Informazione Regolamentata n. 0118-25-2019	Data/Ora Ricezione 02 Agosto 2019 12:10:09	MTA

Societa'	:	ERG
Identificativo Informazione Regolamentata	:	121478
Nome utilizzatore	:	ERGN01 - Marescotti
Tipologia	:	3.1; 1.2
Data/Ora Ricezione	:	02 Agosto 2019 12:10:09
Data/Ora Inizio Diffusione presunta	:	02 Agosto 2019 12:10:10
Oggetto	:	The BoD of ERG S.p.A. approves the Half-Yearly Financial Report as at 30/06/19 and appoints CFO Paolo Luigi Merli as General Manager

Testo del comunicato

Vedi allegato.

Press Release

The Board of Directors of ERG S.p.A.
approves the Half-Yearly Financial Report as at 30 June 2019
and appoints CFO Paolo Luigi Merli as General Manager

Consolidated adjusted[1] EBITDA: €273 million, adjusted €277 million in the first half of 2018

Adjusted Group net result: €68 million, adjusted €76 million in the first half of 2018

Genoa, 2 August 2019 – The Board of Directors of ERG S.p.A. approved today the Half-Yearly Financial Report as at 30 June 2019. The figures for the second quarter, which are not subject to approval by the Board of Directors or to independent audit, are to be considered pro-forma numbers and are presented here for the sake of completeness and continuity of the information provided.

Consolidated adjusted[1] financial results:

2nd Quarter			Performance highlights (million Euro)	1st Half		
2019	**2018**	**Var. %**		**2019**	**2018**	**Var. %**
110	114	-4%	**EBITDA**	273	277	-1%
36	47	-22%	**EBIT**	128	140	-9%
14	19	-30%	**Group net result**	68	76	-11%

	30.06.19	31.12.18	Variation
Net financial debt (million Euro)	1,662	1,343	+319
Leverage[2]	49%	42%	

Luca Bettonte, ERG's Chief Executive Officer, commented:

"Economic performance for the second quarter, characterised overall by a slight downturn compared to 2018, showed an improvement in all technologies with the exception of Hydroelectric Power, due to the notably scarce water availability, in contrast to the abundant availability a year earlier. A good performance was posted by the Wind Power sector, with an overall significant growth following the gradual coming on stream of the assets acquired in France and those built in Germany, and the Solar Power sector, where we doubled the previous year's result. Lastly, Thermoelectric Power generation also performed well, having benefited from high generation margins and the contribution from Energy Management.
During the quarter we successfully completed our first Green Bond issue for 500 million Euro, coinciding with Liability Management interventions, which led to a significant reduction in financial charges, in addition to enhancing our creditworthiness by reducing the structural subordination typical of Project Financing.
Considering the results for the first half of the year and the final data for the month of July, we have revised our 2019 guidance in terms of EBITDA, which is now forecast at between 495-505 million Euro, as opposed to the previous range of 495-515 million Euro, and net debt, which has now been slightly upward adjusted to between 1,390 and 1,470 million Euro, including the unchanged investment estimate of between 340 and 370 million Euro destined above all for the expansion of solar power in Italy and wind power abroad."

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

Preliminary remarks

Alternative Performance Indicators (APIs) and Adjusted Results
This document uses certain Alternative Performance Indicators (APIs) which differ from the financial indicators explicitly set forth in the international financial standards (IAS/IFRS) adopted by the Group.
These alternative indicators are utilised by the Group to facilitate the communication of information regarding business performance and net financial debt.
Lastly we mention that, in order to enhance the understandability of trends in the business segments, the financial results are shown excluding significant income components of a non-recurring nature (special items): these results are indicated using the term "**Adjusted Results**".
For a definition of the indicators and reconciliation of the amounts in question, reference is made to the specific chapter concerning Alternative Performance Indicators and the following comment with regard to IFRS 16.

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

- an improvement in EBITDA insofar as the lease fees come within the scope of IFRS 16, amounting to Euro 3.9 million in the first six months of 2019;
- an increase (Euro 70 million as at 30 June 2019) in net financial debt and net invested capital associated with application of the equity method as indicated by the new standard;
- an increase in amortisation and depreciation (Euro 3.1 million) and higher financial costs (Euro 1.6 million) associated with application of the equity method as mentioned above.

