Press Release

The Board of Directors of ERG S.p.A.
approves the Interim Report on Operations as at 31 March 2019

Consolidated adjusted[1] EBITDA: €164 mln, adjusted €162 mln in the 1st quarter of 2018

Adjusted Group net result: €54 mln, adjusted €56 mln in the 1st quarter of 2018

Genoa, 15 May 2019 – At its meeting held yesterday, the Board of Directors of ERG S.p.A. approved the Interim Report on Operations as at 31 March 2019.

Consolidated adjusted financial results

Performance highlights (million Euro)	1st Quarter		
	2019	2018	Var. %
EBITDA	164	162	+1%
EBIT	92	94	-2%
Group net result	54	56	-4%

	31.03.19	31.12.18	Variation
Net financial debt (million Euro)	1,514	1,343	+171
Leverage[2]	44%	42%	

Luca Bettonte, ERG's Chief Executive Officer, commented: **"EBITDA for the first quarter shows an upturn compared to a year ago, thanks to both the Wind Power sector, which benefited from the increase in installed capacity in France, within the context of generally good wind conditions, and the Photovoltaic sector, whose contribution more than doubled following the recent acquisition of Andromeda. These results more than offset the smaller contribution from the Hydroelectric Power sector, which was characterised by very low water availability compared to the exceptional contributions recorded in the first quarter of the previous year. The results posted by the Thermoelectric Power sector are essentially in line with last year, thanks to the ongoing operating efficiency interventions and despite the reduced contribution from energy efficiency certificates. The Group is pursuing its growth path as envisaged in the Business Plan and in this connection we are very pleased with the success achieved by the first Green Bond issue, confirming the great confidence of investors in our Business Plan and in our sustainable development model. For 2019 we confirm the guidance figures conveyed at the beginning of the year, with EBITDA forecast at between 495 and 515 million Euro, investments totalling between 340 and 370 million Euro and a net debt ranging between 1,360 and 1,440 million Euro."**

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

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

Preliminary remarks

Alternative Performance Indicators (APIs) and Adjusted Results

This document uses certain Alternative Performance Indicators (APIs) which differ from the financial indicators explicitly set forth in the international financial standards (IAS/IFRS) adopted by the Group.
These alternative indicators are utilised by the Group to facilitate the communication of information regarding business performance and net financial debt.
Lastly we mention that, in order to enhance the understandability of trends in the business segments, the financial results are shown excluding significant income components of a non-recurring nature (special items): these results are indicated using the term "**Adjusted Results**".

IFRS 16

With effect from 1 January 2019, IFRS 16 has been applied.
In its capacity as lessee, the Group has recognised new liabilities deriving from leasing and from increased right-of-use assets amounting to around Euro 63 million as at 1 January 2019, mainly in connection with the Wind business and concerning the utilisation of land, warehouses, property, equipment, substations and machinery.
Application of the new Standard has changed the nature of operating lease costs and how they are shown in the income statement: these costs are now recognised as amortisation of the rights of use and as financial charges relating to the debt associated with the discounting of future lease fee payments. Previously, the Group recorded the operating lease costs on a straight-line basis over the duration of the lease period, essentially in line with the actual cash movements pertaining to the related fees.
Application of IFRS 16 has therefore implied:

- an improvement in EBITDA to the extent of the lease fees coming within the scope of IFRS 16, corresponding to Euro 1.8 million in the first quarter of 2019;
- an increase (Euro 65 million as at 31 March 2019) in net financial debt and net invested capital associated with application of the equity method as indicated by the new standard;
- an increase in amortisation and depreciation (Euro 1.5 million) and higher financial costs (Euro 0.8 million) associated with application of the equity method as mentioned above.

At the time of application, ERG availed itself of the option to use the modified retrospective method, without therefore carrying out a restatement of prior financial years shown for comparison purposes.
In view of the foregoing, in order to show the business segment margins, it was deemed appropriate for the **adjusted Income Statement**, to reflect the leasing expenses included in Adjusted EBITDA in continuity with previous years' management reports and in accordance with the actual cash movements connected with the same (periodical lease fee).
Consequently, the **adjusted net financial debt** and the **adjusted net invested capital** are also shown excluding the debt associated with the discounting of future lease fee payments.

Change in the scope of business

On 12 February 2019 ERG, through its subsidiary ERG Solar Montalto S.r.l., completed the purchase from Soles Montalto GmbH, an investment fund managed by the group AREAM – European asset manager in the renewables sector – of a 78.5% stake in Perseo S.r.l., 100% owner of Andromeda PV S.r.l., a company that in turn manages two photovoltaic power facilities with an overall installed capacity of 51.4 MW.
It was further agreed that Soles Montalto GmbH will remain a minority quotaholder, based on a quotaholders' agreement granting ERG complete industrial control of the asset and its full consolidation.
The plants, located at Montalto di Castro (Lazio region), in 2018 recorded a total output of 85.6 GWh and EBITDA of Euro 30 million. The facilities, equipped with Sun Power technology and monoaxial tracker, typically came on stream in the fourth quarter of 2010 and are eligible for *Secondo Conto Energia* incentives for a period of 20 years until 2030.
The transaction's enterprise value amounts to approximately Euro 221 million, reflecting the acquired quota's equity value of Euro 97 million and the net financial position of the Target company which, on 31 December 2018, stood at Euro 124 million.

