INTERIM FINANCIAL REPORT

30 JUNE 2019

ERG
EVOLVING ENERGIES

(Translation from the Italian original which remains the definitive version)

INTRODUCTION

The Interim financial report as at and for the six months ended 30 June 2019, prepared on the basis of the indications contained in Article 154-ter of the Italian Consolidated Finance Act, and the Consolidated Interim Report included therein, was prepared in condensed form in compliance with IAS 34 "Interim Financial Reporting".

Unless otherwise indicated, the amounts included in the Interim Report are expressed in euros.

The condensed interim consolidated financial statements where reviewed by the independent auditors KPMG S.p.A. in compliance with CONSOB (the Italian Commission for listed companies and the stock exchange) regulations; the results of their work will be published as soon as they are available.

Disclosure pursuant to Articles 70 and 71 of the Issuers Regulations

The Group has selected the option, introduced by CONSOB with its Resolution no. 18079 of 20 January 2012, of waiving the obligation to make available to the public an information document upon carrying out significant transactions, i.e. mergers, demergers, capital increases by contributions in kind, acquisitions and sales.

Operating segments

Operating results are presented and commented on with reference to the various production technologies, in line with the Group's internal performance measurement methods.

The results by business segment also reflect the energy sales on markets by Group Energy Management, in addition to the adoption of effective hedges of the generation margin. The above mentioned hedges include, inter alia, the use of instruments by the Energy Management department to hedge the price risk. In order to give a clearer representation of the businesses in terms of technology, therefore the wind and hydroelectric power results include the hedges entered into in relation to renewable sources ("RES") and the thermoelectric results include the hedges on the "spark spread".

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 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**".

A definition of the indicators and the reconciliation of the amounts involved, are provided in the "Alternative Performance Indicators" section and the comments in the following IFRS 16 paragraph.

IFRS 16

IFRS 16 -Leases has been applied from 1 January 2019.

The Group, as lessee, has recognised a new liability for leases and higher right of use assets amounting to approximately EUR 63 million at 1 January 2019 related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory.

The application of the new standard has changed the nature and the representation in the income statement of charges for operating leases: these costs are now recognised as amortisation of the right of use and as financial charges correlated to the liability linked to the discounting of future payments of leasing instalments. Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially in line with the financial occurrence of relative rentals payments.

The application of the IFRS 16 standard has therefore involved:

- the improvement in gross operating profit (EBITDA) in respect of the leasing instalments that fall within the scope of IFRS 16, of approximately EUR 3.9 million in the first half of 2019;
- the increase (EUR 70 million as at 30 June 2019) of the net financial indebtedness and of the net invested capital in relation to the application of the asset method indicated by the new standard;
- greater depreciation and amortisation expense (EUR 3.1 million) and greater financial expenses (EUR 1.6 million) linked to the application of the above-mentioned method.

At the time of the first application, ERG availed itself of the option to use the modified retroactive method, therefore without restating previous financial years for comparison.

In view of the foregoing submissions, in order to represent the business actual profitability, it has been deemed appropriate to recognise, in the **Adjusted Income Statement**, leasing costs within the Adjusted gross operating profit (EBITDA), in accordance with management reports for the previous years and with the financial expression (periodic instalment) of the same and in continuity with the representation in previous years.

Also in accordance with the **adjusted net financial indebtedness** and the **adjusted net invested capital**, these are represented net of the liability linked to the discounting of future payments of leasing instalments.

For the reconciliation of the above-mentioned amounts, reference is made to “Alternative Performance Indicators” section.

Risks and uncertainties in relation to the business outlook

With reference to the estimates and forecasts contained in this document, and in particular in the section “Business outlook”, it should be noted that the actual results may differ from those announced due to a number of factors, including: future price trends, the operating performances of plants, wind conditions, water availability, irradiation, the impact of energy industry and environmental regulations, and other changes in business conditions and competitors’ actions.

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CORPORATE BODIES

BOARD OF DIRECTORS [1]

Chairman
EDOARDO GARRONE
(executive)

Deputy Chairman
ALESSANDRO GARRONE [2]
(executive)

GIOVANNI MONDINI
(non-executive)

Chief Executive Officer
LUCA BETTONTE

Directors
MASSIMO BELCREDI [3]
(independent)

MARA ANNA RITA CAVERNI [4]
(independent)

BARBARA COMINELLI [4]
(independent)

MARCO COSTAGUTA
(non-executive)

PAOLO FRANCESCO LANZONI [5]
(non-executive)

SILVIA MERLO [4]
(independent)

ELISABETTA OLIVERI [4]
(indipendente)

MARIO PATERLINI [4]
(independent)

BOARD OF STATUTORY AUDITORS [6]

Chairman
ELENA SPAGNOL

Standing Auditors
LELIO FORNABAIO
FABRIZIO CAVALLI

MANAGER IN CHARGE OF FINANCIAL REPORTING (ITALIAN LAW NO. 262/05)

PAOLO LUIGI MERLI

INDEPENDENT AUDITORS

KPMG S.p.A. [7]

1 Board of Directors appointed on 23 April 2018.
2 Director in charge of the Internal Control and Risk Management System.
3 With reference to the provisions of Article 148, paragraph 3, of the Italian Consolidated Finance Act.
4 With reference to the provisions of Article 148, paragraph 3, of the Italian Consolidated Finance Act and the matters contained in the current Corporate Governance Code recommended by Borsa Italiana S.p.A.
5 Upon his appointment as (non-executive) Director of the parent company San Quirico S.p.A., while the Board of Directors of ERG S.p.A., at its meeting of 16 July 2019, confirmed his autonomy of judgement, deemed it preferable to qualify him as a non-independent directors in accordance with Article 148, paragraph 3 of the Consolidated Finance Act
6 Board of Statutory Auditors appointed on 17 April 2019
7 Appointed on 23 April 2018 for the period 2018-2026

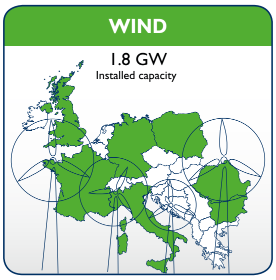
BUSINESS DESCRIPTION

The ERG Group is a major independent operator in the production of electricity from renewable sources such as wind, solar, hydroelectric and high-efficiency, low environmental impact cogenerative thermoelectric power plants.

Management of the industrial and commercial processes of the ERG Group is entrusted to the subsidiary ERG Power Generation S.p.A. which carries out:

- centralised Energy Management activities for all the generation technologies in which the ERG Group operates;
- the Operation and Maintenance activities of its Italian wind farms and part of the plants in France and Germany, as well as the Terni hydroelectric hub and the Priolo CCGT plant. It provides technical and administrative services in France and Germany for both group companies and third parties through its foreign subsidiaries.

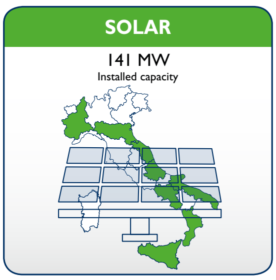
ERG Power Generation S.p.A. also operates, directly or through its subsidiaries, in the following Electric Power generation sectors:



Wind

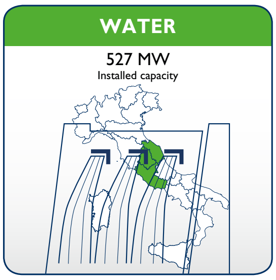
ERG is active in the generation of electricity from wind sources, with 1,895 MW of installed power at 30 June 2019. ERG is the leading wind power operator in Italy and one of the top ten in Europe.

The wind farms are mainly concentrated in Italy (1,093 MW), but with a significant and growing presence abroad (803 MW operational), mainly in France (359 MW), Germany (238 MW), Poland (82 MW), Romania (70 MW) and Bulgaria (54 MW).



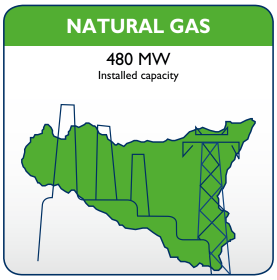
Solar

ERG is active in the generation of electricity from solar sources, with an installed capacity of 141 MW, an increase of 51.4 MW following the acquisition in January 2019 of two photovoltaic plants in Lazio, which have been added to the 31 photovoltaic plants acquired in 2018, which became operative between 2010 and 2011 and are located in 8 regions between the North and the South of Italy. .



Hydroelectric

ERG is active in the generation of electricity from hydroelectric sources through an integrated portfolio of assets consisting of 19 plants, 7 dams, 3 reservoirs and one pumping station, located in Umbria, Marche and Lazio, linked by a network of rivers and canals of over 150 km with a capacity of 527 MW.

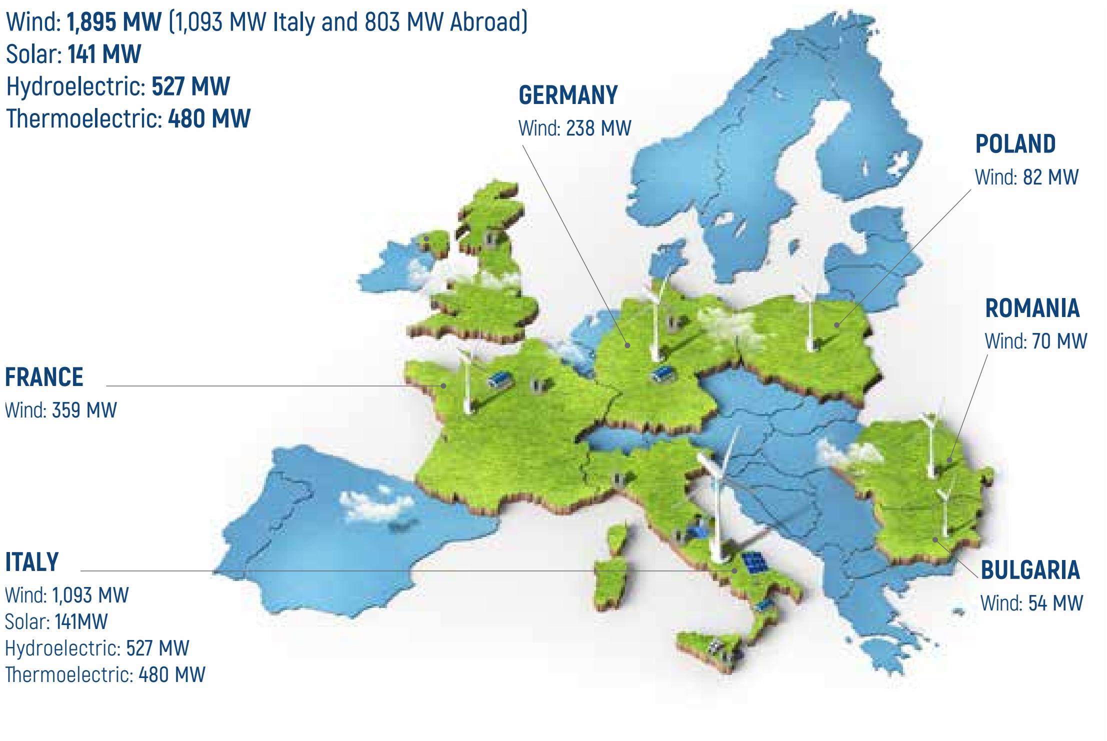


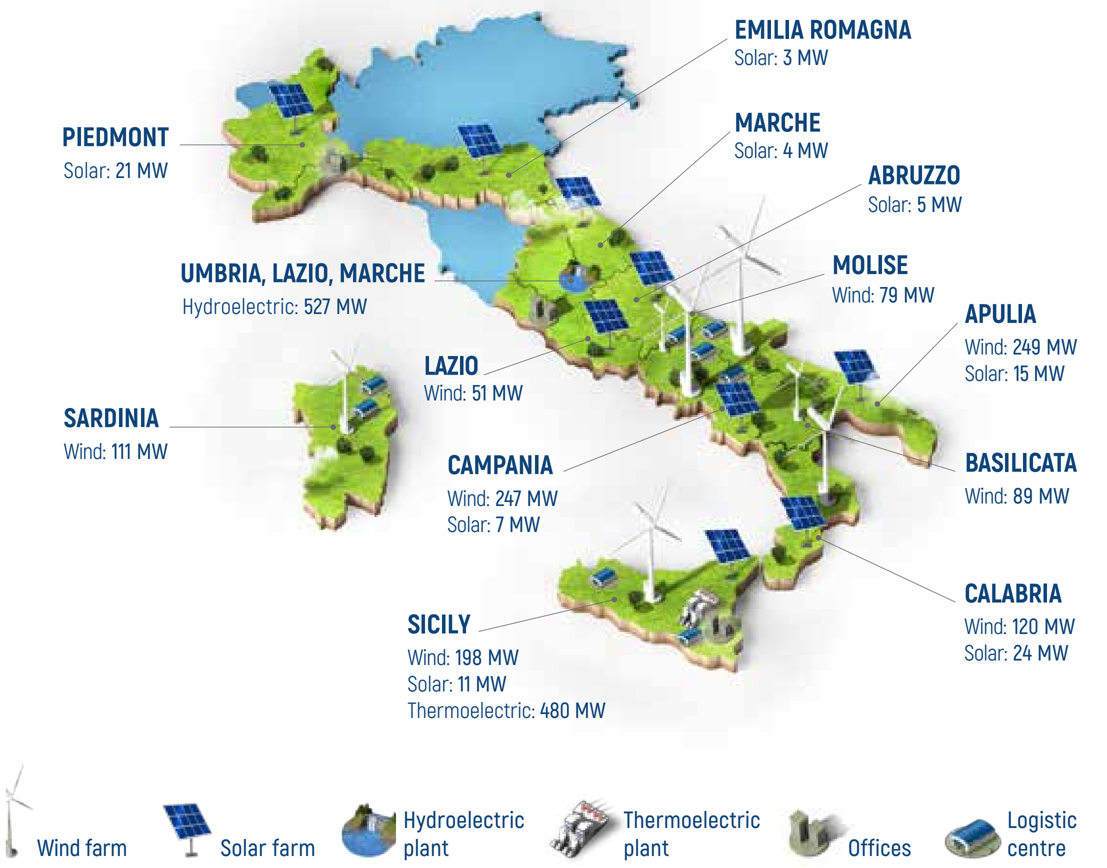
Thermoelectric

ERG is active in the generation of electricity from thermoelectric sources through the CCGT “Centrale Nord” plant (480 MW) at the industrial site in Priolo Gargallo, Syracuse, Sicily. This is a high-efficiency, low environmental impact cogeneration plant (HEC), which uses combined cycle technology fuelled with natural gas. It came into stream commercially in April 2010 along with other ancillary plants for the production of steam and, to a lesser extent, of other utilities.

GEOGRAPHICAL SEGMENTS AT 30 JUNE 2019

Wind: **1,895 MW** (1,093 MW Italy and 803 MW Abroad)
Solar: **141 MW**
Hydroelectric: **527 MW**
Thermoelectric: **480 MW**





CONSOLIDATION SCOPE AT 30 JUNE 2019

ORGANISATIONAL MODEL

The group's organisational structure is characterised by the definition of two macro-roles:

- ERG S.p.A – Corporate – which provides strategic guidance, is directly responsible for business development processes and ensures the management of all business support processes. In 2019, the company is organised into the following areas:
  - Business Development;
  - Engineering Development;
  - Administration, Finance, Control & Procurement;
  - Public Affairs & Communication;
  - Corporate & legal Affairs.

  Since 1 June 2019, Human Capital & ICT was included under the Administration, Finance, Control & Procurement Department which already included the areas of Administration, Finance, Planning and Control, Risk Management, M&A, Investor Relations and Purchasing with the goal of placing under a single Department the activities pertaining to the main services supporting the Business.

- ERG Power Generation S.p.A., which is assigned responsibility for the Group's industrial and commercial processes, is organised into:
  - Wind, Thermo, Hydro and Solar generation technologies, which in turn are organised into production units on a geographical basis;
  - Energy Management, as the single entry point into organised markets;
  - a commercial structure dedicated to Key Accounts;
  - a centre of process engineering technological excellence relative to the different generation technologies;
  - a hub of specialised skills in regulatory, planning and performance control matters, across all business processes;
  - a structure dedicated to managing health, safety and environmental protection issues for the entire Group.

(1) It includes Group Administration, Finance, Planning & Control, Investor Relations, M&A, Corporate Finance & Group Risk Management and Human Capital & RCT

FIRST GREEN BOND ISSUE AND LIABILITY MANAGEMENT

On 4 April 2019 ERG completed the placement of a non-convertible bond for an amount of EUR 500,000,000 with a maturity of 6 years at fixed rate, issued in the context of the Euro Medium Term Notes (EMTN) Programme. The issue took the form of a Green Bond, aimed at financing or refinancing renewable sources, wind and solar power generation projects of the ERG Group.

Since December 2018 ERG S.p.A. has had an Investment Grade public rating of BBB- from the Fitch Ratings agency.

Thanks to the liquidity deriving from the issue of the bond, and from a 5-year bilateral corporate loan subscribed with Commerzbank and to the liquidity generated by the ERG Group, in the first part of the second quarter of 2019, the Group proceeded to pay off and to unwind the following loans and IRS ahead of time:

- Project Financing for ERG Wind Investments Ltd with a net nominal book value at the time of repayment of EUR 461 million. The loan was hedged by an IRS derivative instrument with a negative fair value at the end of the period of EUR 53 million;
- Project Financing for ERG Power S.r.l. with a net residual value at the time of repayment of EUR 49 million. The loan was hedged by an IRS derivative instrument with a negative fair value at the end of the period of EUR 2 million.

The issue of the first Green Bond by ERG and the repayment of the above mentioned project financing is consistent with the strategy of progressive transformation of the Group's financial structure from Project to Corporate Financing and the consequent progressive reduction of the structural subordination to allow the improvement of the creditworthiness of the debt structure of the Group, through the re-balancing of the corporate debt, which, already as at 30 June 2019, became prevalent, with respect to the project financing debt.

For a better understanding of the data commented herein, the following main impacts of the transaction are pointed out:

- the increase in net financial indebtedness by EUR 43 million as a consequence of the closing of the (positive) adjustment tied to the fair value measurement, recognised upon first consolidation (2013), of the ERG Wind Investments loan, repaid in the period. It is a no-cash item;
- expense of:
  - EUR 43 million with reference to the above comments in relation to the reversal of the fair value of the loan and to its repayment;
  - EUR 23 million by way of prepayment of the IRS derivative instruments, net of the residual first consolidation reserve.

These items were treated as special items, net of the related tax effects.

Following the aforesaid restructuring, the average cost of the non-current gross debt had already decreased markedly in the second quarter of 2019 with respect to the same quarter of 2018 (2.4% compared to 3.1%), as did, thanks to the more effective use of cash, the cost of net debt (3.7% compared to 5.7%). This allows a marked reduction of the adjusted financial expense both in the quarter and in the half, in spite of the higher net debt.

CHANGE IN BUSINESS SCOPE IN THE FIRST HALF OF 2019

Solar

On **12 February 2019**, ERG, through its subsidiary **ERG Solar Montalto S.r.l.**, completed the acquisition from Soles Montalto GmbH, an investment fund managed by the AREAM group, a European asset manager in the renewable sector, of 78.5% of Perseo S.r.l., holder of 100% of Andromeda PV S.r.l., a company that in turn manages two photovoltaic plants with total installed capacity of 51.4 MW.

It was also agreed that Soles Montalto GmbH will remain minority shareholder, on the basis of shareholders' agreements that will guarantee ERG full industrial control of the asset and its line-by-line consolidation.

The plants are located in Montalto di Castro (Lazio), and in 2018 recorded a total output of 85.6 GWh and EBITDA (gross operating profit) of EUR 30 million. Equipped with Sun Power and uni-axial tracker technology, the plants on average came into operation in the 4th quarter of 2010 and will benefit from the second feed-in premium for 20 years, until 2030.

The enterprise value of the transaction is of around EUR 220 million, corresponding to the equity value of the acquired portion of EUR 96 million and the net financial position of the Target as at 31 December 2018 of EUR 124 million.

This Report reflects the impacts of the consolidation of the companies acquired since 1 January 2019: for more information on the Purchase Price Allocation for solar, reference is made to the section "Financial Statements and Alternative Performance Indicators".

Wind - UK

On **2 May 2019** ERG, through its subsidiary ERG UK Holding Ltd., completed the acquisition from RES, an international company in the renewable energies sector, of a 100% equity interest in **Craiggore Energy Ltd.**, a company incorporated under Northern Irish law, holder of authorisations for the construction of a wind farm in Northern Ireland, in the county of Londonderry.

The wind farm will consist of 10 turbines for an approved capacity of 25 MW and estimated energy production – once fully operational – of approximately 87 GWh per year, equal to over 3,500 full-load hours and approximately 43 Kt of avoided CO_2 emissions, as well as to the estimated energy requirement of approximately 21,500 households. Construction work is expected to start in the fourth quarter of 2019, and the entry into operation, following completion of the connection to the national grid, is expected by April 2021. The project will participate in the Integrated Single Electricity Market (I-SEM).

The total estimated investment required to build the wind farm is approximately GBP 37 million (around EUR 41 million), already including the amount paid to purchase the equity investment.

With this transaction, ERG strengthened its path of organic growth abroad, increasing the MW under construction in Great Britain from 163 to 188, and raising from 70% to 88% the amount of the secured MW with reference to the targets of the Plan.

Wind - France

On **6 May 2019**, ERG, through its subsidiary ERG Eolienne France SAS, completed the acquisition from Profond Finanzgesellschaft AG, based in Zurich, of 100% of "Les Moulins de Fruges SAS", a French company owning **six wind farms** with total installed capacity of 52 MW located in the Hauts-de-France region in Northern France.

The parks, which started operating between 2007 and 2009, with a EBITDA for 2018 of EUR 6.2 million and a total expected generated power of 99 GWh, equal to over 1,800 full-load hours and to approximately 50 kt of avoided CO_2 emission, benefit from a Feed-in Tariff (FiT), equal on average to EUR 93 per MWh in 2018 and with a duration of 15 years.

The Enterprise Value of the acquisition is EUR 52 million. The net financial indebtedness of the company is zero. The closing of the transaction took place after receiving the approval of the French Ministry of Economy and Finance. This Report reflects the impacts of the consolidation of the companies acquired as from 1 January 2019.

Wind

On **27 June 2019**, ERG, through its subsidiary ERG Power Generation S.p.A., completed, with Windwärts Energie GmbH, the acquisition of a pipeline of wind power projects in Germany with a total capacity of 224 MW **Windwärts**, which has long experience as a developer, is a pioneer in the renewable energies sector in Germany and it is a wholly-owned subsidiary of the utility MVV Energie AG. The early-medium stage pipeline, totalling approximately 224 MW, consists of 13 projects in different stages of development, 4 of which, at a more advanced stage, are considered by the Regional Plans. The projects are located in Northern Germany, specifically in Lower Saxony and Schleswig-Holstein, in particularly windy areas with an average estimated producibility above 3,000 equivalent hours.

The total agreed price in terms of Enterprise Value is approximately EUR 4 million, divided between an upfront payment upon closing and subsequent amounts tied to the development of the projects.

ERG'S STOCK MARKET PERFORMANCE

On 28 June 2019[8], the reference price of ERG's shares was EUR 18.00, up (+9.1%) from the end of 2018, versus an increase, in the same period, in the FTSE All Share index (+14.9%), the FTSE Mid Cap index (+8.4%) and the Euro Stoxx Utilities Index (+14.5%).

During the period under review, the listed price of the ERG share ranged between a minimum of EUR 15.69 (25 March 2019) and a maximum of EUR 18.62 (20 June 2019).

Figures relating to the prices and exchange volumes of ERG's shares at 28 June 2019 are set out below:

Share price	**Euro**
Reference price as at 28.06.19	18.00
Maximum pri ce (20.06.19) (1)	18.62
Minimum price (25.03.19) (1)	15.69
Average price	17.05

(1) lowest and highest price reached during the day's trading; hence they do not match the official and closing prices on the same date.

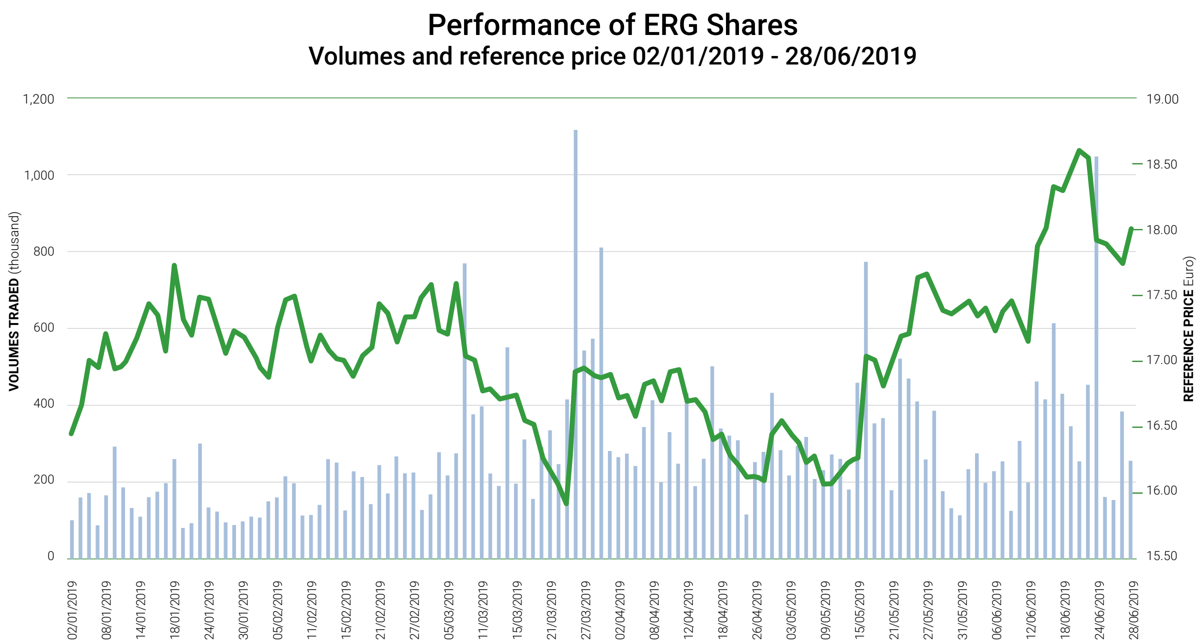
Volumes traded	**No. of shares**
Maximum volume (26.03.19)	1,113,089
Minimum volume (21.01.19)	75,726
Average volume	278,254

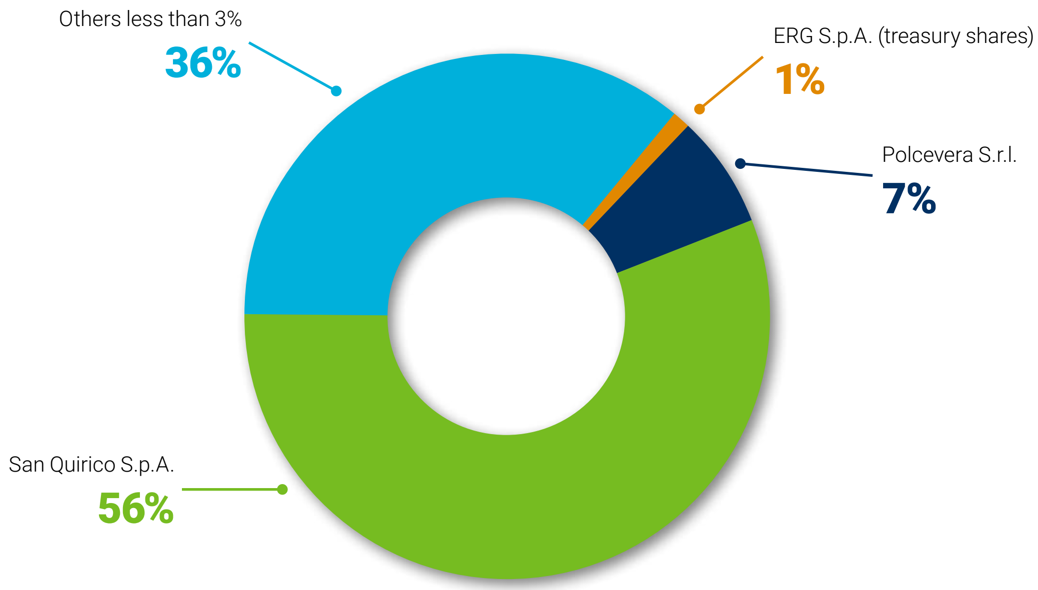
Market capitalisation was approximately EUR 2,706 million at 28 June 2019 (EUR 2,480 million at the end of 2018).

The average number of shares outstanding in the period was 148,866,945.

8 Last available day for the listed price of the first half of 2019

PERFORMANCE OF ERG SHARES AND SHAREHOLDING STRUCTURE





SIGNIFICANT EVENTS DURING THE HALF-YEAR

Date	Sector	Significant events	Press release
11 January 2019	Solar	**Acquisition** from Soles Montalto Gmbh of 78.5% **of Perseo S.r.l.**, owner of 100% of Andromeda PV S.r.l. which in turn manages two photovoltaic plants with a total installed capacity of 51.4 MW. The transaction's closing date was 12 February 2019.	Press release 11/01/2019
14 January 2019	Corporate	**Finalisation of the free allocation of 80 ERG treasury shares** to each employee of the Italian companies of the ERG Group. The allocation, announced on 20 October 2018 (see press release of same date), concerned a total number of 664 employees and 53,120 shares held in the portfolio by ERG S.p.A., with a total value, including the relative ancillary costs of EUR 1.1 million.	Press release 14/01/2019
15 January 2019	Wind France	Completion of the **commissioning phase for Parc Eolien de la Vallée de Torfou** (**17.6 MW**, with an estimated average annual output of 47 GWh), a wind farm part of the 768 MW of assets under construction and development of Epuron, acquired last year (see press release of 6/4/2018) and of Parc Eolien Vallée de l'Aa (13.2 MW, with an estimated average annual output of 29 GWh), corresponding to an overall total of around 45,000 tonnes of avoided CO_2 emissions per annum.	Press release 15/01/2019
4 February 2019	Corporate	ERG was ranked 16th 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 was the top Italian company, as well as the only Italian company in the Top 50.	Press release 04/02/2019
6 March 2019	Solar	Suspension of the incorporation of the joint venture **ERG Q Solar 1**.	Press release 06/03/2019
13 March 2019	Corporate	The early collection of EUR 36.6 million object of the **Vendor Loan** granted to a.p.i. S.p.A. at the time of signature of the agreement for the sale of TotalErg S.p.A.	Press release 13/03/2019
25 March 2019	Wind France	Signing of an agreement with Profond Finanzgesellschaft AG, based in Zurich, for the **acquisition of 100% of the capital of "Les Moulins de Frouges S.a.s."**, a French company owning six wind farms with total installed capacity of 52 MW located in the Hauts-de-France region in Northern France. The transaction's closing took place on 6 May 2019.	Press release 25/03/2019

4 April 2019	**Corporate**	**Placement of a non-convertible bond** of an amount of EUR 500,000,000 with a maturity of 6 years at a fixed rate, issued in the context of its own EUR 1 billion Euro Medium Term Notes (EMTN) Programme.	Press release 04.04.2019
2 May 2019	**Wind UK**	**Acquisition** from RES, an international company in the renewable energy sector, of 100% of Craiggore Energy Ltd, a company incorporated under Northern Irish law, holder of authorisations for the construction of a wind farm in Northern Ireland, in the county of Londonderry. The total estimated investment required to build the wind farm is approximately GBP 37 million (around EUR 41 million), already including the purchase price.	Press release 02.05.2019
14 June 2019	**Wind France**	**Parc Eolien du Pays a Part**, French company of the ERG Group, owner of a project situated in the North of France with a power of 18 MW, won the third auction dedicated to onshore wind power.	Press release 14.06.2019
20 June 2019	**Corporate**	The **Fitch** ratings agency confirmed for ERG S.p.A. a Long Term Issuer Default Rating (IDR) of BBB- with stable outlook and a senior unsecured rating of BBB-.	Press release 20.06.2019
21 June 2019	**Wind Germany**	The construction and commissioning phase of **Wind Park Linda**, a wind farm situated in Germany, with a power of 21.6 MW was completed.	Press release 21.06.2019
27 June 2019	**Wind Germany**	Signing of an agreement with **Windwärts Energie GmbH** for the acquisition of a pipeline of wind power projects in Germany with a total capacity of 224 MW. The total agreed price in terms of Enterprise Value is approximately EUR 4 million, divided between an upfront payment upon closing and subsequent amounts tied to the development of the projects.	Press release 27.06.2019

PERFORMANCE HIGHLIGHTS

Year			First half	
2018	**(EUR million)**		**2019**	**2018**
	KEY ECONOMIC DATA			
1,027	Adjusted revenue		530	516
491	**Adjusted EBITDA**		**273**	**277**
216	**Adjusted EBIT**		**128**	**140**
133	Profit		3	105
133	*of which profit attributable to owners of the parent*		*2*	*105*
107	**Adjusted profit attributable to owners of the parent (1)**		**68**	**76**
	KEY FINANCIAL DATA			
3,172	**Net adjusted invested capital (2)**		**3,403**	**3,275**
1.829	Equity		1,741	1,809
1.343	Adjusted total net financial indebtedness (2)		1,662	1,466
1.178	*of which non-recourse Project Financing (3)*		*809*	*1,223*
42%	Financial leverage		49%	45%
48%	**EBITDA MARGIN %**		**52%**	**54%**
	OPERATING DATA			
1,822	**Installed capacity of wind farms at the end of the period**	MW	**1,895**	**1,791**
3,464	Electric power output from wind farms	KWh million	2,154	1,931
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	1,216	1,054
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	593	1,001
90	**Installed capacity of solar plants at the end of the period**	MW	**141**	**90**
130	Electric power output from solar plants	KWh million	119	64
13,627	**Total sales of electric power**	KWh million	**7,642**	**7,085**
510	Capital expenditure (4)	EUR million	307	447
737	**Employees at the end of the period**	Units	**761**	**737**
	NET UNIT REVENUE (5)			
124.9	Wind Italy	EUR/MWh	119.1	123.2
94.5	Wind Germany	EUR/MWh	99.6	93.4
87.4	Wind France	EUR/MWh	88.9	87.0
63.5	Wind Poland	EUR/MWh	70.8	52.4
74.8	Wind Bulgaria	EUR/MWh	77.2	71.2
58.2	Wind Romania	EUR/MWh	67,4	50,0
100.4	Wind UK	EUR/MWh	n.a.	100,4
293.5	Solar	EUR/MWh	314.0	290.3
106.6	Hydroelectric	EUR/MWh	104.9	99.1
41.4	Thermoelectric	EUR/MWh	37.6	40.6

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, adjusted 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 70 million at 30 June 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 assets. They include M&A investments of EUR 307 million made in the first half of 2019 for the acquisition of two photovoltaic plants from Soles Montalto Gmbh with a total installed capacity of 51.4 MW (EUR 220 million), for the acquisitions of companies owning wind farms in France (EUR 52 million), of a pipeline in Germany (EUR 2 million) and of a project for the construction of a wind farm in the United Kingdom (EUR 6 million). In the first half of 2018 M&A investments were equal to EUR 447 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 and in Germany.

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

PERFORMANCE BY SECTOR

Year 2018	(EUR million)	First half 2019	First half 2018
	ADJUSTED REVENUE		
389	Wind	228	210
38	Solar	37	19
194	Hydroelectric	60	100
405	Thermoelectric (1)	205	187
36	Corporate	18	17
(36)	*Intra-segment revenue*	*(18)*	*(17)*
1,027	**Total adjusted revenue**	**530**	**516**
	ADJUSTED EBITDA		
274	Wind	171	159
32	Solar	34	16
146	Hydroelectric	44	80
53	Thermoelectric (1)	34	30
(15)	Corporate	(9)	(8)
491	**Adjusted EBITDA**	**273**	**277**
	AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES		
(159)	Wind	(82)	(81)
(24)	Solar	(20)	(10)
(58)	Hydroelectric	(29)	(29)
(31)	Thermoelectric	(14)	(15)
(3)	Corporate	(1)	(1)
(275)	**Adjusted depreciation and amortisation**	**(145)**	**(136)**
	ADJUSTED EBIT		
115	Wind	89	78
8	Solar	14	6
88	Hydroelectric	16	51
22	Thermoelectric (1)	20	14
(18)	Corporate	(10)	(9)
216	**Adjusted EBIT**	**128**	**140**
	CAPITAL EXPENDITURE (2)		
146	Wind	81	97
345	Solar	220	345
7	Hydroelectric	2	1
8	Thermoelectric	4	2
3	Corporate	1	1
510	**Total capital expenditure**	**307**	**447**

(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 assets and M&A investments

COMMENTS ON THE PERIOD'S PERFORMANCE

In the first half of 2019 **revenue** was EUR 530 million, up compared to the first half of 2018 (EUR 516 million), mainly following the increase in wind output both in Italy and abroad as well as in solar output, also following the expansion of the managed assets portfolio, in part offset by hydroelectric output that was far lower than the exceptionally high one of the previous year.

Adjusted EBITDA amounted to EUR 273 million, substantially in line with EUR 277 million recognised in 2018. The change is a result of the following factors:

- **Wind (EUR +12 million)**: EBITDA of EUR 171 million, up compared to the same period of 2018 (EUR 159 million) with more favourable wind conditions both in Italy and abroad. In particular, the results of the wind farms in Italy (EUR 117 million, in line with EUR 116 million of the previous year) in an environment of slightly lower overall average unit prices benefited from the higher output, of which the incentivised portion was stable at 72%, which offset the lower value of the unit incentive (EUR 92/MWh versus EUR 99/MWh). Results abroad are growing (EUR +11 million) thanks mainly to the contribution of the 91 MW of new wind farms in France (EUR +6 million) and to the higher output of the wind farm in the other foreign countries, as well as to the better price scenario in Eastern European countries. The first half of 2018 had benefited from the contribution from the Brockaghboy farm (EUR +3 million), sold on 7 March 2018.

- **Solar (EUR +18 million)**: EBITDA, amounting to EUR 34 million, more than doubled compared to the first half of 2018 (EUR 16 million) thanks to the contribution of 51 MW of the newly acquired photovoltaic plants in a favourable irradiation environment.

- **Hydroelectric (EUR -36 million)**: EBITDA of EUR 44 million (EUR 80 million in the first half of 2018), down sharply compared to the previous year. Performance was affected by the significantly reduced water resources recorded in the period compared to the historical one and in particular to the particularly high one of last year, with effect on volumes and on the GRIN incentive and, to a lesser extent, of the GRIN price, lower than in the previous half.

- **Thermoelectric (EUR +4 million)**: thermoelectric EBITDA, amounting to EUR 34 million, is higher than the EUR 30 million in 2018 as a result of a better the spark spread, due to the significant reduction in the cost of natural gas which more than offset the growing trend of the prices of CO_2, and to the higher quantities sold to the customers of the Priolo Site and of the performance of the plants.

Adjusted EBIT was EUR 128 million (EUR 140 million in 2018) after amortisation and depreciation of EUR 145 million, up EUR 9 million compared to the first half of 2018 (EUR 136 million), mainly due to new Solar investments and to the acquisitions of the operational wind farms in France, which took place in the second quarter of 2019.

Adjusted profit for the period attributable to the owners of the parent was EUR 68 million, down compared to the result of EUR 76 million in the first half of 2018, as a result of the aforementioned operating results and of a higher effective tax rate as a result of the removal of the tax relief tied to economic growth (ACE). In spite of growing indebtedness, financial charges were markedly lower than in the corresponding period of 2018 due to the reduction in the cost of debt thanks to the important liability management transactions carried out in the second quarter of 2019 and the concurrent issue of a Green Bond under improved conditions.