On first-time application, ERG availed itself of the option to use the modified retrospective method, without therefore carrying out a restatement of prior financial years shown for comparison purposes.
In view of the foregoing, in order to show the business segment margins, it was deemed appropriate for the **adjusted Income Statement** to reflect the leasing expenses included in Adjusted EBITDA in accordance with the actual cash movements connected with the same (periodical lease fee), in continuity with the form used in earlier years.
Consequently, the **adjusted net financial debt** and the **adjusted net invested capital** are also shown excluding the debt associated with the discounting of future lease fee payments.
For a reconciliation of the amounts referred to above, reference is made to the specific chapter concerning "Alternative Performance Indicators".

Second quarter 2019

Consolidated financial results
In the second quarter of 2019, **revenues from ordinary operations** totalled Euro 234 million, with a slight increase over Euro 231 million in the second quarter of 2018, mainly due to the growth in Italian and overseas wind power output, solar power generation, also following expansion of the managed assets portfolio, and thermoelectric power generation, basically offset by the much lower hydroelectric power volumes compared to the exceptionally high volumes recorded in the corresponding period of the previous year.

Adjusted EBITDA, at Euro 110 million, was slightly below the Euro 114 million posted in the second quarter of 2018. The variation reflects the following factors:

- **Wind power (+3 million):** EBITDA came to Euro 56 million, with an increase over the corresponding period of 2018 (Euro 52 million) given the more favourable wind conditions both in Italy and abroad. In particular, the results of the Italian wind farms (Euro 37 million, slightly less than Euro 39 million a year earlier), mainly reflected the lower unit incentive value (92 Euro/MWh compared to 99 Euro/MWh). Overseas results showed an upturn (+Euro 5 million) thanks above all to the contribution of 91 MW from the new facilities in France (+Euro 4 million), as well as following the improved price scenario in the Eastern European countries.

- **Solar power (+10 million):** EBITDA, at Euro 21 million, showed a strong growth compared to the second quarter in 2018 (Euro 11 million) thanks to the contribution of 51 MW from the newly acquired photovoltaic facilities, in a favourable context in terms of radiation.

- **Hydroelectric power (-24 million):** EBITDA came to Euro 21 million, with a notable decrease compared to the second quarter of 2018 (Euro 45 million), reflecting the significantly reduced water availability during the period with respect to the historical average and, in particular, to the particularly abundant availability in the second quarter of 2018.

- **Thermoelectric power (+6 million):** EBITDA, at Euro 17 million, showed an increase with respect to the second quarter of 2018 (Euro 11 million), reflecting the improved spark spread, due to the significant reduction in the cost of natural gas which more than offset the upward trend in CO2 prices, and to the higher quantities sold to customers at the Priolo site, as well as plant performance.

Adjusted EBIT amounted to Euro 36 million (Euro 47 million in 2018), after amortisation and depreciation totalling Euro 73 million, up by Euro 6 million compared to the second quarter of 2018 (Euro 68 million), reflecting above all the new Solar power investments and the operational wind farms acquired in France during the second quarter of 2019.

Adjusted group net result came to Euro 14 million, with a downturn compared to Euro 19 million in the second quarter of 2018, owing to the previously commented operating results and the higher effective tax rate reflecting the absence of tax benefits associated with economic growth (Allowance for Corporate Equity - ACE). Despite a rise in debt, financial charges decreased significantly compared to the corresponding period in 2018 due to a reduction in the cost of debt, following the major liability management transactions carried out during the second quarter of 2019 and the simultaneous issuance of a Green Bond subject to more favourable conditions.

First half of 2019

Consolidated financial results

In the first six months of 2019, **revenues from ordinary operations** totalled Euro 530 million, with an increase compared to the first half of 2018 (Euro 516 million), mainly due to the growth in wind power output, as regards both Italy and overseas, solar power generation, also following expansion of the managed assets portfolio, and thermoelectric power generation, partly offset by the much lower quantities of hydroelectric power produced with respect to the previous year's exceptionally high volumes.

Adjusted EBITDA, at Euro 273 million, was essentially in line with Euro 277 million posted in 2018. The variation reflects the following factors:

- **Wind power (+12 million):** EBITDA came to Euro 171 million, with an increase over the corresponding period in 2018 (Euro 159 million), reflecting the more favourable wind conditions both in Italy and abroad. In particular, the results of the Italian wind farms (Euro 117 million, in line with Euro 116 million a year earlier), in a situation of overall slightly lower average unit prices, benefited from a growth in output, with incentivised production stable at 72%, which offset the reduction in unit incentive value (92 Euro/MWh compared to 99 Euro/MWh). Overseas results showed an upturn (+Euro 11 million) thanks above all to the contribution of 91 MW from the new facilities in France (+Euro 6 million) and the higher output of wind farms in the other locations outside of Italy, as well as following the improved price scenario in the Eastern European countries. It is worth mentioning that the results for the first half of 2018 included the contribution of the Brockaghboy wind farm (+Euro 3 million), which was sold on 7 March 2018.

