved to renew the issuing programme completed the renewal of the programme for non-convertible medium/long-term bond issues (Euro Medium Term Notes Programme - EMTN) up to the overall maximum amount of EUR 3,000 million.
At the same time, the Board of Directors authorised, in compliance with the EMTN Programme, the issuance of bonds, which may also qualify as "green bonds", up to a maximum of EUR 500 million, to be carried out within one year from the completion of the renewal of the EMTN Programme.

Additional information

Resolution to renew the EMTN Programme and authorisation to issuing one or more bonds for a maximum of EUR 500 million.

The Board of Directors of ERG S.p.A. has resolved to renew the issuing programme completed the renewal of the programme for non-convertible medium/long-term bond issues (Euro Medium Term Notes Programme - EMTN) up to the overall maximum amount of EUR 3,000 million.
The base prospectus for the EMTN programme will be submitted to the Luxembourg Commission de Surveillance du Secteur Financier (CSSF) for its approval in accordance with Regulation (EU) 2017/1129 ("Prospectus Regulation").
The ETMN programme, with a duration of one year, renewable on expiry, provides for the possibility of issuing one or more non-convertible bonds that will be listed on the Luxembourg Stock Exchange, to be placed with institutional investors operating in Europe. The renewal and extension of the EMTN programme will allow ERG to continue to benefit from the flexibility offered by this instrument in the event of future bond issues.

At the same time, the Board of Directors has authorised, in compliance with the EMTN Programme, the issuance of bonds, which may also qualify as "green bonds", with a minimum denomination of Euro 100,000 and a total nominal value of up to a maximum of Euro 500 million, to be carried out within one year from the completion of the renewal of the EMTN Programme.
This information does not constitute or form part of an offer to the public of financial products or a solicitation of offers to purchase financial products in Italy pursuant to Legislative Decree No. 58 of 24 February 1998.The offer documentation has not been/will not be submitted to CONSOB for approval. This communication may be contrary to the applicable law in some jurisdictions and does not constitute an offer to sell financial products in the United States of America, Canada, Australia and Japan and any other jurisdiction where such offer or sale is prohibited and may not be published or distributed, directly or indirectly, in such jurisdictions. The financial products mentioned have not been and will not be registered under the United States Securities Act of 1933, as amended, and such products may not be offered or sold in the United States of America in the absence of registration or exemption from the application of the registration requirements.

Assessment of independence

The Board of Directors of ERG S.p.A., confirmed its positive assessment about the independence of the Directors Emanuela Bonadiman, Mara Anna Rita Caverni, Elena Grifoni Winters, Federica Lolli, Elisabetta Oliveri and Mario Paterlini, also in light of the "quantitative" and "qualitative" criteria defined in the Regulations for the operations of the Board of Directors, the Risk and Sustainability Committee and the Nominations and Remuneration Committee in accordance with Article 2, recommendation 7, second paragraph, of the Corporate Governance Code.
The Board of Statutory Auditors has acknowledged the correct application of the criteria and verification procedures adopted by the Board of Directors of ERG S.p.A. to assess the independence of its members.

Appointment of the Lead Independent Director

Although the conditions set forth in Article 3, recommendation 13, of the Corporate Governance Code adopted by the Company, are not met, the Board of Directors of ERG S.p.A., pursuant to Article 3, recommendation 14, of the Corporate Governance Code, has appointed as *lead independent director* the independent director Mara Anna Rita Caverni, Chairman of the Risk Control and Sustainability Committee.

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 drop compared to that of 2020, due to less favourable wind conditions registered in the first half with respect to the particularly high wind speeds of 2020, in addition to the exit from the incentive system of roughly 76 MW in France. These effects will be partially offset by the consolidation, from the second half-year, of the wind farms acquired in France (58 MW), the greater expected contribution from those in eastern Europe 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 higher compared with 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. 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 reduced volumes of 2020, thanks to the high availability of water resources, partly still stored in reservoirs; the result will also benefit from very high sales prices plus 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 CO2 prices, only partially offset by electricity prices, as well as the extraordinary shutdown of the plant, planned in the second part of the year, 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 505-525 million compared to the previous figure of EUR 490-510 million (EUR 481 million in 2020).Capital expenditure for 2021 was revised upwards in the range of between EUR 450 million and EUR 500 million compared to the previous indication of between EUR 285 million and EUR 325 million (EUR 156 million in 2020), mainly as a result of the recent acquisition of wind and solar plants of 80 MW already put in operation in France.