The profit for the period attributable to the owners of the parent amounted to EUR 3 million compared to EUR 105 million of the first half of 2018 and, relative to the aforementioned adjusted **profit for the period attributable to the owners of the parent**, it was mainly affected by the extraordinary financial expenses tied to debt restructuring through the issue of the first Green Bond and the concurrent closure of two important Project Financing facility. Moreover, the first half of 2018 benefited from the capital gain related to the sale of the Brockaghboy wind farm in the United Kingdom (EUR 27 million).

In the first half of 2019, **investments** totalled **EUR 307 million** (EUR 447 million in the first half of 2018) and relate mainly to the acquisition of two photovoltaic plants in Italy (EUR 220 million), of operational wind farms in France (EUR 52 million), of a project for the construction of a wind farm in the United Kingdom (EUR 6 million) and of a pipeline in Germany (EUR 2 million). During the half-year **investments in property, plant and equipment and intangible assets for EUR 27 million were also made**, of which 76% in the Wind sector (80% in the first half of 2018), mainly related to the completion of the wind farm in Germany (Windpark Linda), 15% in the Thermoelectric sector (10% in 2018), 6% in the Hydroelectric sector (5% in 2018) and 2% in the Corporate sector (5% in 2018), mostly for ICT.

Adjusted net financial indebtedness totalled **EUR 1,662 million**, up EUR 319 million compared to 31 December 2018 (EUR 1,343 million). The change mainly reflects the investments in the period (EUR 307 million) as a result of the additional growth in the solar sector in Italy and in the wind sector in France, dividend distribution (EUR 112 million), the extraordinary expenses incurred in the course of the significant liability management transactions (EUR 44 million), the increase of the fair value of hedging derivatives, partly offset by the positive cash flow of the period (EUR 194 million).
As already specified in the Introduction, adjusted net financial indebtedness is 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 70 million as at 30 June 2019.

PROFIT FOR THE PERIOD - BUSINESS

REFERENCE MARKET

Price scenario

Year 2018		First half 2019	First half 2018
	Price scenario (Euro/MWh)		
	Italy		
61.3	National single price - Electricity reference price in Italy (baseload) (1)	55.1	53.8
60.7	Electricity price North area	54.4	53.1
61.1	Electricity price Central-North area	55.5	53.5
60.9	Electricity price Central-South area	54.9	54.1
59.4	Electricity price South area	52.5	53.2
60.7	Electricity price Sardinia	54.5	53.6
69.5	Electricity price Sicily	64.5	60.3
68.8	Zonal price Central-North (peak)	61.8	60.9
99.0	Feed-In Premium (FIP) (former Green Certificates) - Italy	92.1	99.0
	Abroad		
50.0	France (baseload electricity)	41.1	40.4
44.5	Germany (baseload electricity)	38.5	35.8
76.2	Poland	82.5	63.4
52.8	*of which (baseload electricity)*	*53.3*	*47.5*
23.4	*of which Certificates of Origin*	*29.2*	*16.0*
39.9	Bulgaria (baseload electricity)	44.4	33.8
75.8	Romania (baseload electricity + 1 Green Certificate)	77.2	66.0
46.4	*of which baseload electricity*	*47.8*	*36.6*
29.4	*of which Green Certificate*	*29.4*	*29.4*
113.4	Northern Ireland (baseload electricity + 90% ROC)	108.9	105.5
61.0	*of which baseload electricity*	*54.2*	*54.2*
58.1	*of which ROC*	*60.8*	*57.0*

(1) Single National Price

Italian Market - Demand and output

Year 2018		First half 2019	2018
	Italy Market (GWh) (1)		
321,910	Demand	157,320	158,230
2,233	Pumping consumption	1,254	1,340
43,909	Import/Export	19,381	23,843
280,234	Internal production (2)	139,193	135,727
	of which		
185,046	*Thermoelectric*	*91,269*	*86,058*
49,275	*Hydroelectric*	*21,318*	*25,730*
5,708	*Geothermal*	*2,847*	*2,859*
17,318	*Wind*	*11,208*	*9,652*
22,887	*Photovoltaic*	*12,551*	*11,428*

(1) Source: Terna S.p.A. monthly report on the electrical system. Estimated data, subject to correction
(2) Output net of consumption for auxiliary services

In the first half of 2019, the electricity demand of the Italian electric system amounted to 157.3 TWh, down by 1% compared to the values recognised in the first half of 2018. With regard to Sicily, a region in which ERG is present with its CCGT plant and with wind and photovoltaic installations, demand of approximately 9.3 TWh was recorded during the period, up (+1.1%) compared to the first half of 2018, while in the group of regions consisting of Abruzzo-Lazio-Marche-Molise-Umbria, where ERG is active with its hydroelectric plants, the demand for electricity came to 21.8 TWh (-0.1%).

In the same period, (net) domestic electricity output was 139.2 TWh, up by 3% compared with 2018, whilst the net balance of trades with other countries recorded net imports of 19.4 TWh (-19% compared to the first half of 2018).
66% of (net) domestic output was covered by thermoelectric power plants and the remaining 34% by renewable sources; specifically, 15% of output was from hydroelectric power, 9% from photovoltaic plants, 8% from wind farms and 2% from geothermal sources. Compared to the first half of 2018, there was an increase in wind (+16%), photovoltaic (+10 %) and thermoelectric (+6%) outputs, while hydroelectric output declined (-17%) and geothermal output was substantially unchanged.

GROUP SALES

The ERG Group's electric power sales, made in Italy through ERG Power Generation S.p.A.'s Energy Management department, 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 first half of 2019, total sales of electric power amounted to 7.6 TWh (7.1 TWh in the first half of 2018), versus a total output from the Group plants of approximately 4.1 TWh (4.1 TWh in the same period of 2018), of which roughly 0.9 TWh abroad and 3.2 TWh in Italy. The latter figure corresponds to approximately 2.0% of electric power demand in Italy (2.1% in the first half of 2018).

The breakdown of sale volumes and electric power output, by type of source, is shown in the following table[9]:

Sources of electric power (GWh)	First half	
	2019	**2018**
Wind - wind power generation Italy	1,257	1,151
Wind - wind power generation Abroad	897	779
Solar - photovoltaic power generation	119	64
CCGT - thermoelectric power generation	1,216	1,054
Hydroelectric - hydroelectric power generation	593	1,001
ERG Power Generation S.p.A. - purchases	3,561	3,035
Total	**7,642**	**7,085**

Sales of electric power (GWh)	First half	
	2019	**2018**
Electricity sold to captive customers	241	272
Electricity sold wholesale (Italy)	6,504	6,033
Electricity sold abroad	897	779
Total	**7,642**	**7,085**

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 Energy Management with a view to developing the forward contracting activities and also hedging output, in line with Group risk policies.

In the first half of 2019, steam sales[10] amounted to 493 thousand tonnes, an increase compared to the 344 thousand tonnes in the same period of 2018.

9 Electric power sources refer to the output of the Group's plants and to the purchases made on wholesale markets; uses include sales made through physical bilateral agreements and on the spot and forward markets.
10 Steam supplied to end users net of the quantities of steam withdrawn by the users and pipeline losses.

WIND

The ERG Group operates in the wind sector through its companies that own wind farms in Italy and abroad. Wind farms consist of wind-power generators that transform the kinetic energy of wind into mechanical energy, which is used in turn to generate electricity. Aside from the availability of the plants, the performance expected from each wind farm is obviously influenced by the wind speed profile of the site on which the wind farm is located.

Business performance is also influenced by the sale price of electricity, which can vary in relation to the geographic areas where the plants are located, and by the incentive systems for renewable energy sources, which differ from country to country, and the regulation of organised energy markets.

INSTALLED POWER (MW)

Year 2018		First half 2019	First half 2018	Δ	Δ%
1,093	**Italy**	**1,093**	**1,093**	**0**	**0%**
	of which				
247	*Campania*	*247*	*247*	*0*	*0%*
120	*Calabria*	*120*	*120*	*0*	*0%*
249	*Puglia*	*249*	*249*	*0*	*0%*
79	*Molise*	*79*	*79*	*0*	*0%*
89	*Basilicata*	*89*	*89*	*0*	*0%*
198	*Sicily*	*198*	*198*	*0*	*0%*
111	*Sardinia*	*111*	*111*	*0*	*0%*
729	**Abroad**	**803**	**698**	**104**	**15%**
	of which				
216	*Germany*	*238*	*216*	*22*	*10%*
307	*France*	*359*	*276*	*83*	*30%*
82	*Poland*	*82*	*82*	*0*	*0%*
54	*Bulgaria*	*54*	*54*	*0*	*0%*
70	*Romania*	*70*	*70*	*0*	*0%*
0	*UK*	*0*	*0*	*0*	*n.a.*
1,822	**Total installed power at period end** (1)	**1,895**	**1,791**	**104**	**6%**

(1) power of plants in operation at period end. It is reminded that the Brockaghboy wind farm in Northern Ireland was sold (47.5 MW) on 7 March 2018.

Installed power at 30 June 2019, equal to 1,895 MW, was up 104 MW with respect to 30 June 2018 following the start of commercial operations in two wind farms in France from December 2018 (30.8 MW) and the aforementioned acquisition in France of an additional 52.0 MW already in operation, for a total increase of approximately 82.8 MW in France, to which is added a further increase by 21.6 MW in Germany as a result of the start of commercial operations of a wind farm, which occurred at the end of June.

Highlights of adjusted performance items

OPERATING RESULTS

Year 2018		First half 2019	First half 2018
389	**Adjusted revenue from sales and services**	**228**	**210**
274	**Adjusted EBITDA** (1)	**171**	**159**
(159)	Amortisation, depreciation and impairment losses (1)	(82)	(81)
115	**Adjusted EBIT** (1)	**89**	**78**
146	Investments in property, plant and equipment and intangible non-current assets	81	97
70%	**EBITDA margin%** (2)	**75%**	**76%**
3.464	**Total wind farm generation (GWh)**	**2.154**	**1.931**

(1) not including special items as indicated in the section "Alternative performance indicators", to which reference should be made for further details.
(2) ratio of adjusted EBITDA to revenue from sales and services.

Consolidated **revenue** recognised **in the first half of 2019** increased mainly as a result of the higher output both due to more favourable wind conditions, both in Italy and abroad, and to the contribution provided by the higher MW in operation abroad. These increases more than offset the reduction deriving from the lower unit value of the incentive in Italy (from 99.0 to 92.1 EUR/MWh). It is noted in particular that, compared to the first half of 2018, no longer incentivised output amounts to 8 GWh, with consequent lower revenue for a value of less than EUR 1 million.

Net unit revenue in Italy in the first half of 2019, taking into consideration the sale price of electricity, incentives (former green certificates) and other minor components, was equal to 119.1 EUR/MWh for ERG in Italy, down compared to the value of 123.2 EUR/MWh in the first half of 2018, as a result of the already discussed lower unit value of incentives.

Finally, as from 2016, the reference value for the incentives (former green certificates) is calculated on the basis of energy prices for the previous year. Consequently, unlike what took place in the past, changes in energy prices are no longer partially offset (78%) by the prices of the incentive provided for the year, but have an impact on the incentive for the subsequent year.

The following table reports revenue by country:

ADJUSTED REVENUE

Year 2018	(EUR million)	First half 2019	First half 2018	Δ	Δ%
266	**Italy**	**148**	**146**	**2**	**1%**
124	**Abroad**	**80**	**64**	**16**	**25%**
	of which				
33	*Germany*	*20*	*17*	*3*	*18%*
49	*France*	*34*	*26*	*8*	*32%*
14	*Poland*	*9*	*6*	*4*	*60%*
13	*Bulgaria*	*7*	*7*	*1*	*11%*
12	*Romania*	*8*	*5*	*3*	*67%*
3	*UK*	*0*	*3*	*(3)*	*-100%*
389	**Total**	**228**	**210**	**18**	**9%**

NET UNIT REVENUE

Year 2018	(EUR/MWh)	First half 2019	2018	Δ	Δ%
124.9	Wind Italy	119.1	123.2	(4)	-3%
94.5	Wind Germany	99.6	93.4	6	7%
87.4	Wind France	88.9	87.0	2	2%
63.5	Wind Poland	70.8	52.4	18	35%
74.8	Wind Bulgaria	77.2	71.2	6	8%
58.2	Wind Romania	67.4	50.0	17	35%
100.4	Wind UK	n.a.	100,4	n.a.	n.a.

In the **first half of 2019** net unit revenue in France and Germany was 88.9 EUR/MWh and 99.6 EUR/MWh respectively (including refunds for limitations in Germany). The main changes in net unit revenue abroad were seen in Romania (+35% following the increase in energy sale prices), Poland (+35%, thanks to the significant increase in the sale price of certificates of origin as well as the energy sale price) and Bulgaria (+8%). For completeness, the unit revenue relative to wind farms in Northern Ireland owned by the Group until the beginning of March 2018 is also reported.

GENERATION (GWh)

Year 2018		First half 2019	2018	Δ	Δ%
2,012	**Italy**	**1.257**	**1.151**	**106**	**9%**
	of which				
439	*Campania*	*291*	*253*	*38*	*15%*
219	*Calabria*	*122*	*122*	*(0)*	*0%*
471	*Puglia*	*317*	*265*	*53*	*20%*
156	*Molise*	*106*	*87*	*20*	*23%*
178	*Basilicata*	*108*	*101*	*6*	*6%*
341	*Sicily*	*187*	*205*	*(18)*	*-9%*
207	*Sardinia*	*125*	*118*	*7*	*6%*
1,452	**Abroad**	**897**	**779**	**117**	**15%**
	of which				
337	*Germany*	*198*	*178*	*20*	*11%*
552	*France*	*384*	*296*	*89*	*30%*
219	*Poland*	*135*	*112*	*23*	*20%*
138	*Bulgaria*	*75*	*74*	*1*	*1%*
176	*Romania*	*104*	*91*	*13*	*15%*
29	*UK*	*0*	*29*	*(29)*	*-100%*
3,464	**Total plants generation**	**2,154**	**1,931**	**223**	**12%**

In the first half of 2019, the generation of energy from wind power amounted to 2,154 GWh, up compared to the corresponding period in 2018 (1,931 GWh), following an output increasing by approximately 9% in Italy (from 1,151 GWh to 1,257 GWh) and by 15% abroad (from 779 GWh to 897 GWh).

The increased output in Italy (+106 GWh) is linked to better wind conditions than those recognised in the same period of 2018 across most regions, with the exception of Sicily.

As regards abroad, the net increase of 117 GWh is attributable to greater output in Eastern Europe (+37 GWh), Germany (+20 GWh) and France (+89 GWh, substantially from plants that were recently acquired or that became operational in the second half of 2018), net of reduced output in the UK (-29 GWh) following the sale of the Brockaghboy wind farm.

The following table shows wind farm **load factors** by main geographical area; the figure, estimated taking into account the actual start of operations of the wind farms in the individual periods, provides a measure of the level of generation of the various farms in relative terms, and is influenced not only by the characteristics of the farm and the wind conditions in the period considered, but also by the level of availability of the plants and any limitations on the energy transport networks.

LOAD FACTOR %

Year 2018		First half 2019	First half 2018	Δ
21%	**Italy**	**26%**	**24%**	**2%**
	of which			
20%	*Campania*	*27%*	*24%*	*4%*
21%	*Calabria*	*23%*	*23%*	*0%*
22%	*Puglia*	*29%*	*25%*	*5%*
22%	*Molise*	*31%*	*25%*	*6%*
23%	*Basilicata*	*28%*	*26%*	*2%*
20%	*Sicily*	*22%*	*24%*	*-2%*
21%	*Sardinia*	*26%*	*24%*	*1%*
23%	**Abroad**	**26%**	**25%**	**2%**
	of which			
18%	*Germany*	*21%*	*19%*	*2%*
23%	*France*	*25%*	*25%*	*0%*
31%	*Poland*	*38%*	*32%*	*6%*
29%	*Bulgaria*	*32%*	*32%*	*0%*
29%	*Romania*	*34%*	*30%*	*4%*
22%	**Load Factor** (1)	**26%**	**25%**	**2%**

(1) actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual wind farm)

In the first half of 2019, the overall load factor, of 26%, was up with respect to that recorded in the first half of 2018 (25%), increasing from 25% to 26% abroad and from 24% to 26% in Italy.

The above-mentioned data do not include the data relating to the plants in Northern Ireland following the aforementioned sale on 7 March 2018 of the 47.5-MW plant and of the new 21.6 MW plant that became operational in Germany at the end of the first half of 2019.

The increase in the load factor is attributable to the greater windiness recorded in the period, in particular in February, in addition to the high levels of plant availability.

The breakdown of adjusted EBITDA between the various geographic areas of the Wind business is as follows:

ADJUSTED EBITDA

Year 2018		First half 2019	2018	Δ	Δ%
195	**Italy**	**117**	**116**	**1**	**1%**
79	**Abroad**	**54**	**43**	**11**	**24%**
	of which				
22	*Germany*	*14*	*12*	*2*	*19%*
30	*France*	*23*	*18*	*5*	*27%*
10	*Poland*	*8*	*4*	*4*	*97%*
8	*Bulgaria*	*5*	*4*	*1*	*16%*
7	*Romania*	*5*	*3*	*3*	*104%*
3	*UK*	*(0)*	*3*	*(4)*	*n.a.*
274	**Total**	**171**	**159**	**12**	**7%**

Adjusted EBITDA for the first half of 2019 totalled EUR 171 million, up with respect to the figures for the same period of the previous year (EUR 159 million), in a general environment of more favourable wind conditions both in Italy and abroad.

The contribution in Italy, substantially in line with the previous year, mainly reflects greater output, in addition to a positive scenario for prices in the energy markets, which substantially offset the previously commented lower incentive unit value.

The improved results abroad (EUR +11 million) benefit from the improved environment and greater output in the countries of Eastern Europe (EUR +7 million), the greater installed capacity in France (EUR +6 million), the greater output in Germany (EUR +2 million); these positive results more than offset the impact of the sale of the Brockaghboy wind farm in the UK, of which the first half of 2018 had benefited by approximately EUR 3 million.

The EBITDA margin in 2019 was 75%, confirming its particularly high absolute value and in line with the same period of the previous year (76%), despite the above-mentioned phase out of the incentives for some plants, and also due to the contribution of the wind farms abroad.

Capital expenditure

Capital expenditure in the first half of 2019 (**EUR 81 million**) refers mainly to the investment made for the acquisition of 52MW of wind farms in France, as well as for the development of the Windpark Linda wind farm in Germany, which became operational at the end of June. In addition, the first reblading operation was successfully completed on a 13.2 MW wind farm in Italy.

Relevant legislative and regulatory updates during the period

ITALY

- **Feed-In Premium (FIP) (former Green Certificates)**

  For the purposes of determining the 2019 feed-in premium (2019 FIP), the Authority disclosed, by means of Resolution 16/2019 of 22 January 2019, the average annual value recorded in 2018 for electricity sale prices, equal to 61.91 EUR/MWh. The 2019 incentives, equal to 78% of the difference between 180 EUR/MWh and the average annual sales price of electricity in the previous year, therefore amounts to 92.11 EUR/MWh.

- **Missed Wind Output (MPE), revision of Reliability Index (IA)**

  With its Resolution 195/2019 of 21 May 2019, the Authority redefined the formula for calculating the Reliability Index starting from 1 January 2017, to correct some of its distorting effects. This index is used in quantifying the value of missed wind output to be recognised to the dispatching user that limited its installation's output to comply with the dispatching orders issued by Terna. No later than 31 December 2019, Terna will pay the balances due as a result of the recalculation of missed wind output for all affected wind farms.

  There are no impacts for the Group.

- **ARERA Resolution No. 103/2019/R/eel - Additional provisions for areas revision**

  With its Resolution 103/2019/R/eel of 19 March 2019, ARERA prescribed, starting from 1 January 2021, that the Umbria Region shall be moved from the Central-North to the Central-South market area and that a separate Calabria area shall be established, with the consequent suppression of the Rossano limited output node.

- **Basilicata Region - Wind Farms Safety Booklet**

  On 26 February 2019, the Regional Council of Basilicata adopted the "Operational provisions for the preparation of a safety booklet for wind farms" in order to reduce the risk of accidents caused by the accidental breakage of wind turbines (especially small ones).

  The provision, prepared by the Environment and Energy Department, anticipates the preparation of an information booklet through the Region's web portal which has the purpose to induce the subjects responsible for the management of plants to disclose maintenance interventions, as well as annually record the technical and functional checks of all wind turbines in wind farms.

  This instrument will also allow to identify and check the construction, conditions and operational modalities and maintenance of existing plants.

  The annual update will be the responsibility of the person responsible for the management and operation of the wind farm, for the entire life of the same, regardless of the number of wind turbines, their power, and in the light of verification and maintenance interventions carried out.

  These procedures will be necessary so not to incur the application of financial penalties of up to EUR 30,000.

FRANCE

- **Results of 3rd wind power auction**

  The third French wind power auction was completed on 1 April 2019. For this session, the available capacity volume was set to 500 MW, the starting price to 71 EUR/MWh (down compared to the starting price of the previous sessions, i.e. 74.8 EUR/MWh) and possession of the environmental authorisation was not required (as prescribed for the 1st wind power auction session of December 2017). There were 21 auctioned projects, totalling 516 MW, for an estimated annual energy output of approximately 1.34 TWh, with an average weighted auction price of 63 EUR/MWh.

  ERG, through its French subsidiary Parc Eolien du Pays à Part, was among the auction winners with an 18 MW project.

BULGARIA

- **Change to the incentive system**

  In May 2018 an amendment to the Energy Act of Bulgaria was approved which anticipates, among other measures, the incentive scheme to move from a FIT structure to a FIP structure for existing plants with capacity of over 4 MW from 1 January 2019. The incentive is calculated as the difference between the value of the FIT tariff, as previously recognised, and a Reference Price calculated on the estimate of the future price of electricity adjusted on the wind profile. In May 2019, the transferral to FIP was prescribed also with reference to installations with less than 4 MW installed capacity, no later than 1 October 2019.

  At the end of May 2019, the Bulgarian Energy Authority (EWRC) set the Reference Price, used to calculate the incentive, to 84.15 BGN for the period from 1 July 2019 to 30 June 2020 (down by approximately 17 BGN). In May 2019, the EWRC set the new access to grid fee to 5.12 BGN/MWh (from 3.02 BGN/MWh).

- **Pronouncement of the Sofia Court of Cassation on the Authority Provision to regulate the energy sector (EWRC) relative to the introduction of a cap on energy eligible for incentives**

  The Sofia Court of Cassation, with pronouncement of 28 January 2019, defined the SP-1 provision of EWRC of 31 July 2015 unlawful. The SP-1 provision had changed the existing regulatory system by introducing, also with retrospective effect, maximum thresholds for the quantity of energy output from wind farms eligible for incentives. On 28 March 2019 EWRC, with provision SP-5, reintroduced the provisions cancelled by the pronouncement of the Court of Cassation, determining provision SP-5 to be retroactively effective from 31 July 2015. Following the above-mentioned SP-5 provision, the Group, like other operators, has lodged an appeal in the relevant forums.

ROMANIA

- **The regulatory Agency has approved an increase in the annual contribution due by operators in the electricity and gas energy sectors**

  At the end of December 2018, the government approved an order including tax and budgetary measures with effects on the electricity, gas and telecommunications sectors. In particular, for electricity producers, there is a provision to increase the annual contribution to the Agency of Natural Resources and Energy (ANRE), set fat 2% of the revenue of the previous year for 2019 compared to 0.1% for 2018. With Decision no. 18 of 25 February 2019, ANRE also clarified that revenue deriving from the sale of Green Certificates is not to be included in the tax basis for the purposes of the calculation of the new contribution.

UK

- **Great Britain electricity market: Capacity Market**

  On 15 November 2018 the European Court of Justice annulled the 2014 provision of the European Commission declaring the compatibility of the mechanism for the remuneration of capacity with the European State Aid regulations. The immediate consequence of the judgement was the indefinite postponement of future auctions and the block of all payments due from previous auctions.

  On 1 April 2019, although the EU Commission had not yet completed its verification procedure on the Capacity Market, the British Parliament passed an act authorising the Government to restart the auction procedures for capacity procurement, subordinating its effectiveness to compliance with state aid regulations.

  In May 2019, after a consultation on the Capacity Market, the UK Department for Business, Energy and Industrial Strategy (BEIS) established a first opening to participation of non-programmable renewable sources in the scheme (currently not provided). The decision is currently being considered by the British Parliament, which should decide by September 2019.

SOLAR

ERG is active in the generation of electricity from solar sources, with an installed capacity of 141 MW, an increase of 51.4 MW following the acquisition in January 2019 of two photovoltaic plants in Lazio, which have been added to the 31 photovoltaic plants acquired in 2018, which became operative between 2010 and 2011 and are located in 8 regions between the North and the South of Italy, and the plant of ISAB Energy Solare S.r.l, a Group company (installed capacity less than 1 MW and annual output of around 1 GWh, through solar panel installed in Sicily at the IGCC ISAB site in Priolo).

Highlights of adjusted performance items

OPERATING RESULTS

Year 2018	(EUR million)	First half 2019	First half 2018
38	**Adjusted revenue from sales and services**	**37**	**19**
32	**Adjusted EBITDA** (1)	**34**	**16**
(24)	Amortisation, depreciation and impairment losses (1)	(20)	(10)
8	**Adjusted EBIT** (1)	**14**	**6**
345	Investments in property, plant and equipment and intangible assets	220	345
84%	**EBITDA margin%** (2)	**90%**	**86%**
130	**Total solar plant generation (GWh)**	**119**	**64**

(1) not including special items as indicated in the section "Alternative performance indicators", to which reference should be made for further details
(2) ratio of adjusted EBITDA to adjusted revenue from sales and services

In the first half of 2019, output was approximately 119 GWh, of which 46 GWh related to newly acquired months; the overall load factor was 19% (16% in the first half of 2018).

Revenue for the first half of 2019 amounted to EUR 37 million, of which EUR 32 million relating to revenue from the feed-in premium and EUR 6 million to revenue from the sale of energy.

In the first half of 2019, the related **net unit revenue** totalled 314 EUR/MWh, of which 267 EUR/MWh relating to feed-in premiums and approximately 51 EUR/MWh to revenue from the sale of energy.

Adjusted EBITDA in the first half of 2019 totalled EUR 34 million, of which EUR 37 million relating to the above-mentioned revenue and EUR 4 million in fixed costs, related mainly to maintenance costs.

The EBITDA margin for the first half of 2019 was 90%.

Capital expenditure

Investments in the first half of 2019 referred to the acquisition of two photovoltaic plants, located in Montalto di Castro (Lazio), with an installed capacity of 51.4 MW and an estimated annual output of approximately 96 GWh, which benefit from the Second Feed-in Premium for 20 years until 2030. The enterprise value of the transaction amounted to approximately EUR 220 million.

Relevant legislative and regulatory updates during the period

With regard to the suspension of authorisations for the installation of photovoltaic plants in Sicily, reference is made to paragraph in the Wind section.

HYDROELECTRIC

ERG is active in the sector of the generation of electricity from hydroelectric sources through the equity investment in ERG Hydro S.r.l., owner of the Terni Hydroelectric Complex (527 MW), including a system of programmable and flexible plants located in central Italy; these plants are used under the related hydroelectric concessions that will expire at the end of 2029.

The total capacity of the plants at the Terni complex came to 526.9 MW, of which 512.4 MW relating to large offtakes and 14.5 MW related to small offtakes and minimum vital outflows.

Highlights of adjusted performance items

The contribution of the hydroelectric assets to the Group's results is shown below:

OPERATING RESULTS

Year 2018	(EUR million)	First half 2019	First half 2018
194	**Adjusted revenue from sales and services**	**60**	**100**
146	**Adjusted EBITDA** (1)	**44**	**80**
(58)	Amortisation, depreciation and impairment losses (1)	(29)	(29)
88	**Adjusted EBIT** (1)	**16**	**51**
7	Investments in property, plant and equipment and intangible assets	2	1
75%	**EBITDA margin%**	**74%**	**80%**
1,740	**Total hydroelectric plant generation (GWh)**	**593**	**1,001**

(1) the figures shown do not include special items as indicated in the section "Alternative performance indicators", to which reference should be made for further details

In the first half of 2019, revenue, amounting to EUR 60 million, related mainly to electricity sales (mostly on the spot market) for EUR 37 million, revenue from the feed-in premium (former Green Certificates) for EUR 23 million, and revenue from MSD for EUR 1 million.

The costs are essentially attributable to the concession fees, personnel expenses, operation and maintenance costs, insurance payments and costs for services.

EBITDA in the first half of 2019 amounted to EUR 44 million (EUR 80 million in the first half of 2018), a decrease of EUR 36 million, mainly due to the reduced availability of water resources, significantly lower than the historical average and than the particularly high value recorded in the first half of 2018.

ERG Hydro's total output in the first half of 2019 of 593 GWh benefited from a net unit revenue, taking into consideration the sales price of electricity, revenue from MSD and from replacement incentives of the period and other minor components, totalling approximately 105 EUR/MWh, higher than the 99 EUR/MWh in the first half of 2018, both as a result of the price scenario and of a greater modulation of the installation. It should be recalled that the average sale prices reflect both the electricity sales price and the feed-in premium (former green certificate), recognised on a portion of approximately 40% of output with a lower unit value than that of 2018 of 99 EUR/MWh and equal to approximately 92 EUR/MWh.

The EBITDA margin for the first half of 2019 totalled 74%, down compared to the 80% of the first half of 2018.

The final load factor for the period, of 26% (44% in the first half of 2018) was affected by the reduced availability of water resources.

The level of the reservoirs of the Turano, Salto and Corbara lakes at the end of the period were respectively approximately 529, 528 and 134 metres above sea level, an increase compared to 31 December 2018 (respectively 522, 518 and 124 metres above sea level).

Capital expenditure

Hydroelectric investments, totalling approximately EUR 2 million, relate mainly to maintenance orders and planned projects in the fields of seismic improvement of infrastructures, Health, Safety and the Environment.

Relevant legislative and regulatory updates during the period

- **ARERA Resolution No. 103/2019/R/eel - Additional provisions for areas revision**

  Reference is made to the Wind section.

THERMOELECTRIC

ERG is active in the generation of electricity from thermoelectric sources through the investment in ERG Power S.r.l., owner of the high output, high efficiency, low emission, highly modulable and flexible cogeneration CCGT plant (480 MW).

Highlights of adjusted performance items

OPERATING RESULTS

Year 2018	(EUR million)	First half 2019	First half 2018
405	**Adjusted revenue from sales and services**	**205**	**187**
53	**Adjusted EBITDA** [1]	**34**	**30**
(31)	Amortisation, depreciation and impairment losses [1]	(14)	(15)
22	**Adjusted EBIT** [1]	**20**	**14**
8	Investments in property, plant and equipment and intangible non-current assets	4	2
13%	**EBITDA Margin %**	**17%**	**16%**
2,151	**Total thermoelectric plant generation (GWh)**	**1,216**	**1, 054**

(1) the figures shown do not include special items as indicated in the section "Alternative performance indicators", to which reference should be made for further details

Following the entry into force from 1 January 2018 of the legislation on internal user networks, all of the electricity output of ERG Power is allocated to the market by capturing the Sicily area price, while electricity intended to cover the needs of the Priolo industrial site, which falls within the scope of the legislation on internal user networks from 2018, is purchased on the wholesale market at the Single National Price.

In the **first half of 2019**, ERG Power's net electricity generation was 1,216 GWh, up compared to the same period of 2018 (1,054 GWh), in relation to the more favourable market context, with increased net generation margins, mainly due to the significant decrease in gas prices in spite of a significant increase in CO_2 prices. This trend was in line with the more general one registered in Italy for the entire thermoelectric sector.
The net supply of steam to captive customers of the Priolo Gargallo petrochemical site totalled 493 thousand tonnes, up strongly with respect to the 344 thousand tonnes in the same period in 2018.

Adjusted EBITDA **of the first half of 2019** amounted to EUR 34 million (EUR 30 million in the same period of 2018), an increase as a result of the improvement in the spark spread, of the higher sales to customers at the Priolo Site and of the performance of the plants.

Capital expenditure

Investments in the first half of 2019 (EUR 4 million) mainly refer to the ERG Power CCGT plant which continued the targeted investment initiatives aimed at preserving the operating efficiency, flexibility and reliability of the plants. Progress was also made on the planned Health, Safety and Environment projects.

Relevant legislative and regulatory updates during the period

- **Essential units pursuant to Italian Legislative Decree 91/2014**

On 25 May 2016, the news was announced on the TERNA website of the entry into operation at 00:00 a.m. on 28 May 2016 of the Sorgente-Rizziconi connection and the ancillary works defined by Resolution 521/2014. That communication sanctioned the end of the essentiality regime envisaged by Law Decree no. 91 of 24 June 2014 for the electricity production units located in Sicily, as governed by the aforementioned Resolution 521/14.

ARERA then confirmed said situation by way of Resolution 274/2016/R/eel.

The CCGT plant of ERG Power Generation was subject to the regulation of essential plants required by Italian Legislative Decree 91/2014 until 27 May 2016.

With reference to the compensation scheme request relative to the period from 1 January 2016 to 27 May 2016, with Resolution 841 of 5 December 2017 ARERA provided for the recognition of an extraordinary account. Subsequently, with Resolution no. 48 of 12 February 2019, ARERA has implemented the quantification of the adjustment value, equal to EUR 4.7 million, relative to the 2016 compensation scheme, and the determined value resulted slightly higher than that already recognised. The payment of the adjustment was finalised in favour of ERG Power Generation S.p.A. on 28 February 2019.

- **Regulation of the Capacity Market remuneration scheme**

On 27 June 2019, ARERA issued its favourable Opinion on the draft decree of the Ministry of Economic Development directed at the approval of the capacity market (CM) remuneration scheme.

The following day, the Ministry of Economic Development signed the Decree of 28 June 2019, approving the regulations for the remuneration scheme of the availability of energy generation capacity. The Decree prescribes competitive tender procedures to be held in 2019 and referred to delivery years 2022 and 2023.

Additional technical measures are expected on the part of ARERA and Terna for the actual implementation of the auction.

The Regulations prescribe that the CM shall be organised according to a “Mother” Auction procedure and adjustment Auctions directed at refining the adequacy objectives as the delivery period approaches and at allowing the renegotiation of the positions assumed by market participants. A “Secondary Market” shall also be activated; it shall be based on continuous trading with monthly periodicity, directed at the renegotiation of the positions assumed by market participants.

With respect to the installations that benefit from energy incentives issued by the GSE, they may not be cumulated with the remuneration deriving from the CM. The waiver of the incentives pertains to the entire duration of the delivery period of the competitive tenders.

INCENTIVE FRAMEWORK

WIND POWER SECTOR INCENTIVES

Italy

- **Plants that entered into operation before 2013**: feed-in premium (FIP) equal to (180 EUR/MWh -P^{-1}) x 0.78 where P^{-1} is the average annual value of the sale price of the electricity of the previous year. Duration of the incentive: 15 years
- **Plants that entered into operation from 2013**: allocation of incentives through participation in Dutch auctions. Duration of the incentive: 20 years

Germany

- **Plants that entered into operation by July 2014**: feed-in tariffs (FIT) and, on an optional basis, FIP plus a management premium (EEG 2012)
- **Plants that entered into operation from August 2014 to December 2016**: FIP (EEG 2014).
- **Plants authorised by the end of 2016 and in operation by the end of 2018**: transitional period provided for during which it is possible to continue to benefit from the tariffs provided for in EEG 2014 of decreasing value in relation to the actual new installed power in the period.
- **Plants that entered into operation from 2017 onwards**: FIP incentives allocated through Dutch auctions (EEG 2017).
- From 2018 to June 2020 **cooperatives** may participate to the auctions only if in possess of authorisation like the other wind power producers.

France

- **Plants that stipulated the application to purchase electricity generation by December 2015**: a feed-in tariff (FIT) for 15 years, defined based on the year the application to purchase electricity generation was made and updated annually according to a formula tied to the index of hourly labour cost and to the index of the generation prices of industrial products. After 10 years of operation, it will be reduced for the subsequent 5 years of the incentive based on the wind farm's actual load factor if the annual number of hours of operation exceed 2,400.
- **Plants that stipulated the application to purchase electricity generation in 2016**: feed-in premium (FIP). The FIP is divided into several components: the incentive component (complément de rémunération), calculated as the difference between the current FIT and the average monthly price of energy weighted on the national wind power profile, plus a management premium to cover the costs for managing the sale of energy.
- **New plants that do not fall into the above categories**: recognition of incentives occurs through auction procedures or direct access in the case of plants with a capacity below 18 MW and wind turbines with unit power not exceeding 3 MW.

Bulgaria

- A feed-in tariff (FIT) in brackets based on hours of operation, which is constant in nominal terms. The duration of the incentive varies based on the date of entry into operation, and can be equal to 12 years (Hrabrovo plant) or 15 years (Tcherga plant). In particular, below the first bracket (on average equal to approximately 2200 equivalent hours of operation annually), the FIT recognised amounts to approximately 97 EUR/MWh, while the changes to legislation significantly reduced revenue for higher production levels. From 1 January 2019, for existing plants with capacity of over 4 MW, the incentive scheme has moved from a FIT structure to a FIP structure. The incentive is calculated as the difference between the value of the FIT tariff, as previously recognised, and a Reference Price calculated on the estimate of the future price of electricity adjusted on the wind profile. From May 2019, existing plants with capacity between 1 MW and 4 MW will also have to move to the FIP no later than 1 October 2019.

Poland	• **Plants in operation by July 2016**: Certificates of Origin (CO). The Substitution Fee (the penalty applied in the event of non-compliance with the CO purchase obligation) is calculated on the basis of the weighted annual average of the prices of the COs recorded the previous year, plus 25%. • **Since 2018, a multi-technological wind - photovoltaic auction system**, , was introduced. Auction contingents are defined annually by the Government.
Romania	• Green certificates with a duration of 15 years with delayed assignment with respect to the underlying electricity output. Specifically: a) recovery period of the Green Certificates (GCs) held from 1 July 2013 to 31 March 2017 (it takes place at constant instalments through the years 2018-2025); b) period of validity of the GCs, which is planned until 31 March 2032 (only the GCs issued before 31 March 2017 maintain the validity of 12 months). • the cap and the floor between which the price of the GCs may fluctuate, set respectively at 35 EUR/MWh (from 57 EUR/MWh) and 29.4 EUR/MWh (from 27 EUR/MWh); • the mandatory quota for the consumers of electricity, which from 2018 onwards shall be determined according to a pre-set fixed volume of GCs on the market and a maximum average expense on the end consumer.

SOLAR SECTOR INCENTIVES

Italy	• Incentives for photovoltaic plants are paid through a FIP tariff on energy entered into the network for the duration of 20 years; • The feed-in tariff was introduced in Italy with Interministerial Decrees of 28/07/2005 and of 06/02/2006 (1st Feed-in Premium) which provided for a financing system for electric power generation operating expenses; • New measures were introduced with Italian Ministerial Decree of 19/02/2007 (2nd Feed-in Premium) such as the application of the incentive tariff on all energy produced by the plant and differentiation of tariffs also in function of the type of architectural integration and the size of the plant; • In 2010, the 3rd Feed-in Premium came into effect with Italian Ministerial Decree of 06/08/2010, applicable to plants which came into operation from 1 January 2011 to 31 May 2011, which introduced specific tariffs for integrated photovoltaic plants with innovative characteristics. Law n. 129/2010 (so-called "save Alcoa law") then confirmed the 2010 tariffs of the 2nd Feed-in Premium for all plants able to certify the conclusion of works by 31 December 2010 and become operational by 30 June 2011; • Italian Ministerial Decree of 05/05/2011 (4th Feed-in Premium) defined the incentive mechanism relating to plants coming into operation after 31 May 2011 and introduced an annual cumulative cost limit for incentives, set at EUR 6 billion; • Italian Ministerial Decree of 05/07/2012 (5th Feed-in Premium) partly confirmed the provisions of Italian Ministerial Decree of 05/05/2011 and fixed the cumulative cost of incentives at EUR 6.7 billion. The incentive provisions of the Feed-in Premium were no longer applied after 6 July 2013 when the ceiling of EUR 6.7 billion was reached; • The provisions contained in the Ministerial Decree of 17 October 2014 (so-called "incentive spreading") provided, by November 2014, for the obligation for producers to choose between various methods for remodulation of the incentives: a) extension of the incentive period by a further 4 years with simultaneous reduction of the unit incentive by a value of between 17% and 25%, depending on the residual life of the right to incentives; b) an initial period of incentive reduction followed by a subsequent period of increase thereof for an equivalent amount; c) flat reduction applied for the remaining incentive period, variable between 6% and 8% depending on the size of the plant..