First quarter 2019

In the first quarter of 2019 **revenues from ordinary operations** totalled Euro 296 million, showing an increase over the first quarter of 2018 (Euro 284 million), mainly as a result of the growth in both Italian and overseas wind power output and in solar power generation, also following expansion of the managed assets portfolio, and thermoelectric power generation, partly offset by the decline in hydroelectric power volumes.

Adjusted EBITDA, at Euro 164 million, showed a slight upturn compared to Euro 162 million recorded in the first quarter of 2018. This variation reflects the following factors:

- **Wind power (+8 million):** EBITDA came to Euro 115 million, with an increase over the corresponding period in 2018 (Euro 107 million), given the more favourable wind conditions both in Italy and abroad. In particular, the improved results of the Italian wind farms (+Euro 3 million) reflected a growth in output, with incentivised production stable at 72%, which more than compensated the reduction in unitary incentive value (92 Euro/MWh compared to 99 Euro/MWh). Overseas results showed an upturn (+Euro 5 million) thanks to both the improvement in price scenario and the higher output of wind farms in all countries outside of Italy. It is worth mentioning that in the first quarter of 2018 the results included the contribution of the Brockaghboy wind farm (+Euro 3 million), which was sold on 7 March 2018.

- **Solar power (+8 million):** EBITDA, at Euro 13 million, more than doubled with respect to the first quarter of 2018 (Euro 5 million) thanks to the contribution from the newly acquired photovoltaic facilities, in a favourable context in terms of both radiation and price scenario.

- **Hydroelectric power (-11 million):** EBITDA came to Euro 23 million (Euro 35 million in the first quarter of 2018), with a sharp downturn compared to the previous year. Performance reflected the significantly reduced water availability recorded during the period.

- **Thermoelectric power (-1 million):** EBITDA as regards the thermoelectric power sector, amounting to Euro 17 million, was essentially in line with the result of Euro 18 million posted in 2018, despite the lower contribution from Energy Efficiency Certificates. The absence of the revaluation of previous years' certificates recorded in 2018 in the amount of around Euro 3 million was partly offset by a reduction in operating costs, together with the increased quantities of Efficiency Certificates produced during the quarter.

Adjusted EBIT came to Euro 92 million (Euro 94 million in 2018) after amortisation and depreciation totalling Euro 72 million, up by Euro 3 million compared to the first quarter of 2018 (Euro 69 million), reflecting above all the new Solar power investments and the wind farms acquired in France during the second half of 2018.

The **adjusted Group net result** amounted to Euro 54 million, with a slight downturn compared to Euro 56 million posted in the first quarter of 2018, owing to the previously commented operating results and the higher tax rate reflecting the absence of tax benefits associated with economic growth (Allowance for Corporate Equity - *ACE*). Despite the rise in debt, financial charges showed a slight decrease compared to the corresponding period a year earlier due to a reduction in the cost of debt.

The **Group net result** came to Euro 49 million, compared to Euro 85 million in the first quarter of 2018, which had benefited from the capital gain on the sale of Brockaghboy wind farm in the United Kingdom (Euro 27 million).

Adjusted net financial debt came to **Euro 1,514 million**, with an increase of Euro 171 million compared to 31 December 2018 (Euro 1,343 million). The variation reflects the impact deriving from further growth in the solar power sector, following the acquisition of two photovoltaic pants in Italy (Euro 220 million), and from investments during the period (Euro 13 million), partly offset by the period's positive cash flow (Euro 62 million).
As already mentioned in the preliminary remarks, the adjusted net financial debt is indicated net of the effects arising from application of IFRS 16, therefore excluding the discounting of future lease fee payments, which at 31 March 2019 amounted to Euro 65 million.

Investments

Million Euro	**First quarter**	
	2019	**2018**
Wind power	10	17
Solar power	220	346
Hydroelectric power	1	0
Thermoelectric power	2	2
Corporate	0	1
Total investments	**233**	**365**

In the first quarter of 2019, **investments** amounted to **Euro 233 million** (Euro 365 million in the first quarter of 2018) and mainly concerned the acquisition of two photovoltaic plants in Italy (Euro 220 million). Moreover, during the quarter investments were carried out **in property, plant and equipment and intangible fixed assets totalling Euro 13 million,** of which 80% in the Wind power sector (67% in the first quarter of 2018), above all in connection with construction of the new wind farm in Germany (*Windpark* Linda), 13% in the Thermoelectric power sector (19% in the first quarter of 2018), 4% in the Hydroelectric power sector (4% in the first quarter of 2018) and 3% in the Corporate sector (10% in the first quarter of 2018), primarily concerning the ICT area.

Wind power: investments in the first quarter of 2019 (**Euro 10 million**) mainly concerned the development of the German wind farm *Windpark* Linda, scheduled to come on stream during the second quarter of the year.

Solar power: investments in the first quarter of 2019 refer to the acquisition of 2 photovoltaic plants, located at Montalto di Castro (Lazio region), with an installed capacity of 51.4 MW and estimated annual output of approximately 96 GWh, which are eligible for *Secondo Conto Energia* incentives for a period of 20 years until 2030. The transaction's enterprise value amounted to Euro 221 million.

Hydroelectric power: investments in hydroelectric power, amounting to about Euro 1 million, refer above all to maintenance contracts and projects scheduled with regard to the seismic enhancement of infrastructures and in the area of Health, Safety and the Environment.

Thermoelectric power: investments in the first quarter of 2019 (Euro 2 million) mainly concerned ERG Power's CCGT facility, which continued with its initiatives aimed at maintaining the plants' operational efficiency, flexibility and reliability. Moreover, the scheduled interventions went ahead in the area of Health, Safety and the Environment.