Net financial indebtedness at the end of 2021, reflecting the above-mentioned changes in EBITDA and capital expenditure, is expected to amount in the range of between EUR 1.55 billion and EUR 1.65 billion, marking an increase compared to the previous range of between EUR 1.39 billion and EUR 1.49 billion (EUR 1.44 billion in 2020).

Please note that with reference to the estimates and forecasts the results might differ even significantly compared to those announced in connection with several factors, including: the future evolution of prices, the operational performance of the plants, the wind, water resource and sunshine conditions, the impact of the regulations of the energy sector, and as regards the environment, the impact of the Covid-19 Pandemic and other changes in the business conditions and in the steps taken by the competition.

The format of the Financial Statements corresponds with that of the statements indicated in the interim Directors' 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, Art. 154-bis of the Consolidated Finance Act, that the accounting information contained in this press release matches the documentary evidence, books and records.

The results of the second quarter and of the first half-year will be explained to analysts and investors today at 4:00 PM (CEST) during a conference call with relevant webcasting that can be followed by connecting to the Company's website (www.erg.eu); its 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 30 July 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 June 2020, including the Independent Auditors' Report, will be made available to the public within the deadlines provided for by legislation in force 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**".*

A definition of the indicators and the reconciliation of the amounts involved are provided in the "Alternative Performance Indicators" section.

Performance highlights

Year 2020	(EUR million) Key economic data		1st semester 2021	1st semester 2020	2nd quarter 2021	2nd quarter 2020
974	Revenues Adjusted [1]		526	498	245	221
481	**EBITDA adjusted** [1]		**281**	**263**	**121**	**107**
183	**EBIT adjusted** [1]		**147**	**114**	**54**	**32**
110	Net Profit		93	74	30	22
108	of which profit attributable to owners of the parent		92	72	29	20
106	**Adjusted Net profit attributable to owners of the parent** [1]		**100**	**70**	**35**	**16**
	Key financial data					
3,209	**Net adjusted invested capital** [2]		**3,400**	**3,236**	**3,400**	**3,236**
1,770	Shareholders' Equity Adjusted		1,708	1,733	1,708	1,733
1,439	Total net financial indebtedness [2]		1,692	1,503	1,692	1,503
417	of which non-recourse Project Financing [3]		494	783	494	783
45%	Financial leverage adjusted		50%	46%	50%	46%
49%	**EBITDA Margin %**		**54%**	**53%**	**49%**	**48%**
	Operating data					
1,967	**Installed capacity of wind farms at the end of the period**	*MW*	**2,025**	**1,967**	**2,025**	**1,967**
3,911	Electric power generation from wind farms	*KWh million*	1,994	2,208	839	842
480	**Installed capacity of thermoelectric plants**	*MW*	**480**	**480**	**480**	**480**
2,441	Electric power generation from thermoelectric plants	*KWh million*	1,050	1,131	525	504
527	**Installed capacity of hydroelectric plants at the end of the period**	*MW*	**527**	**527**	**527**	**527**
1,097	Electric power generation from hydroelectric plants	*KWh million*	998	553	331	229
141	**Installed capacity of solar plants at the end of the period**	*MW*	**163**	**141**	**163**	**141**
228	Electric power generation from solar plants	*KWh million*	115	120	74	76
14,897	**Total sales of electric power**	*KWh million*	**7,504**	**7,607**	**3,281**	**3,361**
156	Capital expenditure [4]	*EUR million*	311	86	278	25
784	**Employees at period end**	*Units*	**804**	**765**	**804**	**765**
	Net unit revenues [5]					
119	Wind Italy	*Euro/MWh*	123	119	129	117
96	Wind Germany	*Euro/MWh*	97	97	102	96
89	Wind France	*Euro/MWh*	89	90	88	89
78	Wind Poland	*Euro/MWh*	84	72	84	72
66	Wind Bulgaria	*Euro/MWh*	78	61	79	51
56	Wind Romania	*Euro/MWh*	81	52	86	42
n.a.	Wind UK	*Euro/MWh*	n.a.	n.a.	n.a.	n.a.
315	Solar Italy	*Euro/MWh*	326	311	328	311
109	Hydroelectric	*Euro/MWh*	104	107	122	115
35	Thermoelectric [6]	*Euro/MWh*	29	30	33	33