HYDROELECTRIC

Italy	• Plants that entered into operation before 2013: feed-in premium (FIP) equal to (180 EUR/MWh $-P^{-1}$) x 0.78 where P^{-1} is the average annual value of the sale price of the electricity of the previous year. Duration of the incentive: 15 years • Plants that entered into operation from 2013: allocation of all-inclusive tariff through direct access for hydroelectric plants with capacity of less than 250 KW, in certain cases. Duration of the incentive: 20 years

THERMOELECTRIC (COGENERATION)

Italy	• High-yield cogeneration (cogeneration of electricity and useful heat) is incentivised through the recognition of energy efficiency certificates (White Certificates), issued for ten years on the basis of the primary energy savings that cogeneration makes it possible to achieve when compared to the separate production of the same amount of electricity and heat. Energy efficiency certificates are exchanged in a regulated market managed by the Energy Markets Operator (Gestore dei Mercati Energetici, GME) or through bilateral negotiations between operators.

RELEVANT LEGISLATIVE AND INSTITUTIONAL UPDATES DURING THE PERIOD

GENERAL

European Union

- **2019 European Elections**

  On 25 May 2019, elections for the renewal of the European Parliament were held.

  The elections, with average voter participation above 50% of those entitled, marked a trend reversal with respect to the declining trend recorded since 1979.

  The outcome of the vote can be summarised as a defeat for social democrats (S&D) and the people's parties (EPP), which thus lost the majority of seats in Parliament, which they held for several decades, and lower than expected performance of the nationalist parties.

  Therefore, a majority of pro-European Union forces was consolidated, thanks to the growth in the groups of liberal Euro MPs (ALDE), supported by the French Euro MPs led by President Macron (REN) and of the Greens.

  In particular, ALDE and Green, both sharply focused on the environment, are considered the main winners of the elections.

- **New measures of the Clean Energy for all Europeans package**

  On 21 December 2018, three measures provided by the "Clean Energy Package' of the European Commission, issued at the end of 2016, were published on the Official Journal of the European Union. These are the new directives on renewal energies and on energy efficiency, as well as of the Governance regulation.

  The measures were approved by the European Parliament on 13 November 2018 and by the EU Council on 4 December 2018.

  The remaining four measures, completing those of the Clean Energy Package, were published on the Official Journal of the European Union on 14 June 2019. They are: the Directive on the electricity market, the Regulations on the electricity market and on the Risk Preparedness of the electricity system and of the Regulation on the ACER.

- **Governance Regulation**

  The Regulation introduces the obligation for each Member State of preparing its own National Plan for Energy and Climate, containing the definition of national energy/environment targets for 2030, as well as the details of the times and implementing procedures for their achievement.

  In this regard, a unified methodology for the calculation of national contributions is provided, and all Member States must follow it to calculate their own contribution.

  States may determine the division of the unit target for 2030 among the various energy components (air conditioning, transport, electricity).

  For the renewable electricity generation target, the States shall indicate implementation volumes and times, following a nearly linear trajectory.

The draft National Plan must be sent to the EU no later than 31 December 2018 (Italy sent it on 8 January 2019), to be subsequently analysed by the Commission and possibly returned to the State that sent it for any refinement. The definitive version of the Plan shall be sent to Brussels no later than 31 December 2019.

On 25 February, after the last plan was sent by Spain, the European Commission communicated that all proposed National Energy and Climate Plans (NECP) sent by the 28 Member States had been received.

The documents were evaluated by the various executive bodies of the EC; based on the Regulation, the EC sent recommendations to each Member States no later than 30 June 2019. EU Countries have until 31 December 2019 to submit the final version of the NECPs that will include the EC recommendations and the results of the national consultation process.

- **Regulation and Directive on Electricity Markets**

  The new provisions are directed at increasing competition in the electricity sector, flexibility in electricity generation and consumption dynamics, offering additional rights to consumers and facilitating their active participation in the market.

  The Energy Only model for electricity markets is confirmed, designing them to facilitate the full integration of renewable sources, the promotion of flexibility on the generation side and demand-side response,

  "Off-market" support interventions, such as must-run and priority dispatching, are expected to be rendered unnecessary.

  It will still be possible to launch a market for electricity generation capacity to overcome temporary critical issues of the energy market, with new rules to be applied after 2020. For participants, adequate Emission Performance Standards (EPS) are expected to be introduced, to discourage support to plants with higher emission of greenhouse gases.

  In addition, market conditions will be created for the development of storage (electrochemical, pumping, hydrogen) and of electricity mobility.

- **Revision of the European Market Infrastructure Regulation (EMIR)**

  Regulation 834/2019, the so-called Refit EMIR (Regulatory Fitness and Performance Programme), published in the Official Journal of the European Union on 20 May 2019, entered into force on 17 June 2019, amends the EMIR Regulation on OTC (over the counter) derivative instruments.

  The amendments affect the compensation obligation for financial counterparties (CF) and non-financial counterparties (NFC), the procedures for reporting OTC derivatives by financial counterparties if the compensation thresholds are exceeded, the procedures for the counterparties to report the novation of derivatives, the specification that the compensation obligation includes all types of novation of derivative contracts.

- **Letter of formal notice to Member States for the hydroelectric sector**

  On 7 March 2019, within the scope of infringement proceedings 2011/2026 on renewal of the hydroelectric Concessions, the European Commission notified the Italian Government of a new complementary Letter of Formal

Notice pursuant to the similar letter of September 2013.

In parallel, letters of complaint were sent on the matter of the failure to open competitive proceedings for hydroelectric concessions to Austria, France, Germany, Poland, Portugal, Sweden and United Kingdom.

With the new letter to Italy, the EC restates the objections to the Italian regulations already represented in the past and not fully resolved (according to the Commission) with the recent regulations on the matter (Law no. 12/2019).

The complaints pertain in particular to the violation of the Directive on Services (2006/123/EC) and of the Treaty on the Functioning of the European Union (TFEU) because in the EC's opinion no transparent, impartial tenders have yet been initiated at the EU level for the renewal of expired or expiring Italian hydroelectric and concessions and indemnities are imposed in favour of the outgoing concession holder that would be penalising for the incoming concession holder.

Italy

- **"Growth" Law Decree and subsequent Conversion Law**

  On 30 April 2019, Law Decree no. 34 of 30 April 2019, introducing "Urgent measures for economic growth and for the resolution of specific crisis situations" (the "Growth" Decree) was published on the Official Gazette.

  Among its most relevant provisions is the redefinition of the disclosure obligations involving public disbursals.

  In particular, starting from financial year 2018, parties receiving subsidies, grants and contributions in general are obligated to publish the amounts received in the accompanying notes to the financial statements and in any consolidated financial statements.

  Starting from 1 January 2020, failure to comply with the disclosure obligations entails a sanction of 1% of the amounts received with a minimum amount of EUR 2,000, in addition to compliance with publication obligations. If 90 days from receipt of notice elapse without remedy, the operator shall be obligated to return the benefit in full.

  Other measures include higher depreciation for the purchase of capital equipment, higher IMU deductibility for tax years following the one current as at 31 December 2018 and initiatives to promote TEE supply on the market.

- **2018 European Law**

  On 11 May 2019, Law no. 37 of 2019 was published on the Official Gazette of Italy; known as the 2018 European Law, it introduces "Provisions for compliance with the obligations deriving from Italy's membership in the European Union".

  The measure, in force since 26 May, prescribes inter alia the implementation of EU regulation no. 1031/2010 on some details on the auctioning of CO_2 quotas, of the European regulations on the recovery of waste electrical and electronic equipment (WEEE), as well as the repeal of the extension of the incentivised period for biomass, biogas and sustainable bioliquid fuel installations.

- **ARERA - 2019-2021 Strategic Framework**

  On 19 June 2019, ARERA published Resolution 249/2019/A whereby it adopts its own 2019-2021 Strategic Framework.

The Strategic Framework specifies the strategic objectives in the current and medium term scenario, as well as the main lines of intervention, with their timeline.

For infrastructure, the focus shall be on the new technologies developed in the market (electrochemical accumulations on the electrical side, power-to-gas, hydrogen and renewable gases on the gas side) to ensure that network operators will continue to perform their function as neutral market facilitators.

The Capacity Market is confirmed along with the progressive development of the MSD, opening to all available resources and technologies.

The evolution of measurement instruments (smart meters) and the management of measurements (SII) with the consequent availability of data will make it possible to advance beyond current profiling systems and will constitute the main elements in support to the development of "aware consumers".

For the development of more efficient and integrated electricity and gas markets at the European level, it prescribes reassessing the activity of Terna and of electricity distributors, within a progressively more widespread use of distributed generation and accumulation resources along with an ever more active management of networks.

Innovative methods will be implemented for the procurement of dispatching services, taking into account the results of the pilot projects, adapting capacity market rules following the entry into force of the EU regulations contained in the Clean Energy Package. With the same reference, it will be necessary to revise the regulations pertaining to closed generation and consumption systems.

In the three-year time frame, the Authority also intends to enhance the contractual instruments and those protecting consumers/prosumers in retail markets, to take into account the new opportunities for market participation created by new technologies and by more widespread digitisation.

United Kingdom

- **Brexit**

  On 13 November 2018, UK and EU reached a provisional agreement on the text of the agreement for the withdrawal of the UK from the EU (Withdrawal Agreement). The text of the agreement, approved by the British Council of Ministers and by the European Council in November, was rejected by the UK Parliament on 15 January 2019 with 432 votes against it versus 202 votes in favour.

  On 29 January 2019, an amendment tasking the Government to seek alternative provisions on the agreement was approved by the British Parliament. The inability to reach an agreement that the British Parliament would accept led to the additional postponement of the exit date to 31 October 2019 and to the resignation of the Prime Minister, Theresa May.

  In her place, on 24 July the Conservative Party members elected as the new party leader - and thus Prime Minister - Mr. Boris Johnson, one of the most adamant Brexit supporters among British politicians.

- **Carbon tax in lieu of ETS in case of Hard Brexit**

  On 29 October, upon presentation of the 2018 United Kingdom Budget, it was announced that the installations that currently participate in the EU ETS will pay a CO_2 tax of 16 Pounds (EUR 18.11) per tonne in case of Hard Brexit. The tax shall be applied from 1 April 2019 onwards, which means that Carbon Price Support will be the only charge on CO_2 emissions in Great Britain between January and March 2019. The tax will not be applied to generating installations in Northern Ireland.

France

- **Programmations Pluriannuelles de l'Énergie (PPE)**

  The new version of the PPE was issued as a draft in January 2019. The presented document calls for a three-fold increase in the installed capacity of electricity generation from onshore wind sources and a five-fold increase in PV capacity by 2030, while for offshore it calls for the construction of the Saint-Nazaire Wind Farm and 4 auctions for new projects. The specific targets for onshore wind power indicate:
  - for 2023, 24.6 GW
  - for 2028, from 34.1 to 35.6 GW
  - measures to encourage re-launching the operating capability of wind farms at the end of their life, installing latest-generation and hence more efficient machines.

  In addition, a provision obligating to recycle the materials used in dismantled wind turbines will be implemented by 2023.

  With regard to nuclear energy, the PPE calls for closing reactors for a power of 14.9 GW no later than 2035 including two reactors by the summer of 2020, the closing of 4-6 reactors from 2025 to 2030 and 6-8 reactors between 2030 and 2035.

  The PPE should be finalised by the end of 2019, after the consultation procedure and the approval of the Loi Énergie Climat, currently being debated in the Senate, which prescribes inter alia the decrease to 50%, by 2035, of the proportion of nuclear power relative to total electricity output and the target of carbon neutrality in France by 2050.

  Following French media reports of some unjustified expenses, the environmental Transition Minister, François de Rugy, resigned on 16 July. He was replaced by Elisabeth Borne, who is the Transport minister.

Germany

- **Coalition agreement on 8 GW of additional auctions for wind and solar energy**

  At the end of 2018, the governing coalition in Germany reached an agreement on the increase of the contingents to wind, solar and technologically neutral auctions.

  For on-shore wind power, the total increase amounted to 4 GW; an additional amount of 4 GW will be auctioned for photovoltaic solar power.

  Half of the volumes of technologically neutral auctions, regardless of whether they are awarded from wind or PV, will be subtracted from the volumes of the auctions "dedicated" to individual technologies of the following year.

Romania

- **Publication of the long-term energy Strategy**

  On 19 September 2018, the Romanian Ministry of Energy published the national long-term energy Strategy.

  The proposals focus on upgrading the Country's obsolete electricity generating installations, with an ample role for gas and nuclear power, but there is no provision for schemes in support of renewable energies.

  The government expects to achieve its FER targets for 2030, i.e. 37.6% of gross final consumption with the addition of two large hydroelectric projects with total power of 1,810 MW (Tarnita-Lapustesti of 1,000 MW and Turnu Magurele-Nicopole of 810 MW).

FINANCIAL STATEMENTS

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.

		First half	
(EUR million)		**2019**	**2018**
Revenue	1	530.4	515.7
Other income	2	6.3	14.1
TOTAL REVENUE		**536.8**	**529.8**
Purchases and change in inventories	3	(146.6)	(139.7)
Services and other operating costs	4	(84.8)	(82.8)
Personnel expense		(32.0)	(30.6)
Gross operating profit (EBITDA)		**273.4**	**276.7**
Amortisation, depreciation and impairment losses	5	(145.3)	(136.2)
Operating profit (EBIT)		**128.1**	**140.5**
Net financial (expense)	6	(32.8)	(37.8)
Net gains (losses) on equity investments	7	0.1	0.0
Profit before taxes		**95.3**	**102.7**
Income taxes	8	(27.2)	(27.1)
Profit for the period		**68.1**	**75.6**
Non-controlling interests		(0.6)	(0.1)
Profit attributable to owners of the parent		**67.5**	**75.5**

1 - Revenue

Revenue from sales consists mainly of:

- sales of electricity produced by wind farms, thermoelectric installations, hydroelectric plants and solar installations. The electricity is sold on wholesale channels to industrial operators of the Priolo Site and to customers via bilateral agreements. Specifically, electricity sold wholesale includes sales on the IPEX electricity 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. And lastly, sales of other utilities and steam supplied to industrial operators at the Priolo site.
- incentives related to the output of wind farms in operation, hydroelectric plants and solar installations.

2019 first half revenue was EUR 530 million, up compared with EUR 516 million in the first half of 2018. The change is a result of the following factors:

- the increase (EUR +18 million) of the **Wind power sector** as a result of higher output both in Italy and abroad (totalling EUR 228 million versus EUR 210 million);
- the increase in the **Solar sector** (EUR +19 million), as a result of further growth in the sector due to the acquisition of two photovoltaic plants with installed capacity of 51.4 MW (EUR 37 million versus EUR 19 million);
- the **Hydroelectric sector**, sharply down from the first half of 2018 (EUR -40 million) due to the reduced water availability in the period relative to the particularly high levels of the previous half (EUR 60 million versus EUR 100 million);
- the increase (EUR +18 million) of the **Thermoelectric sector** (EUR 205 million versus EUR 187 million).

2 - Other income

These mainly include insurance reimbursements, compensation and expense repayments, immaterial chargebacks to third parties and grants related to income.

3 - Purchases and change in inventories

Costs for purchases include costs for the purchase of gas and CO_2, utilities and steam intended to fuel the ERG Power S.r.l. CCGT plant and costs for electric power intended for resale on the market within the sphere of the Energy Management activities.

4 - Services and other operating costs

Costs for services include maintenance costs, commercial expenses (including energy transport costs), costs for utilities, for hydroelectric concessions, for agreements with local authorities, for consulting services, insurance, and for services rendered by third parties.

The other operating costs mainly relate to rent, provisions for risks and charges and to taxes other than income taxes

5 - Amortisation, depreciation and impairment losses

Amortisation and depreciation refer to wind farms, hydroelectric sector plants, the CCGT plant and solar installations.

The increase is mainly linked to higher amortisation and depreciation due to the acquisition of new photovoltaic installations at the start of 2019 and to the change in scope of the wind power plants acquired in France in 2019 and the second half of 2018, partly offset by the removal of amortisation and depreciation for the Brockaghboy wind farm in the UK.

6 - Net financial income (expense)

Net financial expense in the first half of 2019 was EUR 33 million, down sharply with respect to the first half of 2018.

The average cost of medium-long term debt in 2019 was 2.8% compared to 3.2% in the first half of 2018 as a result of significant refinancing operations that took place in the second quarter. Remuneration of invested liquidity was higher than in 2018 because of interest rate trends.

The item also includes the effects of the derivatives hedging against the risk of fluctuations in interest rates.

Lastly, it is specified that adjusted net financial charges for the first half of 2019 do not include the following extraordinary components (special items) linked to liability management operations:

- expenses (EUR -66 million) relating to the closure of project financing and related IRS derivative instruments.
- financial expenses (EUR -2 million), tied to the reversal effect recognised upon adoption of IFRS 9 and relating to refinancing operations carried out in previous years;
- financial expenses (EUR -2 million) relative to prepayment of a corporate loan in the first quarter of 2019.

7 - Net gains (losses) on equity investments

During the first quarter of 2018, the Group had sold its equity investment in Brockaghboy Windfarm Ltd, generating a capital gain of EUR 27 million, net of the related tax effects and other ancillary components. The gain and the other profit or loss components associated with the sale of the equity investment were considered special items and therefore not reflected in the line "Net gains (losses) on equity investments" of the adjusted income statement for the first quarter of 2018.

8 - Income taxes

Income taxes in the first half of 2019 amounted to EUR 27 million (EUR 27 million in the first half of 2018). The adjusted tax rate, obtained from the ratio between income taxes and pre-tax profit, amounted to 29% (26% in first half of 2018). The tax rate increase is mainly attributable to the 2019 Budget Law's revocation of ACE (Aid to economic growth) from 1 January 2019.

ADJUSTED STATEMENT OF FINANCIAL POSITION

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

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

The adjusted reclassified statement of financial position is shown below and does not include, at 30 June 2019, impacts deriving from the application of IFRS 16 standard of EUR 70 million on net financial indebtedness with a balancing entry of equal amount in Net invested capital.

ADJUSTED RECLASSIFIED STATEMENT OF FINANCIAL POSITION

30/06/2018	(EUR million)		30/06/2019	31/12/2018
3,343.8	Non-current assets	1	3,472.1	3,273.6
224.1	Net working capital	2	225.5	179.3
(5.8)	Provisions for employee benefits		(5.6)	(5.8)
322.2	Other assets	3	333.8	291.7
(608.9)	Other liabilities	4	(622.4)	(567.0)
3,275.4	**Net invested capital**		**3,403.4**	**3,171.8**
1,807.8	Equity att. to the owners of the parent		1,722.9	1,828.8
1.2	Non-controlling interests	5	18.2	0,.0
1,466.4	Net financial indebtedness	6	1,662.4	1,343.0
3,275.4	**Equity and financial debt**		**3,403.4**	**3,171.8**
45%	**Financial leverage**		49%	42%

1 - Non-current assets

(EUR million)	Intangible assets	Property, plant and equipment	Financial assets	Total
Non-current assets as at 31/12/2018	**930.8**	**2,288.3**	**54.5**	**3,273.6**
Capital expenditure	0.8	25.7	0.0	**26.6**
Change in the consolidation scope	151.3	166.8	0.0	**318.1**
Divestments and other changes	(6.2)	5.6	(0.4)	**(0.9)**
Amortisation and depreciation	(30.7)	(114.6)	0.0	**(145.3)**
Non-current assets as at 30/06/2019	**1,046.1**	**2,371.8**	**54.2**	**3,472.1**

The "Change in the consolidation scope" relates to the acquisition of two photovoltaic plants in Italy and of wind farms in France, fully consolidated.

The line "Divestments and other changes" comprises disposals of non-current assets, the use of main component spare parts and reclassifications.

The values at 30 June 2019 do not include the assets linked to the application of IFRS 16 of approximately EUR 70 million[11].

11 Net of what already recognised under Other assets as prepayments on leasing instalments

2 - Net working capital

This includes spare parts, amounts due for incentives, amounts due for the sale of electricity, and trade payables mainly concerning the purchase of electricity and gas, the maintenance of wind power plants and other trade payables. The change for the period is mainly related to the seasonal dynamics of collections relating to incentives as well as to the effects of the change in the consolidation scope.

3 - Other assets

These mainly comprise deferred tax assets, receivables from Tax Authorities for tax advances and advance payments made against current provision of services.

4 - Other liabilities

These mainly concern the deferred tax liabilities calculated on the differences between carrying amounts and the related tax basis (mainly concessions and non-current assets), the estimate of income taxes due for the period, and the provisions for risks and charges.

The increase is mainly linked to the appropriation of the deferred tax liability recognised in the context of the purchase price allocation procedure relative to the already mentioned business combination.

5 - Non-controlling interests

The increase in minority interest in the first quarter of 2019 is linked to the already mentioned acquisition of part of the equity (78.5%) of Perseo S.r.l. ("ERG Solar Montalto" business combination).

6 - Net financial indebtedness

SUMMARY OF THE GROUP'S INDEBTEDNESS

30/06/2018	(EUR million)	30/06/2019	31/12/2018
1,844.8	Medium/long-term financial indebtedness	2,036.1	1,832.2
(378.4)	Short-term cash and cash equivalents	(373.7)	(489.2)
1,466.4	**Total**	**1,662.4**	**1,343.0**

Emission Bond and refinancing operations

On 4 April 2019 ERG completed the placement of a non-convertible bond for an amount of EUR 500,000,000 with a maturity of 6 years at fixed rate, issued in the context of the Euro Medium Term Notes (EMTN) Programme. The issue took the form of a Green Bond, aimed at financing or refinancing renewable sources, wind and solar power generation projects of the ERG Group.

The issue was very successful, being over six times oversubscribed, receiving applications from top standing investors and representatives from many geographical areas, with significant participation of green and sustainable investors. The notes, which have a minimum unit value of EUR 100,000, pay an annual gross coupon at a fixed rate of 1.875% and were placed at an issuing price of 99.674% of their nominal value.

Since December 2018 ERG S.p.A. has had a public rating of BBB- from the Fitch Ratings agency; the issue also benefited from the BBB- rating by Fitch Rating.

Thanks to the liquidity deriving from the issue of the bond, from the subscription of a 5-year bilateral corporate loan with Commerzbank and from the liquidity generated by the ERG Group, in the first part of the second quarter of 2019, the Group proceeded to pay off the following loans ahead of time:

- loan for ERG Wind Investments Ltd with a net nominal book value at the time of repayment of EUR 461 million[12]. The loan was hedged by an IRS derivative instrument with a fair value at the end of the period of EUR 53 million;
- loan for ERG Power S.r.l. with a net residual nominal value at the time of repayment of EUR 49 million. The loan was hedged by an IRS derivative instrument with a fair value at the end of the period of EUR 2 million.

The issue of the first Green Bond by ERG and the repayment of the above mentioned project financing is consistent with the strategy of progressive transformation of the Group's financial structure from Project to Corporate Financing and allows to rebalance the burden of corporate debt, which becomes prevalent, with respect to project financing borrowing.

The following table illustrates **the non-current financial indebtedness** of the ERG Group

NON-CURRENT FINANCIAL INDEBTEDNESS

30/06/2018	(EUR million)	30/06/2019	31/12/2018
740.7	Non-current loans and borrowings	679.2	794.0
(129.9)	Current portion of loans and borrowings	(7.8)	(162.0)
201.5	Non-current financial liabilities	663.1	204.8
812.2	**Total**	**1,334.5**	**836.8**
1,222.5	Total Project Financing	809.0	1,177.6
(153.6)	Current portion of Project Financing	(107.5)	(146.2)
1,068.9	**Non-current Project Financing**	**701.6**	**1,031.4**
(36.4)	**Long-term loan assets**	**0.0**	**(36.1)**
1,844.8	**TOTAL**	**2,036.1**	**1,832.2**

- The **"Non-current loans and borrowings"** at 30 June 2019 total EUR 679 million (EUR 794 million at 31 December 2018), and refer to:
  - three bilateral corporate loans with Mediobanca S.p.A. (EUR 150 million), UBI Banca S.p.A. (EUR 100 million) and Unicredit S.p.A. (EUR 75 million) entered into in the first half of 2016 to refinance the short-term portion of the corporate acquisition loan entered into for the acquisition of ERG Hydro S.r.l. and the project financing for the wind farm in Corni (Romania).
  - a corporate loan with Mediocredito (EUR 61 million) for the early termination of leasing contracts of 5 solar companies acquired in January 2018.

12 The net book value is of EUR 417 million, net of the positive fair value relative to the notional of approximately EUR 44 million.

- two Environmental, Social and Governance senior loan ("ESG Loans") with BNL (EUR 120 million) entered into in the fourth quarter of 2018, and with Credit Agricole (EUR 120 million), entered into in the first quarter of 2019, with the purpose to support the substantial investment plan of the Group and to refinance certain corporate credit lines, thus allowing a significant extension of the duration of the debt while improving its financial terms.
- a corporate loan with Commerzbank (EUR 60 million) entered into the second half of 2019 as part of the Liability Management activities.

In the first quarter of 2019 a corporate acquisition loan of EUR 291 million, subscribed in 2015 by seven mandated Italian and foreign lead arrangers and bookrunners concerning the acquisition of the entire hydroelectric business belonging to E.ON Produzione, now ERG Hydro S.r.l., was paid off early.

The loans indicated above are recognised net of ancillary costs, recognised with the amortised cost method (EUR 4 million) and the effect of the renegotiation of borrowing (EUR 4 million) following the application of IFRS 9.

- The **current portion of loans and borrowings** (EUR 8 million) refers to the portion to be repaid within twelve months of the aforementioned Corporate loans

- **"Non-current loans and borrowings"**, amounting to EUR 663 million, refer mainly to:
  - net liabilities deriving from the fair value measurement of the derivatives to hedge interest rates of EUR 49 million (EUR 88 million at 31 December 2018).
  - liability deriving from the issue of the non-convertible bonds (EUR 99 million[13]) in the third quarter of 2017, aimed at raising additional funds for new capital expenditure in the renewable energies sector and to refinance the capital expenditure made for hydroelectric plants in Italy.
  - liability deriving from placement of a bond ("Green Bond") amounting to EUR 496[14] million with a 6-year duration at fixed rate, issued within the scope of the Euro Medium Term Notes (EMTN) Programme.
  - liabilities correlated to a deferred component (EUR 12 million) of the consideration for the acquisition of Creag Riabhach Wind Farm Ltd, older of authorisations for the construction of a wind farm in Scotland and of the consideration for the acquisition of the Epuron Group (EUR 5 million).

- The payables for "**Totale Project Financing**" (EUR 809 million at 30 June 2019) are for:
  - EUR 298 million in loans related to the companies newly acquired from Soles Montalto in the first quarter, the companies acquired in 2018 from the ForVei (Solare) Group and the subsidiary ISAB Energy Solare;
  - EUR 511 million in loans issued for the construction of wind farms.

13 Net of ancillary costs, recognised with the amortised cost method
14 Net of ancillary costs, recognised with the amortised cost method

IFRS 9 is applied by the Group for annual reporting periods beginning on or after 1 January 2018. As regards the main effects on the Group, application of the standard does not allow for the deferment of the economic effects of the renegotiation of loans on the residual life of the liability by modifying the effective interest rate of the liability at that date: this involves accounting for a profit or an immediate loss at the date of modification of the liability, as an offset to the reduction of the corresponding debt. The application of the standard has resulted in the reduction of liabilities for loans at the transition date (1 January 2018) of EUR 7 million, as an offset to higher opening net assets, net of the related tax effects.

As a result of the refinancing transactions concluded in the period, net of the reversal effect relating to the refinancing transactions performed in previous years, the reduction in total debt as at 30 June 2019 came to EUR 9 million.

It is noted that in the adjusted Income Statement revenue and the associated reversals recognised in application of IFRS 9, in relation to the restructuring of loans in place are highlighted as special items.

The component of the consideration for the transfer of TotalErg to api S.p.A of the value of EUR 36 million was collected in the first quarter of 2019, ahead of time.

The breakdown of **current net financial indebtedness** is shown below:

CURRENT FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)

30/06/2018	(EUR million)	30/06/2019	31/12/2018
43.9	Current bank loans and borrowings	110.4	20.1
129.9	Current portion of bank loans and borrowings	7.8	162.0
4.7	Other current financial liabilities	2.2	3.9
178.5	**Current financial liabilities**	**120.3**	**185.9**
(432.1)	Cash and cash equivalents	(407,6)	(611.4)
(124.4)	Securities and other current financial receivables	(27.0)	(47.1)
(556.5)	**Current financial assets**	**(434.7)**	**(658.5)**
153.6	Current Project Financing	107.5	146.2
(153.9)	Cash and cash equivalents	(166.9)	(162.8)
(0.3)	**Project Financing**	**(59.4)**	**(16.6)**
(378.4)	**TOTAL**	**(373.7)**	**(489.2)**

The current portion of bank loans and borrowings relates to maturity dates set by the Corporate financing amortisation plans.

Current financial assets also include cash collateral on the trading operation on futures derivative instruments.

The amount of liquidity decreased in the first half of 2019 mainly due to the acquisitions that took place in the period and to the payment of dividends to shareholders.

Cash flows

The breakdown of changes in net financial indebtedness is as follows:

	First half	
(amounts in million)	**2019**	**2018**
Adjusted EBITDA	273.4	276.7
Change in net working capital	(78.9)	(143.4)
Cash Flow from operations	**194.5**	**133.3**
Investments in property, plant and equipment and intangible assets	(26.6)	(21.4)
Company acquisitions (business combinations)	(280.2)	(425.2)
Capital expenditure in financial fixed assets	–	(0.9)
Sale of equity investment in TotalErg	–	179.5
Sale of Brockaghboy net assets	–	105.7
Divestments and other changes	1.0	0.2
Cash Flow used in investments/divestments	**(305.9)**	**(162.1)**
Financial expense	(32.8)	(37.8)
Closure fair value ERG Wind loan	(43.5)	–
Net gains (losses) on equity investment	0.1	0.0
Cash Flow used in financial management	**(76.3)**	**(37.8)**
Cash Flow from tax management	–	–
Distribution of dividends	(112.4)	(171.1)
Other changes in equity	(19.3)	6.2
Cash Flow used in equity	**(131.7)**	**(164.9)**
Change in the consolidation scope	**–**	**(2.2)**
Opening net financial indebtedness	**1,343.0**	**1,232.7**
Net change	*319.4*	*233.7*
Closing net financial indebtedness	**1,662.4**	**1,466.4**

Cash flow from operations of the **first half of 2019** was positive by EUR 194 million, up by EUR 61 million relative to the same period of 2018, mainly due to short-term changes in working capital relating to incentive payment methods in an environment of higher Wind power output in Italy. In addition, the cash flows of the first half of 2018 was affected by the payment of a debt position tied to OIL purchases in previous years.

The **Cash flow used in investments** of the **first half of 2019** is mainly linked to M&A activity 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), of operating wind farms in France (EUR 52 million), of a project for the construction of a wind farm in the United Kingdom (EUR 6 million) and of a pipeline in Germany (EUR 2 million), and to the investments in tangible and intangible assets (EUR 27 million).

Cash flow used in financial management refers to the interest accrued during the period. Financial management also includes the effect of the closure of the fair value of the project financing of ERG Wind Investment Ltd.

Cash flow used in Equity relates mainly to the changes to the hedging reserve tied to derivative financial instruments.

Adjusted net financial indebtedness totalled **EUR 1,662 million**, up (by EUR 319 million) compared to 31 December 2018 (EUR 1,343 million). The change mainly reflects the investments in the period (EUR 307 million) as a result of the additional growth in the solar sector and in the wind sector in France, dividend distribution (EUR 112 million), the extraordinary expenses incurred in the course of the significant liability management transactions (EUR 44 million), the increase of the fair value of hedging derivatives, partly offset by the positive cash flow of the period (EUR 194 million).

Solar Consolidation

On 12 February 2019, ERG completed the acquisition from Soles Montalto GmbH, an investment fund managed by the AREAM group, a European asset manager in the renewable sector of 78.5% of Perseo S.r.l., holder of 100% of Andromeda PV S.r.l., a company that manages two photovoltaic plants with total installed capacity of 51.4 MW.

The enterprise value of the transaction is approximately EUR 220 million, corresponding to the equity value of the acquired portion of EUR 97 million and to the net financial position of the Target estimated as at 31 December 2018, i.e. EUR 124 million.

At the date of this Report, provisional purchase price allocation procedure was performed on the basis of the available information: consistently with the indications of IFRS 3 and in consideration of the short period of time between the acquisition date and the date of preparation of the document, this procedure shall be deemed provisional and subject to changes and adjustments.

In this regard, based on the provisions of IFRS 3, the measurement of the assets and liabilities may be subject to changes in the twelve months following the acquisition date.

The method used for the first consolidation of the acquired companies, as required by the reference reporting standards, is described below.

The acquisition was measured according to the provisions of IFRS 3 on business combinations; based on this standard, for the transaction to be properly accounted for, it is necessary to:

- determine the total acquisition cost;
- determine the fair value of the acquired assets and liabilities;
- allocate, at the date of acquisition, the cost of the business combination to the acquired assets and the liabilities assumed, including those not recognised before the acquisition;
- recognise any goodwill acquired in the business combination.

In the determination of the fair value of the acquired assets and liabilities, the main differences identified refer to the measurement of non-current assets and, in particular, authorisations for the generation of electricity at feed-in tariffs for solar installations in operation. These assets were provisionally measured with the support of models set up when assessing the validity of the investment; The valuation was carried out on 100% of identifiable assets: the greater identified values were attributed to the relative minority portion.

The difference between the total acquisition price and the fair value of the acquired assets and liabilities was recognised residually as goodwill (EUR 29 million).

The impact of the transaction on the Group's net financial indebtedness is EUR 220 million and refers to the acquisition price paid (EUR 96 million) and to the net financial position of the acquired companies.

The impacts of Solar Consolidation were as follows:

(EUR million)	Solar Consolidation
Non-current assets	**257.4**
Net working capital	**5.0**
Provisions for employee benefits	–
Other assets	5.6
Other liabilities	(30.2)
Net invested capital	**237.9**
Equity att. to the owners of the parent	–
Non-controlling interests	18.3
Net financial indebtedness	219.6
Equity and financial liabilities	**237.9**

IFRS 16

The Group has applied IFRS 16 - Lease has been applied from 1 January 2019.

The new standard introduces a single model of accounting for leases in the financial statements of lessees according to which the lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are exceptions to the application of IFRS 16 for short-term leases and for low value assets. The accounting procedures for the lessor remain similar to those foreseen by the standard currently in force, i.e. the lessor continues to classify the lease as operating or finance.

IFRS 16 replaces the current provisions on leases, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

The Group has applied IFRS 16 from the date of first adoption (i.e. 1 January 2019) using the modified retrospective approach. Therefore, the cumulative effect of the adoption of IFRS 16 is recognised to adjust the opening balance at 1 January 2019, without restating the comparative information.

The Group, as lessee, has recognised a new liability for leases and higher right of use assets amounting to approximately EUR 63 million at 1 January 2019 related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory.

The application of the new standard has changed the nature and the representation in the income statement of charges for operating leases: these costs are now recognised as amortisation of the right of use and as financial charges correlated to the liability linked to the discounting of future payments of leasing instalments. Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially in line with the financial occurrence of relative rentals payments.

The application of the IFRS 16 standard has therefore involved:

- the improvement in EBITDA in respect of the leasing instalments that fall within the scope of IFRS 16, of approximately EUR 3.9 million in the first half of 2019;
- the increase (EUR 70 million as at 30 June 2019) of the net financial indebtedness and of the net invested capital in relation to the application of the asset method indicated by the new standard;
- greater depreciation and amortisation expense (EUR 3.1 million) and greater financial expenses (EUR 1.6 million) linked to the application of the above-mentioned asset method.

At the time of the first application, ERG availed itself of the option to use the modified retroactive method, therefore without restating previous financial years for comparison.

In view of the foregoing submissions, in order to represent the business actual profitability, it has been deemed opportune to recognise, in the Adjusted Income Statement, leasing costs within the Adjusted EBITDA, in accordance with management reports for the previous years and with the financial expression (periodic instalment) of the same and in continuity with the representation in previous years.

Also in accordance with the adjusted net financial indebtedness and the adjusted net invested capital, these are represented net of the liability linked to the discounting of future payments of leasing instalments.

For the definition of the above-mentioned amounts, reference is made to that indicated in the "Alternative Performance Indicators" section.

ALTERNATIVE PERFORMANCE INDICATORS (APIs)

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 special profit or loss components (special items) and with the adjustment of the impacts tied to the application 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.
- **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

EBITDA

Year 2018		Note	First half 2019	First half 2018
479.6	**EBITDA for continuing operations**		**264.9**	**273.4**
3.3	*Contribution of discontinued operations (Brockaghboy)*	1	*0.0*	*3.3*
482.9	**EBITDA**		**264.9**	**276.7**
	Special items exclusion and impact of IFRS 16:			
	Corporate			
2.7	*- Reversal of ancillary charges on non-recurring operations (Special Projects)*	2	*6.4*	–
–	*- Adjustment for impact of IFRS 16*	3	*(0.4)*	–
	- Reversal of HR and corporate reorganisation costs	4	*6.0*	–
5.1	*- Reversal liabilities/charges ERG80*	5	-	–
	Thermoelectric			
–	*- Adjustment for impact of IFRS 16*	3	*(0.4)*	–
	Hydroelectric			
–	*- Adjustment for impact of IFRS 16*	3	*(0.1)*	–
	Solar			
–	*- Adjustment for impact of IFRS 16*	3	*(0.2)*	–
	Wind			
–	*- Adjustment for impact of IFRS 16*	3	*(2.8)*	–
490.6	**Adjusted EBITDA**		**273.4**	**276.7**

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Year 2018		Note	First half 2019	First half 2018
(274.1)	**Amortisation and depreciation expense for continuing operations**		**(148.4)**	**(135.5)**
(0.7)	*Contribution of discontinued operations (Brockaghboy)*	1	–	*(0.7)*
(274.8)	**Amortisation, depreciation and impairment losses**		**(148.4)**	**(136.2)**
	Special items exclusion			
0.0	*- Adjustment for impact of IFRS 16*	3	*3.1*	–
(274.8)	**Adjusted depreciation and amortisation**		**(145.3)**	**(136.2)**

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Year 2018		Note	First half 2019	2018
132.6	**Profit attributable to owners of the parent**		**1.9**	**105.1**
	Special items exclusion and impact of IFRS 16			
0.0	*Exclusion impact of IFRS 16*	3	*0.6*	–
	Exclusion of impact of HR and corporate reorganisation costs		*4.5*	
0.0	*Exclusion of ancillary charges on corporate loan prepayments*	6	*2.0*	–
	Exclusion of ancillary charges on ERG Wind loan prepayments	6	*49.4*	
	Exclusion of ancillary charges on ERG Power loan prepayments	6	*1.5*	
2.2	*Exclusion of ancillary charges on non-recurring operations*		*6.0*	–
4.4	*Exclusion liabilities/charges ERG80*		*0.0*	–
(26.2)	*Exclusion of capital gain from sale of UK equity investment*		*0.0*	*(26.2)*
(6.0)	*Exclusion of the net gain on refinancing (IFRS 9)*	7	*1.6*	*(3.4)*
107.0	**Adjusted profit attributable to owners of the parent**		**67.5**	**75.5**

1. The results of Brockaghboy, the subsidiary sold on 7 March 2018, are subject to the requirements of IFRS 5.
   In this Interim 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 Directors' report on the 2018 Financial Statements.
2. Ancillary charges relating to other operations of a non-recurrent nature.
3. Adjustment for impact of IFRS 16. Reference is made to the comments made in the previous article.
4. Expenses related to corporate reorganisation of the Group
5. Charges related to the ERG Group's 80th anniversary celebrations in the fourth quarter of 2018.
6. Financial expenses correlated to the early closure of a Corporate loan and project financing as part of Liability Management activities. Of particular note are the expenses recognised as a consequence of the closure of the ERG Wind Investment project financing and tied to the reversal (EUR 43 million[15]) of the positive adjustment, recognised upon first consolidation, of the fair value of the debt and to the prepayment of the related IRS instrument (EUR 23 million), net of the reversal of the first consolidation reserve)
7. 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.