Operational data

Electricity sales by the ERG Group, carried out in Italy through ERG Power Generation S.p.A.'s Energy Management, refer to the electricity generated by its wind farms and its thermoelectric, hydroelectric and solar power plants, and to purchases on organised markets and via physical bilateral contracts.

During the first quarter of 2019, overall electricity sales came to 4.1 TWh (3.7 TWh in the first quarter of 2018), against a total of around 2.3 TWh produced by the Group's facilities (2.2 TWh in the corresponding period of 2018), of which approximately 0.5 TWh abroad and 1.8 TWh in Italy. The latter figure represents about 2.2% of overall domestic electricity demand (the same as during the first quarter of del 2018).

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

In the first quarter of 2019 steam sales[3] carried out amounted to 313 thousand tons, with a sharp upturn compared to 170 thousand tons during the corresponding period of 2018.

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

Electricity output (GWh)	1st Quarter 2019	2018	Δ	Δ%
Wind power output	**1,328**	**1,219**	**109**	**9%**
- Italy	*803*	*732*	*71*	*10%*
- Abroad	*525*	*487*	*38*	*8%*
Solar power output	**44**	**21**	**23**	**106%**
Hydroelectric power output	**301**	**469**	**-168**	**-36%**
Thermoelectric power output	**618**	**527**	**92**	**17%**
ERG plants total output	**2,292**	**2,237**	**56**	**2%**

With regard to output, in the first quarter of del 2019 we particularly report:

Wind power: **wind power output** totalled 1,328 GWh, with an upturn compared to the corresponding period of 2018 (1,219 GWh), increasing by around 10% in Italy (from 732 GWh to 803 GWh) and 8% outside of Italy (from 487 GWh to 525 GWh).
The growth in Italian output (+71 GWh) reflects the improvement in wind conditions compared to those recorded during the corresponding period of 2018 as regards essentially all regions, except for Sicily and Sardinia.
Outside of Italy, the net increase of 38 GWh is ascribable to the higher output in Eastern Europe (+35 GWh) and in Germany (+23 GWh) and France (+9 GWh, of which approximately 27 GWh concerning the French plants recently acquired or which came into operation during the last quarter of the year), net of the loss of output in the UK (-29 GWh) following the sale of Brockaghboy wind farm.

Solar power: output amounted to around 44 GWh, of which 16 GWh concerned the newly acquired facilities; the overall load factor was 14% (11% in the first quarter of 2018).

Hydroelectric power: ERG Hydro's total output in the first quarter of 2019, amounting to 301 GWh, benefited from a unitary net revenue, taking into consideration the sale price of electricity, revenues from the Ancillary Services Market (*MSD*) and from the period's replacement incentives and other minor components, which corresponded overall to about 108 Euro/MWh, with an increase compared to 94 Euro/MWh in the first quarter of 2018.

Thermoelectric power: ERG Power's net electricity output amounted to 618 GWh, with an upturn compared to the corresponding period of 2018 (527 GWh), given the more favourable market situation with improved net generation margins, following the gradual rise in CO2 prices reflected in the sale prices. This trend exceeded the more general one recorded in Italy for the entire thermoelectric sector.
The net supply of steam to captive customers of the Priolo Gargallo petrochemical site totalled 313 thousand tons, with a strong growth compared to 170 thousand tons for the corresponding period of 2018.

Main events during the quarter

On **11 January 2019** ERG acquired from Soles Montalto GmbH a 78.5% stake in Perseo S.r.l., 100% owner of Andromeda PV S.r.l., a company that in turn manages two photovoltaic power facilities with an overall installed capacity of 51.4 MW (see PR dated 11/1/2019). The transaction closing took place on 12 February 2019.
On **14 January 2019** ERG **finalised the gratuitous assignment of 80 ERG treasury shares** in favour of each employee of the ERG Group's Italian companies (see PR 14/1/2018). The assignment (see PR dated 20/10/2018) concerned a total number of 664 employees and 53,120 shares, held in ERG S.p.A.'s portfolio, with an overall value, including related ancillary costs, of 1.1 million Euro.
On **15 January 2019** the **commissioning phase was completed** for Parc Eolien de la Vallée de Torfou (see PR dated 15/1/2019), a 17.6 MW wind farm with an estimated average annual output 47 GWh, forming part of the 768 MW of assets under construction and being developed by Epuron (acquired last year - see PR 6/4/2018), and Parc Eolien Vallée de l'Aa 2 (13.2 MW - estimated average annual output 29 GWh), corresponding to an overall total of around 45,000 t of avoided CO2 emissions per year.

On **4 February 2019** ERG ranked 16th place in the **"Corporate Knights Global 100 Most Sustainable Corporations in the World Index**" published by the Canadian company Corporate Knights. With a score of 75.39%, ERG is the leading Italian company, as well as the only one included among the Top 50 (see PR dated 4/2/2019).
On **6 March 2019** the **ERG Q Solar 1** joint venture was suspended (see PR dated 6/3/19).
On **13 March 2019** the early settlement of 36.6 million Euro was finalised, under the **Vendor Loan** granted to a.p.i. S.p.A. at the time of executing the agreement for the sale of TotalErg S.p.A. (see PR dated 13/3/2019).
On **25 March 2019** ERG and the Zurich-based company Profond Finanzgesellschaft AG signed an agreement concerning the **acquisition of a 100% equity stake in "Les Moulins de Fruges SAS**", a French firm owner of six wind farms, with a total installed capacity of 52 MW, located in the Northern France region of Hauts-de-France (see PR dated 25/3/2019). The transaction closing took place on 6 May 2019.