- **Solar power (+18 million):** EBITDA, at Euro 34 million, more than doubled compared to the first six months of 2018 (Euro 16 million) thanks to the contribution of 51 MW from the newly acquired photovoltaic facilities, in a favourable context in terms of radiation.

- **Hydroelectric power (-36 million):** EBITDA came to Euro 44 million (Euro 80 million in the first six months of 2018), with a sharp downturn compared to a year earlier. Performance reflected the significantly reduced water availability during the period with respect to the historical average and, in particular, to last year's particularly abundant availability, which had repercussions on volumes and on the *GRIN* incentive, as well as, to a lesser extent, the lower *GRIN* price compared to the previous half-year.

- **Thermoelectric power (+4 million):** EBITDA posted by the thermoelectric power sector, amounting to Euro 34 million, showed an increase with respect to Euro 30 million in 2018, reflecting the improved spark spread, due to a significant reduction in the cost of natural gas, which more than offset the upward trend in CO_2 prices, and to the higher quantities sold to customers at the Priolo site, as well as plant performance.

Adjusted EBIT came to Euro 128 million (Euro 140 million in 2018), after amortisation and depreciation totalling Euro 145 million, up by Euro 9 million compared to the first half of 2018 (Euro 136 million), ascribable above all to the new Solar power investments and the operational wind farms acquired in France during the second quarter of 2019.

Adjusted Group net result amounted to Euro 68 million, with a downturn compared to Euro 76 million for the first six months of 2018, owing to the previously commented operating results and the higher effective tax rate reflecting the absence of tax benefits associated with economic growth (Allowance for Corporate Equity - ACE). Despite a rise in debt, financial charges decreased significantly compared to the corresponding period in 2018 due to a reduction in the cost of debt, following the major liability management transactions carried out during the second quarter of 2019 and the simultaneous issuance of a Green Bond subject to more favourable conditions.

The **Group net result** came to Euro 3 million, compared to Euro 105 million in the first six months of 2018 and, with respect to the already commented adjusted Group net result, reflects above all extraordinary charges associated with debt restructuring via the issuance of the first Green Bond and simultaneous closure of two important Project Financing facilities. It is also worth remembering that the first six months of 2018 benefited from a capital gain on the sale of Brockaghboy wind farm in the United Kingdom (Euro 27 million).

Adjusted net financial debt came to **1,662 million**, with an increase of Euro 319 million compared to 31 December 2018 (1,343 million). The variation primarily reflects investments during the period (Euro 307 million) following a further growth in the Italian solar power sector and the French wind power sector, the distribution of dividends (Euro 112 million), the extraordinary charges incurred in connection with major liability management transactions (Euro 43 million), the increase in the fair value of hedging derivatives, partly compensated by the positive cash flow during the period (Euro 194 million).
As already mentioned in the Preliminary remarks, the adjusted net financial debt is shown without the effects arising from application of IFRS 16, therefore excluding the discounting of future lease fee payments, which at 30 June 2019 amounted to Euro 70 million.

Investments

2nd Quarter		Million Euro	1st Half	
2019	**2018**		**2019**	**2018**
71	80	Wind power	81	97
0	-1	Solar power	220	345
1	1	Hydroelectric power	2	1
2	1	Thermoelectric power	4	2
0	0	Corporate	1	1
74	**81**	**Total investments**	**307**	**447**

In the **first six months of 2019** investments totalled **Euro 307 million** (Euro 447 million in the first half of 2018) and mainly concerned the acquisition of two photovoltaic plants in Italy (Euro 220 million), operational wind farms in France (Euro 52 million), a project for the construction of a wind farm in the United Kingdom (Euro 6 million) and a pipeline of projects in Germany (Euro 2 million). Moreover, during the period investments were carried out in property, plant and equipment and intangible fixed assets totalling Euro 27 million, of which 76% in the Wind power sector (80% in the first half of 2018), above all in connection with completion of the wind farm in Germany (Windpark Linda), 15% in the Thermoelectric power sector (10% in 2018), 6% in the Hydroelectric power sector (5% in 2018) and 2% in the Corporate sector (5% in 2018), primarily concerning the ICT area.