15 Before the tax effect

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

INCOME STATEMENT 1ST HALF 2019

(EUR million)	Condensed Interim consolidated financial statements	Adjustment for impact of IFRS 16	Adjustment for impact of IFRS 9	Reversal of special items	Adjusted income statement
Revenue	530.4	–	–	–	530.4
Other income	6.3	–	–	–	6.3
Total revenue	**536.8**	**–**	**–**	**–**	**536.8**
Purchases	(147.7)	–		–	(147.7)
Change in inventories	1.2	–	–	–	1.2
Services and other operating costs	(91.2)	(3.9)	–	10.3	(84.8)
Personnel expense	(34.1)	–	–	2.1	(32.0)
Gross operating profit (EBITDA)	**264.9**	**(3.9)**	**–**	**12.4**	**273.4**
Amortisation, depreciation and impairment losses	(148.4)	3.1	–	–	(145.3)
Operating profit (EBIT)	**116.5**	**(0.8)**	**–**	**12.4**	**128.1**
Net financial income (expense)	(105.2)	1.6	2.1	68.7	(32.8)
Net gains (losses) on equity investments	(0.3)	–	–	0.3	0.1
Profit before taxes	**11.1**	**0.8**	**2.1**	**81.4**	**95.3**
Income taxes	(8.5)	(0.2)	(0.5)	(18.0)	(27.2)
Profit loss from continuing operations	**2.5**	**0.6**	**1.6**	**63.4**	**68.1**
Net profit (loss) from continuing operations	–	–		–	–
Net profit for the period	**2.5**	**0.6**	**1.6**	**63.4**	**68.1**
Non-controlling interests	(0.6)	–		–	(0.6)
Profit loss attributable to the owners of the parent	**1.9**	**0.6**	**1.6**	**63.4**	**67.5**

INCOME STATEMENT 1ST HALF 2018:

(EUR million)	Condensed Interim consolidated financial statements	Reversal reclassifications IFRS 5 Brockaghboy	Reversal of special items	Adjusted income statement
Revenue from sales and services	512.8	2.9	–	515.7
Other revenue and income	13.2	0.9	–	14.1
Total revenue	**525.9**	**3.8**	**–**	**529.8**
Purchases	(140.3)	(0.0)	–	(140.3)
Change in inventories	0.7	–	–	0.7
Services and other operating costs	(82.3)	(0.6)	–	(82.8)
Personnel expense	(30.6)	–	–	(30.6)
Gross operating profit (EBITDA)	**273.4**	**3.3**	**–**	**276.7**
Amortisation, depreciation and impairment losses	(135.5)	(0.7)	–	(136.2)
Operating profit (EBIT)	**137.9**	**2.6**	**–**	**140.5**
Net financial income (expense)	(33.0)	(0.6)	(4.2)	(37.8)
Net gains (losses) on equity investments	0.0	26.7	(26.7)	0.0
Profit before taxes	**105.0**	**28.7**	**(30.9)**	**102.7**
Income taxes	(28.2)	(0.2)	1.3	(27.1)
Profit (loss) from continuing operations	**76.8**	**28.4**	**(29.6)**	**75.6**
Net profit (loss) from continuing operations	28.4	(28.4)	–	0.0
Net profit (loss) for the period	**105.2**	**–**	**(29.6)**	**75.6**
Non-controlling interests	(0.1)	–	–	(0.1)
Profit (loss) attributable to the owners of the parent	**105.1**	**–**	**(29.6)**	**75.5**

RECLASSIFIED BALANCE SHEET AT 30 JUNE 2019

(EUR million)	Reported Statement of financial position	Adjustment for impact of IFRS 16	Adjusted statement of financial position
Intangible assets	1,046.1	–	1,046.1
Property, plant and equipment	2,445.0	(73.1)	2,371.8
Equity investments and other financial assets	54.2	–	54.2
Non-current assets	**3,545.2**	**(73.1)**	**3,472.1**
Inventories	22.4	–	22.4
Trade receivables	278.7	–	278.7
Trade payables	(74.0)	–	(74.0)
Excise duties payable to tax authorities	(1.6)	–	(1.6)
Net working capital	**225.5**	**–**	**225.5**
Post-employment benefits	(5.6)	–	(5.6)
Other assets	330.4	3.4	333.8
Other liabilities	(622.4)	–	(622.4)
Net invested capital	**3,473.1**	**(69.7)**	**3,403.4**
Equity attributable to the owners of the parent	1,722.4	0.6	1,722.9
Non-controlling interests	18.2	–	18.2
Non-current financial indebtedness	2,101,9	(65.9)	2,036.05
Current net financial indebtedness	(369.3)	(4.4)	(373.70)
Equity and financial indebtness	**3.473,1**	**(69,7)**	**3.403,4**

							REPORTED			ADJUSTED	
(EUR MILLION)	Condensed interim consolidated financial Statements	Non-current assets	Net working capital	Post-employment benefits	Other assets	Other liabilities	NET INVESTED CAPITAL	Net financial indebtedness	Adjustment for impact of IFRS 16	NET INVESTED CAPITAL	Net financial indebtedness
Intangible assets	868.4	868.4					**868.4**			**868.4**	
Goodwill	177.6	177.6					**177.6**			**177.6**	
Property, plant and equipment	2,371.9	2,371.9					**2,371.9**		**–**	**2,371.9**	
Right of use of leased assets	73.1	73.1					**73.1**		**(73.1)**	**0.0**	
Equity investments	13.7	13.7					**13.7**			**13.7**	
Other non-current financial assets	40.4	40.4					**40.4**			**40.4**	
Deferred tax assets	142.8				142.8		**142.8**			**142.8**	
Other non-current assets	42.2				42.2		**42.2**			**42.2**	
Non-current assets	**3,730.2**										
Inventories	22.4		22.4				**22.4**			**22.4**	
Trade receivables	278.7		278.7				**278.7**			**278.7**	
Other current assets	145.3				145.3		**145.3**		**3.4**	**148.8**	
Current financial assets	31.6							(31.6)			**(31.6)**
Cash and cash equivalents	574.5							(574.5)			**(574.5)**
Current assets	**1,052.5**										
Discontinued operations	**–**										
TOTAL ASSETS	**4,782.8**										
Equity attributable to the owners of the parent	1,722.4								**0.6**		
Non-controlling interests	18.2										
Equity	**1,740.5**										
									–		
Provisions for employee benefits	5.6			(5.6)			**(5.6)**			**(5.6)**	
Deferred tax liabilities	310.4					(310.4)	**(310.4)**			**(310.4)**	
Other non-current provisions	151.5					(151.5)	**(151.5)**			**(151.5)**	
Non-current financial liabilities	2,036.1							2,036.1			**2,036.1**
Liability for leased assets (non-current)	65.9							65.9	**(65.9)**		**–**
Other non-current liabilities	34.7					(34.7)	**(34.7)**			**(34.7)**	
Non-current liabilities	**2,604.1**										
Other current provisions	42.7					(42.7)	**(42.7)**			**(42.7)**	
Trade payables	74.0		(74.0)				**(74.0)**			**(74.0)**	
Current financial liabilities	232.4							232.4			**232.4**
Liability for leased assets (current)	4.4							4.4	**(4.2)**		**0.2**
Other current liabilities	84.7		(1.6)			(83.1)	**(84.7)**			**(84.7)**	
Current liabilities	**438.1**										
Discontinued operations	**–**										
TOTAL EQUITY AND LIABILITIES	**4,782.8**										
Reclassified statement of financial position		**3,545.2**	**225.5**	**(5.6)**	**330.4**	**(622.4)**	**3,473.1**	**1,732.6**		**3,403.5**	**1,662.4**

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

On August 2, ERG S.p.A. Board of Directors has appointed Paolo Luigi Merli to the position of General Manager, with the title "Corporate General Manager & CFO", in charge of activities pertaining to Investor Relations, Mergers & Acquisitions, Group Administration, Finance, Planning, Control & Reporting, Group Risk Management & Corporate Finance, Procurement and Human Capital & ICT. Paolo Luigi Merli will also continue in the capacity of manager responsible for preparing the company's financial reports.

BUSINESS OUTLOOK

The expected outlook for the main operating and performance indicators in 2019 is as follows:

Wind

For wind power in Italy, although greater output is forecast than in 2018, the expectation of lower prices on electricity markets in the second part of the year, associated with the lower unitary revenue of the incentive and higher production costs for some maintenance activities, lead to forecast a slightly lower profit than in the previous year.

With regard to other Countries, results are expected to increase in 2018, mainly as a result of:

- better performance of existing assets, both in terms of volumes and due to the higher prices of electricity;
- higher installed power in France by approximately 90 MW fully operational for the entire year 2019;
- higher installed capacity in Germany, by 22 MW;
- partly offset by the smaller presence in Northern Ireland as a result of the sale of a wind farm of 28 MW, which took place in March 2018.

In general, the total EBITDA of the Wind sector is expected to grow compared to the previous year thanks to the increased capacity and output abroad which more than offset the slight decrease in the expected results in Italy.

Solar

The expected results for 2019 are significantly higher than in 2018, thanks to the good performance of existing installations and to the contribution of the new ones acquired in January of this year.

For the entire year 2019, the EBITDA is expected to be more than doubled compared to EUR 32 million in 2018.

Hydroelectric

For this assets, results are expected to decline significantly compared to 2018, because of markedly lower water resources compared to the exceptionally high values recorded the previous year. In addition, this will also negatively affect the possibility of modulating the plants and participating in the dispatching services market as in 2018.

EBITDA for the hydroelectric sector is therefore forecast to be significantly lower compared to the exceptionally high values recorded last year.

Thermoelectric

Results are expected to be higher than in 2018 thanks to very low natural gas prices and higher electricity prices in Sicily, such as to more than offset the growth of CO_2 costs, with consequent higher Clean Spark Spreads. Control over costs and the greater production of White Certificates (TEE) will also contribute to these better results.

In brief, at consolidated level for the 2019 financial year, EBITDA is forecast to be higher than in 2018 (EUR 491 million), between EUR 495 and 505 million, versus the value previously indicated between EUR 495 and 515 million. This growth is expected in spite of a decreasing incentivised perimeter in the Wind sector in Italy and the lower price of the unit incentive both for Wind and for Hydroelectric, and in spite of a forecast sharp decline in the results of the Hydroelectric sector relative to the extraordinary ones of the previous year. These effects are more than offset by the better results expected from all the other generation assets and from the energy management activity.

Capital expenditure for 2019, confirmed with respect to the previous indication, is expected to be between EUR 340 million and EUR 370 million, down compared to 2018 during which some capital expenditure previously planned for the current year was carried out.

Operational cash generation will allow to contain the forecast increase in net indebtedness from EUR 1.34 billion in 2018 to an amount between EUR 1.39 and 1.47 billion at the end of 2019, partially offsetting the investments of the period, the distribution of the ordinary dividend of EUR 0.75 per share and payment of financial expenses. The previously indicated range of between EUR 1.36 and 1.44 billion was increased to take into account the higher fair value of the instruments hedging interest rates, as a result of a higher prospective reduction of the rates in the market.

Genoa, 2 August 2019

On behalf of the Board of Directors

The Chairman

Edoardo Garrone

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS

ENDED 30 JUNE 2019

ERG
EVOLVING ENERGIES

STATEMENT OF FINANCIAL POSITION(1)(2)

(EUR thousand)	Notes	30/06/2019		31/12/2018	
ASSETS					
Intangible assets	1		868,424		782,511
Goodwill	2		177,631		148,269
Property, plant and equipment	3		2,371,852		2,288,316
Right-of-use assets (2)			73,120		–
Equity investments:	4		13,736		14,000
- carried at equity	4	*12,976*		*12,918*	
- other equity investments	4	*767*		*1,080*	
Other non-current financial assets	17		40,426		76,604
Deferred tax assets	6		142,795		128,028
Other non-current assets	7		42,247		42,890
Non-current assets			**3,730,231**		**3,480,619**
Inventories	8		22,412		21,623
Trade receivables	9		278,722		251,001
Other current assets	10		145,332		120,785
Current financial assets	17		31,582		49,690
Cash and cash equivalents	17		574,477		774,193
Current assets			**1,052,525**		**1,217,292**
Discontinued operations			**–**		**–**
TOTAL ASSETS			**4,782,756**		**4,697,911**
EQUITY					
- Share Capital	11		15,032		15,032
- Other Reserves	11		1,047,220		915,746
Retained earnings	11		658,174		765,426
- Profit for the year	11		1,929		132,628
Equity attributable to the owners of the parent	11		**1,722,356**		**1,828,832**
Non-controlling interests	12		**18,165**		**–**
TOTAL EQUITY			**1,740,521**		**1,828,832**
LIABILITIES					
Employee benefits	13		5,554		5,820
Deferred tax liabilities	6		310,415		288,637
Other non-current provisions	14, 20		151,519		143,894
Non-current financial liabilities	17		2,036,055		1,868,211
Non-current financial liabilities for leased assets (2)			65,878		
Other non-current liabilities	15		34,703		34,417
Non-current liabilities			**2,604,124**		**2,340,979**
Other current provisions	14, 20		42,700		45,580
Trade payables	16		73,996		92,294
Current financial liabilities	17		232,354		334,726
Current financial liabilities for leased assets (2)			4,383		
Other current liabilities	18		84,678		55,501
Current liabilities			**438,111**		**528,100**
Discontinued operations			**–**		**–**
TOTAL LIABILITIES			**3,042,235**		**2,869,079**
TOTAL EQUITY AND LIABILITIES			**4,782,756**		**4,697,911**

(1) the notes commenting individual items are an integral part these condensed interim financial statements

(2) the Group adopted IFRS 16 for the first time on 1 January 2019 availing itself of the option to use the modified retroactive method, therefore without restating previous financial years for comparison. For additional details, refer to the section IFRS 16 - Leases

INCOME STATEMENT (1)(2)(3)

(EUR thousand)	Notes	1st half 2019	1st half 2018
Revenue	21	530,438	512,767
Other income	22	6,333	13,171
Purchases	23	(146,565)	(139,653)
Services and other operating costs	24	(91,168)	(82,251)
Personnel expense	25	(34,101)	(30,611)
Gross operating profit (EBITDA)		**264,936**	**273,423**
Amortisation, depreciation and impairment of non-current assets	26	**(148,413)**	**(135,507)**
OPERATING PROFIT (EBIT)		116,523	**137,916**
Financial expense	27	(144,648)	(50,116)
Financial income	27	39,465	17,130
Net financial expense	27	**(105,184)**	**(32,987)**
Net gainson equity-accounted investments	28	58	60
Other net losses on equity investments	28	(318)	(30)
Gains (losses) on equity investments	28	**(260)**	**30**
PROFIT BEFORE TAXES		**11,079**	**104,959**
Income taxes	29	(8,540)	(28,170)
PROFIT FROM CONTINUING OPERATIONS		**2,539**	**76,789**
Profit (loss) from discontinued operations	30	–	28,432
PROFIT FOR THE PERIOD		**2,539**	**105,221**
Non-controlling interests		(610)	(118)
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**1,929**	**105,102**

(1) the notes commenting individual items are an integral part of these condensed interim consolidated financial statemets

(2) the Group adopted IFRS 16 for the first time on 1 January 2019 availing itself of the option to use the modified retroactive method, therefore without restating previous periods for comparison. For additional details, refer to the section IFRS 16 - Leases

(3) in the Income Statement of the 1st half of 2018, the results of the company Brockaghboy Windfarm Ltd. were posted in profit (loss) from discontinued operations, in accordance with IFRS 5: for additional details, please refer to the section Brockaghboy Sale of the 2018 Financial Statements

(Euro)		1st half 2019	1st half 2018
Basic earnings per share from continuing operations	33	0.017	0.516
Diluted earnings per share from continuing operations	33	0.017	0.516
Basic earnings per share att. to the owners of the parent	33	0.013	0.706
Diluted earnings per share att. to the owners of the parent	33	0.013	0.706
Average number of ahares outstanding		**148,866,945**	**148,816,800**

STATEMENT OF COMPREHENSIVE INCOME (1)(2)

(EUR thousand)	Notes	1st half 2019	1st half 2018
Profit for the period		**2,539**	**105,221**
Changes that will not be reclassified to profit or loss			
Actuarial change in provisions for employee benefits	13	–	–
Income taxes referred to the actuarial change in provisions for employee benefits	13	–	–
		–	**–**
Changes that will be reclassified to profit or loss			
Coverage of cash flows - effective portion of the fair value change		1,196	(9,595)
Tax effect of cash flow hedging - effective portion of the fair value change		(285)	2,288
		911	(7,307)
Foreign operations - Exchange differences from translation		(844)	(3,512)
Income taxes - Foreign operations - Exchange differences from translation		160	667
		(684)	**(2,845)**
Other comprehensive income (expense) net of the tax effect		**227**	**(10,152)**
Comprehensive income for the period		**2,766**	**95,069**
Non-controlling interests		(610)	(100)
Comprehensive income attributable to the owners of the parent		**2,157**	**94,969**

(1) the notes commenting individual items are an integral part of these condensed interim consolidated financial statemets
(2) the Group adopted IFRS 16 for the first time on 1 January 2019 availing itself of the option to use the modified retroactive method, therefore without restating previous periods for comparison. For additional details, refer to the section IFRS 16 - Leases

STATEMENT OF CASH FLOWS (1)(2)(3)(4)

(EUR thousand)	Notes	1st half 2019	1st half 2018
CASH FLOWS DERIVING FROM OPERATING ACTIVITIES (A)			
Profit for the period		2,539	105,221
- Amortisation, depreciation and impairment of non-current assets	26	148,413	135,507
Increase in other provisions	14, 20	5,442	13,653
- Decrease in other provisions	14, 20	(4,215)	(10,143)
- Net change in deferred tax assets and liabilities	6	(16,919)	(3,619)
- Impairment of current assets	9	51	23
- Gains (losses) on equity investments	28	259	(26,743)
- Changes to post-employment benefits	13	(266)	(565)
Other changes in non-monetary items		2,335	3,796
		137,639	**217,130**
- Change in other current assets and liabilities:			
- Change in inventories	8	(789)	(340)
- Change in trade receivables	9	(20,834)	(6,616)
- Change in trade payables	16	(19,231)	(62,553)
- Net change in other assets/liabilities	7, 10, 15, 18	2,516	(46,365)
		(38,339)	**(115,874)**
CASH FLOWS DERIVING FROM OPERATING ACTIVITIES (A)		**99,301**	**101,257**
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)			
Acquisition of intangible assets and goodwill	1, 2	(847)	(5,735)
Acquisition of property, plant and equipment	3	(25,741)	(15,657)
Purchase of equity investments and other non-current financial assets	4, 5	–	(42,976)
Net change in other increases/decreases of non-current assets	1, 3	567	7,108
Net change equity investment consolidation method	4	9	3,109
Sale of Brockaghboy Windfarm Ltd. (2)		–	105,740
Disposals of intangible assets and goodwill	1, 2	–	–
TotalERG Vendor Loan collection	17	36,179	-
Disposals of equity investments and other non-current financial assets	4, 5	0	26
CASH FLOWS FROM (USED IN) INVESTMENT ACTIVITIES (B)		**10,168**	**51,615**
CASH FLOWS FROM FINANCING ACTIVITIES (C)			
Increase in non-current loans	17	188,901	167,616
Green Bond Issue		500,000	-
Decrease in non-current loans	17	(868,276)	(252,806)
Net change in current bank loans and borrowings	17	90,279	32,182
Net change in other current financial assets/liabilities	17	87,849	(101,906)
Early closure of the IRS derivatives on ERG Wind Investments Ltd and ERG Power S.r.l.	17	(55,001)	-
Dividends paid to shareholders	11	(111,652)	(171,139)
Payment of financial liabilities for leased assets		(4,359)	
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**(172,259)**	**(326,052)**
Change in the consolidation scope by business combination (3)		(128,728)	(54,112)
Change in the consolidation scope by assets acquisition (3)		**(8,197)**	**295**
CHANGE IN THE CONSOLIDATION SCOPE (D) (3)		**(136,925)**	**(53,818)**
NET CASH FLOW FOR THE PERIOD (A+B+C+D)		**(199,717)**	**(226,999)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR CONTINUING OPERATIONS	17	**774,193**	**812,992**
NET CASH FLOW OF THE YEAR		(199,717)	(226,999)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**574,477**	**585,994**

	Notes	1st half 2019	1st half 2018
Additional statement of cash flows information			
Income taxes paid (5)	6	–	–
Interest paid (6)	27	19,082	16,814

(1) the notes commenting individual items are an integral part of these condensed interim consolidated financial statemets
(2) more information is available in the section Brockaghboy Sale of the 2018 Financial Statements
(3) more information is available in the section Change in the consolidation scope
(4) the Group adopted IFRS 16 for the first time on 1 January 2019 availing itself of the option to use the modified retroactive method, therefore without restating previous periods for comparison. For additional details, refer to the section IFRS 16 - Leases
(5) it is hereby specified that the taxes were paid to the tax authorities in July 2019. More specifically, on 01 July 2019, taxes of approximately EUR 25.4 million were paid, net of offsetting, as settlement for 2018 and as an advance for 2019
(6) it is hereby specified that the amount includes interests paid related to financial liabilities for leased assets (IFRS 16) of EUR 481 thousand

STATEMENT OF CHANGES IN EQUITY (1)(2)

	Notes	Share capital	Reserves	Profit for the period	Equity attributable to the owners of the parent	Non-controlling interests	Equity
BALANCE AT 31/12/2017		**15,032**	**1,655,619**	**206,815**	**1,877,466**	**–**	**1,877,466**
IFRS 9 Adjustment		**–**	**4,978**	**–**	**4,978**	**–**	**4,978**
Allocation of 2017 profit		**–**	**206,815**	**(206,815)**	**–**	**–**	**–**
Share-based payments with equity-linked instruments		**–**	**1,243**	**–**	**1,243**		**1,243**
Distribution of dividends		**–**	**(171,139)**	**–**	**(171,139)**	**–**	**(171,139)**
Non-controlling interests from acquisitions		**–**	**–**	**–**	**–**	**1,052**	**1,052**
Increase in capital reserves		**–**	**–**	**–**	**–**	**–**	**–**
Other changes		**–**	**297**	**–**	**297**	**–**	**297**
Profit of 1st half 2018		*–*	*–*	*105,102*	*105,102*	*118*	*105,220*
Actuarial change in provisions for employee benefits		*–*	*–*	*–*	*–*	*–*	*–*
Changes in the hedging reserve		*–*	*(7,289)*	*–*	*(7,289)*	*(18)*	*(7,307)*
Change in the translation reserve		*–*	*(2,845)*	*–*	*(2,845)*	*–*	*(2,845)*
Comprehensive income		**–**	**(10,134)**	**105,102**	**94,968**	**100**	**95,068**
BALANCE AT 30/06/2018		**15,032**	**1,687,678**	**105,102**	**1,807,815**	**1,153**	**1,808,967**
BALANCE AT 31/12/2018		**15,032**	**1,681,039**	**132,761**	**1,828,832**	**–**	**1,828,833**
Allocation of 2018 profit		**–**	**132,761**	**(132,761)**	**–**	**–**	**–**
Share-based payments with equity-linked instruments		**–**	**1,067**	**–**	**1,067**	**–**	**1,067**
Distribution of dividends	11	**–**	**(111,652)**	**–**	**(111,652)**	**(710)**	**(112,362)**
Increase in capital reserves	11	**–**	**–**	**–**	**–**	**–**	**–**
Acquisitions of companies with third parties		**–**	**–**	**–**	**–**	**18,265**	**18,265**
Other changes		**–**	**1,952**	**–**	**1,952**	**–**	**1,952**
Profit of 1st half 2019		–	–	1,929	1,929	610	**2,539**
Actuarial change in provisions for employee benefits	13	–	–	–	–	–	**–**
Changes in the hedging reserve	11	–	911	–	911	–	**911**
Change in the translation reserve	11	–	(684)	–	(684)	–	**(684)**
Comprehensive income		**–**	**227**	**1,929**	**2,157**	**610**	**2,766**
BALANCE AT 30/06/2019		**15,032**	**1,705,394**	**1,929**	**1,722,356**	**18,165**	**1,740,521**

(1) the notes commenting individual items are an integral part of these condensed interim consolidated financial statemets
(2) the Group adopted IFRS 16 for the first time on 1 January 2019 availing itself of the option to use the modified retroactive method, therefore without restating previous periods for comparison. For additional details, refer to the section IFRS 16 - Leases

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ERG S.p.A. is the entity that prepares the financial statemens.

ERG S.p.A. has its registered office in via De Marini 1, Genoa (WTC Tower).

The condensed interim consolidated financial statements as at and for the six months ended 30 June 2019 comprise the financial statements of ERG S.p.A. and of its subsidiaries (together, "ERG" or "the Group").

THE GROUP

The core business of the ERG Group consists in the production of electricity from renewable sources such as wind, solar, hydroelectric and high-efficiency cogenerative thermoelectric power plants located mainly in Italy, France and Germany.

PUBLICATION DATE

Publication of these condensed interim consolidated financial statements was authorised by the Board of Directors on 2 August 2019.

BASIS OF PREPARATION

The condensed interim consolidated financial statements as at and for the six months ended 30 June 2019, expressed in thousands of Euro (the functional currency of the parent company ERG S.p.A. and presentation currency), and prepared on the basis of the indications contained in Article 154-ter of the Italian Consolidated Finance Act, were prepared in condensed form in accordance with IAS 34 "Interim Financial Reporting".

In accordance with IAS 34, the condensed interim consolidated financial statements do not include all the disclosures required for annual consolidated financial statements for which, therefore, reference is made to the Group's annual consolidated financial statements as at and for the year ended 31 December 2018.

For clearer disclosure, it was deemed preferable to show all amounts rounded off to the nearest EUR thousand; consequently, in some statements, totals may differ slightly from the sum of the amounts that comprise it.

In application of Consob Resolution no. 15519 of 27 July 2006, the effects of the transactions with related parties onfinancial and economic items are shown in Note 32 - Related parties. Furthermore, in application of the aforementioned resolution, the income components deriving from non-recurring events or transactions are highlighted, when significant, separately in the management's comments and in the condensed interim financial statements.

The condensed interim consolidated financial statements at 30 June 2019 have been reviewed in accordance with Italian CONSOB Resolution no. 10867 dated 31 July 1997; the results of this review, carried out by the KPMG S.p.A., will be published as soon as they are available.

The financial statements schedules of the present document reflect the changes required by the first adoption of IFRS 16.

ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

The condensed interim consolidated financial statements at 30 June 2019 were prepared by applying the same consolidation principles and accounting policies used for the preparation of the Consolidated financial statements as at and for the year ended 31 December 2018, with the exception of the provisions of accounting standard IFRS 16, which is expected to be applied for the first time from 1 January 2019. More information is available in the following section.

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED STARTING ON 1 JANUARY 2019

IFRS 16 - Leases

IFRS 16 - Leases has been applied from 1 January 2019.

The new standard introduces a single model of accounting for leases in the financial statements of lessees according to which the lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are exceptions to the application of IFRS 16 for short-term leases and for low value assets. The accounting procedures for the lessor remain similar to those foreseen by the standard currently in force, i.e. the lessor continues to classify the lease as operating or finance.

IFRS 16 replaces the previous provisions on leases, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

The application of the new Standard changes the nature and the representation in the income statement of charges for operating leases of the Group pertaining to land, warehouses, buildings, equipment, substations and machine inventory. These costs are now recognised as amortisation of the right of use and as financial charges related to the liability linked to the discounting of future payments of leasing instalments.

Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially in line with the financial occurrence of relative rentals payments.

At the effective date of the lease, the Group recognises:

- the right-of-use asset and the lease liabilities. The asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, and it may be adjusted to reflect the revaluations of the lease liabilities.
- the lease liabilities at the present value of the related payments due unpaid at the effective date, discounting them using the implied interest rate. Whenever this rate cannot be easily determined, the Group uses the incremental borrowing rate (determined as the sum of Group credit spread and the forward curve based on Euro area swap rates). The liability thus recognised is subsequently increased with the interest that accrues on said liability, less the payments due for the leases made and possibly revalued in case of changes to future payments in relation to:
  - a change in the ratio or rate,
  - change of the amount the Group expects to have to pay by way of guarantee on the residual value,
  - change of the estimate as to whether a purchase, extension or termination option will be exercised or not.

The Group analysed all lease agreements, defining the lease term, given by the period that cannot be cancelled.
The Group's leases have an average duration of 14 years, with the inclusion for some leases of a renewable option exercisable at the end of the binding period. Others provide for additional payments tied to the change of the local price indices.
In relation to the renewal options, the Group estimated the duration of the related lease agreement taking into account the reasonable certainty that the option will be exercised.
Specifically, for land and buildings, this assessment considered the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly corporate cars and equipment, the Group generally deemed improbable that extension or early termination clauses would be exercised in consideration of the practice usually followed by the Group.

First adoption

The Group has applied IFRS 16 from the date of first adoption (i.e. 1 January 2019) using the modified retrospective approach. Therefore, the cumulative effect of the adoption of IFRS 16 is recognised to adjust the opening balance at 1 January 2019, without restating the comparative information.

Impacts on the opening balances as at 1 January 2019:

(EUR thousand)	1 January 2019
Liability for leased assets	63,424
Other assets (advanced or accumulated payments)	3,179
Total rights-of-use assets	**66,603**

At the date of first adoption, the lease liabilities were determined at the current value of the residual payments discounted using the incremental borrowing rate of the Group at 1 January 2019. The weighted average of the applied rate is 3.27%.

(EUR thousand)	1 January 2019
Commitments deriving from operating leases at 31 December 2018 as presented in the consolidated financial statements of the Group (1)	81,934
Lease extension options whose exercise is reasonably certain	17,577
Incremental borrowing rate as at 1 January	3.27%
Values Discounted using the incremental borrowing rate as at 1 January 2019	63,424

(1) the commitments deriving from operating leases presented in the consolidated financial statements of the Group at 31 December 2018 are already indicated less the future minimum payments of the agreements with duration of less than 12 months and then commitments having a non-significant amount

Right-of-use assets are measured at an amount equal to the lease liabilities, rectified by the amount of any advanced or accumulated payments due for the lease.

The Group has used the following practical expedients to apply IFRS 16 to leases previously classified as operating in accordance with IAS 17:

- exempting the recognition of right-of-use assets and of lease liabilities for agreements with a duration of less than 12 months;
- exempting low value assets (right-of-use assets of low value, including IT equipment). The Group recognises payments due for leases relating to the aforesaid agreements as a cost on a straight-line basis over the lease term;
- excluding the initial direct costs from the measurement of right-of-use assets at the date of first adoption;
- determining the duration of the lease containing extension/termination options on the basis of the experiences acquired.

No significant impacts are expected for the financial leases of the Group and for the agreements in which the Group is a lessor.

At 1 January 2019 (transition date), the Group, as lessee, therefore recognised new liabilities (EUR 63 million) for operating leases and greater Right-of-use assets (EUR 66.6 million) related mainly to the Wind business and pertaining to the use of land, warehouses, buildings, equipment, substations and machine inventory.

First half of 2019

Adoption of the new standard then entailed the recognition of higher amortisation and depreciation and interest in lieu of the lease fees of operating leases.

In particular, in the first half of 2019, the following were recorded:

- the improvement in gross operating profit (EBITDA) in respect of the leasing instalments that fall within the scope of IFRS 16, of approximately EUR 3.9 million;
- greater depreciation and amortisation expense (EUR 3.1 million) and greater financial expenses (EUR 1.6 million),
- the increase (EUR 70.3 million as at 30 June 2019 of which EUR 65.9 medium-long term and EUR 4.4 short term) of the net financial indebtedness and of the net invested capital (EUR 73.1 million increase in the fixed assets, less EUR 3.4 million of other assets) in relation to the application of the asset method indicated by the new standard.

In addition to the aforementioned IFRS 16, since 1 January 2019 the following standards, interpretations and amendments to existing standards, in relation to which no significant effects for the Group are reported, have become applicable .

- Amendment to **IAS 19: Plan Amendment, Curtailment or Settlement**, issued in February 2018.

  The amendments require enterprises, in case of amendment, curtailment or settlement of a defined benefits plan, to revise the actuarial assumptions and redetermine the current service cost and the net interest for the remainder of the year after such an event. In addition, the amendments: (i) clarify the procedures whereby the obligation to account for an amendment, curtailment or settlement of a plan affects the asset ceiling requirements; (ii) do not pertain to the recognise "significant market fluctuations" in the absence of amendments to the plan.
- Amendments to **IAS 28 Long-term interests in Associates and Joint Ventures**, issued in October 2017. The amendments clarify that the entity should apply the provisions of IFRS 9 - Financial Instruments to long-term interests in associates and joint ventures for which the equity method is not applied.
- **IFRIC 23 - Uncertainty over Income Tax Treatments**, issued in June 2017. The interpretation clarifies how to apply the recognition and measurement requirement of IAS 12 in case of uncertainty over income tax treatments. The uncertainty may pertain both to current taxes and to deferred taxes. The interpretation proposes that an entity should recognise a tax liability or asset under conditions of uncertainty, if it is probable that the tax Authority will accept or not accept a determined tax treatment, examining what it is entitled to examine and having full knowledge of all information.

  In addition, the interpretation requires the entity to re-examine the judgements and estimates made in the presence of a change in the facts and circumstances that modify its own expectations on the acceptability of a determined tax treatment, or the estimates made on the effects of the uncertainty, or both.
- Within the "**Annual Improvements to IFRS Standards 2015–2017 Cycle**", issued in December 2017, the following standards were amended:
  - IFRS 3 and IFRS 11 - Business Combinations: the amendments clarify that a joint operator that acquires control of a joint venture representing a business, should re-measure the interest previously held in the joint venture at the fair value at the date of acquisition;
  - IFRS 11 - Joint Arrangements: the amendments clarify that if a company that has an interest in a joint venture representing a business (in accordance with IFRS 3) without exercising joint control, acquires joint control, should not re-measure the previously held interest;
  - IAS 12 - Income Taxes: the amendments clarify that a company should account for the tax effects of the dividends (defined by IFRS 9) for income tax purposes at the time when the liability relating to the dividend due is recognised, in the Income Statement, in the Other Comprehensive Income (OCI) or in shareholders' equity, depending on where the transactions that generated distributable earnings were recognised;
  - IAS 23 - Borrowing Costs: the amendments clarify that the part of the specific loans that remains extant when the related qualifying asset is ready for its intended use or sale, it should be included in the amount of the generic loans of the company;

- IAS 28 - Equity investments in associates and joint ventures: the IASB clarified that, while long-term interests in associates or joint ventures represent an extension of the net investment in these investee to which IAS 28 is applied, they are still subject to the provisions for impairment of IFRS 9 Financial Instruments.
- IFRS 9: Amendments to IFRS 9 Prepayment Features with Negative Compensation are directed at allowing measurement at amortised cost or at fair value through other comprehensive income (OCI) of financial assets characterised by an early extinction option with the "negative compensation".

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 30 JUNE 2019

Below are the new standards or amendments to the standards, applicable for annual periods beginning on or after 1 January 2019 and for which early application is allowed. However, the Group has decided not to adopt them in advance for the preparation of these condensed interim consolidated financial statements.

- IFRS 17 Insurance Contracts (entry into force 1 January 2021);
- Amendment to References to the Conceptual Framework in IFRS Standards;
- Definition of business (amendments to IFRS 3 - entry into force 1 January 2020)
- Definition of material (amendments to IAS 1 and IAS 8 - entry into force 1 January 2020)

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Preparation of financial statements and notes pursuant to IFRS requires ERG to make estimates and assumptions that affect the carrying amounts of the assets and liabilities, of the costs and revenue recognised in the consolidated financial statements and disclosures relating to contingent assets and liabilities. Making these estimates involves using information available and subjective assumptions. By their very nature, the estimates and assumptions used may vary from year to year, and therefore, it cannot be excluded that, in subsequent years, the current carrying amounts may differ as a result of the change in the subjective assessments used.

The significant subjective assessments of the corporate management in the application of the Group's accounting standards and the main sources of uncertainty of the estimates were the same applied for the preparation of the Group's financial statements as at 31 December 2018, with the exception of the new ones relating to the adoption of IFRS 16. The transition to IFRS 16 introduces some professional judgement elements entailing the definition of some accounting policies and the use of assumptions and estimates in relation to the lease term and to the definition of the marginal rate. More information is available in the section IFRS 16 - Leases.

Fair value measurements

Different accounting standards and some disclosure obligations require the Group to measure the fair value of financial and non-financial assets and liabilities.

In relation to the fair value measurement, the Group has its own structure of appraisers, responsible in general for all significant fair value measurements, including Level 3 measurements (if present).

Non-observable input data and valuation adjustments are subjected to regular reappraisal. When information provided by third parties, such as broker quotes or pricing services, is used to determine fair value, the team of appraisers assesses and documents the evidence obtained from third parties to support the fact that such measurements comply with the provisions of the IFRS, including the level of fair value hierarchy in which the related measurement has to be classified.

The significant aspects relating to the measurement are communicated to the Control and Risk Committee of the Group.

In measuring the fair value of an asset or a liability, the Group uses, insofar as it is possible, observable market data. Fair values are distinguished in various hierarchical levels according to the input data used in the measurement techniques, as illustrated below:

- Level 1: quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2: inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (prices) and indirectly (derived from prices);
- Level 3: input data relating to the asset or liability that are not based on observable market data.

If the input data used to measure the fair value of an asset or of a liability belong to the different levels of the fair value hierarchy, the entire measurement is inserted in the same hierarchy level as the lowest level input that is significant for the entire measurement.

The Group recognises the transfers between the various levels of the fair value hierarchy or on the basis of the date of the event or of the change in the circumstances that determined the transfer or in which the transfer took place.

Estimates and assumptions are revised periodically and the effects of any changes are reflected in profit or loss in the period of the change.

Impairment test

IAS 36 specifies that at each reporting date, an entity must assess the existence of an indication that an asset may have undergone impairment. If there is any such indication, the entity must estimate the recoverable value of the asset.

In assessing whether the aforesaid indication exists, the entity must consider the presence of any "impairment indicators", as required by Paragraph 12 of IAS 36.

To this end, the definitions by IAS 36 of internal and external information sources were taken into consideration, including:

- External sources
  - Significant reductions in the asset values

- Technological, market-related, economic or legislative penalisations
- Actualisation rate increase
- Book value exceeding market capitalisation

• Internal sources
- Physical obsolescence
- Negative internal changes
- Forecast below the budget

In particular, for that analysis, reference has been made to the results of the first half versus the provisions set forth in the approved plans and forecasts on business performance for the remainder of the year.