Main events occurred after the end of the period

On **4 April 2019** ERG completed its placement of a 6 year fixed rate bond for 500,000,000 Euro, issued as part of its 1 billion Euro EMTN (Euro Medium Term Notes) Programme (see PR dated 4/4/2019).
On **2 May 2019** ERG acquired from RES, a global renewable energy company, a 100% stake in Craiggore Energy Ltd, a business incorporated in Northern Ireland, holder of authorisations for the construction of a wind farm in Northern Ireland, in the county of Londonderry. The total investment estimated for construction of the wind farm is approximately £37 million (about 41 million Euro), which already includes the acquisition price paid (see PR dated 2/5/2019).
On **6 May 2019** the acquisition was finalised of six wind farms in France, with an overall installed capacity of 52 MW (see PR dated 6/5/2019).

Business outlook

Set out below is the foreseeable trend in the main scenario and performance indicators during 2019:

- **Wind power:** ERG continues to pursue its international development strategy in the Wind Power sector; outside of Italy, in particular, a growth is anticipated owing to the full contribution from the Melier (8 MW), Torfou (17.6 MW) and Vallée de l'Aa (13.2 MW) wind farms, which came on stream during 2018, and the contribution from the French wind farms recently acquired (52 MW), together with the scheduled coming on stream of the Linda wind farm (21.6 MW) in Germany. Regarding Italy, thanks to the good wind conditions recorded during the first few months of the year, EBITDA is expected to be in line with 2018 despite the lower incentive price, the negative impact throughout 2019 of the 72 MW that left the incentive system in 2018 and the gradual exit during the year of a further 32 MW.
  Generally speaking, the Wind Power sector is therefore expected to post an upturn in overall EBITDA, compared to the previous year.

- **Solar power:** In 2019 ERG has increased its presence in the Solar Power sector via the acquisition of ANDROMEDA (51 MW), further enhancing its technological diversification strategy. Moreover, due to the significant size achieved (approximately 140 MW) also following the acquisition in 2018 of FORVEI (89 MW), it will be possible to expand and optimise Energy Management's portfolio and capitalise on industrial skills in the operational consolidation of assets.
  For FY2019 EBITDA is expected to be approximately double with respect to 2018 (Euro 32 million).

- **Hydroelectric power:** Regarding this asset, considering the low volumes recorded during the early months of the year, a decrease in results is anticipated compared to those posted in 2018 which had benefited from volumes significantly above the historical averages, together with a lower incentive price for which around 40% of output is eligible; the forecast decrease in volume will be accompanied by interventions to optimise Energy Management's production on the spot and ancillary services markets.
  Hydroelectric Power is therefore expected to post a downturn in EBITDA with respect to the exceptionally high figures recorded in 2018.

- **Thermoelectric power:** During 2019, ERG will continue to improve the operating efficiency of its CCGT plant, also following the scheduled shutdown that took place in November/December 2018. The generation margins (so-called spark spread) are expected show an improvement following the falloff in the price of gas and the transfer of CO2-related costs to the end sales prices. Moreover, thanks to the recovery of operational efficiency, Energy Management's activity on the energy markets and the increased production of White Certificates (EECs), EBITDA is expected to show an upturn with respect to 2018.

In summary, for FY2019 at consolidated level, the forecast for EBITDA is confirmed within a range of between 495 and 515 million Euro, with an upturn compared to 2018 (Euro 491 million), despite the anticipated decline in Hydro sector volumes, the decreasing incentivised perimeter in the Italian Wind Power sector and the lower incentive price on incentivised volumes as regards both the Wind and Hydro sectors. These effects are more than compensated by the contribution deriving from the continuous growth in installed capacity as regards the Solar Power sector (51 MW) and the overseas wind power sector (112.4 MW), by the increased production of EECs and by operating efficiency and energy management interventions.
FY2019 investments are expected to be in a range of between 340 and 370 million Euro, less than in 2018 when some investments previously scheduled for 2019 were brought forward.
ERG's cash generation will make it possible to limit the increase in debt to between 1.36 and 1.44 billion Euro (Euro 1.34 billion in 2018), partially offsetting investments during the period, as well as the distribution of an ordinary dividend of €0.75 per share and the payment of financial charges.

Additional information

The Board of Directors – following a proposal by the Nominations and Remuneration Committee and with the approval of the Board of Statutory Auditors – has determined for FY2019, in accordance with the Company's current Remuneration Policy, the fees payable to the Chairman, the Executive Deputy Chairman, the Deputy Chairman and the members of the Strategic Committee who are not employees of the Group and do not hold offices within the Board of Directors.

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 17 April 2019, has informed the Board of Directors that it has positively assessed the independence of its members in accordance with the criteria laid down by the Consolidated Finance Act, the Code of Behaviour for the Boards of Statutory Auditors drawn up by the National Council of Professional and Certified Public Accountants and the Corporate Governance Code promoted by Borsa Italiana S.p.A., such assessment being confirmed by the Board of Directors based on the criteria in question and the information provided by the members of the Board of Statutory Auditors[4].

In reference to the estimates and forecasts contained in this press release, we point out that actual results may differ even significantly from the announced results due to a multitude of factors, including: future trends in prices, the operating performance of plants, conditions concerning wind, water availability and radiation, the impact of regulations for the energy industry and for the environment, other changes in business conditions and in the action of the competition.