- **Wind power:** investments in the first half of 2019 (**Euro 81 million**) mainly refer to the investment made to acquire 52 MW of wind farms in France, as well as for the development of the Windpark

Linda wind farm in Germany, which came on stream at the end of June. The first reblading intervention, carried out on a 13.2 MW Italian wind farm, was also successfully completed.

- **Solar power:** investments in the first six months of 2019 refer to the acquisition of 2 photovoltaic plants, located at Montalto di Castro (Lazio region), with an installed capacity of 51.4 MW and estimated annual output of approximately 96 GWh, which are eligible for *Secondo Conto Energia* incentives for a period of 20 years until 2030. The transaction's enterprise value amounts to approximately Euro 220 million.

- **Hydroelectric power**: investments in hydroelectric power, amounting to approximately Euro 2 million, refer above all to maintenance contracts and projects scheduled with regard to the seismic enhancement of infrastructures and in the area of Health, Safety and the Environment.

- **Thermoelectric power**: investments in the first six months of 2019 (Euro 4 million) mainly concerned ERG Power's CCGT facility, which continued with its initiatives aimed at maintaining the plants' operational efficiency, flexibility and reliability. Moreover, the scheduled interventions went ahead in the area of Health, Safety and the Environment.

Operational data

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

During the **second quarter of 2019**, overall electricity sales came to 3.6 TWh (3.4 TWh in the corresponding period of 2018), against a total of around 1.8 TWh produced by the Group's facilities (1.8 TWh in the corresponding period of 2018), of which approximately 0.4 TWh abroad and 1.4 TWh in Italy. The latter figure represents about 1.8% of overall domestic electricity demand (2.0% in the second quarter of 2018).

During the **first six months of 2019,** overall electricity sales came to 7.6 TWh (7.1 TWh in the first half of 2018), against a total of around 4.1 TWh produced by the Group's facilities (4.1 TWh in the corresponding period of 2018), of which approximately 0.9 TWh abroad and 3.2 TWh in Italy. The latter figure represents about 2.0% of overall domestic electricity demand (2.1% during the first quarter of 2018).
Electricity sold wholesale includes sales on the IPEX power exchange, in both the "Day-ahead Market" (*MGP*) and the "Intraday Market" (*MI*) and in the "Ancillary Services Market" (*MSD*), as well as sales to leading sector operators using the "over the counter" (OTC) platform. The latter are carried out by Energy Management with a view to developing forward contracting activities also for the purpose of hedging generation, in line with the Group's risk policy.

Moreover, steam sales[3] carried out during the **second quarter of 2019** totalled 180 thousand tons, in line with 174 thousand tons in the second quarter of 2018. In the **first half of 2019** steam sales carried out amounted to 493 thousand tons, with an upturn compared to 344 thousand tons during the corresponding period of 2018.

2nd quarter					1st half			
2019	2018	Δ	Δ%	Electricity output (GWh)	2019	2018	Δ	Δ%
826	712	114	16%	Wind power output	2,154	1,931	223	12%
454	*419*	*35*	*8%*	*- Italy*	*1,257*	*1,152*	*106*	*9%*
371	*292*	*79*	*27%*	*- Overseas*	*897*	*779*	*117*	*15%*
74	43	32	73%	Solar power output	119	64	54	84%
291	531	-240	-45%	Hydroelectric power output	593	1,001	-408	-41%
598	528	70	13%	Thermoelectric power output	1,216	1,054	162	15%
1,789	1,813	-24	-1%	ERG plants total output	4,081	4,050	31	1%

With regard to output, in the **second quarter of 2019** we particularly report:

- **Wind power:** wind power output totalled 826 GWh, with an upturn compared to the second quarter

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

of 2018 (712 GWh), reflecting a growth in output of around 8% in Italy (from 419 GWh to 454 GWh) and 27% outside of Italy (from 292 GWh to 371 GWh). The increase in Italian output (+35 GWh) is connected with the improved wind conditions compared to those recorded during the same period of 2018 as regards all regions, except for Calabria. Outside of Italy, the net growth of 79 GWh is ascribable to the higher output in France (+80 GWh, essentially due to the output of facilities recently acquired or that became commercially operational during the last six months of 2018), while output during the quarter in Eastern Europe (+2 GWh) and Germany (-3 GWh) was basically stable.