With regard to the Group assets, no impairment indicators emerged that would require the performance of an impairment test at 30 June 2019 on the carrying amount of goodwill and intangible assets and property, plant and equipment allocated to the aforesaid cash generating units and therefore the carrying amounts already verified for the financial statements at 31 December 2018 are confirmed.

The Group's capitalisation at the end of the period was EUR 2.7 billion, far higher than the shareholders' equity as at 30 June 2019.

BASIS OF CONSOLIDATION

Consolidation scope

The consolidated financial statements include the figures pertaining to ERG S.p.A., the Parent, and the subsidiaries either directly or indirectly controlled by ERG S.p.A. Such control exists when the Group is exposed to the variable returns deriving from its relationship with the entity, or claims rights on such returns, while having the ability to influence them by exercising its own power on the entity itself. The financial statements of subsidiaries are included in the consolidated financial statements from the time the parent company starts exercising control until the date on which control ceases. Subsidiaries are consolidated commencing on the date when the Group actually obtains control. In case of loss of control, the Group eliminates the assets and liabilities of the subsidiary, any third party equity investments and the other equity components relating to the subsidiaries. Any gain or loss deriving from loss of control is recognised in the profit or loss for the year. Any equity investment held in the former subsidiary is measured at fair value on the date of loss of control.

Translation of financial statements drawn up in currencies other than the Euro (i.e. foreign operations) and functional currency

ERG's condensed interim consolidated financial statements were drawn up in Euro, which is the functional currency of the Group. The Euro is also the functional currency of the Parent ERG S.p.A. and of all major companies included in the consolidation scope, with the exception of:

- Polish companies;
- Romanian companies;
- Bulgarian companies;
- British companies.

The assets and liabilities of foreign operations, including goodwill and adjustments to fair value deriving from the acquisition, are translated into Euro using the closing rates. The revenue and cost of foreign operations in the income statement and in the statement of comprehensive income are converted into Euro using the exchange rate prevailing on the transactions date.

Exchange rate differences are recognised in the statement of comprehensive income and included in the translation reserve, with the exception of the exchange rate differences that are attributed to non-controlling interests.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the statement of comprehensive income and reclassified from equity to profit or loss in the year of the disposal of the net investment.

A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the net investment in the foreign operation.

The exchange rates used for the translation and the consolidation of the financial reports as at 30 June 2019 in currencies other than the Euro are:

		Exchange rate: foreign currency / EUR	
	Currency	**Statement of Financial Position** (1)	**Consolidated Income Statement** (2)
Poland	PLN - Zloty	4.250	4.292
Romania	RON - Romanian Leu	4.734	4.742
UK	GBP - British Pound	0.897	0.874
Bulgaria	BGN - Bulgarian LEV	1.960	1.960

(1) exchange rate at 28 June 2019
(2) average exchange rate of the first half of 2019

LIST OF GROUP COMPANIES

The following tables show the consolidated companies using the line by line method, those measured using the equity method, and those measured at cost.

List of companies consolidated on a line by line basis:

	Registered office	Direct investment	Group's investment	Share/quota Capital (1) (2)	Equity (1) (2)
ERG S.p.A.					
ERG Power Generation S.p.A.	Genoa	100%	100%	100,000	1,867,026
ERG Power Generation S.p.A.					
Corni Eolian S.A.	Constanta (Romania)	100%	100%	152,000	35,302
Creag Riabhach Wind Farm Ltd.	Edinburgh (UK)	100%	100%	4	4
ERG Eolica Adriatica S.r.l.	Genoa	100%	100%	10	29,895
ERG Eolica Amaroni S.r.l.	Catanzaro	100%	100%	10	4,770
ERG Eolica Basilicata S.r.l.	Genoa	100%	100%	38	6,198
ERG Eolica Calabria S.r.l.	Catanzaro	100%	100%	10	117
ERG Eolica Campania S.p.A.	Genoa	100%	100%	120	66,989
ERG Eolica Faeto S.r.l.	Genoa	100%	100%	10	7,460
ERG Eolica Fossa del Lupo S.r.l.	Catanzaro	100%	100%	50	31,386
ERG Eolica Ginestra S.r.l.	Genoa	100%	100%	10	(522)
ERG Eolica San Cireo S.r.l.	Genoa	100%	100%	3,500	20,918
ERG Eolica San Vincenzo S.r.l.	Genoa	100%	100%	3,500	16,429
ERG Eolica Tirreno S.r.l.	Camporeale	100%	100%	10	30
ERG Eolienne France S.a.s.	Paris (France)	100%	100%	61,143	63,644
ERG France S.a.r.l.	Paris (France)	100%	100%	2,000	1,157
ERG Germany GmbH	Hamburg (Germany)	100%	100%	210	551
ERG Hydro S.r.l.	Genoa	100%	100%	50,000	778,750
ERG Power S.r.l.	Genoa	100%	100%	5,000	186,503
ERG Solar Holding 1 S.r.l.	Genoa	100%	100%	20	20,707
ERG Solar Montalto S.r.l.	Genoa	100%	100%	n.d.	n.d.
ERG UK Holding Ltd.	Edinburgh (UK)	100%	100%	n.d.	n.d.
ERG Wind 105 GmbH	Leisnig (Germany)	100%	100%	1	(924)
ERG Wind Bulgaria S.p.A.	Genoa	100%	100%	50	26,441
ERG Wind France 1 S.a.s.	Paris (France)	100%	100%	1,097	2,018
ERG Wind French Holdings S.a.s.	Paris (France)	100%	100%	1,410	(636)
ERG Wind Investments Ltd.	Gibraltar	100%	100%	112,993	114,155
ERG Wind Neunte GmbH	Hamburg (Germany)	100%	100%	25	94
ERG Wind Park Beteiligungs GmbH	Hamburg (Germany)	100%	100%	25	(189)
ERG Wind RE Beteiligungs GmbH	Hamburg (Germany)	100%	100%	25	12
Evishagaran Windfarm Ltd.	Belfast (UK)	100%	100%	–	24
EW Orneta 2 Z.O.O.	Warsaw (Poland)	100%	100%	164,698	127,248
Green Vicari S.r.l.	Camporeale	100%	100%	119	21,734
ISAB Energy Solare S.r.l.	Genoa	100%	100%	100	(118)
Les Moulins de Fruges S.a.s.	Strasbourg (France)	100%	100%	2,100	(16,288)
Sandy Knowe Wind Farm Ltd.	Seebeck House (UK)	100%	100%	–	(64)
Windwärts Projekte GmbH & Co. KG	Hannover (Germany)	100%	100%	3	2
WP France 6 S.a.s.	Paris (France)	100%	100%	6	16

(1) data referring to the latest approved financial statements
(2) data expressed in thousands of Euro with the exception of the companies Corni Eolian SA (expressed in thousands of RON) and EW Orneta 2 SP. ZOO (expressed in thousands of Zloty)

	Registered office	Direct investment	Group's investment	Share/quota Capital (1) (2)	Equity (1) (2)
ERG Eolienne France S.a.s.					
Eoliennes du Vent Solaire S.a.s.	Paris (France)	100%	100%	37	(4,931)
Parc Eolien de Lihus S.a.s.	Paris (France)	100%	100%	1,114	626
Parc Eolien de Hetomesnil S.a.s.	Paris (France)	100%	100%	1,114	1,188
Parc Eolien de la Bruyère S.a.s.	Paris (France)	100%	100%	1,060	1,249
Parc Eolien du Carreau S.a.s.	Paris (France)	100%	100%	861	3,783
Parc Eolien les Mardeaux S.a.s.	Paris (France)	100%	100%	1,097	165
EPURON Energies Renouvelables S.a.s.	Paris (France)	100%	100%	500	3,284
Parc Eolien de la valleè de Torfou S.a.r.l.	Paris (France)	100%	100%	8	19
Parc Eolien du Melier S.a.r.l	Paris (France)	100%	100%	8	(793)
Parc Eolienne de la Voie Sacree S.a.s.	Paris (France)	100%	100%	74	3,886
Parc Eolienne d'Epense S.a.s.	Paris (France)	100%	100%	802	1,174
WP France 10 S.a.s.	Paris (France)	100%	100%	6	(33)
EPURON Energies Renouvelables S.a.s.					
Epuron S.a.s.	Paris (France)	100%	100%	100	(2,356)
Caen Renewables Eenergy S.a.s.	Paris (France)	100%	100%	37	(642)
Parc Eolien de la Charente Limousine S.a.r.l.	Paris (France)	100%	100%	8	(8)
Parc Eolien de la Boeme S.a.r.l.	Paris (France)	100%	100%	8	(3)
Parc Eolien du Moulin du Bois S.a.r.l.	Paris (France)	100%	100%	8	(11)
Parc Eolien des Bouchats S.a.r.l.	Paris (France)	100%	100%	8	3
Parc Eolien de Saint Maurice la Clouere S.a.r.l.	Paris (France)	100%	100%	8	2
Parc Eolien du Pays a Part S.a.r.l.	Paris (France)	100%	100%	8	2
Parc Eolien de Saint Sulpice S.a.r.l.	Paris (France)	100%	100%	8	5
Parc Eolien du Plateaux de l'Ajoux S.a.r.l.	Paris (France)	100%	100%	8	5
Parc Eolien des Terres et Vents de Ravieres S.a.r.l.	Paris (France)	100%	100%	8	4
Parc Eolien de Porspoder S.a.r.l.	Paris (France)	100%	100%	8	5
ERG Solar Holding S.r.l. 1					
ERG Solar Holding S.r.l.	Genoa	100%	100%	20	29,157
ERG Solar Piemonte 1 S.r.l.	Genoa	100%	100%	10	2,029
ERG Solar Piemonte 2 S.r.l.	Genoa	100%	100%	10	811
ERG Solar Piemonte 3 S.r.l.	Genoa	100%	100%	10	2,486
ERG Solar Piemonte 4 S.r.l.	Genoa	100%	100%	10	412
ERG Solar Piemonte 5 S.r.l.	Genoa	100%	100%	10	2,161
ERG Solar Holding S.r.l.					
Calabria Solar S.r.l.	Milan	100%	100%	10	9
ERG Solar Campania S.r.l.	Genoa	100%	100%	100	2,322
ERG Solar Marche 1 S.r.l.	Genoa	100%	100%	10	532
ERG Solar Marche 2 S.r.l.	Genoa	100%	100%	10	301
ERG Solar Puglia 1 S.r.l.	Genoa	100%	100%	50	1,788
ERG Solar Puglia 2 S.r.l.	Genoa	100%	100%	100	0
ERG Solar Puglia 3 S.r.l.	Genoa	100%	100%	110	784
ERG Solar Sicilia S.r.l.	Genoa	100%	100%	1,000	1,737
Heliospower S.r.l.	Palermo	100%	100%	59	3,529
Longiano Solar S.r.l.	Milan	100%	100%	708	1,351
SR05 S.r.l.	Milan	100%	100%	25	628
ERG Solar Montalto S.r.l.					
Perseo S.r.l.	Genoa	78,5%	78,5%	100	8,601
Perseo S.r.l.					
Andromeda PV S.r.l.	Milan	100%	78,5%	50	13,809

(1) data referring to the latest approved financial statements
(2) data expressed in thousands of Euro

	Registered office	Direct investment	Group's investment	Share/quota Capital (1) (2)	Equity (1) (2)
ERG UK Holding Ltd.					
Craiggore Energy Ltd.	Co. Antrim (Northern Ireland)	100%	100%	–	–
ERG Wind 105 GmbH					
Parc Eolien de St Riquier 3 S.a.s.	Paris (France)	100%	100%	37	(740)
Parc Eolien de St Riquier 4 S.a.s.	Paris (France)	100%	100%	37	(862)
ERG Wind Bulgaria S.p.A.					
Globo Energy EOOD	Sofia (Bulgaria)	100%	100%	2,239	2,979
K&S Energy EOOD	Sofia (Bulgaria)	100%	100%	1,625	1,827
K&S Energy 1 EOOD	Sofia (Bulgaria)	100%	100%	1,546	2,537
K&S Energy 2 EOOD	Sofia (Bulgaria)	100%	100%	1,560	2,664
Mark 1 EOOD	Sofia (Bulgaria)	100%	100%	2,103	2,706
Mark 2 EOOD	Sofia (Bulgaria)	100%	100%	2,103	2,720
VG-1 EOOD	Sofia (Bulgaria)	100%	100%	777	1,109
VG-2 EOOD	Sofia (Bulgaria)	100%	100%	1,551	2,042
VG-3 EOOD	Sofia (Bulgaria)	100%	100%	1,563	2,136
VG-4 EOOD	Sofia (Bulgaria)	100%	100%	1,511	2,863
VG-5 EOOD	Sofia (Bulgaria)	100%	100%	1,564	2,151
VG-6 EOOD	Sofia (Bulgaria)	100%	100%	1,545	2,042
Wind Park Kavana East EOOD	Sofia (Bulgaria)	100%	100%	258	1,093
Wind Park Kavana West EOOD	Sofia (Bulgaria)	100%	100%	89	1,184
WP Bulgaria 4 EOOD	Sofia (Bulgaria)	100%	100%	1,103	1,464
ERG Wind France 1 S.a.s.					
ERG Wind France 2 S.a.r.l.	Paris (France)	100%	100%	1	(53)
Cepe Pays De Montbeliard S.n.c.	Paris (France)	100%	100%	365	(2,655)
Cepe de Murat S.n.c.	Paris (France)	100%	100%	444	4,362
Cepe de Saint Florentin S.n.c.	Paris (France)	100%	100%	251	(3,897)
Ferme Eolienne de Teterchen S.a.s.	Paris (France)	100%	100%	100	3,288
Parc Eolien du Bois de l'Arche S.a.s.	Paris (France)	100%	100%	100	4,905
Parc Eolien du Bois de Bigot S.a.s.	Paris (France)	100%	100%	80	2,716
ERG Wind French Holdings S.a.s.					
Parc Eolien de la Chaude Vallee S.a.r.l.	Paris (France)	100%	100%	8	(565)
Parc Eolien de Morvilers S.a.r.l.	Paris (France)	100%	100%	8	(328)
Parc Eolien de Garcelles-Sacqueville S.a.s.	Paris (France)	100%	100%	37	(1,130)
Parc Eolien du Patis S.a.s.	Paris (France)	100%	100%	1,164	1,429
Parc Eolien Hauts Moulins	Paris (France)	100%	100%	15	(2,220)
Parc Eolien Moulins des Camps	Paris (France)	100%	100%	15	(1,986)
Parc Eolien de St Riquier 1 S.a.s.	Paris (France)	100%	100%	37	(2,093)
SAS Société d'Exploitation du Parc Eolien de la Souterraine	Paris (France)	100%	100%	505	(141)
Parc Eolien de Oyre Saint Sauveur	Paris (France)	100%	100%	37	(1,236)
Société d'Exploitation du Parc Eolien Le Nouvion S.a.s.	Paris (France)	100%	100%	37	(1,666)
ERG Wind Investments Ltd.					
ERG Wind Holdings (Italy) S.r.l.	Genoa	100%	100%	212	487,341
ERG Wind MEI 2-14-1 Ltd.	London (UK)	100%	100%	-	(4,042)
ERG Wind MEI 2-14-2 Ltd.	London (UK)	100%	100%	-	(531)
ERG Wind Holdings (Italy) S.r.l.					
ERG Wind 4 S.r.l.	Genoa	100%	100%	6,633	52,744
ERG Wind Energy S.r.l.	Genoa	100%	100%	1,000	44,084
ERG Wind Leasing 4 S.r.l.	Genoa	100%	100%	10	295
ERG Wind Sardegna S.r.l.	Genoa	100%	100%	77	45,076
ERG Wind Sicilia 6 S.r.l.	Genoa	100%	100%	77	40,793

(1) data referring to the latest approved financial statements
(2) data expressed in thousands of Euro

	Registered office	Direct investment	Group's investment	Share/ quota Capital (1) (2)	Equity (1) (2)
ERG Wind Sardegna S.r.l.					
ERG Wind Sicilia 2 S.r.l.	Genoa	100%	100%	77	36,403
ERG Wind Sicilia 4 S.r.l.	Genoa	100%	100%	77	11,023
ERG Wind Sicilia 5 S.r.l.	Genoa	100%	100%	77	16,543
ERG Wind 2000 S.r.l.	Genoa	100%	100%	77	22,515
ERG Wind Sicilia 6 S.r.l.					
ERG Wind 6 S.r.l.	Genoa	100%	100%	77	40,815
ERG Wind Sicilia 3 S.r.l.	Genoa	100%	100%	77	29,299
ERG Wind MEI 2-14-1 Ltd.					
ERG Wind MEG 1 LLP (3)	London (UK)	80%	100%	33,168	42,769
ERG Wind MEG 2 LLP (3)	London (UK)	80%	100%	28,010	33,260
ERG Wind MEG 3 LLP (3)	London (UK)	80%	100%	33,585	39,068
ERG Wind MEG 4 LLP (3)	London (UK)	80%	100%	29,721	35,648
ERG Wind Park Beteiligungs GmbH					
ERG Wind 117 GmbH & Co. KG	Leisnig (Germany)	100%	100%	1	(659)
Voltwerk Energy Park 8 GmbH & Co. KG	Leisnig (Germany)	100%	100%	1	(2,146)
Voltwerk Windpark Worbzig GmbH & Co. KG	Leisnig (Germany)	100%	100%	–	576
Voltwerk Windpark Beesenstedt GmbH & Co. KG	Leisnig (Germany)	100%	100%	–	1,961
Windpark Cottbuser Halde GmbH & Co. KG	Leisnig (Germany)	100%	100%	5	(5,497)
Windpark Achmer Vinte GmbH & Co. KG	Leisnig (Germany)	100%	100%	7,500	(756)
ERG Wind Dobberkau GmbH & Co. KG	Leisnig (Germany)	100%	100%	5	(2,111)
ERG Wind Hermersberg GmbH & Co. KG	Leisnig (Germany)	100%	100%	1	(586)
ERG Wind Ober Kostenz GmbH & Co. KG	Leisnig (Germany)	100%	100%	1	(1,573)
ERG Wind WB GmbH & Co. KG	Leisnig (Germany)	100%	100%	–	(1,185)
ERG Wind Welchweiler GmbH & Co. KG	Leisnig (Germany)	100%	100%	5	(1,547)
ERG Wind Weselberg GmbH & Co. KG	Leisnig (Germany)	100%	100%	–	1,018
Windpark Linda GmbH & Co. KG	Kassel (Germany)	100%	100%	0	(8)
EW Orneta 2 Z.O.O.					
Blachy Pruszynsky-Energy SP.Z.O.O.	Warsaw (Poland)	100%	100%	53,001	40,897
Hydro Inwestycje SP.Z.O.O.	Warsaw (Poland)	100%	100%	40,004	32,653
Les Moulins de Fruges S.a.s.					
Mont Félix	Strasbourg (France)	100%	100%	1,891	1,739
Fond du Moulin	Strasbourg (France)	100%	100%	344	(1,018)
CheminVert	Strasbourg (France)	100%	100%	1,804	(1,607)
Le Marquay	Strasbourg (France)	100%	100%	679	(938)
Les Trentes	Strasbourg (France)	100%	100%	1,935	(606)
Sole de Bellevue	Strasbourg (France)	100%	100%	1,925	340

(1) data referring to the latest approved financial statements
(2) data expressed in thousands of Euro with the exception of the companies Blachy Pruszynsky-Energy SP Z.O.O. and Hydro Inwestycje SP Z.O.O. (expressed in thousands of Zloty)
(3) the remaining 20% is held by ERG Wind MEI 2-14-2

	Registered office	Direct investment	Group's investment	Share/quota Capital (1) (2)	Equity (1) (2)	Carrying amount 30.06.2019
ERG Power S.r.l.						
Priolo Servizi S.c.p.A. (3)	Melilli	23.7%	23.7%	28,100	54,619	12,976
Associates						**12,976**

(1) data referring to the latest approved financial statements
(2) data expressed in thousands of Euro
(3) the consortium is subject to joint control with ISAB S.r.l., Versalis S.p.A. and Syndial

	Registered office	Direct investment	Group's investment	Share/quota Capital (1) (2)	Equity (1) (2)	Carrying amount 30.06.2019
ERG S.p.A.						
ERG Petroleos S.A. (3)	Madrid (Spain)	100%	100%	3,050	(5,910)	–
Subsidiaries						**–**
ERG Power Generation S.p.A.						
Creggan Wind Farm Limited (4)	Seebeck House (UK)	100%	100%	–	–	–
Eolico Troina S.r.l. in liquidazione	Palermo	99%	99%	20	232	25
Longburn Wind Farm Ltd. (4)	Seebeck House (UK)	100%	100%	0	–	–
Subsidiaries						**25**
ERG Eolienne France S.a.s.						
Parc Eolien de Saint-Loup sur Cher S.a.r.l. (4)(5)	Paris (France)	100%	100%	n.d.	n.d.	8
Parc Eolien du Puits Gergil S.a.r.l. (4)(5)	Paris (France)	100%	100%	n.d.	n.d.	8
Parc Eolien du Plateau de la Perche S.a.r.l. (4)(5)	Paris (France)	100%	100%	n.d.	n.d.	8
Parc Eolien des Boules S.a.r.l. (4)(5)	Paris (France)	100%	100%	n.d.	n.d.	8
ERG Development France S.a.s. (4)(5)	Paris (France)	100%	100%	10	(20)	10
Subsidiaries						**40**
ERG Power Generation S.p.A.						
Rigghill Wind Farm Limited (4)	Seebeck House (UK)	50%	50%	–	–	236
Joint Venture						**236**
ERG S.p.A.						
CAF Interreg. Dipendenti S.r.l.	Vicenza	0.04%	0.06%	276	1,064	–
Meroil S.A.	Barcelona (Spain)	0.87%	0.87%	19,077	68,723	310
R.U.P.E. S.p.A.	Genoa	4.86%	4.86%	3.058	3,034	155
Other companies						**465**
TOTAL						**767**

(1) data referring to the latest approved financial statements
(2) data expressed in thousands of Euro with the exception of companies with registered offices in the UK whose data are given in thousands of GBP
(3) company in liquidation. In view of the deficit of ERG Petroleos, a provision for risks on equity investments of approximately EUR 6.1 million has been set up
(4) companies measured at cost as they are not yet operational
(5) French company set up on 31 December 2018

The main transactions carried out involving the Group's equity investments are summarised below. For more details, please refer to the more extensive comments provided in the section Change to the consolidation scope.

- On 12 February 2019, ERG completed the acquisition from Soles Montalto GmbH of 78.5% of Perseo S.r.l., owner of 100% of Andromeda PV S.r.l. which in turn manages two photovoltaic plants with a total installed capacity of 51.4 MW.
- On 2 May 2019 ERG, through its subsidiary ERG UK Holding Ltd., completed the acquisition from RES of a 100% equity interest in Craiggore Energy Ltd, a company incorporated under Northern Irish law, holder of authorisations for the construction of a wind farm in Northern Ireland, in the county of Londonderry.
- On 6 May 2019, ERG, within the scope of the Polaris project, completed the acquisition from Profond Finanzgesellschaft AG of 100% of the capital of "Les Moulins de Fruges SAS", a French company owning six wind farms with total installed capacity of 52 MW located in the Hauts-de-France region in Northern France.
- On 27 June 2019, ERG, through its subsidiary ERG Power Generation S.p.A., completed, with Windwärts Energie GmbH, the acquisition of a pipeline of wind power projects in Germany with a total capacity of 224 MW.

Lastly, on 6 March 2019, ERG and Quercus suspended the incorporation of the joint venture ERG Q Solar 1, no longer current for both, reserving the right to jointly assess any other opportunities.

In addition, the following significant event took place in the half year:

- Placement of a non-convertible bond of an amount of EUR 500,000,000 with a maturity of 6 years at a fixed rate, issued in the context of its own EUR 1 million Euro Medium Term Notes (EMTN) Programme. For further details, see Note 17 - Net Financial Position.
- Early closure of the loans of ERG Wind Investments Ltd and ERG Power S.r.l. For further details, please see Note 19 - Covenants and negative pledges.

With regard to the existence of restrictions and guarantees on the equity investments held by the Group, please refer to Note 19 - Covenants and negative pledges of this document and to Note 19 - Covenants and negative pledges of the 2018 Consolidated Financial Statements.

CONSOLIDATION SCOPE AT 30 JUNE 2019

CHANGE IN THE CONSOLIDATION SCOPE

(EUR thousand)	ANDROMEDA (1)	POLARIS (2)	Craiggore (3)	WINDWARDS (4)	TOTAL
Intangible assets	98,664	15,581	5,696	2,000	121,941
Goodwill	29,361	–		–	29,361
Property, plant and equipment	129,411	37,364		–	166,775
Equity investments	–	–		–	–
Other financial assets	0	–		–	0
Deferred tax assets	4,402	13,281		–	17,683
Other non-current assets	–	655		–	655
Non-current assets	**261,842**	**66,880**	**5,696**	**2,000**	**336,418**
Inventories	–	–		–	–
Trade receivables	5,526	1,412		–	6,938
Other current assets	1,207	128	121	380	1,836
Current financial assets*	–	–		–	–
Cash and cash equivalents*	(76,336)	(52,392)	(5,817)		(134,545)
Current assets	**(69,600)**	**(50,852)**	**(5,696)**	**380**	**(125,771)**
				–	
Discontinued operations	**–**	**–**	**–**		**–**
				–	
TOTAL ASSETS	**192,239**	**16,028**	**–**	**2,380**	**210,647**
Equity attributable to the owners of the parent	**–**	**–**	**–**	**–**	**–**
Non-controlling interests	**18,261**	**–**	**–**	**–**	**18,261**
Employee benefits	–	–	–	–	–
Deferred tax liabilities	27,525	14,088	–	–	41,613
Other non-current provisions	2,035	1,308	–	–	3,343
Non-current financial liabilities*	129,741	–	–	2,380	132,121
Other non-current liabilities	13	180	–	–	192
Non-current liabilities	**159,313**	**15,576**	**–**	**2,380**	**177,269**
Other current provisions	177	–		–	177
Trade payables	481	453		–	933
Current financial liabilities*	13,571	–		–	13,571
Other current liabilities	437	–		–	437
Current liabilities	**14,664**	**453**	**–**	**–**	**15,117**
Discontinued operations					**–**
TOTAL EQUITY AND LIABILITIES	**192,239**	**16,028**	**–**	**2,380**	**210,647**
***Impact on Net Financial Position**	***(219,648)***	***(52,392)***	***(5,817)***	***(2,380)***	***(280,237)***
Brockaghboy Windfarm Ltd. Sale					**–**
Impact on Net Financial Position Directors' Report					***(280,237)***

(1) 2 Italian companies from Soles Montalto GmbH - business combination Andromeda
(2) 7 French companies from Profond Finanzgesellschaft AG – business combination Les Moulins de Fruges S.a.s.
(3) 1 Northern Ireland based company from RES - Craiggore asset
(4) 1 German company from Windwärts Energie GmbH – Windwärts asset

The effects of the main transactions carried out involving the Group's equity investments shown in the previous table are detailed below.

Business combination "Andromeda"

On 11 January 2019, ERG, through its subsidiary ERG Power Generation S.p.A., entered into an agreement with Soles Montalto GmbH, an investment fund managed by the AREAM group, a European asset manager in the renewable sector, to take over 78.5% of Perseo S.r.l., holder of 100% of Andromeda PV S.r.l., a company that in turn manages two photovoltaic plants with total installed capacity of 51.4 MW. It was also agreed that Soles Montalto GmbH will remain minority shareholder, on the basis of shareholders' agreements that will guarantee ERG full industrial control of the asset and its consolidation. The plants, located in Montalto di Castro (Lazio), came into operation in the 4th quarter of 2010 and will benefit from the Second Feed-in Premium for 20 years, until 2030. The enterprise value of the transaction is approximately EUR 221 million, corresponding to the equity value of the acquired portion of EUR 96 million and to the net financial position of the Target estimated as at 31 December 2018, i.e. EUR 125 million. On 12 February 2019, ERG completed the acquisition from Soles Montalto GmbH.

With this transaction, ERG became one of the five leading photovoltaic operators in Italy, with over 140 MW of installed power and completed its plan targets early with high quality assets.

This document reflects the impacts of the consolidation of the companies acquired as from 1 January 2019.

The acquisition-related costs incurred to close the transaction of EUR 2.9 million were excluded from the consideration transferred and recognised in the 2019 income statement under services and other costs (EUR 2.7 million) and in the 2018 income statement (EUR 0.2 million).

Determination of the total acquisition price

The acquisition price was EUR 96 million for the acquisition of 78.5% of the acquirees.

Measurement of the assets and liabilities of the business combination at the acquisition date and upon allocation of the acquisition price

The acquisition was recognised on a provisional basis; the fair values of the acquired assets were determined on the basis of the best estimates available at the preparation date of the condensed interim consolidated financial statements and are shown in the table below:

(EUR thousand)	Acquisition figures	Provisional Adjustment to the acquisition figures	Impact of consolidation
Intangible assets	7	98,658	98,664
Goodwill	–	29,365	29,365
Property, plant and equipment	129,411	–	129,411
Equity investments	–	–	–
Other financial assets	0	–	0
Deferred tax assets	4,402	–	4,402
Other non-current assets	–	–	–
Non-current assets	**133,820**	**128,022**	**261,842**
Inventories	–	–	–
Trade receivables	5,526	–	5,526
Other current assets	1,207	–	1,207
Current financial assets*	–	–	–
Cash and cash equivalents*	19,702	(96,038)	(76,336)
Current assets	**26,435**	**(96,038)**	**(69,604)**
TOTAL ASSETS	**160,255**	**31,984**	**192,239**
Equity attributable to the owners of the parent	**10,835**	**(10,835)**	**–**
Non-controlling interests	**2,968**	**15,293**	**18,261**
Employee benefits	–	–	–
Deferred tax liabilities	–	27,525	27,525
Other non-current provisions	2,035	–	2,035
Non-current financial liabilities*	129,741	–	129,741
Other non-current liabilities	13	–	13
Non-current liabilities	**131,788**	**27,525**	**159,313**
Other current provisions	177	–	177
Trade payables	481	–	481
Current financial liabilities*	13,571	–	13,571
Other current liabilities	437	–	437
Current liabilities	**14,664**	**–**	**14,664**
TOTAL EQUITY AND LIABILITIES	**160,255**	**31,984**	**192,239**
***Impact on Net Financial indebteness**	**(123,610)**	**(96,038)**	**(219,648)**

Cash and cash equivalents used	96,038
Deferred payments	–
Repayment of loans of the acquired entity	–
Price of the acquisition	96,038
Fair value of the acquired net assets	(66,674)
Goodwill	**29,365**

The Acquisition figures column shows the opening balances determined on the basis of the accounting records at the date of first consolidation (1 January 2019) of the acquirees expressed in accordance with international accounting standards:

- **property, plant and equipment**: photovoltaic plants recognised at the cost of acquisition including ancillary costs and costs directly attributable to the asset and adjusted by the related accumulated depreciation;
- **deferred tax assets**: relating to the portion of interest expense exceeding 30% of gross operating income;
- **trade receivables**: relating to the sale of electricity and the feed-in premium;
- **other current assets**: mainly VAT assets;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **other non-current provisions** tied to tax expenses;
- **non-current financial liabilities**: medium-long term portion of bank borrowings for project financing;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M;
- **current financial liabilities**: mainly the short-term portion of bank borrowings for project financing.

in the Provisional adjustments to the acquisition figures column:

- **intangible assets**: capital gain allocated upon recognition of the acquisition; this capital gain was allocated to rights and concessions;
- **goodwill**: the difference between the acquisition price and the net value of the acquired assets and liabilities was recognised residually as goodwill.
- **cash and cash equivalents**: amount paid for acquisition
- **deferred tax liabilities** related to the allocations referred to above.

Temporary determination of residual goodwill

The difference between the total acquisition price and the net value of the acquired assets and liabilities was recognised residually as goodwill.

Price of the acquisition	96,038
Fair value of the acquired net assets	(66,674)
Goodwill	**29,365**

With regard to the definition of the total price of the acquisition, please refer to the previous paragraphs.

Andromeda contribution in the first half of 2019

In the period between the date of first consolidation (1 January 2019) and the reporting date of this condensed interim consolidated financial statements, the acquirees contributed to the Group's income statement with revenue of EUR 17.0 million and a positive operating loss of EUR 11.0 million.

Business combination "Les Moulins de Fruges S.a.s."

On 25 March 2019, ERG, through its subsidiary ERG Eolienne France SAS, entered into an agreement with Profond Finanzgesellschaft AG, based in Zurich, for the acquisition of 100% of the capital of "Les Moulins de Fruges SAS", a French company owning six wind farms with total installed capacity of 52 MW located in the Hauts-de-France region in Northern France.

On 6 March 2019, ERG completed the acquisition. The transaction, which obtained the authorisation of the French Ministry of the Economy and Finances, allows ERG to have in Europe more than 3,000 MW of installed power in the four technologies it operates, and to consolidate its positioning in France, accelerating the growth path set out in the business plan.

Determination of the total acquisition price

The acquisition price was EUR 54.0 million of which EUR 37.6 million for the acquisition of 100% of the acquirees and EUR 16.4 million for the takeover of the shareholders' loan.

The acquisition-related costs incurred to close the transaction, amounting to EUR 0.9 million, were excluded from the transferred price and recognised in the 2019 income statement.

The acquisition was recognised on a provisional basis; the fair values of the acquired assets were determined on the basis of the best estimate available at the preparation date of the condensed interim consolidated financial statements and are shown in the table below:

(EUR thousand)	Acquisition figures	Provisional adjustments to the acquisition figures	Impact of consolidation
Intangible assets	–	15,581	15,581
Goodwill	–		–
Property, plant and equipment	37,364		37,364
Equity investments	–		–
Other financial assets	–		–
Deferred tax assets	13,281		13,281
Other non-current assets	655		655
Non-current assets	**51,300**	**15,581**	**66,880**
Inventories	–		–
Trade receivables	1,412		1,412
Other current assets	128		128
Current financial assets*	–		–
Cash and cash equivalents*	1,573	(53,965)	(52,392)
Current assets	**3,113**	**(53,965)**	**(50,852)**
TOTAL ASSETS	**54,413**	**(38,385)**	**16,028**
Equity attributable to the owners of the parent	**25,913**	**(25,913)**	**–**
Non-controlling interests	**–**		**–**
Employee benefits	–		–
Deferred tax liabilities	10,192	3,895	14,088
Other non-current provisions	1,308		1,308
Non-current financial liabilities*	–		–
Other non-current liabilities	180		180
Non-current liabilities	**11,680**	**3,895**	**15,576**
Other current provisions	–		–
Trade payables	453		453
Current financial liabilities*	16,366	(16,366)	–
Other current liabilities			–
Current liabilities	**16,819**	**(16,366)**	**453**
TOTAL EQUITY AND LIABILITIES	**54,413**	**(38,385)**	**16,028**
***Impact on Net Financial Indebtness**	**(14,793)**	**(37,599)**	**(52,392)**

Cash and cash equivalents used			53,965
Deferred payments			–
Repayment of loans of the acquired entity			(16,366)
Price of the acquisition			37,599
Fair value of the acquired net assets			(37,599)
Goodwill			**–**

The Acquisition figures column shows the opening balances determined on the basis of the accounting records at the date of first consolidation (1 January 2019) of the acquirees expressed in accordance with international accounting standard, adjusted as necessary in order to determine the fair value of the assets and liabilities subject to consolidation:

- **property, plant and equipment**: wind farms recognised at the cost of acquisition including ancillary costs and costs directly attributable to the asset and adjusted by the related accumulated depreciation;
- **deferred tax assets**: mainly recognised on prior tax losses;
- **trade receivables**: related to the sale of electricity;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **other non-current provisions** mainly related to dismantling expenses;
- **deferred tax liabilities**: mainly recognised on the difference between the net carrying amount and the tax value of the property, plant and machinery;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M;
- **current financial liabilities**: payables to the previous parent company.

in the Provisional adjustments to the acquisition figures column:

- **intangible assets**: capital gain allocated upon recognition of the acquisition; this capital gain was allocated to rights and concessions;
- **cash and cash equivalents**: amount paid for acquisition
- **deferred tax liabilities** related to the allocations referred to above.

Les Moulins de Fruges S.a.s. contribution in the first half of 2019

In the period between the date of first consolidation (1 January 2019) and the reporting date of this condensed interim consolidated financial statements, the acquirees contributed to the Group's income statement with revenue of EUR 4.8 million and an operating profit of EUR 0.9 million.

Acquisition of "Craiggore" assets

On 2 May 2019 ERG, through its subsidiary ERG UK Holding Ltd., completed the acquisition from RES, an international company in the renewable energies sector, of 100% equity interest in Craiggore Energy Ltd, a company incorporated under Northern Irish law, holder of authorisations for the construction of a wind farm in Northern Ireland, in the county of Londonderry. The wind farm will consist of 10 turbines for an approved capacity of 25 MW and estimated energy production - once fully operational - of approximately 87 GWh per year, equal to over 3,500 equivalent hours and approximately 43 Kt of avoided CO_2 emissions, as well as to the estimated energy requirement of approximately 21,500 households.

Construction work is expected to start in the fourth quarter of 2019, and the entry into operation, following completion of the connection to the national grid, is expected by April 2021.

Since it is an acquisition of authorisations for the construction of a wind farm, the acquired assets and liabilities do not comply with the definition of IFRS 3 - Business Combinations. Therefore, these assets and liabilities were recognised as acquisitions of individual assets and liabilities, allocating the difference between paid price and net acquired assets to Rights and Concessions.

Determination of the total acquisition price

The acquisition price was EUR 5.8 million of which EUR 5.1 million for acquisition of 100% of the share capital of the acquirees and EUR 0.7 million for the repayment of outstanding loans at the date of the acquisition of control of the acquirees.

Acquisition of “Windwärts” assets

On 27 June 2019 ERG, through its subsidiary ERG Power Generation S.p.A., closed, with Windwärts Energie GmbH, the acquisition of a pipeline of wind power projects in Germany with a total capacity of 224 MW.
Since it is an acquisition of development costs for the construction of wind farms, the acquired assets and liabilities do not comply with the definition of IFRS 3 - Business Combinations. Therefore, these assets and liabilities were recognised as acquisitions of individual assets and liabilities, allocating the difference between paid price and net acquired assets to current intangible assets.

Determination of the transaction price

The acquisition price was EUR 1.9 million, of which EUR 1.9 million for the acquisition of 100% of the share capital of the acquirees.

JOINT VENTURE

Priolo Servizi S.C.p.A.

Consortium company subject to joint control by ERG Power S.r.l. (23.65%), ISAB S.r.l. (38.63%) and by the other shareholders of Gruppo Versalis S.p.A. (33.11%) and Syndial S.p.A. (4.61%).

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NOTE 1 - INTANGIBLE ASSETS

	Rights and Concessions	Other intangible assets	Assets under development	Total
Historical cost	1,012,171	59,613	10,823	1,082,608
Amortisation, depreciation and impairment losses	(247,398)	(52,699)	–	(300,097)
BALANCE AT 31/12/2018	764,773	6,914	10,823	782,511
Assets held for sale	**–**	**–**	**–**	**–**
Changes for the period:				**–**
Change in the consolidation scope	121,941	–	–	121,941
Capital expenditure	–	59	788	**847**
Capitalisations and reclassifications from/to intangible assets	(6,200)	–	584	**(5,615)**
Reclassifications from other items	–	–	–	**–**
Disposals and divestments	–	–	–	**–**
Amortisation	(29,216)	(1,474)	–	**(30,690)**
Impairment	–	–	–	**–**
Other changes	(390)	68	(245)	**(567)**
Historical cost	1,127,523	59,740	11,950	1,199,213
Amortisation and impairment losses	**(276,614)**	**(54,173)**	**–**	**(330,787)**
BALANCE AT 30/06/2019	**850,909**	**5,567**	**11,950**	**868,424**

To enhance understandability, changes for the period relating to reclassifications, disposals and divestments are shown net of the related accumulated amortisation.