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

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

The results for the first quarter of 2019 will be illustrated to analysts and investors today at 11 a.m. (CEST), during a conference call and simultaneous webcast, which may be viewed by visiting the Company's website (www.erg.eu); the presentation will be available on the said website, in the "Investor Relations/Presentations" section, at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued at 7.45 a.m. (CEST) on 15 May 2019, is available to the public on the Company's website (www.erg.eu) in the section "Media/Press Releases", at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism (www.emarketstorage.com). The Interim Report on Operations at 31 March 2019 is available to the public at the Company's registered office at via De Marini 1, Genoa, on the Company's website (www.erg.eu) in the section "Investor Relations/Financial statements and reports", at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism (www.emarketstorage.com).

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[4] In particular, with reference to the fact that Standing Auditor Lelio Fornabaio has exceeded the limit of nine years set forth by application criteria 3.C.1 letter e) of the Corporate Governance Code, the Board of Statutory Auditors and the Board of Directors have decided that the automatic application of the said limitation for the purpose of assessing independence would have implied a formalism not in keeping with the spirit of the Corporate Governance Code and that the overall profile of the aforementioned Statutory Auditor – and his record within the Company – constitutes a sufficient guarantee in terms of independence of judgment.

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Performance highlights

Year 2018	(EUR million)		1st quarter 2019	1st quarter 2018
	Key financial data			
1,027	Adjusted revenue		296	284
491	**Adjusted EBITDA**		**164**	**162**
216	**Adjusted EBIT**		**92**	**94**
133	Net profit		49	85
133	of which profit attributable to owners of the parent		49	85
107	**Of which adjusted profit attributable to owners of the parent** (1)		**54**	**56**
	Key financial data			
3,172	**Adjusted net invested capital** (2)		**3,411**	**3,197**
1,829	Equity		1,897	1,968
1,343	Adjusted total net financial indebtedness (2)		1,514	1,229
1,178	of which *non recourse* Project Financing (3)		1,327	1,365
42%	Financial leverage		44%	38%
48%	**EBITDA Margin %**		**55%**	**57%**
	Operational data			
1,822	**Installed capacity of wind farms at the end of the period**	*MW*	**1,822**	**1,783**
3,464	Electric power output from wind farms	*KWh million*	1,328	1,219
480	**Installed capacity of thermoelectric plants at the end of the period**	*MW*	**480**	**480**
2,151	Electric power output from thermoelectric plants	*KWh million*	618	527
527	**Installed capacity of hydroelectric plants at the end of the period**	*MW*	**527**	**527**
1,740	Electric power output from hydroelectric plants	*KWh million*	301	469
90	**Installed capacity of solar plants at the end of the period**	*MW*	**141**	**90**
130	Electric power output from solar plants	*KWh million*	44	21
13,627	**Total sales of electric power**	*KWh million*	**4,070**	**3,654**
510	Capital expenditure (4)	*EUR million*	233	365
737	**Employees at the end of the period**	*Units*	**752**	**714**
	Net unit revenue (5)			
124.9	Wind Italy	*EUR/MWh*	120.4	125.9
94.5	Wind Germany	*EUR/MWh*	100.6	93.4
87.4	Wind France	*EUR/MWh*	88.6	87.5
63.5	Wind Poland	*EUR/MWh*	68.9	50.0
74.8	Wind Bulgaria	*EUR/MWh*	81.2	71.1
58.2	Wind Romania	*EUR/MWh*	72.0	49.7
100.4	Wind UK	*EUR/MWh*	n.a.	100.4
293.5	Solar	*EUR/MWh*	326.8	288.5
106.6	Hydroelectric	*EUR/MWh*	107.6	94.0
41.4	Thermoelectric	*EUR/MWh*	36.0	50.8

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

(1) does not include special items and related applicable theoretical taxes

(2) also as already indicated in the Introduction, net financial indebtedness and the adjusted net invested capital are represented net of the effects deriving from the application of IFRS 16, therefore excluding the recognition of assets and the discounting of future payments of leasing instalments of around EUR 65 million at 31 March 2019.

(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 non-current assets. They include M&A investments of EUR 220 million made in the first quarter of 2019 for the acquisition of two photovoltaic plants from Soles Montalto Gmbh with a total installed capacity of 51.4 MW. In the first quarter of 2018 M&A investments were equal to EUR 357 million in relation to the acquisition of the companies of the ForVei Group (solar) and for the acquisitions of companies owning wind farms in France.

(5) net unit revenue is expressed in EUR/MWh and is calculated by dividing the technology output by the revenue achieved on energy markets, inclusive of the impact of hedges, of any incentives due and the relative variable costs associated to generation/sale including, for example, the cost of fuel and imbalance costs.

Performance highlights by segment

Year 2018	(EUR million)	1st quarter 2019	2018
	Adjusted revenue		
389	Wind	144	133
38	Solar	15	6
194	Hydroelectric	32	44
405	Thermoelectric (1)	106	101
36	Corporate	9	9
(36)	*Intra-segment revenue*	*(9)*	*(9)*
1,027	**Total adjusted revenue**	**296**	**284**
	Adjusted EBITDA		
274	Wind	115	107
32	Solar	13	5
146	Hydroelectric	23	35
53	Thermoelectric (1)	17	18
(15)	Corporate	(4)	(2)
491	**Adjusted EBITDA**	**164**	**162**
	Amortisation, depreciation and impairment losses		
(159)	Wind	(40)	(41)
(24)	Solar	(10)	(5)
(58)	Hydroelectric	(14)	(15)
(31)	Thermoelectric	(7)	(8)
(3)	Corporate	(1)	(1)
(275)	**Adjusted depreciation and amortisation**	**(72)**	**(69)**
	Adjusted EBIT		
115	Wind	75	66
8	Solar	3	0
88	Hydroelectric	9	20
22	Thermoelectric (1)	10	11
(18)	Corporate	(5)	(3)
216	**Adjusted EBIT**	**92**	**94**
	Capital expenditure (2)		
146	Wind	10	17
345	Solar	220	346
7	Hydroelectric	1	0
8	Thermoelectric	2	2
3	Corporate	0	1
510	**Total capital expenditure**	**233**	**365**