- **Solar power:** solar power output amounted to 74 GWh, of which 30 GWh concerned newly acquired plants; the overall load factor was 24% (22% in the second quarter of 2018).
- **Hydroelectric power:** hydroelectric power output, affected by scarce water availability during the period, totalled 291 GWh (531 GWh in the corresponding period of 2018). We mention that the average sale prices reflect both the electricity sale price and the amount of the incentive tariff (former green certificate), recognised on a portion of approximately 40% of output for a lower unit value with respect to 2018 (99 Euro/MWh), equal to around 92 Euro/MWh.
- **Thermoelectric power:** thermoelectric power output totalled 598 GWh, with an increase compared to the corresponding period of 2018 (528 GWh) given the more favourable market situation with increasing net generation margins, above all following the significant downturn in gas prices, despite the significant rise in CO2 prices. This trend exceeded the more general one recorded in Italy for the entire thermoelectric sector. The net supply of steam to captive customers at the Priolo Gargallo petrochemical site totalled 180 thousand tons, in line with 174 thousand tons for the corresponding period of 2018.

In the first six months of 2019:

- **Wind power:** wind power output totalled 2,154 GWh, with an upturn compared to the corresponding period of 2018 (1,931 GWh), reflecting a 9% growth in output in Italy (from 1,151 GWh to 1,257 GWh) and 15% outside of Italy (from 779 GWh to 897 GWh). The increase in Italian output (+106 GWh) is connected with the improved wind conditions compared to those recorded during the same period of 2018 as regards essentially all regions, except for Sicily. Outside of Italy, the net growth of 117 GWh is ascribable to the higher output in Eastern Europe (+37 GWh) and in Germany (+20 GWh) and France (+89 GWh, essentially due to the output of facilities recently acquired or that became commercially operational during the last six months of 2018), net of the discontinued UK production (-29 GWh) following the sale of the Brockaghboy wind farm.
- **Solar power:** solar power output amounted to 119 GWh, of which 46 GWh concerned newly acquired plants; the overall load factor was 19% (16% in the first half of 2018).
- **Hydroelectric power:** hydroelectric power output amounting to 593 GWh, with a downturn compared to the corresponding period of 2018 (1,001 GWh), benefited from a net unit revenue, taking into consideration the electricity sale price of revenues from the Ancillary Services Market (MSD) and from the period's replacement incentives and other minor components, which corresponded overall to about 105 Euro/MWh, with an increase over 99 Euro/MWh in the first half of 2018, reflecting both the price scenario and greater plant modulation. We mention that the average sale prices reflect both the electricity sale price and the amount of the incentive tariff (former green certificate), recognised on a portion of approximately 40% of output for a lower unit value with respect to 2018 (99 Euro/MWh), equal to around 92 Euro/MWh.
- **Thermoelectric power:** thermoelectric power output totalled 1,216 GWh, with an increase compared to the corresponding period of 2018 (1,054 GWh) given the more favourable market situation with improved net generation margins, above all following the significant downturn in gas prices, despite the notable rise in CO2 prices. This trend exceeded the more general one recorded in Italy for the entire thermoelectric sector. The net supply of steam to captive customers at the Priolo Gargallo petrochemical site totalled 493 thousand tons, with a strong growth compared to 344 thousand tons for the corresponding period of 2018.

Main events during the half year

On **11 January 2019** ERG acquired from Soles Montalto GmbH a 78.5% stake in Perseo S.r.l., 100% owner of Andromeda PV S.r.l., a company that in turn manages two photovoltaic power facilities with an overall installed capacity of 51.4 MW (see PR dated 11/1/2019). The transaction closing took place on 12 February 2019.

On **14 January 2019** ERG **finalised the gratuitous assignment of 80 ERG treasury shares** in favour of each employee of the ERG Group's Italian companies. The assignment, announced on 20 October 2018 (*see PR of the same date*) concerned a total number of 664 employees and 53,120 shares, held in ERG S.p.A.'s portfolio, with an overall value, including related ancillary costs, of 1.1 million Euro (see PR dated 14/1/2019).

On **15 January 2019** ERG completed the **commissioning phase for Parc Eolien de la Vallée de Torfou**, a **17.6 MW** wind farm with an estimated average annual output of 47 GWh, forming part of the 768 MW of assets under construction and being developed by Epuron (acquired last year - see PR 6/4/2018), and Parc Eolien Vallée de l'Aa (13.2 MW - estimated average annual output 29 GWh), corresponding to an overall total of around 45,000 t of avoided CO2 emissions per year (see PR dated 15/1/2019).

On **4 February 2019** ERG ranked 16th place in the **"Corporate Knights Global 100 Most Sustainable Corporations in the World Index**" published by the Canadian company Corporate Knights. With a score of 75.39%, ERG is the leading Italian company, as well as the only one included among the Top 50 (see PR dated 4/2/2019).