(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 113 million from net financial indebtedness and approximately EUR 110 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 half 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 half 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

Year 2020	(EUR million)	1st semester 2021	1st semester 2020	Δ	2nd quarter 2021	2nd quarter 2020	Δ
	Adjusted revenues						
402	Wind power	215	225	*(10)*	94	85	*9*
73	Solar	38	38	*(0)*	24	24	*0*
118	Hydroelectric power	104	59	*46*	41	26	*15*
381	Thermoelectric power [(1)]	168	176	*(8)*	86	85	*0*
36	Corporate	18	17	*1*	10	8	*1*
(36)	*Intra-segment revenues*	*(18)*	*(17)*	*(1)*	*(10)*	*(8)*	*(1)*
974	**Total adjusted revenues**	**526**	**498**	***28***	**245**	**221**	***25***
	Adjusted EBITDA						
282	Wind power	157	166	*(9)*	63	57	*6*
66	Solar	34	35	*(1)*	22	22	*(0)*
81	Hydroelectric power	84	40	*43*	30	16	*13*
67	Thermoelectric power [(1)]	15	30	*(15)*	9	15	*(5)*
(15)	Corporate	(8)	(8)	*0*	(4)	(4)	*0*
481	**Adjusted EBITDA**	**281**	**263**	***18***	**121**	**107**	***14***
	Amortisation, depreciation and write-downs						
(165)	Wind power	(76)	(84)	*8*	(38)	(41)	*4*
(42)	Solar	(20)	(21)	*0*	(10)	(10)	*0*
(57)	Hydroelectric power	(22)	(29)	*7*	(11)	(14)	*3*
(30)	Thermoelectric power	(15)	(15)	*(0)*	(7)	(7)	*(0)*
(4)	Corporate	(2)	(2)	*(0)*	(1)	(1)	*0*
(298)	**Amortisation and depreciation adjusted**	**(135)**	**(149)**	***15***	**(67)**	**(75)**	***8***
	Adjusted EBIT						
118	Wind power	81	83	*(2)*	25	16	*10*
23	Solar	13	14	*(1)*	12	12	*0*
24	Hydroelectric power	62	11	*50*	19	2	*17*
37	Thermoelectric power [(1)]	0	15	*(15)*	2	7	*(6)*
(19)	Corporate	(9)	(10)	*0*	(5)	(5)	*1*
183	**Adjusted EBIT**	**147**	**114**	***33***	**54**	**32**	***22***
	Investments [(2)]						
127	Wind power	277	71	*206*	250	17	*233*
2	Solar	24	1	*23*	23	0	*23*
6	Hydroelectric power	3	2	*1*	2	1	*1*
18	Thermoelectric power	7	12	*(5)*	2	6	*(4)*
2	Corporate	1	1	*(0)*	0	0	*0*
156	**Total investments**	**311**	**86**	***225***	**278**	**25**	***253***

(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 30 million (EUR 26 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 performance, the operating results are shown in this section excluding impacts relating to the adoption of IFRS 9 and of special items, and with the reclassification for IFRS 16. For the definition of indicators, the composition of the financial statements and the reconciliation of the amounts involved, reference is made to that indicated in the Alternative Performance Indicators section below.

(EUR million)	1st semester			2nd quarter		
Adjusted Income Statement	**2021**	**2020**	**Δ**	**2021**	**2020**	**Δ**
Revenue	526	498	*28*	245	221	*25*
Other revenue	3	11	*(7)*	2	4	*(2)*
TOTAL REVENUE	**529**	**508**	***20***	**247**	**225**	***23***
Costs for purchase and changes in inventory	(133)	(131)	*(2)*	(68)	(61)	*(7)*
Costs for services and other operating costs	(80)	(82)	*2*	(41)	(41)	*(1)*
Personnel Expense	(34)	(33)	*(1)*	(18)	(17)	*(1)*
EBITDA	**281**	**263**	***18***	**121**	**107**	***14***
Amortisation, depreciation and write-downs of fixed assets	(135)	(149)	*15*	(67)	(75)	*8*
EBIT	**147**	**114**	***33***	**54**	**32**	***22***
Net financial income (expenses)	(16)	(25)	*10*	(8)	(12)	*4*
Net income (loss) from equity investments	0	0	*(0)*	0	0	*(0)*
Profit before taxes	**131**	**88**	***43***	**46**	**20**	***26***
Income taxes	(31)	(17)	*(14)*	(10)	(2)	*(8)*
Profit for the period	**100**	**71**	***29***	**35**	**18**	***18***
Minority interests	(1)	(1)	*1*	(1)	(1)	*1*
Group's net profit (loss)	**100**	**70**	***30***	**35**	**16**	***18***