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

(2) Includes investments in property, plant and equipment and intangible non-current assets and M&A investments

Adjusted Income Statement

To enhance understandability of the Group's performance, as already indicated in the Introduction, the operating results are shown in this section excluding the impact relative to the application of the IFRS 16 standard and of special items.

For the definition of indicators, the composition of the financial statements and the reconciliation of the amounts involved, reference is made to that indicated in the section Alternative Performance Indicators below.

	1st quarter	
(EUR million)	**2019**	**2018**
Revenue	296.5	284.4
Other income	3.0	2.8
TOTAL REVENUE	**299.4**	**287.1**
Purchases costs and change in inventories	(78.1)	(69.3)
Services and other operating costs	(41.9)	(40.7)
Personnel expense	(15.8)	(14.6)
EBITDA	**163.7**	**162.5**
Amortisation, depreciation and impairment of non-current assets	(71.9)	(68.6)
EBIT	**91.8**	**93.9**
Net financial income (expense)	(17.6)	(18.1)
Net gains (losses) on equity investments	0.0	0.0
Profit before taxes	**74.3**	**75.9**
Income taxes	(20.3)	(19.5)
Profit for the period	**53.9**	**56.4**
Non-controlling interests	0.1	(0.1)
Profit attributable to owners of the parent	**54.0**	**56.3**

Reclassified Statement of Financial Position

The reclassified statement of financial position contains the assets and liabilities of the mandatory financial statements, used in the preparation of the annual financial report, highlighting the **uses** of resources in non-current assets and in working capital and the related funding **sources**.

For the definition of the indicators for the main items used in the Reclassified Statement of Financial Position, reference is made to that indicated in the "Alternative Performance Indicators" section below.

The adjusted reclassified statement of financial position is shown below and does not include, at 31 March 2019, impacts deriving from the application of IFRS 16 standard of EUR 65 million on net financial indebtedness with a balancing entry of equal amount in Net invested capital.

31/03/2018	Adjusted reclassified balance sheet	31/03/2019	31/12/2018
	(EUR million)		
3,322.6	Non-current assets	3,470.2	3,273.6
196.9	Net working capital	255.9	179.3
(6.4)	Provisions for employee benefits	(5.8)	(5.8)
318.8	Other assets	318.6	291.7
(634.9)	Other liabilities	(627.6)	(567.0)
3,197.0	**Net invested capital**	**3,411.3**	**3,171.8**
1,966.7	Equity att. to the owners of the parent	1,878.9	1,828.8
1.2	Non-controlling interests	18.2	0.0
1,229.1	Net financial indebtedness	1,514.2	1,343.0
3,197.0	**Equity and financial debt**	**3,411.3**	**3,171.8**

Cash Flow

Year 2018	(amounts in million)	1st quarter 2019	1st quarter 2018
490.6	Adjusted EBITDA	163.7	162.5
(114.0)	Change in net working capital	(85.1)	(64.6)
376.6	**Operative Cash Flow**	**78.6**	**97.9**
(60.2)	Investments in property, plant and equipment and intangible non-current assets	(12.9)	(8.1)
(449.4)	Company acquisitions *(business combination)*	(219.6)	(357.3)
-	Capital expenditure in financial fixed assets	-	(1.7)
179.5	Sale of equity investment in TotalErg	-	179.5
105.7	Sale of Brockaghboy net assets	-	105.8
(0.2)	Divestments and other changes	0.5	(1.3)
(224.5)	**Cash Flow from capital expenditure/divestments**	**(232.1)**	**(83.1)**
(69.7)	Financial income (expense)	(17.6)	(18.1)
(0.1)	Net gains (losses) on equity investment	0.0	0.0
(69.8)	**Cash Flow from financial management**	**(17.6)**	**(18.0)**
(20.5)	**Cash Flow from tax management**	**-**	**-**
(171.1)	Distribution of dividends	-	-
1.4	Other changes in equity	(0.2)	8.9
(169.7)	**Cash Flow used in equity**	**(0.2)**	**8.9**
(2.4)	**Change in the consolidation scope**	**-**	**(2.2)**
1,232.7	**Opening net financial indebtedness**	**1,343.0**	**1,232.7**
110.3	*Net change*	*171.2*	*(3.6)*
1,343.0	**Closing net financial indebtedness**	**1,514.2**	**1,229.1**

Operative Cash flow in the **first quarter of 2019** was a positive EUR 79 million, a decrease of EUR 19 million compared to the same period of 2018, primarily due to seasonal dynamics of working capital relative to the methods of payment of incentives in a context of greater wind output in Italy as well as seasonal dynamics linked to the start of operations of wind farms in France.

Cash flow from investments in the first quarter of 2019 is mainly linked to M&A operations and in particular to the acquisition of two photovoltaic plants with total installed capacity of 51.4 MW from Soles Montalto Gmbh (EUR 220 million), as well as investments in property, plant and equipment and intangible fixed assets (EUR 13 million).