On **6 March 2019** ERG suspended the incorporation of the **ERG Q Solar 1** joint venture (see PR dated 6/3/2019).

On **13 March 2019** the early settlement of 36.6 million Euro was finalised, under the **Vendor Loan** granted to a.p.i. S.p.A. at the time of executing the agreement for the sale of TotalErg S.p.A. (see PR dated 13/3/2019).

On **25 March 2019** ERG and the Zurich-based company Profond Finanzgesellschaft AG signed an agreement concerning the **acquisition of a 100% equity stake in "Les Moulins de Fruges SAS**", a French firm owner of six wind farms, with a total installed capacity of 52 MW, located in the Northern France region of Hauts-de-France (see PR dated 25/3/2019). **The transaction closing took place on 6 May 2019.**

On **4 April 2019** ERG completed its **placement of a 6 year fixed rate bond** for 500,000,000 Euro, issued as part of its 1 billion Euro EMTN (Euro Medium Term Notes) Programme (see PR dated 4/4/2019).

On **2 May 2019** ERG acquired from RES, a global renewable energy company, a 100% stake in Craiggore Energy Ltd, a business incorporated in Northern Ireland, holder of authorisations for the construction of a wind farm in Northern Ireland, in the county of Londonderry. The total investment estimated for construction of the wind farm is approximately £37 million (about 41 million Euro), which already includes the acquisition price paid (see PR dated 2/5/2019).

On **14 June 2019** **Parc Eolien du Pays a Part**, a French ERG Group company, owner of a project located in the North of France with a capacity of 18 MW, won the third auction dedicated to onshore wind power (see PR dated 14/6/2019).

On **20 June 2019** 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- (see PR dated 20/6/2019).

On **21 June 2019** ERG completed the construction and commissioning phase of **Wind Park Linda**, a wind farm located in Germany, with a capacity of 21.6 MW (see PR dated 21/6/2019).

On **27 June 2019** ERG signed an agreement with **Windwärts Energie GmbH** for the acquisition of a pipeline of wind power projects in Germany with an overall capacity of 224 MW. The total price agreed in terms of Enterprise Value is approximately Euro 4 million, divided between an upfront payment upon closing and subsequent amounts associated with development of the projects (see PR dated 27/6/2019).

Main events occurred after the end of the period

The 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

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

- **Wind power:** regarding Wind power **in Italy**, although a growth in output is anticipated compared to 2018, the expectations of a decline in electricity market prices during the second half of the year, together with the lower unit incentive revenue and higher production costs for certain maintenance activities, lead us to forecast a slightly poorer result compared to a year earlier.
  Outside of Italy, an upward trend in results is expected compared to 2018, mainly reflecting:
  - the improved performance of existing assets, both in terms of volume and due to the increase in electricity prices
  - an increase of around 90 MW in French installed power, fully operational for the whole of FY2019
  - a growth of 22 MW as regards installed power in Germany
  - partially compensated by the lower presence in Northern Ireland following the sale of a 48 MW wind farm in March 2018

  Generally speaking, the Wind Power sector is expected to post an upturn in overall EBITDA compared to the previous year, thanks to the growth in overseas power and output, which more than offset the slight downturn in the results anticipated for Italy.

- **Solar power:** the results anticipated for 2019 show a significant improvement with respect to 2018, owing to the good performance of existing plants and the contribution from new facilities acquired in January of this year.
  For FY2019 EBITDA is expected to more than double with respect to 2018 (Euro 32 million).

- **Hydroelectric power:** regarding this asset results are expected to show a significant downturn compared those recorded in 2018, owing to the notable reduction in water availability compared to the extremely high values recorded during the previous year. This will also adversely affect the possibility to modulate the plants and participate in the ancillary services market as occurred in 2018. For hydroelectric power a sharp decline in EBITDA is therefore forecast with respect to the exceptionally high figures recorded a year earlier.

- **Thermoelectric power:** the results are expected to show an improvement with respect to 2018 thanks to the extremely low natural gas prices and higher electricity prices in Sicily, such as to more than offset the rise in CO2 costs, with consequent growth in Clean Spark Spreads. Cost control and the increased production of White Certificates (EECs) will also contribute towards the said improvement in results.