Rights and Concessions include concessions, authorisations and rights to operate wind farms, solar and hydroelectric plants, including any rights to feed-in tariffs, amortised based on their residual useful life.

Other intangible assets are mainly comprised of software licences.

The change in the consolidation scope relates to that commented on in the related section.

The capital expenditure refers mainly to costs relating to the construction of the German wind farm Windpark Linda GmbH & Co. KG.

For a more detailed analysis of acquisitions, please refer to the Investments section in the Interim Directors' Report.

NOTE 2 - GOODWILL

"Goodwill", equal to EUR 177,631 thousand (EUR 148,269 thousand at 31 December 2018), represents the excess acquisition cost of acquired companies over the carrying amount of their equity, measured at fair value at the acquisition date in accordance with the acquisition-price allocation method prescribed by IFRS 3.

Goodwill acquired through business combinations has been allocated to the separate cash-generating units fully attributable to the Wind power sector.

The increase with respect to 31 December 2018 relates to the acquisition of the Andromeda business combination, commented above.

For the purposes of these condensed interim consolidated financial statements, the test required by Paragraph 12 of IAS 36 of any trigger events was performed and no elements emerged that required an adjustment to the carrying amount of goodwill.

For additional details, reference is made to the Impairment test section.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
Historical cost	253,962	4,394,047	26,723	45,348	4,720,081
Amortisation, depreciation and impairment losses	(125,996)	(2,287,335)	(18,434)	–	**(2,431,765)**
BALANCE AT 31/12/2018	**127,966**	**2,106,713**	**8,289**	**45,348**	**2,288,316**
Assets held for sale	–	–	–	–	**–**
Changes for the period:					
Change in the consolidation scope	5,136	161,020	28	590	**166,775**
Capital expenditure	68	762	406	24,505	**25,741**
Capitalisations and reclassifications from/to property, plant and equipment	(11,231)	20,222	799	(4,175)	**5,615**
Disposals and divestments	–	–	–	–	**–**
Depreciation	(3,570)	(110,162)	(862)	–	**(114,594)**
Impairment	–	–	–	–	**–**
Other changes	–	–	–	(0)	**(0)**
Historical cost	**247,936**	**4,576,051**	**27,955**	**66,269**	**4,918,211**
Amortisation, depreciation and impairment losses	(129,567)	(2,397,497)	(19,296)	–	**(2,546,359)**
BALANCE AT 30/06/2019	**118,369**	**2,178,555**	**8,659**	**66,269**	**2,371,852**

To enhance understandability, changes for the year relating to reclassifications, disposals and divestments are shown net of the related accumulated depreciation.

The change in the consolidation scope refers mainly to the business combinations relating to the photovoltaic plants in Italy and to the wind farms in France.

Capital expenditure refers mainly to the development of the Windpark Linda wind farm in Germany, which became operational at the end of the second quarter. For a more detailed analysis, please refer to the comments in the Interim Directors' Report.

It is noted that EUR 207 thousand of interest in relation to the ongoing construction of wind farms were capitalised in the period.

With regard to the existence of restrictions on the assets held by the Group, please refer to Note 19 - Covenants and negative pledges.

NOTE 4 - EQUITY INVESTMENTS

	Equity investments				
	Subsidiaries not consolidated	**Joint ventures**	**Associates**	**Other companies**	**Total**
BALANCE AT 31/12/2018	**378**	**236**	**12,918**	**465**	**14,000**
Assets held for sale	**–**	**–**	**–**	**–**	**–**
Changes for the period:					
Acquisitions/capital increases/ increases	–	–	–	–	**–**
Consolidation method change	–	–	–	–	**–**
Reclassifications	–	–	–	–	**–**
Impairment losses/utilisation of loss allowance	(313)	–	–	–	**(313)**
Disposals and divestments	–	–	–	(0)	**(0)**
Measurement of company with equity method	–	–	58	–	**58**
BALANCE AT 30/06/2019	**65**	**236**	**12,976**	**465**	**13,736**

The positive change arising from the measurement using the equity method is due to the performance during the period of the investee Priolo Servizi S.c.p.A.

The equity investments held at 30 June 2019 are summarised as follows:

	Measured at Equity	**Measured at cost**	**Total**
Equity investments:			
- in subsidiaries not consolidated	–	66	**66**
- in joint ventures	–	236	**236**
- in associates	12,976	–	**12,976**
- in other companies	–	465	**465**
Total	**12,976**	**767**	**13,736**

NOTE 5 - OTHER NON-CURRENT FINANCIAL ASSETS

"Other non-current financial assets" amounting to EUR 40,426 thousand (EUR 76,604 thousand at 31 December 2018) are mainly comprised of grants due pursuant to Law 488/92 pertaining to wind farms acquired as part of the ERG Wind transaction, which are tied-up in the dedicated Escrow Account established by Article 61, paragraph 23, of Italian Law Decree no. 112/2008 (converted by Law no. 133/2008) and awaiting the decision of the Court of Avellino, amounting to EUR 32 million. Pending the ruling, the Ministry of Economic Development revoked the contributions pursuant to Law no. 488/92 which had been assigned to the beneficiary companies, with decrees notified respectively on 29 October and 3 November 2014. An extraordinary appeal was promptly filed against the cancellation decrees, with an application for prudential suspension of the effectiveness of the challenged measures; currently, a decision is pending on both the suspension application and on the merits of the appeal. Pending this appeal, on 27 July 2015, the payment orders were served to the companies which the ERG Wind companies have appealed before the Court of Genoa, submitting a further application for precautionary suspension. The appeal was accepted, therefore suspending the effectiveness of the payment orders, subject to submission of appropriate bank sureties by the appellants.

With respect to the aforesaid receivables, a liability of an equal amount has been allocated and it was recognised in the 2013 consolidated financial statements as part of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (Note 15 - Other non-current liabilities).

The decrease in the item during the period relates mainly to the early collection of the receivable (EUR 36 million) due from api corresponding to the deferred portion of the sale amount of the assets regulated by a vendor loan agreement as part of the TotalErg transaction.

The item also includes financial assets with group companies not consolidated (EUR 0.2 million) and guarantee deposits.

NOTE 6 - TAXES

Deferred tax assets

Deferred tax assets are recognised, provided their future recovery is probable, on the taxable temporary differences between the carrying amount of recognised assets and liabilities and their tax base and on the tax losses that can be carried forward. The rate used to calculate deferred taxes for the Italian companies is the same as the nominal IRES (corporate income tax) rate (24%), increased, where so prescribed, by the IRAP (regional income tax) rate (3.90% - 4.82% - 5.57%).

The rates for foreign consolidated companies are as follows:

- France 25% - 28%;
- Germany 26.6% - 30.5%;
- UK 17% - 19%;
- Romania 16%;
- Poland 19%;
- Bulgaria 10%.

Deferred tax assets amounting to 142,795 thousand Euro (EUR 128,028 thousand at 31 December 2018), are mainly recognised in view of derivative instruments and allocations to provisions for risks and charges and recoverable tax losses.

In addition, it is pointed out that:

- deferred tax assets amounting to EUR 7.7 million relating to non-deductible interest expense pertaining to the solar business were recorded in the financial statements.
- deferred tax assets relating to excess interest expense that can be carried forward, amounting to approximately EUR 37.8 million, referred to the ERG Wind Group, acquired in 2013, were not recognised in the financial statements. In the first half of 2019, the Group did not use the tax benefit not recognised previously.

The reasons for not recognising these deferred tax assets are connected with the absence of a specific tax plan and with the expected evolution of the corporate structure of the ERG Wind group also as a result of the liability management operations that determined a change to the financial structure during the half year.

The Group deems it likely that the deferred tax assets recognised at 30 June 2019 will be recovered.

Deferred tax liabilities

Deferred tax liabilities are recognised on taxable temporary differences which result from adjustments made to the financial statements of consolidated companies in order to align them with the Group's accounting standards, as well as on temporary differences between the carrying amount of recognised assets and liabilities and their corresponding tax base. The rate used to calculate deferred taxes is the same as the nominal IRES (corporate income tax) rate (24%), increased, where so prescribed, by the IRAP (regional income tax) rate (3.9% - 5.57%).

Deferred tax liabilities of EUR 310,415 thousand (EUR 288,637 thousand at 31 December 2018) are allocated mainly on capital gains from the business combinations and fiscally-driven depreciation and amortisation exceeding economic-technical depreciation and amortisation.

NOTE 7 - OTHER NON-CURRENT ASSETS

"Other non-current assets", equal to EUR 42,247 thousand (EUR 42,890 thousand at 31 December 2018) relate mainly to:

- to the portion still to be collected (EUR 22 million) of the receivables for grants per Italian Law 488/92 relating to wind farms acquired with the ERG Wind transaction. With respect to the aforesaid receivables, a liability of an equal amount has been allocated and it was recognised in the 2013 consolidated financial statements as part of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (Note 15 - Other non-current liabilities);
- amounts of EUR 10 million due as compensation for the liability tied to interest and revaluations on the contributions under Italian Law 488/1992 relating to wind farms acquired with the ERG Wind transaction and revoked by the Ministry of Economic Development as discussed more thoroughly in Note 14 - Other Provisions;
- VAT assets (EUR 4.9 million);
- portions of deferred charges (EUR 0.6 million).

NOTE 8 - INVENTORIES

Materials, equal to EUR 22,412 thousand (EUR 21,623 thousand at 31 December 2018), relating to spare parts which are used mainly in the ordinary maintenance of wind farm installations and the CCGT plant.

NOTE 9 - TRADE RECEIVABLES

	30/06/2019	31/12/2018
Receivables from customers	135,144	123,989
Receivables for incentives	149,111	131,560
Receivables from Group companies that are not consolidated	2,279	3,105
Loss allowance	(7,812)	(7,654)
Total	**278,722**	**251,001**

The item mainly includes receivables for the supply of electricity to third parties, sale of utilities to customers operating at the Priolo site and environmental certificates (feed-in tariff, green certificates and white certificates).

The increase compared to 31 December 2018 is due to the change in the consolidation scope.

For information concerning trade receivables to not consolidated Group companies, reference is made to Note 32 - Related parties.

The Group assesses the existence of objective evidence of impairment on individual basis. The impairment tests are checked at individual company level by the Credit Committee which meets periodically to analyse the situation of past due trade receivables and any critical issues related to their collection.

The loss allowance is deemed to be sufficient to address the risk of potential non-collectability of past due trade receivables.

NOTE 10 - OTHER CURRENT ASSETS

	30/06/2019	31/12/2018
Tax assets	89,432	83,726
Portions of deferred charges	49,357	27,982
Other receivables	6,537	9,077
Total	**145,333**	**120,785**

Tax assets relate to VAT and withholding tax assets and other income tax assets.

The change in portions of deferred charges relative to 31 December 2018 refers mainly to the excess CO_2 purchases relative to period requirements.

“Sundry assets” comprise, inter alia, amounts due from not consolidated Group companies and the portions of costs deferred to subsequent periods. The item also includes amounts due as compensation for the liability tied to interest and revaluations on the contributions under Italian Law 488/1992 relating to wind farms acquired with the ERG Wind transaction and revoked by the Ministry of Economic Development as discussed more thoroughly in Note 14 - Other provisions.

NOTE 11 - EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Share capital

Fully paid-in share capital at 30 June 2019 consisted of 150,320,000 shares with a par value of EUR 0.10 each for a total of EUR 15,032,000 (unchanged since 31 December 2018).

At 30 June 2019, the Company's Shareholders Register, relating to holders of significant investments, showed the following:

- San Quirico S.p.A. holds 83,619,940 shares, i.e. 55.628%;
- Polcevera S.r.l. holds 10,380,060 shares, i.e. 6.905%;

At 30 June 2019, San Quirico S.p.A. and Polcevera S.r.l. were controlled by the Garrone and Mondini families, heirs of the founder of the ERG Group, Edoardo Garrone.

Treasury shares

The Treasury shares at the date of preparation of this document amounted to 1,450,080 at the average purchase price of EUR 6.88 (1,503,200 at the average purchase price of EUR 6.88 at 31 December 2018).

On 17 April 2019, pursuant to Article 2357 of the Italian Civil Code, the Shareholders' Meeting of ERG S.p.A. authorised the Board of Directors, for a period of 12 months from 17 April 2019, subject to revocation for the period still remaining, of the previous authorisation to purchase and sell treasury shares resolved by the Shareholders on 23 April 2018, to purchase treasury shares up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 30,064,000 (thirty million, sixty-four thousand) ordinary ERG shares with a par value of EUR 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction. The Shareholders also authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, for 12 months as from 17 April 2019, to sell, all at once or in several steps, and with any procedures deemed appropriate, in relation to the purposes which the disposal is attempting to achieve, treasury shares at a unit price no lower than 10% below the closing price of the stock on the day immediately preceding each individual sale.

In accordance with IAS 32, treasury shares are presented as a reduction in equity, through the use of the share premium reserve.

The original cost of treasury shares, impairment losses, and gains and losses deriving from any subsequent sales are presented as changes in equity.

Other Reserves

The composition of shareholders' equity is shown in the following table:

	30/06/2019	31/12/2018
Share capital	15,032	15,032
Share premium reserve	64,572	64,207
Revaluation reserves	66,946	66,946
Legal reserve	3,236	3,236
Merger reserve	251,120	251,120
Retained earnings	658,174	765,426
Other Reserves	661,347	530,238
Profit for the period	1,929	132,628
Equity attributable to the owners of the parent	**1,722,356**	**1,828,832**
Non-controlling interests	18.,165	–
Equity	**1,740,521**	**1,828,832**

Dividends

The dividends paid by ERG S.p.A. in the first half of 2019 (EUR 111.6 million) and in the first half of 2018 (EUR 171.1 million), as resolved upon approval of the financial statements for the previous year, amounted respectively to EUR 0.75 and EUR 1.15 (of which EUR 0.40 is the non-recurring component) for each of the shares with dividend rights as of the coupon date.

Supplementary information on capital

The objectives identified by the Group for capital management are to ensure that it will continue as a going concern, to create stakeholder value and to support Group development. In particular, the Group pursues the maintenance of an adequate level of capitalisation that allows to produce a satisfactory economic return for shareholders and to assure access to external financing sources, also through the achievement of an adequate rating.

In this context, the Group manages its own capital structure and makes adjustments to it, if changes in the economic conditions require it. There were no substantial changes to the objectives, to the policies or to the processes as at the date of preparation of this document. For this purpose, the Group constantly monitors the evolution of the debt to equity ratio, whose data are indicated in Note 35 - Alternative performance indicators.

NOTE 12 - NON-CONTROLLING INTERESTS

Non-controlling interests arise from the consolidation of the following companies that have other shareholders:

Company	% minority shareholders	Non-controlling interests
Andromeda	21.50%	18,165

NOTE 13 - EMPLOYEE BENEFITS

"Employee benefits" totalling EUR 5,554 thousand (EUR 5,820 thousand at 31 December 2018), includes the estimated liability relating to the benefits payable to employees when they terminate their employment.

No adjustments were made in terms of discounting during the first half of 2019, due to the absence of any significant changes in the parameters used for the actuarial calculation.

NOTE 14 - OTHER PROVISIONS

Other non-current provisions

	30/06/2019	Increases	Decreases	Reclassifications	Change in the consolidation scope	31/12/2018
Provisions for dismantlement costs	44,030	728	–	–	1,058	42,244
Provision for disposed businesses	88,867	–	(294)	–	–	89,161
Provisions for non-current tax risks	13,529	–	–	–	1,503	12,026
Provisions for non-current institutional risks	273	–	(52)	–	–	325
Other provisions for non-current risks and charges	4,821	3,900	–	–	782	139
TOTAL	**151,519**	**4,628**	**(347)**	**–**	**3,343**	**143,894**

Other non-current provisions, amounting to EUR 151,519 thousand (EUR 143,894 thousand at 31 December 2018) comprise mainly liabilities tied to:

- costs for the restoration of the site on which the wind farms operate for the larger number of assets recognised as property, plant and equipment;
- the provision of the disposed Businesses for which please refer to Note 20 - Contingent liabilities and disputes.

The increases of the period relate mainly to:

- the financial revaluation of the costs for the restoration of wind farms and solar plants and in particular to the reversal of the discounting effect. The discounting rates used, according to the reference Countries, are within the range 1%-3.5%. For the other provisions, no discounting was applied because of the uncertainty on utilisation times.
- to items pertaining to the corporate reorganisation

The decreases during the period mainly refer to use for costs incurred in the period.

The change in the consolidation scope includes amounts described in more detail in the corresponding section.

Other current provisions

	30/06/2019	Increases	Decreases	Reclassifications	Change in the consolidation scope	31/12/2018
Provision to cover losses of investee companies	6,212	5	(420)	–	–	6,627
Provisions for current tax risks	5,999	360	(171)	–	–	5,810
Provisions for current institutional risks	24,476	150	(3)	–	–	24,329
Provision for current legal risks	2,906	219	(2,045)	–	–	4,732
Other provisions for current risks and charges	3,107	80	(1,229)	–	177	4,081
TOTAL	**42,700**	**814**	**(3,868)**	**–**	**177**	**45,580**

Provisions for current risks and charges amounted, at 30 June 2019, to EUR 42,700 thousand (EUR 45,580 thousand at 31 December 2018) and are composed as follows.

- The Provision for charges for coverage of investees' losses relates mainly to the subsidiary ERG Petroleos, not consolidated, no longer operational, which is being wound up.
- The provision for current institutional risks includes:
  - the provision for charges tied to interest and revaluations on the contributions under Italian Law no. 488/1992 (EUR 15.4 million), relating to wind farms acquired with the ERG Wind transaction and revoked by the Ministry of Economic Development as discussed more thoroughly in Note 5. The risks connected to the revocation of the aforementioned contributions are covered in the ERG Wind acquisition agreements by specific indemnification obligations issued by the seller and therefore the relative amount receivable has been recognised in "Other current assets";
  - the provision for contingent risks of foreign companies (EUR 9 million) refers to contingent risk concerning Romania.

The increases of the period relate mainly to tax disputes.

The decreases of the period relate mainly to the closure of disputes connected with the projects tied to the wind business.

For the other current provisions, discounting was not applied due to their classification as current liabilities.

The change in the consolidation scope includes amounts already commented on in the related section.

NOTE 15 - OTHER NON-CURRENT LIABILITIES

	30/06/2019	31/12/2018
Price of Wind Group acquisition	9,821	9,821
Liabilities for prior year taxes from merger of foreign companies	18,594	18,594
Portions of income deferred in subsequent years	1,898	1,971
Liabilities to employees	–	–
Other minor items	4,391	4,030
Total	**34,703**	**34,417**

NOTE 16 - TRADE PAYABLES

	30/06/2019	31/12/2018
Payables to suppliers	73,924	92,258
Payables to Group companies not consolidated	72	36
Total	**73,996**	**92,294**

These are liabilities deriving from commercial transactions due within the next year. They refer mainly to liabilities for the purchase of utilities (gas and electricity) and for investments.

NOTE 17 - NET FINANCIAL INDEBTEDNESS

	30/06/2019	31/12/2018
Non-current loans / borrowings	679,543	795,670
- current portion of loans and borrowings	(8,143)	(163,618)
Non-current Project Financing	809,021	1,177,550
- Current portion of Project Financing	(107,472)	(146,164)
Non-current bond	599,636	100,559
- current portion of Bond	(3,730)	(897)
Fair value of hedging derivatives on interest rates	48,733	88,225
Non-current financial liabilities for the purchase of equity investments	18,465	16,884
Non-current financial liabilities	**2,036,054**	**1,868,210**
Non-current financial liabilities for leased assets	65,878	–
Non-current financial liabilities for leased assets	**65,878**	**–**
NET NON-CURRENT FINANCIAL INDEBTEDNESS	**2,101,933**	**1,868,210**
Current loans / borrowings	8,143	163,618
Current Project Financing	107,472	146,164
Current bond	3,730	897
Short-term banking liabilities	110,353	20,074
Other current financial liabilities	2,658	3,973
Current financial liabilities	**232,354**	**334,726**
Current financial liabilities for leased assets	4,383	–
Current financial liabilities for leased assets	**4,383**	**–**
Financial assets from investees	(8,490)	(8,490)
Other current financial assets	(23,092)	(41,200)
Current financial assets	**(31,582)**	**(49,690)**
Bank deposits	(435,718)	(611,389)
Cash in hand and cash equivalent	0	(7)
Bank deposits related to Project Financing	(138,759)	(162,797)
Cash and cash equivalents	**(574,477)**	**(774,193)**
NET CURRENT FINANCIAL INDEBTEDNESS	**(369,320)**	**(489,158)**
NET FINANCIAL INDEBTEDNESS	**1,732,612**	**1,379,053**

Net financial indebtedness in accordance with ESMA requirements totalled EUR 1,732,612 thousand, up by EUR 354 million compared to 31 December 2018 mainly due to the following impacts and the cash flow during the period net of the investments and changes in working capital:

- EUR +281 million overall impact of the transactions described in the section Change in the consolidation scope;
- EUR +112 million distribution of dividends to Shareholders;
- EUR -110 million collections of incentives (Italy feed-in premium)

Net non-current financial indebtedness

For a comparison between the carrying amounts and the related fair value, please refer to Note 35 - Financial Instruments.

Non-current loans and borrowings

Loans and borrowings, amounting to EUR 679.5 million (EUR 795.7 million at 31 December 2018), refer to:

- three bilateral corporate loans with Mediobanca S.p.A. (EUR 150 million) and UBI Banca S.p.A. (EUR 100 million) entered into in the first half of 2016 to refinance the current portion of the corporate acquisition loan entered into for the acquisition of ERG Hydro S.r.l., and with Unicredit S.p.A. (EUR 75 million) for the project financing for the wind farm in Corni (Romania);
- a corporate loan with Mediocredito (EUR 61 million) for the early termination of lease agreements of 5 solar companies acquired at the beginning of the year;
- two medium/long-term Environmental, Social and Governance loans ("ESG Loan") of EUR 120 million with Banca Nazionale del Lavoro and EUR 120 million with CACIB to support the investment plan of the group and to refinance some corporate credit facilities;
- a corporate loan with Commerzbank (EUR 60 million) in view of the early repayment of the project financing of ERG Power S.r.l. and 5 wholly owned German companies.

The loans are presented net of commissions and other borrowings costs (EUR 4 million at 30 June 2019) and of the effect of the renegotiation of the loans in accordance with IFRS 9 referred to the positive income component generated within non-substantial changes to financial liabilities, with a total opening amount of EUR 3.5 million at 30 June 2019.

The conditions and repayment plans of non-current loans and borrowings are as follows:

Company	Type	Carrying amount of financial liability	Nominal amount of financial liability	Currency of the loan	Disbursement / Maturity		Hedge
ERG S.p.A.	Bilateral corporate loan	144,906	150,000	EUR	2016	2023	IRS: fixed rate 0.2125%
ERG S.p.A.	Bilateral corporate loan	100,074	100,000	EUR	2016	2021	IRS: fixed rate -0.045%
ERG S.p.A.	Bilateral corporate loan	74,718	75,000	EUR	2016	2021	IRS: fixed rate -0.092%
ERG S.p.A.	Corporate loan	60,872	61,250	EUR	2018	2026	-
ERG S.p.A.	Environmental, Social and Governance Loan	119,570	120,000	EUR	2018	2023	IRS: fixed rate 0.34%
ERG S.p.A.	Corporate loan	59,822	60,000	EUR	2019	2024	IRS: fixed rate 0.0005%
ERG S.p.A.	Corporate loan	119,581	120,000	EUR	2019	2023	IRS: fixed rate 0.34%
Total Loans / Borrowings		**679,543**	**686,250**				

Please refer to Note 19 for a comment on any pertaining Covenants and negative pledges.

Non-current Project Financing

Liabilites for project financing, amounting to EUR 809 million (EUR 1,178 million at 31 December 2018), refer to the items in the following table:

			ASSOCIATED FINANCIAL DEBT					
Company	Type	Net carrying amount of asset	Carrying amount of financial liability	Nominal amount of financial liability	Currency of the loan	Disbursement	Maturity	Hedge
ERG Eolica Adriatica	Secured project financing	105,254	81,895	85,244	Euro	2009	2025	IRS: fixed rate 4.176%
ERG Eolica Fossa del Lupo	Secured project financing	92,038	63,791	67,628	Euro	2017	2027	IRS: fixed rate 2.26%
ERG Eolica Campania	Secured project financing	68,510	17,257	17,386	Euro	2009	2020	IRS: fixed rate 4.37%
ERG Eolica Ginestra	Secured project financing	51,234	23,576	24,268	Euro	2010	2025	IRS: fixed rate 3.27%
ERG Eolica Amaroni	Secured project financing	26,961	17,942	19,177	Euro	2017	2027	IRS: fixed rate 1.68%
ERG Eolica Faeto	Secured project financing	8,146	9,262	9,335	Euro	2007	2021	IRS: fixed rate 2.13%
Eoliennes du Vent Solaire	Secured project financing	2,394	2,821	2,821	Euro	2011	2025	fixed rate loan
Parc Eolien les Mardeaux	Secured project financing	1,785	820	825	Euro	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien de Hetomesnil	Secured project financing	1,696	321	325	Euro	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien de Lihus	Secured project financing	1,816	77	86	Euro	2005	2019	IRS: average fixed rate 5.77%
ERG Eolica Basilicata	Secured project financing	33,021	26,975	29,733	Euro	2017	2027	IRS: fixed rate 1.456%
EW Orneta 2 SP Z.O.O.	Secured project financing	94,472	35,021	35,761	Zloty	2015	2029	IRS: fixed rate 2.47% (wibor)
K & S Energy Eood	Secured project financing	41,908	12,661	12,902	Euro	2012/13	2022	IRS: fixed rate 0.14%
ERG Wind France 1	Secured project financing	37,806	19,290	19,899	Euro	2016	2025	IRS: fixed rate -0.065%
Parc Eolien Du Patis S.a.s.	Secured project financing	5,900	5,911	5,911	Euro	2013	2027	IRS: fixed rate 2.025%
Parc Eolien de Garcelles Sacqueville S.a.s.	Secured project financing	4,684	4,541	4,541	Euro	2007	2023	IRS: fixed rate 3.75%
SAS SOCIETÈ DE EXPLOITATION DU P.E. DE LA SOUTERRAINE	Secured project financing	5,428	5,916	5,916	Euro	2013	2028	IRS: fixed rate 2.01%
Parc Eolien de Oyre Saint Sauveur S.a.s.	Secured project financing	9,614	8,793	8,793	Euro	2014	2029	Loan for 40% at fixed rate
Parc Eolien St Riquier 1 S.a.s.	Secured project financing	6,739	8,844	8,844	Euro	2009	2027	Fixed rate loan
ERG Wind 117 GmbH & Co. KG	Secured project financing	13,753	11,235	11,436	Euro	2013	2030	Fixed rate loan
Windpark Achmer Vinte GmbH & Co. KG	Secured project financing	1,698	3,375	3,375	Euro	2006	2021	Fixed rate loan
Windpark Cottbuser Halde GmbH & Co. KG	Secured project financing	17,411	19,971	20,924	Euro	2007	2028	Fixed rate loan
Parc Eolien Chaude Vallée S.a.r.l.	Secured project financing	9,326	10,570	10,570	Euro	2011	2027	Loan for 85% at fixed rate
Parc Eolien Hauts Moulins S.a.r.l.	Secured project financing	10,074	10,210	10,210	Euro	2012	2028	Loan for 86% at fixed rate
Parc Eolien de Morvillers S.a.r.l.	Secured project financing	10,138	10,733	10,733	Euro	2012	2027	Fixed rate loan
Parc Eolien Moulins des Champs S.a.r.l.	Secured project financing	10,002	10,073	10,073	Euro	2012	2028	Loan for 85% at fixed rate
Parc Eolien de St Riquier 3 S.a.s.	Secured project financing	10,897	11,801	11,801	Euro	2014	2028	Fixed rate loan
Parc Eolien de St Riquier 4 S.a.s.	Secured project financing	9,366	10,045	10,045	Euro	2014	2028	Fixed rate loan
ERG Wind Dobberkau GmbH & Co. KG	Secured project financing	7,585	11,448	12,193	Euro	2014	2025	IRS: fixed rate 0.949%
ERG Solar Holding S.r.l.	Secured project financing	-	157,898	166,717	Euro	2016	2030	IRS: fixed rate 0.75%
Isab Energy Solare (S.r.l.)	Secured project financing	2,283	2,244	2,244	Euro	2011	2029	IRS: fixed rate 2.81%
Parc Eolien de la valleè de Torfou S.a.r.l.	Secured project financing	18,844	21,024	21,990	Euro	2017	2034	Fixed rate loan
Parc Eolien du Melier S.a.r.l	Secured project financing	9,362	10,451	10,451	Euro	2015	2031	Fixed rate loan
ERG Windpark Linda GmbH & Co. KG	Secured project financing	26,036	23,914	24,104	Euro	2018	2038	Fixed rate loan
Andromeda S.r.l.	Secured project financing	124,406	138,301	138,641	Euro	2010	2028	Fixed rate loan
TOTAL PROJECT FINANCING			**809,021**	**834,934**				

Please refer to Note 19 for a comment on any pertaining Covenants and negative pledges.

At 30 June 2019, the weighted average interest rate on loans, borrowings and project financing was 1.92% (1.34% at 31 December 2018). The rate indicated does not take into account interest rate hedges.

Bonds

The liability for bonds, amounting to EUR 599.6 million at 30 June 2019 (EUR 100.6 million at 31 December 2018), includes:

- the liability deriving from the issue of the non-convertible bonds in July 2017, aimed at raising additional funds for new capital expenditure in the renewable energies sector and to refinance the capital expenditure made for hydroelectric plants in Italy;
- the liability deriving from the issue of the non-convertible Green Bond carried out in April 2019, aimed at financing or refinancing renewable sources, wind and solar power generation projects of the ERG Group. More information is available in the following section ERG places its first Green Bond for EUR 500 million.

The liability for bonds is presented net of commissions and other borrowing costs with an opening amount of EUR 4.8 million. These costs were recognised in the financial expenses of 2019 using the amortised cost method for EUR 0.2 million.

ERG places its first Green Bond for EUR 500 million

On 4 April 2019 ERG S.p.A. completed the placement of a bond for an amount of EUR 500,000,000 with a maturity of 6 years at fixed rate, issued in the context of the Euro Medium Term Notes (EMTN) Programme of EUR 1 billion (see Press Release of 19 December 2018), as ultimately amended and supplemented on 26 March 2019.

The placement of the bond took place after a roadshow of 4 days on the major European financial exchanges (Milan, Amsterdam, Paris, London and Frankfurt), during which the top management of ERG met more than 100 investors.

The issue took the form of a Green Bond, aimed at financing or refinancing renewable sources, wind and solar power generation projects of the ERG Group.

The bond is intended exclusively for Euromarket institutional investors. The issue was very successful, being over six times oversubscribed, receiving applications from top standing investors and representatives from many geographical areas, with significant participation of green and sustainable investors.

The notes, which have a minimum unit amount of EUR 100,000, pay an annual gross coupon at a fixed rate of 1.875% and were placed at an issuing price of 99.674% of their nominal amount.

The settlement date was set to 11 April 2019. From that date onwards, the bonds will be listed at the regulated market of the Luxembourg Stock Exchange.

Fitch Ratings assigned a rating of BBB- to the issue.

The issue of the first Green Bond by ERG is consistent with the strategy that foresees the progressive transformation of the Group's financial structure from Project to Corporate Financing, consistently with the prospective change in the industry and with the expected development of the generation portfolio.

The placement was handled by Banca IMI, Barclays, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit as Joint Bookrunners and by ING as Co-Lead manager.

The conditions and repayment plans of the bonds are as follows:

Company	Type	Carrying amount of financial liability	Nominal amount of financial liability	Currency of the loan	Disbursement	Maturity	Hedge
ERG S.p.A.	Bond	101,710	100,000	EUR	2017	2023	Fixed rate loan
ERG S.p.A.	Bond	497,925	500,000	EUR	2019	2025	Fixed rate loan
TOTAL BOND		**599,636**	**600,000**				

The carrying amount of the financial liability includes approximately EUR 4.2 million of interest accrued in the period.

Fair value of hedging derivatives on interest rates

The other non-current loans and borrowings include liabilities deriving from the fair value measurement of the derivatives hedging interest rates of EUR 48.7 million (EUR 88.2 million at 31 December 2018), the details of which are provided below:

(EUR thousand)	Issuing Bank	Agreement	Maturity	Fair value liability	
				30.06.2019	**31.12.2018**
ERG Wind Investments Ltd. [1]	IntesaSanpaolo	IRS	–	–	(29,310)
ERG Wind Investments Ltd. [1]	IntesaSanpaolo	IRS	–	–	(21,945)
ERG Eolica Adriatica S.r.l.	BNP Paribas BNL	IRS	15/06/22	(3.872)	(4,438)
ERG Eolica Adriatica S.r.l.	ING	IRS	15/06/22	(3.909)	(4,483)
ERG Eolica Adriatica S.r.l.	BNP Paribas BNL	IRS	15/06/22	(3.872)	(4,438)
ERG Eolica Adriatica S.r.l.	BNP Paribas BNL	IRS	30/06/25	(287)	(82)
ERG Eolica Adriatica S.r.l.	UBI Banca	IRS	30/06/25	(113)	(32)
ERG Eolica Adriatica S.r.l.	Unicredit	IRS	30/06/25	(287)	(82)
ERG Eolica Fossa del Lupo S.r.l.	ING	IRS	31/12/25	(1.785)	(1,678)
ERG Eolica Fossa del Lupo S.r.l.	Crédit Agricole	IRS	31/12/25	(1.535)	(1,443)
ERG Eolica Fossa del Lupo S.r.l.	Centrobanca	IRS	31/12/25	(1.178)	(1,107)
ERG Eolica Fossa del Lupo S.r.l.	Credit Agricole	IRS	31/12/27	(347)	(120)
ERG Eolica Campania S.p.A.	Unicredit	IRS	31/05/20	(222)	(350)
ERG Eolica Ginestra S.r.l.	Unicredit	IRS	30/06/25	(762)	(769)
ERG Eolica Ginestra S.r.l.	Centrobanca	IRS	30/06/25	(762)	(769)
ERG Eolica Ginestra S.r.l.	Unicredit	IRS	30/06/25	(762)	(769)
ERG Eolica Amaroni S.r.l.	ING	IRS	31/12/26	(577)	(479)
ERG Eolica Amaroni S.r.l.	Credit Agricole	IRS	31/12/26	(577)	(479)
ERG Eolica Amaroni S.r.l.	Credit Agricole	IRS	31/12/27	(29)	(9)
ERG Eolica Faeto S.r.l.	Banco popolare	IRS	31/12/21	(145)	(180)
ERG Eolica Faeto S.r.l.	Unicredit	IRS	31/12/21	(145)	(180)
Parc Eolien les Mardeaux S.a.s.	HSH	IRS	30/12/19	(6)	(16)
Parc Eolien les Mardeaux S.a.s.	HSH	IRS	30/12/19	(6)	(17)
Parc Eolien de Hetomesnil S.a.s.	HSH	IRS	30/12/19	(5)	(15)
Parc Eolien de Hetomesnil S.a.s.	HSH	IRS	30/12/19	(5)	(16)
Parc Eolien de Lihus S.a.s.	HSH	IRS	30/12/19	(5)	(15)
Parc Eolien de Lihus S.a.s.	HSH	IRS	30/12/19	(6)	(16)
Parc Eolien de la Bruyere S.a.s.	HSH	IRS	30/12/19	(6)	(16)
Parc Eolien de la Bruyere S.a.s.	HSH	IRS	30/12/19	(6)	(17)
ERG Eolica Basilicata S.r.l.	BNP Paribas BNL	IRS	30/06/31	(945)	(710)
ERG Eolica Basilicata S.r.l.	Credit Agricole	IRS	30/06/31	(945)	(710)
EW Orneta 2 SP Z.O.O.	ING	IRS	31/12/29	(364)	(120)
EW Orneta 2 SP Z.O.O.	Pekao Bank	IRS	31/12/29	(364)	(120)
ERG Power S.r.l. [2]	BNP Paribas BNL	IRS	–	–	(646)
ERG Power S.r.l. [2]	IntesaSanpaolo	IRS	–	–	(646)
ERG Power S.r.l. [2]	Credit Agricole	IRS	–	–	(518)
ERG Power S.r.l. [2]	Santander	IRS	–	–	(103)
ERG Power S.r.l. [2]	Centrobanca	IRS	–	–	(103)

more

(EUR thousand)	Issuing Bank	Agreement	Maturity	Fair value liability	
				30.06.2019	31.12.2018
ERG Power S.r.l. [(2)]	ING	IRS	–	–	(103)
ERG S.p.A. [(3)]	ING	IRS	–	–	(263)
ERG S.p.A. [(3)]	BNP Paribas BNL	IRS	–	–	(256)
ERG S.p.A. [(3)]	UniCredit	IRS	–	–	(265)
ERG S.p.A. [(3)]	Barclays	IRS	–	–	(253)
ERG S.p.A. [(3)]	IntesaSanpaolo	IRS	–	–	(264)
ERG S.p.A. [(3)]	Credit Agricole	IRS	–	–	(268)
ERG S.p.A. [(3)]	Natixis	IRS	–	–	(265)
ERG S.p.A.	UBI Banca	IRS	26/02/21	(577)	(284)
ERG S.p.A.	Mediobanca	IRS	30/06/23	(5,056)	(2,475)
ERG S.p.A.	Unicredit	IRS	31/01/22	(771)	(199)
ERG S.p.A.	CACIB	IRS	19/11/23	(3,686)	(914)
ERG S.p.A.	BNL	IRS	19/11/23	(3,686)	(914)
ERG S.p.A.	Commerzbank	IRS	02/05/24	(936)	–
Parc Eolien Du Patis S.a.s.	Credit Cooperatif	IRS	02/08/27	(236)	(206)
Parc Eolien Du Patis S.a.s.	Credit Cooperatif	IRS	30/07/27	(239)	(209)
Parc Eolien de Garcelles Secqueville S.a.s.	Nord LB	IRS	30/06/23	(342)	(394)
SAS Societè de exploitation du P.E. de la Souterraine	Credit Cooperatif	IRS	29/12/28	(651)	(530)
Parc Eolien de Oyre Saint Sauveur S.a.s.	Natixis	IRS	01/07/29	(435)	(350)
Parc Eolien St Riquier 1 S.a.s.	Saar	IRS	31/12/24	(257)	(205)
ERG Wind 117 GmbH & Co. KG	Commerzbank	IRS	31/12/29	(458)	(328)
ERG Wind 117 GmbH & Co. KG	Commerzbank	IRS	31/12/30	(206)	(111)
ERG Wind Dobberkau GmbH & Co. KG	Nord LB	IRS	31/12/25	(541)	(407)
ERG Solar Holding S.r.l.	IntesaSanpaolo	IRS	30/06/30	(1,434)	(319)
ERG Solar Holding S.r.l.	UBI Banca	IRS	30/06/30	(1,437)	(320)
ERG Solar Holding S.r.l.	UniCredit	IRS	30/06/30	(1,696)	(378)
ERG Solar Holding S.r.l.	IntesaSanpaolo	IRS	30/06/30	(357)	(148)
ERG Solar Holding S.r.l.	UBI Banca	IRS	30/06/30	(358)	(148)
ERG Solar Holding S.r.l.	UniCredit	IRS	30/06/30	(422)	(175)
ISAB Energy Solare S.r.l.	IntesaSanpaolo	IRS	30/06/29	(369)	(319)
ERG Wind France 1 S.a.s. [(4)]	HypoVereinsbank	IRS	30/09/23	(51)	–
ERG Wind France 1 S.a.s. [(4)]	UBI Banca	IRS	30/09/23	(51)	–
Windpark Linda GmbH & Co. KG	HSH Nordbank AG	IRS	31/12/38	(637)	–
K&S Energy EOOD	Raiffeisen Bank	IRS	31/12/22	(15)	–
Total				**(48,733)**	**(88,225)**

(1)(2)(3) the derivative financial instrument was repaid early as a consequence of the repayment of the related project financing
(4) the balance at 31 December 2018 of the derivative instrument in question was positive and classified among financial assets

Non-current financial liabilities for the purchase of equity investments

The item includes non-current financial liabilities for foreign acquisitions of companies operating in the wind business.