Cash flow used in financial management refers to the interest accrued during the period.

Cash flow used in equity relates mainly to the impact of changes in the hedging reserve linked to derivative financial instruments.

Adjusted net financial indebtedness totalled **EUR 1,514 million**, up by EUR 171 million compared to 31 December 2018 (EUR 1,343 million). The change reflects the impact deriving from the further growth in the solar sector following the acquisition of two photovoltaic plants in Italy (EUR 220 million) and the investments in the period (EUR 13 million), in part offset by the positive cash flow in the period (EUR 62 million).

ALTERNATIVE PERFORMANCE MEASURES

Definitions

On 3 December 2015 CONSOB issued Communication no. 92543/15, which transposes the Guidelines regarding the use and presentation of Alternative Performance Indicators in the context of regulated financial information, issued on 5 October 2015 by the European Securities and Markets Authority (ESMA). The Guidelines, which updated the CESR Recommendation on Alternative Performance Indicators (CESR/05 - 178b), aim to promote the usefulness and transparency of alternative performance indicators so as to improve their comparability, reliability and comprehensibility.
Some of the APIs used in this document are different from the financial indicators expressly provided for by the 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 enhance understanding of the business segments' performance, the operating results are shown excluding special income items: these results are indicated with the term "Adjusted results".
Since the composition of these indicators is not regulated by the applicable accounting reporting 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 (special items);

- **EBITDA** is an indicator of operating performance calculated by adding "Amortisation, depreciation and impairment losses" 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 components of an extraordinary nature (special items) and with the adjustment of the legal impacts of IFRS 16;

- **Adjusted EBIT** is the net operating profit, explicitly indicated as a subtotal in the Financial Statements, with the exclusion of significant special income components of an extraordinary nature (special items) and with the adjustment of the legal impacts of IFRS 16;

- **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 profit or loss components of an extraordinary nature (special items) and the adjustment linked to the legal impacts of IFRS 16, net of the related tax effects;

- **Investments** are obtained from the sum of investments in property, plant and equipment and intangible assets. Starting from the Interim Report at 31 March 2018, they also include the carrying amount of the acquisitions of net assets within the scope of M&A transactions;

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

- **Net invested capital** is the algebraic sum of Non-current Assets, Net 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 inclusion of impacts 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 15519/2006, also including the non-current assets relative to derivative financial instruments. Until 31 December 2018 the indicator also included the non-current financial loan to api S.p.A. (EUR 36 million) as deferred component of the TotalErg sale price;

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

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

- The **special items** include significant atypical income items. These include:
    - income and expenses connected to events whose occurrence is non-recurring, i.e. those transactions or events that do 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 write-downs recorded 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.

Reconciliation with adjusted operating results

Year 2018	EBITDA	Note	1st quarter 2019	2018
479.6	**EBITDA for continuing operations**		***163.2***	***159.2***
3.3	*Contribution of discontinued operations (Brockaghboy)*	***1***	*0.0*	*3.3*
482.9	**EBITDA**		***163.2***	***162.5***
	Special items exclusion and impact of IFRS 16			
	Corporate			
2.7	*- Reversal of ancillary charges on non-recurring operations (Special Projects)*	***2***	*2.3*	*-*
-	*- Adjustment for impact of IFRS 16*	***3***	*(0.2)*	*-*
5.1	*- Reversal liabilities/charges ERG80*	***4***	*-*	*-*
	Thermoelectric			
-	*- Adjustment for impact of IFRS 16*	***3***	*(0.2)*	*-*
	Hydroelectric			
-	*- Adjustment for impact of IFRS 16*	***3***	*(0.0)*	*-*
	Solar			
-	*- Adjustment for impact of IFRS 16*	***3***	*(0.1)*	*-*
	Wind			
-	*- Adjustment for impact of IFRS 16*	***3***	*(1.3)*	*-*
490.6	**Adjusted EBITDA**		***163.7***	***162.5***

2018	AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	Note	1st quarter 2019	2018
(274.1)	**Amortisation and depreciation expense for continuing operations**		***(73.3)***	***(67.9)***
(0.7)	*Contribution of discontinued operations (Brockaghboy)*	***1***	*-*	*(0.7)*
(274.8)	**Amortisation, depreciation and impairment losses**		***(73.3)***	***(68.6)***
	Special items exclusion			
0.0	*- Adjustment for impact of IFRS 16*	***3***	*1.5*	*-*
(274.8)	**Adjusted depreciation and amortisation**		***(71.9)***	***(68.6)***

2018	PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	Note	1st quarter 2019	2018
132.6	**Profit attributable to owners of the parent**		**49.2**	**84.9**
	Special items exclusion and impact of IFRS 16			
0.0	*Exclusion impact of IFRS 16*	***3***	*0.3*	*-*
0.0	*Exclusion of ancillary charges on corporate financial prepayments*	***5***	*1.6*	*-*
2.2	*Exclusion of ancillary charges on non-recurring operations*		*2.2*	*-*
4.4	*Exclusion liabilities/charges ERG80*		*0.0*	*-*
(26.4)	*Exclusion of capital gain from sale of UK equity investment*		*0.0*	*(26.5)*
(6.0)	*Exclusion of the net gain on refinancing (IFRS 9)*	***6***	*0.6*	*(2.3)*
107.0	**Adjusted profit attributable to owners of the parent**		***54.0***	***56.3***

1. The results of Brockaghboy, the subsidiary sold on 7 March 2018, are subject to the requirements of IFRS 5. In this Interim Financial Report, to facilitate understanding of the figures, it was deemed necessary to show and comment the results achieved in the period 1 January 2018 to 7 March 2018 by the assets sold under ordinary operations, in line with the approach already adopted in the Report on Operations on the 2018 Financial Statements.