Adjusted Statement of Financial Position

The reclassified statement of financial position contains the assets and liabilities of the mandatory financial statements, used in the preparation of the annual financial report, highlighting the **uses** of resources in non-current assets and in working capital and the related funding **sources**. For the definition of the indicators for the main items used in the Reclassified Statement of Financial Position, reference is made to that indicated in the "Alternative Performance Indicators" section below.
The *adjusted* values at 30 June 2021 do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 113 million with a balancing entry in net invested capital amounting to approximately EUR 110 million.

30/06/2020	**Stato Patrimoniale riclassificato adjusted**	**30/06/2021**	**31/12/2020**
	(milioni di Euro)		
3,350	Capitale immobilizzato	3,437	3,262
150	Capitale circolante operativo netto	101	152
(5)	Fondi per benefici ai dipendenti	(5)	(5)
242	Altre attività	333	213
(501)	Altre passività	(466)	(412)
3,236	**Capitale investito netto**	**3,400**	**3,209**
1,722	Patrimonio netto di Gruppo	1,699	1,760
11	Patrimonio netto di terzi	9	10
1,503	Indebitamento finanziario netto	1,692	1,439
3,236	**Mezzi propri e debiti finanziari**	**3,400**	**3,209**

Cash Flow

(milioni di Euro)	1st semester		2nd quarter	
Cash Flow	**2021**	**2020**	**2021**	**2020**
Adjusted EBITDA	281	263	121	107
Change in net working capital	(6)	(48)	(9)	(18)
Cash Flow from operations	**275**	**215**	**112**	**89**
Investments in property, plant and equipment and intangible assets	(123)	(42)	(90)	(25)
Company acquisitions (business combinations)	(188)	(44)	(188)	-
Capital expenditure in financial non-current assets	-	(0)	-	-
Divestments and other changes	7	1	4	1
Cash Flow from investments/divestments	**(304)**	**(85)**	**(274)**	**(23)**
Financial income (expense)	(16)	(25)	(8)	(12)
Closure of loans	(2)	-	(0)	-
Net gains (losses) on equity investment	0	0	0	0
Cash Flow from financial management	**(17)**	**(25)**	**(8)**	**(12)**
Cash Flow from tax management	**(25)**	**(14)**	**(23)**	**(14)**
Distribution of dividends	(113)	(114)	(113)	(114)
Other changes in equity	(68)	(4)	(69)	(14)
Cash Flow from Shareholders'equity	**(181)**	**(118)**	**(182)**	**(127)**
Change in the consolidation scope	**-**	**-**	**-**	**-**
Opening net financial indebtedness	**1,439**	**1,476**	**1,316**	**1,415**
Change in the period	*252*	*26*	*376*	*87*
Closing net financial indebtedness	**1,692**	**1,503**	**1,692**	**1,503**

ALTERNATIVE PERFORMANCE INDICATORS

Definitions

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

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

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

- **EBITDA** is an indicator of operating performance calculated by adding "Amortisation, depreciation and impairment" to the net operating profit. EBITDA is explicitly indicated as a subtotal in the Financial Statements;

- **Adjusted EBITDA** is the gross operating margin, as defined above, with the exclusion of significant special income statement components of an extraordinary nature (special items) and with the reclassification of the impact tied to the IFRS 16 application;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 5 million;
- an increase (approximately EUR 113 million) in the net financial indebtedness and the net invested capital (approximately EUR 110 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation (EUR 3 million) and greater financial expense (EUR 2 million) linked to the application of the above-mentioned method.