Non-current financial liabilities for leased assets

Non-current financial liabilities arisen as a result of the adoption of the new IFRS 16 standard. For additional details, refer to the section IFRS 16 - Leases.

Net current financial indebtedness

Current bank loans and borrowings

Relevant information about "Current bank loans and borrowings" is as follows:

- at 30 June 2019, current loans amounted to 21% of total credit lines granted (14% at 31 December 2018);
- the average drawn on the short-term credit lines during the period was 14% of the total amounts granted (15% at 31 December 2018).

These lines are revocable and unsecured.

Other current financial liabilities

The other current financial liabilities refer:

- foreign acquisitions of companies operating in the wind business (EUR 2 million)
- to the fair value of financial instruments hedging the price of electricity (EUR 0.6 million)

Current financial liabilities for leased assets

Current financial liabilities arisen as a result of the adoption of the new IFRS 16 standard. For additional details, refer to the section IFRS 16 - Leases

Financial receivables from investees

They refer to the financial receivable from the subsidiary ERG Petroleos S.A., not consolidated.

Other current financial receivables

They mainly include amounts due from ECC – European Commodity Clearing, relating to the margin of futures contracts stipulated (EUR 16 million) and accrued financial income on deposit accounts (EUR 4.7 million).

Cash and cash equivalents

The item consists of cash generated by group activities and by asset sales of previous years, deposited on a short-term basis at the banks with which the Group works.

The item includes the balance in the accounts of ERG Power S.r.l. and the wind and solar investees of ERG Power Generation S.p.A. according to the restrictions on use set forth in the relative project financing agreements.

With regard to restricted liquidity, please refer to Note 19 – Covenants and Negative Pledges.

It is not necessary to provide a reconciliation with the cash and cash equivalents presented in the statement of cash flows, because the value is the same.

Reconciliation between Net Financial Position and Net Financial Indebtedness

The table below shows the reconciliation between net financial position and the net financial indebtedness reported in the Directors' Report:

	30/06/2019	31/12/2018
Net financial position	**1,732,612**	**1,379,053**
Receivable from api	–	(36,054)
Exclusion impact of IFRS 16	(70,261)	
Net Financial Indebtedness Directors' Report	**1,662,351**	**1,342,999**

NOTE 18 - OTHER CURRENT LIABILITIES

	30/06/2019	31/12/2018
Liabilities to tax authorities	43,116	25,505
Liabilities to employees	7,198	7,222
Liabilities to pension and social security institutions	4,032	5,013
Liabilities for Tax Consolidation to TotalErg S.p.A.	–	6,244
Portions of income deferred in subsequent years	1,283	257
Payables for fair value non-financial derivative instruments	14,306	1,653
Other current liabilities	14,742	9,606
Total	**84,678**	**55,501**

Tax liabilities relate to the liability for the 2018 tax balance, paid in July 2019, to the estimate of income taxes owed for the period and the VAT liability.

In July 2019, taxes of approximately EUR 25.4 million were paid, net of offsetting, setting 2018 and as an advance for 2019.

NOTE 19 – COVENANTS AND NEGATIVE PLEDGES

Regarding covenants and negative pledges, at 30 June 2019 we note the following new items with respect to the information provided in Note 19 of the 2018 of the 2018 consolidated financial statements:

Corporate acquisition loan ERG S.p.A.

ERG S.p.A. has the following new corporate loans:

- Loan Facility Agreement of EUR 120 million with BNP stipulated on 19 November 2018.
- Loan Facility Agreement of EUR 120 million with Credit Agricole stipulated on 19 November 2018
- Loan Facility Agreement of EUR 60 million with Commerzbank stipulated on 19 March 2019.

These loans do not have actual financial covenants tied to the termination of the agreement, but specify that the interest rates will be raised (20bps-120bps) if the rating of the Company is downgraded.

The agreements also provide a standard Negative pledge for similar loan agreements, with the prohibition to pledge assets securing any other third party lenders.

On 6 February, the syndicated acquisition corporate loan stipulated on 7 August 2015 with a pool of seven banks coordinated by the agent bank Banca IMI S.p.A. was reimbursed. (UniCredit, IntesaSanpaolo, Bnp Paribas, Credit Agricole, Ing, Natixis, Barclays), for a residual amount of EUR 291 million, was repaid.

Project Financing of ERG Power S.r.l.

With reference to the project financing of ERG Power S.r.l., on 6 May 2019 the company extinguished the residual payable amounting to EUR 49.6 million and the swap hedges using cash on hand and using a loan of approximately EUR 95 million with ERG S.p.A. to optimise financial and management costs of the project itself. The loan, entered into in 2010, comprised a base line of EUR 330 million. According to the amortisation plan, the last payment date was 31 December 2021.

Project Financing of ERG Wind Investments Ltd.

Following the issue of the EUR 500 million bond by ERG S.p.A., for which please refer to the section ERG places its first Green Bond for EUR 500 million, the project financing of ERG Wind Investment LTD was extinguished on 24 April 2019 for the residual amount of EUR 461.2 million on 24 April 2019. The aforesaid extinction allowed to free the project from project financing restrictions, releasing it for future business initiatives and allowing a more constant rise of the liquidity generated by it.

The loan, entered into in 2008, comprised a base line of EUR 1,125 million with maturity on 31 December 2022.

Project Financing ex DIF companies

With reference to the ex DIF companies (ERG Wind Ober Kostenz GmbH; ERG Wind Welchweiler GmbH; ERG Wind Hermersberg GmbH; ERG Wind Waldfischbach-Burgalben GmbH; ERG Wind Weselberg GmbH) the project financing of EUR 8.2 million was closed on 7 June 2019. The extinction of this loan made it possible to free the company from the project financing restrictions, allowing a faster rise of cash on a monthly basis, thanks also to the possibility of introducing a cash concentration mechanism with ERG Windpark Beteiligungs GmbH.

Loans taken out by Windpark Cottbuser Halde GmbH & Co. KG with DKB Deutsche Kreditbank on 27 October 2007 and 9 November 2006, with maturity date of 31 December 2025.

No specific financial covenant has been provided.

The negative pledges are those which are typical of project financing and they refer to the shares of the company, its assets and current accounts.

Since no calculation of a specific financial covenant is provided, the sole condition to proceed with distribution is that the DSRA - Debt Service Reserve Account - must be fully funded.

On 29 March 2019, part of a loan, totalling EUR 2.5 million, was closed and replaced by a new EUR 6 million line with a rate of 1.850% and new maturity date of 31 December 2028

Andromeda Project Financing

Andromeda, a wholly owned subsidiary of Perseo, was acquired on 12 February 2019.

The loan tied to this project was issued in 2010 for a base credit line of EUR 195,200,000.00 divided in two tranches of equal amount, with rate of 7.47% and 4.84% and with the final maturity date on 30 November 2028.

The main financial covenants provided for the aforesaid Project Financing are the Historical Annual DSCR and the Projected Annual DSCR. Both parameters must be lower than 1.10x. Failure to comply with the minimum value of DSCR is an event of default of the loan.

NOTE 20 – CONTINGENT LIABILITIES AND DISPUTES

ERG is a party in civil, administrative and tax proceedings and legal actions connected with the normal course of its operations.

Provision for disposed businesses

In early 2018, the Group completed its path of industrial transformation, started in the previous years, which determined its definitive exit from the **OIL** business.

This path comprised two fundamental steps:

- the sale of the last shareholding held in ISAB S.r.l., on 30 December 2013, which marked the exit from the **Coastal refining** business,
- the sale of the Group's shareholding in TotalErg S.p.A., on 10 January 2018, which determined the exit from the **Integrated downstream** business.

Although the ERG Group is no longer an active operator in the oil industry, there are still remaining liabilities tied to the previous industrial activity and not yet fully defined.

For this purpose it should be recalled that upon drafting the 2013 consolidated financial statements, in view of the uncertainty inherent in disputes, including tax disputes, of the complexity of the Priolo site transactions and in general of the conclusion of the activities connected with the Coastal Refining business, the Group carried out a comprehensive assessment of the risk connected with the issues commented above, estimating the allocation of a "Priolo Site Provision" of EUR 91 million.

In line with the considerations formulated for the sale of the last shareholding of ISAB S.r.l., also for the more recent sale of the shares within the TotalErg transaction, in 2018 the Group allocated a provision to cover the guarantees provided in favour of the buyer.

To date, various liabilities are recognised in the Financial Statements, in connection with obligations tied to the previous OIL operations, for a total value of approximately EUR 2 million.

On the occasion of the 2018 consolidated financial statements, for the purposes of a clearer and more consistent representation of the above issues, the management aggregated the commented liabilities in a single provision called "Provision for disposed businesses" considering that while these allocations originate from different contexts (tax, environmental and legal) and at different times, in fact have the same nature because they are all tied to discontinued operations and outside ordinary operations. The provision, thus determined, amounted to EUR 89 million at 30 June 2019 (EUR 89 million at 31 December 2018) and it is indicated among non-current Liabilities.

The main issues underlying the allocation are summarised below:

- regarding the ongoing dispute between ERG Raffinerie Mediterranee (now ERG S.p.A.) and the Italian Tax Authorities over the application of harbour duties for embarkation and disembarkation rights at the Santa Panagia jetty,on 6 April 2011 the Syracuse Provincial Tax Commission partially allowed the Company's appeal and ruled that harbour duties through 2006 are not due, finding them to be due from 2007 onwards. The first instance ruling was challenged within the deadline by the Italian Revenue Agency and by ERG with appeal relative to the period subsequent to 2006. The appeal decision, issued by the Regional Tax Commission and filed on 27 May 2013, amended the first decree decision unfavourably for ERG.

Following a thorough evaluation of the reasons for the appeal decision, the Company decided to appeal before the Court of Cassation, deeming its own arguments to be well grounded (in particular with regard to the notion of "harbour" in accordance with Italian Law no. 84/94 and to the alleged novating or retroactive validity of Article 1, Paragraph 986 of the 2007 Italian Budget Law). On 4 November 2013, the Syracuse Regional Tax Commission allowed the request to suspend the effectiveness of the appeal decision, requiring the release of a first demand insurance guarantee in favour of the Customs Agency. The hearing for the arguments on the merit of the appeal was held on 21 November 2018 and the decision of the Court of Cassation is pending. Starting from 2007, the related taxes had already been recognised in the income statement under the accrual basis, while no provision had been made for the years from 2001 to 2006;

- with reference to **environmental risk**, with regard to the South Site the likelihood of exposure to contingent liabilities is deemed remote, as the risk has already been limited by the settlement reached with the Ministry of the Environment in August 2011 and registered by the Court of Auditors on 20 December 2011, and by the Settlement Agreement stipulated on 30 December 2013 between ERG S.p.A. and Lukoil. With regard to the North Site, depending on the double guarantee scheme deriving both from the agreement executed with ENI (previous owner of the site), and by the agreement executed with Lukoil (new owner), the risk is as follows:
  (i) for potential environmental damages preceding 1 October 2002, ENI shall be liable without limitation; (ii) with reference to the potential damages relating to the 1 October 2002 – 1 December 2008 time frame, deriving from a violation of the environmental guarantees issued by ERG, the latter shall be liable.
  The following limitations apply to ERG's contractual liability to Lukoil: (a) upper applicable maximum limit equal to the sale price of the equity investment in ISAB S.r.l.; (b) environmental guarantees have a duration of 10 years and expired in December 2018; and (c) in case of uncertain identification of the period to which the potential damage is referred, a time shift that expired at the end of 2018 was applied. The agreement with Lukoil prescribes, for ERG, a liability without time limitations for potential damages connected with events known at the time of execution of the agreement (Known Environmental Matters). The costs shall be divided between ERG and Lukoil (51% and 49%) up to the ceiling of EUR 33.4 million, while above this amount ERG will pay in full for any additional expenses.
  On 9 September 2017, the Ministry for the Environment warned some of the companies of the Priolo site, including ERG Power S.r.l. and ERG Power Generation S.p.A., to clean up the Augusta Roadstead. The request is unlawful and has therefore been contested before the Administrative Courts (the hearing for the presentation of the arguments has yet to be set). ERG S.p.A. is not a party to the proceedings, but the environmental issues relating to the Augusta Roadstead arise in the context of the environmental guarantees present in the various contracts with ENI and Lukoil;
- with reference to the sale of **TotalErg** and in particular to the guarantees connected to the buyer on previous years' contingent liabilities (retained matters), the best estimate of the expense was computed on the basis of the information available to the management and taking into account the breadth of the number of underlying elements and all possible outcomes of the related issues.

Lastly, the provision includes allocations relating to minor issues of non-significant amount tied mainly to as yet undefined commercial dealings.
At the time of preparation of this Condensed interim consolidated financial statements, group management, assisted by the competent corporate departments and with the advice of its legal and tax counsels, carried out a comprehensive review of the issues described above, confirming the appropriateness of the measurements made previously.

TotalErg

On 3 December 2013, at the offices of TotalErg S.p.A. in Rome and Milan and of ERG S.p.A. in Genoa, the Tax Police – Rome Unit executed the search warrant issued by the Prosecutor's Office at the Court of Rome within the scope of a criminal lawsuit against certain representatives of Erg S.p.A. and of TotalErg S.p.A. (a company arising from the merger by absorption of Total Italia S.p.A. in ERG Petroli S.p.A.).
The investigation - according to the charge formulated in the aforementioned warrant - pertained to alleged tax irregularities referred to 2010, allegedly carried out by recording, in the accounts of TotalErg S.p.A., invoices for alleged non-existing crude oil purchase transactions, issued for a total amount of EUR 904 million by Bermuda-based companies belonging to the Total Group, whose costs were included in the tax returns of TotalErg S.p.A. and reported by the consolidator Erg S.p.A. in the National Tax Consolidation return of the ERG Group.
As soon as it was informed of the ongoing investigation, the Company started thorough audit, aimed at thoroughly reconstructing the facts and the transactions in question, and at carefully analysing the internal control system.
With regard to tax matters, on 6 August 2014, as a result of the same investigation, ERG S.p.A. received, in its role as tax consolidator, a preliminary assessment report by the Tax Police of Rome, prepared with respect to TotalErg, whose contents substantially refer to the aforesaid allegations.
Moreover, on the same date TotalErg received preliminary assessment report for alleged tax irregularities pertaining to Total Italia for the years 2007, 2008, 2009, of a substantially similar nature and amount, for each year, to those referenced above, hence referring to periods prior to the incorporation of the TotalErg joint venture.
In view of the aforementioned preliminary assessment report, ERG S.p.A. and TotalErg S.p.A., to further confirm the correctness of their actions, submitted their own observations and notes providing further information to the tax authorities.
On 26 June 2015, ERG S.p.A., in its role as the tax consolidator, and TotalErg S.p.A., in its role as the consolidated entity (formerly ERG Petroli S.p.A.), were served an assessment notice for IRES for tax year 2007. TotalErg S.p.A. was served an assessment notice for additional IRES, IRAP and VAT for the same year.
Compared to the specific findings regarding the alleged non-deductibility of the acquisition and service costs for 2007 set forth in the aforementioned assessment notice dated 6 August 2014 of approximately EUR 68 million, the assessment notice reduces the amount considerably to EUR 125 thousand.
On 6 July 2015, assessment notices for IRES, IRAP and VAT referring to 2007, 2008 and 2009 were served to TotalErg S.p.A., in its capacity as the merging entity of Total Italia S.p.A.
ERG S.p.A. and TotalErg, in its capacity as the consolidated entity, on 29 November 2016 and 24 November 2016

respectively, were served assessment notices for IRES for 2010. TotalErg S.p.A. was served an assessment notice for Additional IRES, IRAP and VAT for the same year. Compared to the specific comments made in the official tax audit report of 6 August 2014 served to TotalErg S.p.A. which amounted to EUR 3,797 million of non-deductible costs, the assessment notices considerably reduce the amount in this case as well, to approximately EUR 7.5 million.
On 2 March 2017, the Milan Provincial Tax Commission accepted the appeal in relation to IRAP for 2007 to 2009 (dispute relating to TotalErg S.p.A. as the merging entity of Total Italia S.p.A.).
The Italian Revenue Agency appealed to the competent Regional Tax Commission within the terms established by law.
On 25 June 2018, the Milan Regional Tax Commission submitted its ruling, confirming the first instance ruling, in favour of TotalErg S.p.A.
The Italian Revenue Agency did not appeal before the Court of Cassation, therefore the favourable decision became definitive.

On 13 March 2017, the Milan Provincial Tax Commission rejected the appeal in relation to IRES, Robin Tax and VAT for the years 2007 to 2009 (dispute relating to TotalErg S.p.A. as the merging entity of Total Italia S.p.A.).
TotalErg S.p.A. appealed to the competent Regional Tax Commission within the terms established by law.
On 22 November 2018 the Milan Regional Tax Commission allowed the appeal filed by the company.
The Italian Revenue Agency may file appeal with the Court of Cassation in accordance with the law.

On 25 May 2017, the Rome Provincial Tax Commission rejected the appeal in relation to IRES, IRAP and VAT for tax year 2007 (dispute relating to TotalErg S.p.A. as the incorporating entity of ERG Petroli S.p.A.).
TotalErg S.p.A. appealed to the competent Regional Tax Commission on 27 December 2017 and the merit hearing is set to take place on 20 September 2018.
On 20 November 2018 the Rome Regional Tax Commission rejected the appeal filed by the company (with the exception of IRAP).
The Company filed an appeal to the Court of Cassation against this decision on 20 May 2019.

On 17 May 2018, the merit hearing was held before the Rome Provincial Tax Commission for IRES, Robin Tax, IRAP and VAT observation for the 2010 (dispute relating to TotalErg S.p.A.). With its sentence no. 4129/19 of 22 March 2019, the Rome Provincial Tax Commission rejected the Company's appeal. An appeal will be filed in accordance with the law.
In relation to the issues described above, the joint venture agreement with Total provide for adequate mutual system of guarantees that have remained valid even after the sale to api - anonima petroli italiana S.p.A. of the equity investment in TotalErg (the disputes in question have remained the responsibility of the sellers ERG and Total Marketing Services SA, as the so-called Retained Matters, included in the measurement of the Provision for disposed businesses).

Notice of adjustment and settlement of registration tax for the sale of the ISAB Energy S.r.l. business unit

With regard to the sale of the business unit consisting mainly of the "IGCC" thermoelectric power plant which took place pursuant to the deed dated 30 June 2014 by ISAB Energy S.r.l. to ISAB S.r.l., on 6 July 2016, the provincial division of the Italian Revenue Agency at Syracuse – Noto office (hereinafter the "Agency") served to ERG S.p.A. as the merging entity on December 2015 of the seller ISAB Energy S.r.l., a notice amending the amounts declared for settlement of the registration tax.

This same notice was served on 28 June 2016 to ISAB S.r.l. in its capacity as the jointly and severally liable seller company.

Essentially, the Agency demanded the rectification of the amount declared by the parties in terms of the registration tax in relation to each of the components of the business unit that was sold and proceeded to redetermine the value of (just) the real estate component consisting of the IGCC plant, measured at approximately EUR 7 million (net of associated liabilities of approximately EUR 7 million), and the carrying amount thereof at 30 June 2014 at approximately EUR 432 million, without considering that the future results of the business unit that was sold could justify the aforementioned value.

The Agency therefore assessed the overall market value of the business unit that was sold at approximately EUR 442 million, instead of the consideration of approximately EUR 25 million declared by the parties, a consideration that is nevertheless higher than the overall market value for the business unit of approximately EUR 13 million, pursuant to a sworn appraisal by a third party appraiser appointed by ISAB Energy.

Based on these assumptions, the Agency assessed a higher registration tax of approximately EUR 37 million, imposing a fine equal to the higher registration tax that was assessed plus interest (total amount EUR 76 million).

Regarding the analysis of this case, the Agency simply expressed a different estimate of "only" the property, plant and equipment component (IGCC plant) of the business unit, and not the business unit overall, in manifest violation of the regulations contained in the Consolidated Registration Tax Law.

In particular, based on the adjustment, the Agency identified only the carrying amount of the IGCC plant, completely disregarding its profitability (whether positive or negative) as part of the business unit in which the plant is expected to be used.

Therefore, the Agency disregarded the assumption and appraisal criteria that led the appraiser to determine the purchase price at approximately EUR 13 million, and particularly the lack of cash flows following the termination of the CIP 6 Agreement, and did not consider at all the ascertained negative future profitability of the sold business unit, or the relative badwill (as fully described in the appraisal compiled by Mr. Pozza, which is already in the hands of the Agency).

As the company believes that it is able to formulate valid arguments in its defence, with the assistance of its own tax consultants, it has submitted an appeal to the competent Provincial Tax Commission and applications for both administrative and judicial suspension of the provisional tax demanded in the course of the proceedings (the amount of the provisional tax is equal to approximately EUR 13 million).

On 10 August 2016, the Syracuse Provincial Tax Commission ordered the judicial suspension of the provisional tax demanded.
The relevant hearing was held on 15 November 2016 before the Syracuse Provincial Tax Commission.
On 16 May 2017, the Syracuse Provincial Tax Commission annulled the contested act, but re-determined the value of the divested business for the purposes of registration tax to be approximately EUR 71 million (compared to the approximately EUR 25 million declared for the purposes of registration tax).
The legal firm following the litigation confirmed the invalidity of the alleged tax as reformulated by the Syracuse Provincial Tax Commission and the subsequent existence of reasonable expectations of its complete rebuttal at the higher court levels.
On 17 July 2017, ERG S.p.A. appealed to the competent Regional Tax Commission, requesting the suspension of the effects of the first instance ruling.
On 9 September 2017, the Regional Tax Commission rejected the application for suspension referred to above.

On 13 October 2017, the Provincial Division of the Revenue Agency at Syracuse issued a specific payment order for higher registration tax of EUR 5.1 million, sanctions of EUR 5.1 million and interest at 10 October 2017 of EUR 0.6 million.
This same order was served on 11 November 2017 to ISAB S.r.l. in its capacity as the jointly and severally liable seller company.
On 27 October 2017, an appeal was filed against the aforementioned payment order and, at the same time, an application was made for judicial suspension of the tax collection.
On 23 November 2017, the Syracuse Provincial Tax Commission ordered the judicial suspension of the tax collection and fixed the relevant hearing for 17 January 2018.
The merit hearing was held on 15 January 2018, and on 24 January 2018 the Syracuse Regional Tax Commission (sub-office) ordered the appointment of Sebastiano Truglio from Catania as the court-appointed expert.

On 7 March 2018, with decision 1168/04/2018, the Syracuse Provincial Tax Commission repaid approximately EUR 2 million in tax due with sanctions and interest totalling approximately EUR 4.5 million.
Following the decision, a new order was issued by the Italian Revenue Agency.
On 11 May 2018, the Company appealed against this decision and applied for judicial suspension of the tax collection.
The President of the Syracuse Regional Tax Commission set the date for the hearing for the judicial suspension of the tax collection for 17 July 2018; given that the deadline for the payment of the requested amounts with the aforementioned payment order was 15 June 2018 (therefore prior to the hearing for the judicial suspension of the tax collection), ERG S.p.A. was forced to pay approximately EUR 4.5 million (provisional tax demanded in the course of the proceedings).
This amount must be repaid by the Italian Revenue Agency in the event that it loses the first level proceeding and it

was recorded among the receivables claimed by the company from the Revenue Agency.

On 7 December 2018, the meeting was held between the court-appointed expert Mr. Truglio and the parties in the dispute for the conclusion of the expert activities.

On 6 May 2019, the court-appointed expert Mr. Sebastiano Truglio of Catania transmitted to the parties the draft estimate report, which represents a negative value of the sold company, hence a lower value than that declared by the Company.

On 12 June 2019, the court-appointed expert filed his estimate report with the Regional Tax Commission of Syracuse and punctually addressed the observations presented by the Italian Revenue Agency.

During the merit hearing of 17 June 2019, the Regional Tax Commission of Syracuse postponed the proceeding to 15 October 2019 to allow the Parties and commission members to carry out an in-depth analysis of the aforementioned estimate report.

At the approval date of this report, the Directors confirm the risk assessment adopted in previous reports, considering the risk unlikely and therefore have not recognised a related liability.

ERG Eolica Ginestra

In 2014 ERG Eolica Ginestra S.r.l. was subjected to a tax audit for 2010 for IRES, IRAP and VAT purposes by the Genoa Provincial Division of the Italian Revenue Agency, which ended with the issuing of a preliminary assessment report served to the Company on 13 November 2014. The Agency has assessed only one alleged unlawful usage of the tax benefit provided under Art. 5 of Law Decree no. 78/2009, converted with amendments into Law no. 102/2009 ("Tax exemptions for investments in machinery"), the so-called Tremonti-ter, proposing that IRES taxation be applied again for 2010 on 50% of the investments on which the company had received a tax benefit.

On 30 March 2015, ERG Renew S.p.A. (now ERG Power Generation S.p.A.) in its role as the tax consolidator and ERG Eolica Ginestra S.r.l. as the consolidated company were served an assessment notice for IRES, 2010, confirming the findings made during the audit regarding a tax loss that is lower by approximately EUR 26 million.

On 5 June 2015, the company appealed to suspend collection which was accepted on 16 July 2015.

With its ruling filed on 14 January 2016, the Provincial Tax Commission of Genoa accepted the appeal submitted by ERG Eolica Ginestra S.r.l.

On 24 May 2016, the Genoa Provincial Office of the Italian Revenue Agency appealed to the Liguria Regional Tax Commission against the first instance ruling.

The hearing was held on 19 June 2018 at the Liguria Regional Tax Commission.

With its decision filed on 26 October 2018, the Liguria Regional Tax Commission rejected the appeal filed by the Genoa Provincial Office of the Italian Revenue Agency and confirmed the decision of the Genoa Provincial Tax Commission, favourable to ERG Eolica Ginestra S.r.l.

The Genoa Provincial Office of the Italian Revenue Agency may file appeal with the Court of Cassation.

In consideration of the above, the Group does not consider that it will lose and therefore no liabilities have been recognised to this end.

Law no. 488/92 contributions by ERG Wind

In the 2001-2005 time interval, thus before the acquisition by ERG Renew S.p.A. (now ERG Power Generation S.p.A.) of the companies belonging to the International Power Group, funds were assigned to these companies pursuant to Law no. 488/1992 totalling EUR 53.6 million.

In relation to the allocation of these grants in the first half of 2007, an investigation was initiated by the Public Prosecutor at the Court of Avellino in relation to alleged falseness of certain of the documents provided upon request.

During 2007, the attachment of the Law no. 488/1992 incentives still to be provided was ordered (EUR 21.9 million) and on 30 September 2008 the Public Prosecutor ordered the precautionary attachment of seven wind farms. Following the deposit of EUR 31.6 million by the involved companies, in January 2010, the wind farms which had been under precautionary attachment were released, upon attachment of the aforementioned amounts.

These amounts were then transferred to the Single Guarantee Fund.

The preliminary investigation for the criminal proceedings filed at the Court of Avellino is underway and the examination of the expert witness report started on 1 February 2019 and it was then postponed to the hearing of 4 October 2019.

Despite the pending proceedings, in March and April 2014 the companies that were the recipients of the incentives pursuant to Law no. 488/1992 received from the Ministry of Economic Development the orders communicating the initiation of the procedures to revoke the aforementioned incentives.

On 6 February 2015, extraordinary appeals were notified against the ministerial cancellation decrees, with simultaneous petition for the precautionary suspension of the enforceability of the contested measures.

On 27 July 2015, the beneficiary companies were issued with payment orders relating to the return of the incentives. Said orders were challenged with the submission of opposition proceedings before the Court of Genoa.

As part of said proceedings, the Civil Judge ruled the tax assessments be suspended against the submission of bank guarantees for the entire value of the latter (EUR 49 million). At the hearing of 23 October 2018 the Civil Judge, noting the prejudicial nature of the proceeding initiated with the extraordinary appeal before the President of the Republic of Italy, ordered the suspension of the civil proceedings while the administrative case is pending.

The proceedings subsequent to the filing of the extraordinary appeals to the Head of State are also still pending and, despite the reminders filed by the applicants, the decision on the appeal and on the merits was not delivered during 2018. Ideally the appeals will be decided upon in 2019.

In consideration of: (i) the guarantees issued by the seller of the companies of the International Power Group to ERG in the contract of transfer of the investments in these companies, (ii) the settlement agreement concluded between said seller and ERG dated 19 December 2016, in which these guarantees were confirmed and further detailed, and (iii) taking into account that in the 2013 consolidated financial statements a liability for an amount corresponding to the nominal value of the incentives for which the Ministry of Economic Development is requesting the return (see definition of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (Note 14 - Other non-current liabilities) had already been allocated, further provisions are not required in the consolidated financial statements.

ERG Wind Investments Tax Audit

On 21 October 2015, the Tax Police - Special Income Unit - Investigation Group of Rome served to ERG Wind Investments Limited the final assessment report (hereinafter the "PVC") upon completion of the audit work which had begun on 17 June 2015.

From the above mentioned audit, except for certain findings regarding an insignificant amount, the following issues arose (i) failure to withhold an amount on the differences connected to Interest Rate Swaps during the 2010-2013 tax period paid to foreign counterparts, as they were qualified as interest, amounting to EUR 8.7 million, (ii) inappropriate deduction during the 2010-2013 tax period of interest expense on an upstream loan from foreign subsidiaries to ERG Wind Investments Limited as it was not supported by valid economic reasons (abuse of the right provided under article 10-bis of Law no. 212/2000) with consequent higher taxes of EUR 8.8 million (iii) failure to apply, in the 2010-2013 tax period, withholding taxes on interest paid to non-resident individuals as part of the existing project financing of EUR 14 million.

Regarding the aforementioned PVC of 28 December 2015, the Company has received (i) an assessment notice only for 2010 for alleged failure to apply withholding on IRS differentials paid to foreign counterparties of EUR 2.5 million, plus a penalty of EUR 3 million and interest at 22 December 2015 of EUR 0.4 million, (ii) an additional assessment of penalties for the reason under (i) with separate quantification of the penalties due to failure to pay a withholding amount of EUR 0.8 million and (iii) a question regarding the alleged inappropriate deduction of the interest expense on an upstream loan from foreign subsidiaries to ERG Wind Investments Limited as it was not supported by a valid economic reasons (abuse of the right afforded under article 10-bis of Law no. 212/2000) for the 2010-2013 tax period.

Following the proceedings initiated against Provincial Division I of Rome and the documentation produced, the finding made in the PVC regarding failure to apply, during the 2010-2013 tax periods, withholding tax on interest paid to non-resident individuals as part of the existing project financing of EUR for 14 million was removed.

On 29 January 2016, the Italian Revenue Agency - Provincial Division I of Rome was presented with a mutually-agreed assessment settlement procedure, and defence briefs against the tax assessment.

As the aforementioned settlement proposal was not successful, on 26 May 2016, because the company was able to formulate valid arguments in its defence, it appealed and concurrently requested the court to issue a stay against the collection pursuant to the assessment notice served on 28 December 2015.

On 16 November 2016, the Rome Provincial Tax Commission ordered the judicial suspension of the tax collection and fixed the hearing for 6 February 2017.

On 5 April 2017, the Rome Provincial Tax Commission accepted the appeal brought by the company.

On 27 October 2017, the Italian Revenue Agency appealed to the competent Regional Tax Commission.

The merit hearing was held on 19 December 2018 at the Rome Regional Tax Commission. With its decision filed on 11 March 2019, the Rome Regional Tax Commission rejected the appeal filed by the Revenue Agency. The Italian Revenue Agency may file appeal with the Court of Cassation in accordance with the law.

Withholding taxes on the IRS differentials, 2011 tax period: on 8 October 2016, ERG Wind Investments Limited received an assessment notice for the 2011 tax period for alleged failure to apply withholding on IRS differentials paid to foreign counterparties for EUR 1.8 million, plus a penalty of EUR 2 million and interest at 14 October 2016 of EUR 0.3 million. An appeal and an application for judicial suspension of the tax collection within the terms prescribed by law have been filed. Following the failure to discuss the application for judicial suspension in good time, the company put forward a request to the Italian tax collection agency for payment by instalments in order to divide the amounts due into instalments. The request for payment by instalments was accepted with payment being fixed over 72 monthly instalments.
The merit hearing was held on 27 September 2017 at the competent Provincial Tax Commission.
On 11 September 2018, the Rome Provincial Tax Commission accepted the appeal brought by the company.
On 18 September 2018, the company filed a petition for disenrollment from the register and repayment of the amounts paid while the decision was pending (14 monthly instalments were paid, amounting to EUR 0.2 million). On 11 November 2018, the company was informed of the allowance issued by the Revenue Agency for the amounts due.
On 7 January 2019, the Italian tax collection agency reimbursed the amounts paid while the decision was pending.
On 29 October 2018, the Italian Revenue Agency appealed to the competent Regional Tax Commission and we are awaiting for the hearing to be set.

Withholdings taxes on the IRS differentials, tax period 2012: on 31 October 2017, ERG Wind Investments Limited received an assessment notice for the 2012 tax period for alleged failure to apply withholding on IRS differentials paid to foreign counterparties for EUR 1.9 million, plus a penalty of EUR 2.1 million and interest of EUR 0.3 million at 20 October 2017.
An appeal and an application for judicial suspension of the tax collection within the terms prescribed by law have been filed.
On 7 May 2018, the merit hearing was held before the competent Tax Commission and on 21 August 2018 the Rome Provincial Tax Commission accepted the appeal filed by the company.
On 29 October 2018, the Italian Revenue Agency appealed to the competent Regional Tax Commission and we are awaiting for the hearing to be set.

Withholdings taxes on the IRS differentials, tax period 2013: on 1 October 2018, ERG Wind Investments Limited received an assessment notice for the 2013 tax period for alleged failure to apply withholding on IRS differentials paid to foreign counterparties for EUR 2.4 million, plus a penalty of EUR 2.7 million and interest of EUR 0.4 million at 1 October 2018.
On 15 November 2018, an appeal and an application were filed for judicial suspension of the tax collection.
On 21 March 2019, the merit hearing was held before the competent Tax Commission and on 17 July 2019 the Rome Provincial Tax Commission accepted the appeal filed by the company.
The Group does not deem it likely that it will lose the disputes in question and therefore no liabilities have been recognised to this end.

In addition, ERG Renew S.p.A. (now ERG Power Generation S.p.A.) has activated the guarantees under the Share and Purchase Agreement stipulated with Engie (formerly Gaz de France Suez) concurrently with the acquisition of the ERG Wind Group against the tax assessment in question. Engie declared that the assessment can be considered as a "Seller Driven Matter"[15] only for 2010 and 2011.

On 9 March 2016, an arbitration was initiated in ordered to request/prove the liability of Engie (formerly Gaz de France Suez) also for the subsequent tax periods (in particular 2012).

At the end of 2016 ERG Renew S.p.A. (now ERG Power Generation S.p.A.) decided not to pursue the arbitration, while reiterating Engie's responsibilities for subsequent tax periods.

As a result of the assessment notice dated 31 October 2017 for2012, ERG Power Generation took action against Engie and obtained the qualification of "Seller Driven Matter" for said dispute (limited to this case and for2012).

ERG Wind Holdings (Italy) S.r.l. tax audit

On 3 December 2015, the Tax Police - Rome Unit served to ERG Wind Holdings (Italy) S.r.l. the final assessment report (hereinafter the "PVC") upon completion of the audit work which had begun on 6 August 2014.

From the aforementioned investigation, except for certain findings of an insignificant amount, only one finding emerged regarding registration tax referring to a reorganisation that took place in 2012 relative to the transfer of business units consisting of electricity production plants (held on the basis of business leases) from 16 UK LLPs to ERG Wind Energy S.r.l. and subsequent assignment to the two shareholders (two UK Ltd. companies) of the investment in ERG Wind Energy S.r.l.

The abovementioned finding, based on the qualification of the sale, would result in a higher registration tax of approximately EUR 9.5 million plus fines.

ERG Wind Holdings (Italy) S.r.l. would be jointly and severally liable to pay the aforementioned registration tax as a merging entity during 2013 of the two UK shareholders of 16 UK LLPs (that is, the two UK Ltd. companies).

Regarding the aforementioned PVC, on 14 December 2015, the Italian Revenue Agency Provincial Division 3 of Rome served to ERG Wind Holdings (Italy) S.r.l. a payment order for the registration tax and fines.

The higher taxes requested total EUR 9.5 million plus interest (EUR 0.9 million) and fines (EUR 11.4 million), for a total of EUR 21.8 million.

On 10 February 2016 ERG Wind Holdings (Italy) S.r.l. appealed the aforementioned payment orders, in its belief that the company is able to put forth valid arguments in its defence.

The merit hearing was held on 12 July 2017 at the Rome Provincial Tax Commission.

On 31 January 2018, the Rome Provincial Tax Commission rejected the appeal presented by the company.

On 21 March 2018, ERG Wind Holdings (Italy) S.r.l. filed an appeal and an application for judicial suspension of the tax collection to the Rome Regional Tax Commission within the terms prescribed by law.

The merit hearing was held on 18 October 2018 at the Rome Regional Tax Commission.

15 Engie formally recognises its liability based on the aforementioned Share and Purchase Agreement

On 6 December 2018 the Rome Regional Tax Commission (CTR) rejected the appeal filed by the company.
On 13 March 2019, ERG Wind Holdings (Italy) S.r.l. filed an appeal with the Court of Cassation and we are awaiting the setting of the hearing.

On 4 September 2018 the Revenue Agency-Collection served the company with the Payment Notice bearing the enrolment in the register of 2/3 of the registration fee, penalties and interest - totalling EUR 14.6 million - as a result of the unfavourable first degree decision.
The company, deeming the document to be formally defective, filed appeal and petition for judicial suspension of the tax collection.
On 12 October 2018, the Genoa Provincial Tax Commission ordered the judicial suspension of the collection, subject to the issuance of a bank guarantee. At the hearing of 4 December 2018, the judicial suspension of the collection was confirmed until the date of publication of the first degree decision. The merit hearing was held on 5 February 2019.
With its ruling filed on 14 March 2019, the Genoa Provincial Tax Commission rejected the appeal filed by the company.
In this regard, it is pointed out that the 2019 Budget Law (Italian Law no. 145 of 30 December 2018) clarified that Article 1.87.a) of Law no. 205 of 27 December 2017 (2018 Budget Law), it the authentic interpretation (hence with retroactive effect) of Article 20.1 of the consolidated law per Presidential Decree no. 131 of 26 April 1986. Therefore, the requalification of the company sale for the purposes of the registration fee, confirmed in the first and in the second degree of the proceedings - albeit not applicable, in the opinion of the company, to the case at hand - will have to be disallowed by the appeal court.
In light of the aforementioned regulatory changes, on 15 March 2019 ERG Wind Holdings (Italy) S.r.l. submitted to the Revenue Agency - Provincial Office III of Rome a request for nullification by internal review of the notice of liquidation of the register tax and enforcement of penalties, after administrative suspension of the collection procedure.
On 12 April 2019, the Revenue Agency - Provincial Office III of Rome transmitted to ERG Wind Holdings (Italy) S.r.l. the order of administrative suspension (effective 15 March 2019) of the payment notice requiring payment of 2/3 of the register tax, penalties and interest - totalling EUR 14.6 million.
The Company also filed, on 3 May 2019, with the Rome Regional Tax Commission, a request for judicial suspension of the execution of the appeal decision of the Rome Regional Tax Commission, filed on 6 December 2018. On 11 July 2019, the Rome Provincial Tax Commission ordered the judicial suspension of the tax collection until the decision of the Court of Cassation.