2. Ancillary charges relating to other operations of a non-recurrent nature and capitalised charges on holdings managed as ancillary charges on the Group consolidated financial statements following the acquisition of two photovoltaic plants in the first quarter of 2019.

3. Adjustment for impact of IFRS 16. Reference is made to the comments made in the previous article.
4. Charges related to the ERG Group's 80th anniversary celebrations in the fourth quarter of 2018.

5. Financial expenses correlated to the early closure of a Corporate loan in the context of a refinancing process of

some credit lines for ERG S.p.A.

6. The Group renegotiated a number of loans during the year. Standard IFRS 9 does not allow for the deferment of the positive economic effects of the renegotiation of loans on the residual life of the liability: this resulted in a net gain of approximately EUR 1 million being accounted for in the first quarter of 2019. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted income statement financial expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.

Below is the reconciliation between the financial statements and the adjusted statements shown and commented upon in this Report.

Income Statement 1st quarter 2019

	Financial statements	Adjustment for impact of IFRS 5	Reversal Special items	Adjusted income statement
Revenue	296.5	–	–	296.5
Other income	3.0	–	–	3.0
Total revenue	**299.4**	**–**	**–**	**299.4**
Purchases	(78.8)	–	–	(78.8)
Change in inventories	0.7	–	–	0.7
Services and other operating costs	(42.3)	*(1.8)*	*2.3*	(41.9)
Personnel expense	(15.8)	–	–	(15.8)
EBITDA	**163.2**	***(1.8)***	***2.3***	**163.7**
Amortisation, depreciation and impairment of non-current assets	(73.3)	*1.5*	–	(71.9)
EBIT	**89.9**	***(0.4)***	***2.3***	**91.8**
Net financial income (expense)	(21.3)	*0.8*	*2.9*	(17.6)
Net gains (losses) on equity investments	0.0	–	–	0.0
Profit before taxes	**68.6**	***0.4***	***5.2***	**74.3**
Income taxes	(19.4)	*(0.1)*	*(0.8)*	(20.3)
Profit from continuing operations	**49.2**	***0.3***	***4.4***	**53.9**
Net profit from continuing operations	–	–	–	–
Net profit for the period	**49.2**	***0.3***	***4.4***	**53.9**
Non-controlling interests	0.1	–	–	0.1
Profit attributable to the owners of the parent	**49.2**	***0.3***	***4.4***	**54.0**

Income Statement 1st quarter 2018:

	Financial statements	Reversal reclassifications IFRS 5 Brockaghboy	Reversal Special items	Adjusted income statement
Revenue from sales and services	281.4	*2.9*	–	284.4
Other revenue and income	1.9	*0.9*	–	2.8
Total revenue	**283.3**	***3.8***	**–**	**287.1**
Purchases	(69.8)	*(0.0)*	–	(69.8)
Change in inventories	0.4	–	–	0.4
Services and other operating costs	(40.1)	*(0.6)*	–	(40.7)
Personnel expense	(14.6)	–	–	(14.6)
EBITDA	**159.2**	***3.3***	**–**	**162.5**
Amortisation, depreciation and impairment of non-current assets	(67.9)	*(0.7)*	–	(68.6)
EBIT	**91.3**	***2.6***	**–**	**93.9**
Net financial income (expense)	(14.6)	*(0.6)*	*(2.8)*	(18.1)
Net gains (losses) on equity investments	0.0	*26.8*	*(26.8)*	0.0
Profit before taxes	**76.7**	***28.8***	***(29.6)***	**75.9**
Income taxes	(20.3)	*(0.2)*	*1.0*	(19.5)
Profit (loss) from continuing operations	**56.5**	***28.5***	***(28.6)***	**56.4**
Net profit (loss) from continuing operations	28.5	*(28.5)*	–	–
Net profit (loss) for the period	**85.0**	**–**	***(28.6)***	**56.4**
Non-controlling interests	(0.1)	–	–	(0.1)
Profit (loss) attributable to the owners of the parent	**84.9**	**–**	***(28.6)***	**56.3**

Reclassified statement of financial position at 31 March 2019

	Reported Statement of financial position	Adjustment for impact of IFRS 16	Adjusted statement of financial position
Intangible non-current assets	1,044.6	–	1,044.6
Property, plant and equipment	2,440.1	*(68.8)*	2,371.3
Participating interests and other financial non-current assets	54.3	–	54.3
Non-current assets	**3,539.0**	***(68.8)***	**3,470.2**
Inventories	22.2	–	22.2
Trade receivables	311.8	–	311.8
Trade payables	(76.8)	–	(76.8)
Excise duties payable to tax authorities	(1.3)	–	(1.3)
Net working capital	**255.9**	**–**	**255.9**
Post-employment benefits	(5.8)	–	(5.8)
Other assets	315.0	*3.6*	318.6
Other liabilities	(627.6)	–	(627.6)
Net invested capital	**3,476.5**	***(65.2)***	**3,411.3**
Equity attributable to the owners of the parent	1,878.6	*0.3*	1,878.9
Non-controlling interests	18.2	–	18.2
Medium/long-term financial indebtedness	1,543.9	*(61.3)*	1,482.6
Short-term net financial indebtedness	35.8	*(4.2)*	31.6
Equity and financial debt	**3,476.5**	***(65.2)***	**3,411.3**