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

Reconciliation with adjusted operating results

Year 2020	EBITDA (Euro million)	Note	1st semester 2021	1st semester 2020	2nd quarter 2021	2nd quarter 2020
468.4	**EBITDA**		**280.8**	**264.9**	**117.7**	**108.4**
	Special items exclusion					
	Corporate					
2.5	*- Reversal of ancillary charges on non-recurring operations*	1	*2.7*	*1.4*	*2.7*	*1.0*
(1.1)	*- IFRS 16 reclassification*	2	*(0.5)*	*(0.5)*	*(0.3)*	*(0.3)*
2.0	*- Reversal of COVID-19 donation*	3	-	*2.0*	-	-
-	*- Reversal CEO termination indemnity*	4	*2.8*	-	*2.8*	-
1.1	*- Reversal for release of provision for disposed businesses*	5	-	-	-	-
	Thermoelectric					
(1.2)	*- IFRS 16 reclassification*	2	*(0.5)*	*(0.6)*	*(0.3)*	*(0.3)*
	Hydroelectric					
(0.2)	*- IFRS 16 reclassification*	2	*(0.1)*	*(0.1)*	*(0.0)*	*(0.0)*
15.8	*- Reversal of allocation to provision for Local Entities*	6	-	-	-	-
	Solar					
(0.4)	*- IFRS 16 reclassification*	2	*(0.2)*	*(0.2)*	*(0.1)*	*(0.1)*
0.2	*- Reversal of allocation to provision for Local Entities*	6	-	-	-	-
	Wind					
(7.4)	*- IFRS 16 reclassification*	2	*(3.4)*	*(3.8)*	*(1.7)*	*(2.0)*
1.1	*- Reversal of allocation to provision for Local Entities*	6	-	-	-	-
480.8	**Adjusted EBITDA**		**281.5**	**263.0**	**120.7**	**106.7**

Year 2020	Amortisation, depreciation and impairment losses (Euro million)	Note	1st semester 2021	1st semester 2020	2nd quarter 2021	2nd quarter 2020
(313.3)	**Amortisation and depreciation and impairment losses**		**(137.6)**	**(152.8)**	**(68.5)**	**(76.0)**
	Special items exclusion					
6.5	*- IFRS 16 reclassification*	2	*2.9*	*3.4*	*1.4*	*1.4*
9.3	*- Reversal write-down of plants in Germany*	7	-	-	-	-
(297.5)	**Adjusted depreciation and amortisation**		**(134.7)**	**(149.4)**	**(67.1)**	**(74.6)**

Year 2020	Profit attributable to owners of the parent (Euro million)	Note	1st semester 2021	1st semester 2020	2nd quarter 2021	2nd quarter 2020
107.9	**Profit attributable to owners of the parent**		**92.4**	**72.4**	**28.9**	**20.0**
	Special items exclusion					
0.0	*IFRS 16 reclassification*	2	*(0.0)*	*0.0*	*(0.0)*	*(0.2)*
1.8	*Exclusion of the impact of the COVID-19 donation*	3	-	*1.5*	-	-
30.4	*Exclusion of ancillary charges on loan prepayments*	8	*1.2*	-	*0.3*	-
2.4	*Exclusion of ancillary charges on non-recurring transactions*	1	*2.7*	*1.4*	*2.7*	*1.0*
-	*Exclusion CEO termination indemnity*	4	*2.1*	-	*2.1*	-
(0.6)	*Exclusion of IRAP 2019 balance - Decreto Rilancio*	9	-	*(0.6)*	-	*(0.6)*
(57.0)	*Exclusion of deferred taxes on goodwill exemption Solar and alignment Hydro plants*	10	-	*(3.1)*	-	*(3.1)*
1.0	*Exclusion of expenses related to disposed Businesses*	4	-	-	-	-
13.8	*Exclusion of expenses related to allocations to Local Entities provisions*	5	-	-	-	-
6.6	*Exclusion of write-down of plants in Germany*	6	-	-	-	-
(0.5)	*Exclusion impact gains/losses on IFRS 9*	11	*1.2*	*(1.9)*	*0.6*	*(0.8)*
105.8	**Adjusted profit attributable to the owners of the parent**		**99.5**	**69.7**	**34.6**	**16.3**

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. The termination indemnity as a result of the succession of the Chief Executive Officer, which took place on 26 April 2021.

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

6. Allocations to provisions for risks vis-à-vis institutional counterparties in respect of charges related to fees to be paid to Local Entities for public concessions (equal to EUR 17 million in 2020).

7. Impairment losses recognised on some wind farms in Germany following the Impairment Test procedure in the 2020 Financial Statements.

8. Financial expense related to the early closure of Corporate loans and project financing as part of liability management transactions.

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

10. 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.

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 half 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.