The Group does not deem it likely that it will lose and therefore no liabilities have been recognised to this end.
In addition, ERG Renew S.p.A. (now ERG Power Generation S.p.A.) has activated the guarantees under the Share and Purchase Agreement stipulated with Engie (formerly Gaz de France Suez) concurrently with the acquisition of the ERG Wind Group against the tax assessment in question. Engie has confirmed that the assessment can be considered to be a “Seller Driven Matter”.

Notice of settlement of registration tax for the purchase of the ERG Hydro S.r.l. equity investment

On 3 July 2017, ERG Power Generation S.p.A. and E.ON Italy received a notice from the Genoa Provincial Division of the Italian Revenue Agency informing them of its intention to requalify the transaction to sell all the quotas of interests in Hydro Terni S.r.l. (now ERG Hydro S.r.l.) that took place in place on 30 November 2015 from ‘disposal of equity investment’ (post-partial demerger of the hydro business by E.ON Produzione S.p.A.) to ‘sale of company’ and, consequently, highlighting the non-payment on the declared price (approximately EUR 950 million) of the relative proportional registration tax.

On 21 July 2017, the companies met inspectors with officials from the Genoa Revenue Agency in order to provide their first observations. As agreed with the Office, on 21 September 2017 the companies submitted to the Italian Revenue Agency a note providing further information in order to illustrate the intentions of the parties, the particular technical and legal issued underlying the civil lawsuit of the disposal of the equity investment with respect to the “impracticable” sale of the business, as well as the main regulatory issues at the base of the groundlessness of the behaviour of the Agency.

In this respect, as a result of detailed technical and legal studies that ERG carried out, the acquisition of the equity investment in ERG Hydro S.r.l. (post-partial demerger of the hydro business by E.ON Produzione S.p.A.) was the only transaction that was actually possible within the terms and in the manner required to keep that investment economically sustainable. Specifically, the issues that prevented a different transaction from being possible (i.e. transfer of a company) were: (i) the complexity and uncertain timing of obtaining authorisation from the authorities in regard to the transfer of concessions, (ii) planning/land discrepancies for some hydroelectric assets, and (iii) the incompatibility of an acquisition of a business unit of the company with the structure of the ERG Group, within which each individual business is managed by a specific company appointed for said purpose.

Despite ERG Power Generation and E.ON Italia presenting a note providing further information (supplemented with further information on 26 October 2017) and the meeting with inspectors of the Genoa Revenue Agency held on 17 October 2017, on 27 October 2017 the Genoa Provincial Division of the Italian Revenue Agency issued a payment order for higher registration tax equal to approximately EUR 28.8 million plus interest for EUR 1.9 million (no fines were imposed).

On 24 November 2017, an appeal and an application were filed for judicial suspension of the tax collection.

On 14 December 2017, the judicial suspension of the tax collection was ordered.

The merit hearing was held on 14 March 2018.

On 7 November 2018, decision no. 1256/6/18 of 14 March 2018 was filed; with it, the Genoa Provincial Tax Commission rejected the appeal filed by ERG Power Generation S.p.A.

On 15 January 2019, the company appealed and applied for judicial suspension of the tax collection.

On 26 February 2019, ERG Power Generation S.p.A. received - following the first decree decision - a payment notice bearing the enrolment in the register of approximately EUR 41.8 million (amount including tax, penalties, interest and collection premiums).

On 21 March 2019 the Regional Tax Commission ordered the suspension of the collection of the amount required for payment as a result of the filing of a specific request for such suspension by the Company.

On 31 May 2019, the appeal decision was discussed.

On 5 July, the ruling of the Regional Tax Commission, in favour of the company, was filed. The Italian Revenue Agency may file appeal with the Court of Cassation in accordance with the law.

Lastly, the 2019 Budget Law (Italian Law no. 145 of 30 December 2018) clarified that Article 1.87.a) of Law no. 205 of 27 December 2017 (2018 Budget Law) is the authentic interpretation (hence with retroactive effect) of Article 20.1 of the consolidated law per Presidential Decree no. 131 of 26 April 1986. Therefore, the requalification of the company sale for the purposes of the registration fee, confirmed in the first degree of the proceedings - albeit not applicable, in the opinion of the company, to the case at hand - will have to be disallowed by the second degree court.

At the approval date of this report, the Directors confirm the risk assessment adopted in previous reports, considering the risk unlikely and therefore have not recognised a related liability.

INCOME STATEMENT ANALYSIS

NOTE 21 - REVENUE

	1st half 2019	1st half 2018
Sales	525,724	508,629
Services	4,714	4,138
Total	**530,438**	**512,767**

Revenue from sales consists mainly of:

- sales of electricity produced by wind farms, thermoelectric installations, hydroelectric plants and photovoltaic installations, as well as by sales on organised markets and through physical bilateral agreements. The electricity is sold on wholesale channels to industrial operators of the Priolo Site and to customers via bilateral agreements.
  Specifically, electricity sold wholesale includes sales on the IPEX electricity 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 Group also sells water and steam supplied to industrial operators at the Priolo site.
- Incentives related to the output in the period of the wind farms and photovoltaic plants in operation, and the hydroelectric plants of ERG Hydro. In Italy, the valuation of the incentives was calculated at the price of 92.11 EUR/MWh determined on the basis of the expected realisable value. With reference to the regulations pertaining to incentives, please refer to the section Basis of presentation of the 2018 consolidated financial statements.
  For further details regarding the prices and quantities sold please see the comment in the Interim Directors’ Report.

The following table shows the breakdown of revenue from sales:

	1st half 2019	1st half 2018
Sales to third parties	520,853	502,849
Sales to Group companies not consolidated	4,871	5,780
Total	**525,724**	**508,629**

Sales to third parties includes EUR 142 million of prices by way of feed-in tariff collected by the companies operating in Italy in the wind, solar and hydroelectric segments.
A single customer has revenues exceeding 10% of the total revenue of the Group.

The breakdown of revenue by type and operating segment is presented below:

EUR million	Wind	Thermoelectric	Hydroelectric	Solar	Corporate	Total
Revenue from sales						
Energy to the market	80	125	37	6	–	247
Energy to end customers	–	28	–	–	–	28
Third party transport and dispatching	–	3	–	–	–	3
Steam - Gas and other utilities	–	32	–	–	–	32
Feed in Tariff - GO	142	–	23	31	–	196
White Certificates	–	13	–	–	–	13
Green Certificates abroad	6	–		–	–	6
Total Revenue from sales	**228**	**200**	**60**	**37**	**–**	**526**
Revenue from services						
Other - Services	–	5	–	–	–	5
Total Revenue from services	**–**	**5**	**–**	**–**	**–**	**5**
Total Revenue	**228**	**205**	**60**	**37**	**–**	**531**

The details of revenue by operating segment and by geographic area are presented below:

EUR million	1st half 2019	1st half 2018
Wind	228	207
Thermoelectric	205	187
Hydroelectric	60	100
Solar	37	19
Corporate	0	0
Total	**530**	**513**

EUR million	1st half 2019	1st half 2018
Italy	451	452
France	34	26
Germany	20	17
Poland	9	6
Bulgaria	7	7
Romania	8	5
UK	-	-
Total	**530**	**513**

The timeframe for the collection of assets related to revenue depends on the type of revenue. Assets for energy sold to the market have average realisation times of less than three months, for contracts with end customers and for transport revenues the timeframe varies according to the counterparty.

Collection of the assets correlated to feed-in tariff revenue takes place on average no later than six months from the accrual date of the price, while "white certificates" are generally collected within the following year.

NOTE 22 - OTHER INCOME

	1st half 2019	1st half 2018
Indemnities	1,026	308
Reimbursement of expenses	174	173
Capital gains on disposals	–	2
Non-recurring income	2,336	9,232
Income for hydroelectric water supply compensation	1,095	1,095
Income for resale of electricity transmission capacity	41	2,174
Charge-backs to TotalErg	–	–
Other income	1.661	188
Total	**6,333**	**13,171**

The item mainly includes smaller chargebacks to third parties and grants related to income and the chargebacks to not consolidated Group companies.

The increase is due to the recognition of prior year income deriving from the closure of prior year items.

NOTE 23 - PURCHASES

The amount relative to the first half of 2019 is equal to EUR 147 million (EUR 140 million in the first half of 2018) and refers mainly to the purchase of electricity from GME and gas from Eni, Edison and Gazprom.

Purchase costs include the net negative impact of EUR 14 million of commodity hedging derivatives.

NOTE 24 - SERVICES AND OTHER COSTS

	1st half 2019	1st half 2018
Services	64,732	56,649
Rental, lease and hire expenses	13,101	15,488
Impairment of receivables	51	23
Provisions for risks and charges	4,639	2,382
Taxes and duties	6,309	5,376
Other operating expenses	2.,337	2,333
Total	**91,168**	**82,251**

Costs for services are broken down as follows:

	1st half 2019	1st half 18
Commercial, distribution and transport costs	3,559	5,068
Maintenance and repairs	15,914	14,782
Utilities and consumption	2,478	2,020
Insurance	4,673	4,515
Consultancy services	12,670	5,824
Advertising and promotions	576	659
Directors' Remuneration	4,100	3,758
Statutory Auditors' Remuneration	425	376
Services from network operator	992	930
Costs for services from Priolo Servizi S.c.p.A.	4,319	4,898
Other services	15,026	13,819
Total	**64,732**	**56,649**

- **Commercial, distribution and transportation costs** refer to ancillary costs relative to the distribution of electricity.
- **Maintenance and repairs** mainly consist of the costs for routine maintenance of electricity generation plants.
- **Directors' Remuneration** includes the related contributions, expenses and the portion of the cost pertaining to the 2018-2020 Long-term incentive plan. In accordance with IFRS 2 - Share-Based Payment, following the implementation of the 2018–2020 long-term incentive Plan, with reference to the Directors, the portion of the cost accrued was recognised under costs for services.
- **Other services** refer to the costs relating to services provided by the joint venture Priolo Servizi to the ERG Power CCGT plant at the industrial site of Priolo Gargallo, bank expenses, general overheads and ancillary personnel costs.

Duties and taxes refer mainly to the municipal taxes for the ERG Power CCGT plant and the wind farms, undeductible VAT for ERG S.p.A. financial assets and other taxes and duties.

NOTE 25 - PERSONNEL EXPENSE

	1st half 2019	1st half 2018
Wages and salaries	22,609	21,494
Social security expenses	6,478	6,058
Post-employment benefits	1,414	1,352
Other personnel costs	3,601	1,707
Total	**34,101**	**30,611**

Note that, in accordance with IFRS 2 - Share-based payment, following implementation of the 2018-2020 long-term incentive plan, with reference to employees the portion of the cost accrued in the first half of 2019 and representing the fair value of the instruments was recognised under "Personnel expense".

The cost for post-employment benefits pertains mainly to the portion of benefit relating to definite contribution plans. The cost also includes the contributions paid to definite contribution plans in favour of key managers, for the details of which please see the Related Parties section.

The other costs include additional post-employment benefits.

The item grew as a result of the increase in the work force of the ERG Group, whose breakdown is as follows (average number in the period):

	1st half 2019	1st half 2018
Executives	39	35
Managers	186	176
White-collars staff	344	334
Blue collars staff - Intermediate	181	177
Total	**751**	**722**

At 30 June 2019, the total number of employees was 761.

NOTE 26 - AMORTISATION, DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS

	1st half 2019	1st half 2018
Amortisation of intangible	30,690	27,483
Depreciation of property, plant and equipment	114,595	107,683
Depreciation of leased assets	3,127	–
Impairment of non-current assets	–	339
Total	**148,413**	**135,507**

The increase in the value of the depreciation/amortisation is mainly due to the increase relating to the change in the consolidation scope, partially offset by the decrease due to the end of the useful life of some plant components relating to the French wind farms.

NOTE 27 - NET FINANCIAL INCOME (EXPENSE)

	1st half 2019	1st half 2018
Income:		
Exchange gains	8	1,515
Effect of loan renegotiations (IFRS 9 gain)	60	4,428
Interest income on bank accounts	1,546	1,662
Derivatives	37,216	8,100
Other financial income	635	1,424
	39,465	**17,130**
Expense:		
Exchange losses	(41)	(1,350)
Effect of loan renegotiations (IFRS 9 loss)	(2,141)	(6)
interest expense on bank accounts	(18,601)	(16,808)
Derivatives	(67,962)	(18,624)
Amortised cost on mortgages, loans and project financing	(52,124)	(11,198)
Financial expenses relating to lease liabilities	(1,567)	–
Other financial expense	(2,212)	(2,130)
	(144,648)	**(50,116)**
Total	**(105,184)**	**(32,987)**

The total effect of the renegotiation of loans, equal to EUR -2.1 million, relates to the negative net income component generated as a result of the application of IFRS 9 during non-substantial modifications of financial liabilities.
The net change in income and expense from financial instruments on interest rates and on the expenses for amortised cost on mortgages, loans and project financing relates to the early closure of the existing derivatives on interest rates on the project financing of the companies ERG Wind Investments Ltd and ERG Power S.r.l. repaid early in the period.

NOTE 28 - NET LOSSES ON EQUITY INVESTMENTS

Net losses on equity investments of EUR -260 thousand (net losses of EUR 30 thousand in the first half of 2018) refers to the impairment of the equity investment in the company Longburn Wind Farm LTD and to the Group's portion of the result of Priolo Servizi S.C.p.A.

NOTE 29 - INCOME TAXES

	1st half 2019	1st half 2018
Current income taxes	14,978	31,073
Prior years taxes	183	303
Deferred tax assets and liabilities	(6,621)	(3,206)
Total	**8,540**	**28,170**

Income taxes for the period were calculated taking into account the expected tax rate to be applied to the taxable profit of companies in the energy industry.

"Deferred tax assets and liabilities" originate from the temporary differences deriving from adjustments made to the consolidated companies' separate financial statements to comply with the Group's uniform accounting policies, from the temporary differences between the carrying amount of recognised assets and liabilities and their tax base and from tax losses that can be carried forward.

Additionally, deferred tax liabilities amounting to EUR 18 million (EUR 18 million in the first half of 2018), calculated on the fair value of the derivatives that qualified for hedge accounting, were recognised directly in equity.

The rate used for the calculation of the deferred tax assets is the same as the nominal IRES rate of 24%, increased, where applicable, by the IRAP rate.

Reconciliation between effective and theoretical tax expense

IRES (CORPORATE INCOME TAX)		
Profit before taxes	**11.079**	
Theoretical IRES 24%	**2.659**	
Impact of consolidation adjustments that are not relevant for tax calculation purposes		515
Impact of permanent tax changes		(945)
Current, deferred and advanced IRES (Corporate Income Tax)		**2.229**

IRAP		
Operating profit (EBIT)	116.523	
Impairment of assets	51	
Total	**116.574**	
Theoretical IRAP 5%	**5.829**	
Effect of higher IRAP rate for some companies		(1.478)
Impact of permanent tax changes and consolidation adjustments that are not relevant for tax calculation purposes		1.777
Current, deferred and advanced IRAP		**6.128**
Total theoretical taxes	**8.488**	
Total IRES and IRAP in the financial statements		**8.357**
Previous year taxes		**183**
Substitute taxes		**–**
TOTAL TAXES IN THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS		**8.540**

NOTE 30 - PROFIT FROM DISCONTINUED OPERATIONS

The income statement for the first half of 2018 is represented in accordance with IFRS 5, with the exclusion of the results of the company Brockaghboy Windfarm Ltd: for additional details, please refer to the section Sale of Brockaghboy of the 2018 Financial Statements.

EUR thousand	1st half 2018 Profit from discontinued operations
Revenue	2,937
Other income	889
Purchases	–
Services and other costs	(551)
Personnel expense	–
Gross operating profit (EBITDA)	**3,275**
Amortisation, depreciation and impairment of non-current assets	(704)
Net financial expense	(605)
Net gains on equity investments	26,714
PROFIT BEFORE TAXES	**28,680**
Income taxes	(248)
Profit from discontinued operations	**28,432**

NOTE 31 - NON-RECURRING ITEMS

As required by CONSOB Resolution no. 15519 dated 27 July 2006, significant income and expense arising from non-recurring transactions or events that do not occur frequently in the ordinary course of business are presented below. The aforesaid "Non-recurring items" are included among the special items indicated in the interim Report on operations.

Also pursuant to the aforementioned CONSOB resolution, the amounts related to the positions and transactions with related parties are indicated separately in Note 32 - Related parties.

(EUR thousand)		1st half 2019		1st half 2018
Revenue from sales and services		–		
Other revenue		–		
Purchases		–		
Change in inventories		–		
Services and other costs	1)	(10,273)		
Personnel expense	2)	(2,100)		
Amortisation, depreciation and impairment of non-current assets		–		
Net financial income (expense)	3)	(70,774)	1)	4,428
Net gains (losses) on equity investments	4)	(313)		
Income taxes	5)	17,496	2)	(1,009)
Profit (loss) from non-recurring items continuing operations		**(65,964)**		**3,419**
Profit (loss) from non-recurring items discontinued operations		**–**	3)	**26,179**
Profit (loss) from non-recurring items		**(65,964)**		**29,598**
Non-controlling interests		**–-**		**–**
Profit (loss) from non-recurring items attributable to the owners of the parent		**(65,964)**		**29,598**

In the 1st half of 2019:

1) costs for services and other costs refer to ancillary costs related to business combinations, projects not completed successfully, costs related to the ongoing Group reorganisation procedures;
2) personnel expenses related to the ongoing Group reorganisation procedures;
3) expenses related to the early closure of the Project Financing and related IRS, already commented in Note 19 – Covenants and negative pledges
4) expenses related to the write-down of wind projects not completed successfully;
5) income taxes refer to the tax effect of the items commented above.

In the 1st half 2018:

1) net financial income (EUR 4.4 million) recognised, on the basis of IFRS 9, in reference to refinancing operations completed during the period, net of the reversal effect related to refinancing operations performed in previous years and in the current period;
2) income taxes refer to the tax effect of the items commented above;
3) the net profit or loss of discontinued operations refers to the sale of Brockaghboy Windfarm Ltd..

NOTE 32 - RELATED PARTIES

As required by CONSOB Resolution no. 15519 dated 27 July 2006, the amounts of related party positions and transactions are indicated below.

The transactions carried out by ERG with related parties pertain mainly to:

- the exchange of goods, the performance of services, the provision and use of financing;
- contributions to non-corporate parties, referred to ERG, that pursue humanitarian, cultural and scientific initiatives. In particular, Edoardo Garrone Foundation, established as a natural evolution of the engagement of the Garrone and Mondini families in the social and cultural fields, dedicated to the memory of Edoardo Garrone who, in 1938, launched the industrial activity of the ERG Group.

Most of these transactions are exempted from the application of the internal ERG regulation Related party transactions policy and procedures, issued to implement the CONSOB regulation, because they are ordinary transactions concluded at market of standard conditions, or because they are below the threshold of exiguity prescribed by the procedure itself. All transactions were carried out in the interest of the Company and, with the exception of the transactions with entities pursuing humanitarian, cultural and scientific initiatives, are included under ordinary transactions.

The joint ventures, associates and subsidiaries excluded from the consolidation scope are indicated in the section List of Group companies in the section dedicated to the list of companies recognised at cost. Moreover ERG S.p.A. renewed the option for the 2017-2019 "domestic tax consolidation scheme", with tacit renewal at the end of every three years for a further three years, with the subsidiaries (including indirect) ERG Eolica Adriatica S.r.l., ERG Eolica Basilicata S.r.l., ERG Eolica Calabria S.r.l., ERG Eolica San Cireo S.r.l. and ERG Eolica Ginestra S.r.l.

Impact of transactions or positions with related parties on the statement of financial position

The most significant dealings with the joint ventures, associated and subsidiary companies excluded from the consolidation area pertain to:

- trade receivables from Priolo Servizi S.c.p.A., a consortium company under the joint control of ERG Power S.r.l. (23.65%), ISAB S.r.l. (38.63%), part of the other shareholders of Gruppo Versalis S.p.A. (33.11%) and Syndial S.p.A. (4.61%), relating to utilities delivery services (in particular seawater, electricity and others) and to services rendered within the scope of the Operation & Maintenance contract;
- other current receivables and assets from San Quirico S.p.A. relating to tax assets that will be reimbursed by the finance administration to San Quirico and transferred to ERG S.p.A.;
- financial assets from ERG Petroleos S.A. within the scope of the related loan agreement.

The impact of transactions or positions with related parties on the items of the Statement of Financial Position is indicated in the following summary table:

	Other non-current financial assets	Trade receivables	Other current assets	Trade payables	Other current liabilities	Current financial assets	Current financial liabilities
Priolo Servizi S.C.p.A.	–	2,068	–	32	–	–	–
San Quirico S.p.A.	–	–	1,409	–	–	–	–
ERG Petroleos S.A.	–	–	–	–	–	8,490	
Other	208	211	6	41	–	–	12
Total	**208**	**2,279**	**1,415**	**72**	**–**	**8,490**	**12**
% of total item	1%	1%	1%	0%	0%	27%	0%

Impact of transactions or positions with related parties on the income statement

The most significant dealings with the joint ventures, associated and subsidiary companies excluded from the consolidation area pertain to:

- revenues from Priolo Servizi S.C.p.A. for sale of energy and steam within the scope of the related supply contract;
- costs for services to Priolo Servizi S.C.p.A. consisting of the remuneration components provided by the Operation & Maintenance service agreement;
- other costs to Edoardo Garrone Foundation relating to the contribution for the first half-year 2019;
- costs for services related to remuneration for the position of Chairman held in a Group company by a related party of ERG S.p.A.

The impact of transactions or positions with related parties on the items of the Income Statement is indicated in the following summary table:

	Revenue from sales and services	Other revenue and income	Purchases	Services and other costs	Financial income	Financial expenses
Priolo Servizi S.C.p..A.	5,059	75	–	(4,319)	–	–
Edoardo Garrone Foundation	–	–	–	(100)	–	–
Other	22	–	–	(200)	–	–
TOTAL	**5,081**	**75**	**–**	**(4,597)**	**–**	**–**
% of total item	1%	1%	0%	5%	0%	0%

NOTE 33 - EARNINGS PER SHARE

Calculation of earnings per share is based on the following data:

	1st half 2019	1st half 2018
Profit attributable to the owners of the parent (1)	1,929	105,102
Average number of shares outstanding (2)	148,866,945	148,816,800
Basic earnings per share from continuing operations (2) (3)	0.017	0.516
Diluted earnings per share from continuing operations (2) (3)	0.017	0.516

1) EUR thousand
(2) Units
(3) Euro

There are no potentially dilutive securities that impact the Group's share of net profit.

NOTE 34 - DISCLOSURE BY OPERATING SEGMENT AND GEOGRAPHIC AREA

Reporting by business and geographical segment is presented in accordance with IFRS 8 - Operating segments.

The results at market value are indicators that are not defined in the IFRS. Management considers that these indicators are significant parameters for the presentation of the performance of the ERG Group.

To enhance understandability of the individual business segments' performance, the operating results are shown at market value of non-recurring items.

Operating results are presented and commented on with reference to the various production technologies, in line with the Group's internal performance measurement methods.

The results by business segment also reflect the energy sales on markets by Group Energy Management, in addition to the adoption of effective hedges of the generation margin. The above mentioned hedges include, inter alia, the use of instruments by the Energy Management department to hedge the price risk. In order to give a clearer representation of the businesses in terms of technology, the wind and hydroelectric power results include the hedges carried out in relation to renewable sources ("RES") and the thermoelectric results include the hedges on the "spark spread".

Reporting by business segment

(EUR million)	Wind	Thermoelectric	Hydroelectric	Solar	Corporate	TOTAL adjusted	Non-recurring items	TOTAL REPORTED	Discontinued operations	TOTAL continuing operations
1ST HALF 2019										
Total revenue	228.0	204.9	60.1	37.4	18.0	**548.4**		**548.4**		548.4
Intra-segment revenue					(18.0)	**(18.0)**		**(18.0)**		(18.0)
Revenue	**228.0**	**204.9**	**60.1**	**37.4**	**0.0**	**530.4**		**530.4**		**530.4**
Gross operating profit (EBITDA)	**170.6**	**33.9**	**44.2**	**33.5**	**(8.8)**	**273.4**	**(8.5)**	**264.9**	**–**	**264.9**
Amortisation, depreciation and impairment losses	(81.8)	(13.8)	(28.7)	(19.7)	(1.3)	**(145.3)**	**(3.1)**	**(148.4)**	–	(148.4)
Operating profit (EBIT)	**88.8**	**20.1**	**15.5**	**13.8**	**(10.1)**	**128.1**	**(11.6)**	**116.5**	**–**	**116.5**
Net gains (losses) on equity-accounted investments		0.1			–	**0.1**	**–**	**0.1**	–	0.1
Investments in associates and joint ventures	**–**	**13.0**	**–**	**–**	**–**	**13.0**	**–**	**13.0**	**–**	**13.0**
Capital expenditure in non-current assets	**80.8**	**3.9**	**1.7**	**219.8**	**0.6**	**306.8**	**–**	**306.8**	**–**	**306.8**

(EUR million)	Wind	Thermoelectric	Hydroelectric	Solar	Corporate	TOTAL adjusted	Non-recurring items	TOTAL REPORTED	Discontinued operations	TOTAL continuing operations
1ST HALF 2018										
Total revenue	209.7	187.0	100.3	18.6	17.0	**532.6**		**532.6**	(2.9)	529.7
Intra-segment revenue					(17.0)	**(17.0)**		**(17.0)**	–	(17.0)
Revenue	**209.7**	**187.0**	**100.3**	**18.6**	**–**	**515.6**	**–**	**515.6**	**(2.9)**	**512.8**
Gross operating profit (EBITDA)	**159.0**	**29.5**	**80.2**	**16.0**	**(7.9)**	**276.7**		**276.7**	**(3.3)**	**273.4**
Amortisation, depreciation and impairment losses	(80.7)	(15.3)	(29.0)	(9.8)	(1.3)	**(136.2)**		**(136.2)**	(0.7)	(135.5)
Operating profit (EBIT)	**78.3**	**14.2**	**51.2**	**6.2**	**(9.2)**	**140.5**	**–**	**140.5**	**(2.6)**	**137.9**
Net gains (losses) on equity-accounted investments	–	0.1	–	–	–	**0.1**	**–**	**0.1**	–	0.1
Investments in associates and joint ventures	**–**	**12.8**	**–**	**–**	**–**	**12.8**	**–**	**12.8**	**–**	**12.8**
Capital expenditure in non-current assets	**97.2**	**2.2**	**1.2**	**345.1**	**1.0**	**446.7**	**–**	**446.7**	**–**	**446.7**

Reporting by geographical segment

(EUR million)	Italy	France	Germany	Poland	Bulgaria	Romania	UK	TOTAL adjusted	Non-recurring items	TOTAL reported	Discontinued operations	TOTAL continuing operations
1ST HALF 2019												
Revenue	450,8	34,3	20,3	9,4	7,3	8,3	–	**530,4**	**–**	**530,4**	–	530,4
Gross operating profit (EBITDA)	**219,6**	**22,7**	**13,9**	**7,6**	**4,8**	**5,3**	**(0,5)**	**273,4**	**(8,5)**	**264,9**	**–**	**264,9**
Amortisation, depreciation and impairment losses	(113,1)	(15,6)	(9,0)	(3,0)	(2,1)	(2,6)		**(145,3)**	**(3,1)**	**(148,4)**	–	(148,4)
Operating profit (EBIT)	**106,5**	**7,1**	**4,9**	**4,6**	**2,7**	**2,7**	**(0,5)**	**128,1**	**(11,6)**	**116,5**	**–**	**116,5**
Net gains (losses) on equity-accounted investments	0,1	–	–	–	–	–	–	**0,1**	**0**	**0**	–	0,1
Investments in associates and joint ventures	**13,0**							**13,0**		**13,0**	**–**	**13,0**
Capital expenditure in non-current assets	**231.4**	**52.4**	**16.1**				**6.8**	**306.8**		**306.8**	**–**	**306.8**

(EUR million)	Italy	France	Germany	Poland	Bulgaria	Romania	UK	TOTAL adjusted	Non-recurring items	TOTAL reported	Discontinued operations	TOTAL continuing operations
1ST HALF 2018												
Revenue	452.2	26.0	17.1	5.9	6.5	5.0	2.9	**515.7**		**515.7**	(2.9)	512.8
Gross operating profit (EBITDA)	**233.4**	**17.8**	**11.6**	**3.8**	**4.2**	**2.6**	**3.3**	**276.7**	**-**	**276.7**	**(3.3)**	**273.4**
Amortisation, depreciation and impairment losses	(107.3)	(11.2)	(9.6)	(3.0)	(2.1)	(2.6)	(0.4)	**(136.2)**		**(136.2)**	0.7	(135.5)
Operating profit (EBIT)	**126.1**	**6.6**	**2.0**	**(0.8)**	**2.1**	**(0.0)**	**2.9**	**140.5**	**-**	**140.5**	**(2.6)**	**137.9**
Net gains (losses) on equity-accounted investments	0.1	-	-	-	-	-	-	**0.1**	**-**	**0.1**	-	0.1
Investments in associates and joint ventures	**12,8**							**12,8**		**12,8**		**12,8**
Capital expenditure in non-current assets	**352.8**	**83.3**	**10.3**	**0,0**	**-**	**0.3**	**-**	**446.6**		**446.6**	**-**	**446.6**

For details and the reconciliation entries, please refer to the "Alternative performance indicators" section in the Interim Directors' Report.

NOTE 35 - FINANCIAL INSTRUMENTS

30/06/2019	Fair value - Hedging instruments	FVTPL instruments	FVOCI instruments	Financial[1] assets measured at amortised cost	Other financial liabilities	Total Carrying Amount	Fair value
Equity investments		767				767	767
Other non-current financial assets	–	–	–	40,426	–	40,426	40,426
Derivative instruments	503	–	–	–	–	503	503
Other current financial assets	–	–	–	30,633	–	30,633	30,633
Trade receivables	–	–	–	278,722	–	278,722	n/a
Financial instruments in working capital	–	–	446	–	–	446	n/a
Other receivables	–	–	–	187,579	–	187,579	n/a
Cash and cash equivalents	–		–	574,477	–	574,477	n/a
Total assets	**503**	**767**	**446**	**1,111,837**	**–**	**1,113,553**	
Loans and borrowings	–	–	–	–	1,279,179	1,279,179	1,290,707
No recourse project financing	–	–	–	–	809,021	809,021	849,057
Current bank borrowings	–	–	–	–	110,353	110,353	110,353
Financial liabilities	–		–	–	21,123	21,123	21,123
Derivative instruments	63,043	–	–	–	–	63,043	63,043
Trade payables	–	–	–	–	73,996	73,996	n/a
Other liabilities	–	–	–	–	105,071	105,071	n/a
Total liabilities	**63,043**	**–**	**–**	**–**	**2,398,743**	**2,461,786**	

(1) The column "Financial assets measured at amortised cost" includes EUR 16,232 thousand of the guarantee margins related to the futures derivatives hedging the electricity price risk. This amount is reported net of the fair values of these contracts at 30 June 2019, negative by a total amount of EUR 15,081 thousand. The Fair Value of the instruments is shown in the table of Note 35 letter c).

The following table provides an analysis of the financial instruments measured at fair value, grouped as levels 1 to 3 based on the degree to which their fair value can be observed:

- level 1, the fair value is determined from prices quoted on active markets;
- level 2, the fair value is determined using valuation techniques based on variables which are directly (or indirectly) observable on the market;
- level 3, the fair value is determined using valuation techniques based on significant variables that cannot be observed on the market.

	Level 1	Level 2	Level 3
Financial assets			
- Fair value - Hedging instruments	–	–	–
- FVTPL instruments	–	767	–
- FVOCI instruments	446	–	–
Total	**446**	**767**	**–**
Financial liabilities			
- Fair value - hedging instruments [1]	**29.199**	**48.737**	**–**
- Fair value - FVTPL instruments [2]	184	–	–
- Other financial liabilities	-	2.271.239	–
Total	**29.383**	**2.319.976**	**–**

(1) "Fair value - Hedging instruments" includes the positive fair values of the futures contracts hedging the commodity price risk, amounting to EUR 14,893 thousand. Said amount is reported in the present Report as a direct deduction of the value of Financial assets measured at amortised cost.
(2) "Fair value - FVTPL instruments" includes the positive fair values of the non-hedge accounting futures contracts on the commodity price risk, amounting to EUR 184 thousand. Said amount is reported in the present Report as a direct deduction of the value of Financial assets measured at amortised cost.

The Group has no financial instruments classifiable under level 3.

Financial instruments classified in level 1 relate to the positive fair value of financial securities for an amount of EUR 446 thousand, to the negative fair value of futures contracts on commodities for an amount of EUR 15,077 thousand and to the negative fair value of swap contracts hedging gas prices for an amount of EUR 13,216 thousand and of the derivative future contracts on commodities for an amount of EUR 1,090 thousand.

Financial instruments on interest rates are classified in level 2; to determine the market value of these instruments, ERG uses various models for measuring and valuation, as summarised below:

Type	Instrument	Pricing model	Market data used	Data provider	IFRS 7 Hierarchy
Interest rate derivatives	Interest Rate Swap	Discounted Cash Flow	- Deposit rates (Euribor) - Swap rates	- Reuters	Level 2
	Interest Rate Option (Cap, Floor)	Black & Scholes	- Deposit rates (Euribor) - Swap rates - Implied volatility of rates	- Reuters - Reuters	Level 2
Foreign exchange derivatives	FX Forward	Discounted Cash Flow	- Zero coupon curves of the reference currencies - ECB spot exchange rates	- Reuters	Level 2
	FX Option	- Black & Scholes - Edgeworth Expansion - Monte Carlo, Simulation	- Zero coupon curves of the reference currencies - ECB spot exchange rates - Implicit exchange rate volatility	- Reuters	Level 2
Derivatives on commodities	Commodity Swap	Discounted Cash Flow	- Official spot prices of reference commodities	- Platts	Level 2
	Gas formulas		- ECB spot exchange rates		
	Commodity Future	Listed instrument	- official settlement prices - Source: EEX	- EEX via Reuters	Level 1
	Contract for Difference (CfD)	Discounted Cash Flow	- forward PUN quoted on the OTC market - Zero coupon curve on the Euro	- EEX via Reuters - Reuters	Level 2

NOTE 36 - DISCLOSURE ON RISKS

The derivatives entered into by ERG, designed to hedge its exposure to commodities price, exchange rate and interest rate risks, were as follows at 30 June 2019:

	Type	Hedged risk	30/06/2019 Reference notional		Fair Value	30/06/2018 Reference notional		Fair Value
	Cash Flow Hedge instruments				**(EUR thousand)**			**(EUR thousand)**
A	Interest Rate Swap and Interest Rate Cap	Economic interest rate risk	1,162	EUR million	(48,737)	1,783	EUR million	(88,534)
B	Gas price risk hedging swaps	Transaction commodity risk	5,268	thousands of MWh	(13,216)	2,014	thousands of MWh	(1,654)
C	Electricity price risk hedging futures	Transaction commodity risk	6,011	thousands of MWh	(14,893)	5,597	thousands of MWh	(23,808)
D	Electricity price risk hedging CFD	Transaction commodity risk	629	thousands of MWh	(1,090)	–	thousands of MWh	–
	Total Cash Flow Hedge instruments				**(77,936)**			**(113,996)**
	Non Hedge Accounting Instruments							
D	Electricity price risk hedging CFD	Transaction commodity risk	22	thousands of MWh	4	–	thousands of MWh	–
C	Electricity price risk hedging futures	Transaction commodity risk	671	thousands of MWh	(188)	687	thousands of MWh	(206)
	Total non-Hedge Accounting instruments				**(184)**			**(206)**
	TOTAL DERIVATIVE INSTRUMENTS				**(78,120)**			**(114,202)**

A Interest rate swaps and interest rate caps and floors.

Transactions for hedging the “interest rate” economic risk tied to fluctuations in interest rates on loans.

The reference notional values of the hedges refer to the following companies or groups of companies:

- ERG S.p.A.;
- wind and solar power business companies.

At 30 June 2019, these instruments had a total negative fair value of EUR 48.7 million. The change is recognised in the hedging reserve.

B Gas price risk swaps

Swaps used to hedge the risk of price fluctuations in gas formulas for provision and supply agreements. In these contracts, the parties undertake to pay or collect at an agreed future date the difference between the established price and the price observed during the period multiplied by the quantities indicated in the contract.

At 30 June 2019, these instruments had a total negative fair value of EUR 13.2 million.

C Electricity price risk hedging futures

Forward contract in which two parties agree to exchange at a future date a certain asset at a price fixed at the time of concluding the contract.

At 30 June 2019, these swaps had a total negative fair value of EUR 15 million.

D Electricity price risk hedging CFD

Swaps used to hedge the risk of fluctuations in the price of electricity for provision and supply agreements. In these contracts, the parties undertake to pay or collect at an agreed future date the difference between the established price and the price observed during the period multiplied by the quantities indicated in the contract.

At 30 June 2019, these instruments had a total negative fair value in the amount of EUR 1.1 million.

NOTE 37 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no significant events after the end of the period.

NOTE 38 - PUBLICATION DATE OF THE INTERIM FINANCIAL REPORT

On 2 August 2019, the Board of Directors of ERG S.p.A. authorised the publication of the Interim Financial Report together with the reports by the supervisory bodies in compliance with the deadlines prescribed by current laws and regulations.

Genoa, 2 August 2019

On behalf of the Board of Directors

The Chairman

Edoardo Garrone

REPRESENTATIONS OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH ART. 81-TER OF CONSOB REGULATION NO. 11971 DATED 14 MAY 1999, AS AMENDED

1. The undersigned Luca Bettonte, Chief Executive Officer of ERG S.p.A., and Paolo Luigi Merli, Manager responsible for preparing the financial reports of ERG S.p.A., taking into account the provisions set out in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, represent as to:
   - suitability in relation to the characteristics of the ERG Group and
   - the actual application of the administrative and accounting procedures for the preparation of the Condensed interim consolidated financial statements as at and for the first half of 2019
2. In this regard, the following is pointed out:
   - the suitability of the administrative and accounting procedures for the preparation of the Condensed interim consolidated financial statements of ERG S.p.A. at 30 June 2019 was verified by the assessment of the system of internal control over Financial Reporting. This assessment was carried out with reference to the criteria established in the model "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
   - the assessment of the System of Internal Control over Financial Reporting did not uncover any significant aspects.
3. It is furthermore represented that:
   - the Condensed interim consolidated financial statements of the ERG Group as at and for the six months ended 30 June 2019:
     - was prepared in accordance with the applicable International Accounting Standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 by the European Parliament and Council, dated 19 July 2002;
     - matches the underlying accounting books and records;
     - is suitable to provide a true and fair view of the consolidated financial position and results of operations of the issuer and of the group of companies included in its consolidation;
   - The Interim Financial Report includes a reliable analysis of the references to the significant events occurred in the first six months of the year and to their impact on the Condensed interim consolidated financial statements, as well as a description of the main risks and uncertainties for the six remaining months of the year. The Interim Financial Report also includes a reliable analysis of the information on significant transactions with related parties.

Genoa, 2 August 2019

The Chief Executive Officer
Luca Bettonte

The Manager responsible for preparing the financial reports
Paolo Luigi Merli

AUDITOR S' REPORT ON THE LIMITED AUDIT

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
ERG S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the ERG Group, comprising the statement of financial position as at 30 June 2019, the income statement and the statements of comprehensive income, cash flows and changes in equity for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the ERG Group as at and for the six months ended 30 June 2019 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Genoa, 2 August 2019

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit

ERG S.P.A.

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