In summary, for FY2019 at consolidated level an increase in EBITDA is expected, compared to 2018 (Euro 491 million), to within a range of between 495 and 505 million Euro, as opposed to the range previously indicated of between 495 and 515 million Euro. This growth is anticipated, despite the reduced incentivised perimeter in the Italian wind power sector and the lower unit incentive price as regards both Wind power and Hydroelectric power, and notwithstanding the anticipated sharp decline in Hydroelectric power results compared to the exceptional results posted a year earlier.
These effects are, in fact, more than compensated by the better results expected from all the other generation assets and from energy management interventions.

FY2019 investments, which are confirmed as previously indicated, are expected to be in a range of between 340 and 370 million Euro, less than in 2018 when some investments previously scheduled for the current year were brought forward.

Operating cash generation will make it possible to limit the expected increase in net debt from 1.34 billion Euro in 2018 to an amount of between 1.39 and 1.47 billion Euro at the end of 2019, partly compensating the period's investments, the distribution of an ordinary dividend of €0.75 per share and the payment of financial charges. The range previously indicated of between 1.36 and 1.44 billion Euro has been increased to take account of the higher fair value of interest rate hedging instruments, following a greater prospective reduction in market rates.

In reference to the estimates and forecasts contained in this document and particularly in the Business Outlook section, we point out that actual results may differ from the announced results due to a multitude of factors, including: future trends in prices, the operating performance of plants, conditions pertaining to wind, water availability and irradiation, the impact of regulations for the oil and energy industry and the environment, other changes in business conditions and in the action of the competition.

The layout of the accounting schedules corresponds to the format used in the Interim Report on Operations. Appropriate explanatory notes illustrate the results at replacement cost.

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

The results for the second quarter and first half of 2019 will be illustrated to analysts and investors today, 2 August 2019, at 3 p.m. (CEST), during a conference call and simultaneous webcast, which may be viewed by visiting the Company's website (www.erg.eu); the presentation will be available on the said website, in the "Investor Relations/Presentations" section, at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued at 12.05 p.m.(CEST) on 2 August 2019, is available to the public on the Company's website (www.erg.eu) in the section "Media/Press Releases", at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism (www.emarketstorage.com). The Half-yearly Financial Report at 30 June 2019, including the Report of the Independent Auditors, will be made available to the public within the time limits laid down by current legislation at the Company's registered office at via De Marini 1, Genoa, on the Company's website (www.erg.eu) in the section "Investor Relations/Financial statements and reports", at the offices of Borsa Italiana S.p.A. and on the e-Market Storage authorised storage mechanism (www.emarketstorage.com).

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Performance highlights

FY 2018	(EUR million)		1st Half 2019	1st Half 2018	2nd quarter 2019	2nd quarter 2018
	Main Income Statement data					
1,027	Revenues adjusted		530	516	234	231
491	**EBITDA adjusted**		**273**	**277**	**110**	**114**
216	**EBIT adjusted**		**128**	**140**	**36**	**47**
133	Net Profit		3	105	(47)	20
133	of which profit attributable to owners of the parent		2	105	(47)	20
107	**Adjusted profit attributable to owners of the parent**[1]		**68**	**76**	**14**	**19**
	Main Financial data					
3,172	**Net adjusted invested capital** [2]		**3,403**	**3,275**	**3,403**	**3,275**
1,829	Shareholders' Equity		1,741	1,809	1,741	1,809
1,343	Total net financial indebtedness [2]		1,662	1,466	1,662	1,466
1,178	of which non-recourse Project Financing [3]		809	1,223	809	1,223
42%	Financial leverage		49%	45%	49%	45%
48%	**EBITDA Margin %**		**52%**	**54%**	**47%**	**49%**
	Operating data					
1,822	**Installed capacity at period end - wind farms**	*MW*	**1,895**	**1,791**	**1,895**	**1,791**
3,464	Electric power generation from wind farms	*milioni di KWh*	2,154	1,931	826	712
480	**Installed capacity - thermoelectric plants**	*MW*	**480**	**480**	**480**	**480**
2,151	Electric power generation from thermoelectric plants	*milioni di KWh*	1,216	1,054	598	528
527	**Installed capacity at period end - Hydoelectric plants**	*MW*	**527**	**527**	**527**	**527**
1,740	Electric power generation from hydroelectric plants	*milioni di KWh*	593	1,001	291	531
90	**Installed capacity - solar plants**	*MW*	**141**	**90**	**141**	**90**
130	Electric power generation from solar plants	*milioni di KWh*	119	64	74	43
13,627	**Total sales of electric power**	*milioni di KWh*	**7,642**	**7,085**	**3,572**	**3,431**
510	Investments [4]	*milioni di Euro*	307	447	74	81
737	**Employees at period end**	*Unità*	**761**	**737**	**761**	**737**
	Net unit revenues [5]					
124.9	Wind Italy	*Euro/MWh*	119.1	123.2	116.8	118.4
94.5	Wind Germany	*Euro/MWh*	99.6	93.4	97.7	93.3
87.4	Wind France	*Euro/MWh*	88.9	87.0	89.4	86.0
63.5	Wind Poland	*Euro/MWh*	70.8	52.4	73.8	55.2
74.8	Wind Bulgaria	*Euro/MWh*	77.2	71.2	69.7	71.3
58.2	Wind Romania	*Euro/MWh*	67.4	50.0	62.0	50.3
100.4	Wind UK	*Euro/MWh*	n.a.	100.4	n.a.	n.a.
293.5	Solar	*Euro/MWh*	314.0	290.3	306.4	291.2
106.6	Hydroelectrict power	*Euro/MWh*	104.9	99.1	102.1	103.6
41.4	Thermoelectric power	*Euro/MWh*	37.6	40.6	39.4	29.8

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

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

(2) also as already indicated in the Introduction, 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 highlights by segment

FY 2018	(EUR million)	1st Half 2019	1st Half 2018	2nd quarter 2019	2nd quarter 2018
	Revenues adjusted:				
77	Wind power	228	210	84	77
12	Solar	37	19	23	12
57	Hydroelectric power	60	100	28	57
86	Thermoelectric power [(1)]	205	187	99	86
8	Corporate	18	17	9	8
(8)	*Intra-segment revenues*	*(18)*	*(17)*	*(9)*	*(8)*
231	**Total revenues adjusted**	**530**	**516**	**234**	**231**
	EBITDA adjusted				
52	Wind power	171	159	56	52
11	Solar	34	16	21	11
45	Hydroelectric power	44	80	21	45
11	Thermoelectric power [(1)]	34	30	17	11
(6)	Corporate	(9)	(8)	(5)	(6)
114	**EBITDA adjusted**	**273**	**277**	**110**	**114**
	Amortisation, depreciation and write-downs				
(40)	Wind power	(82)	(81)	(42)	(40)
(5)	Solar	(20)	(10)	(10)	(5)
(14)	Hydroelectric power	(29)	(29)	(14)	(14)
(8)	Thermoelectric power [(1)]	(14)	(15)	(7)	(8)
(1)	Corporate	(1)	(1)	(1)	(1)
(68)	**Amortisation and depreciation adjusted**	**(145)**	**(136)**	**(73)**	**(68)**
	EBIT				
13	Wind power	89	78	14	13
6	Solar	14	6	11	6
31	Hydroelectric power	16	51	7	31
3	Thermoelectric power [(1)]	20	14	10	3
(7)	Corporate	(10)	(9)	(5)	(7)
47	**EBIT adjsuted**	**128**	**140**	**36**	**47**
	Investments [(2)]				
80	Wind power	81	97	71	80
(1)	Solar	220	345	0	(1)
1	Hydroelectric power	2	1	1	1
1	Thermoelectric power	4	2	2	1
0	Corporate	1	1	0	0
81	**Total investments**	**307**	**447**	**74**	**81**

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

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

Adjusted Income Statement

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

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

	1st half		2nd quarter	
(EUR million)	**2019**	**2018**	**2019**	**2018**
Revenues from ordinary operations	530.4	515.7	234.0	231.4
Other revenues and income	6.3	14.1	3.3	11.3
TOTAL REVENUES	**536.8**	**529.8**	**237.3**	**242.7**
Costs for purchase and changes in inventory	(146.6)	(139.7)	(68.5)	(70.3)
Costs for services and other operating costs	(84.8)	(82.8)	(42.9)	(42.1)
Cost of labor	(32.0)	(30.6)	(16.2)	(16.0)
EBITDA	**273.4**	**276.7**	**109.7**	**114.2**
Amortisation, depreciation and write-downs of fixed assets	(145.3)	(136.2)	(73.4)	(67.6)
EBIT	**128.1**	**140.5**	**36.3**	**46.6**
Net financial income (expenses)	(32.8)	(37.8)	(15.2)	(19.7)
Net income (loss) from equity investments	0.1	0.0	0.0	(0.0)
Profit before taxes	**95.3**	**102.7**	**21.1**	**26.8**
Income taxes	(27.2)	(27.1)	(6.9)	(7.6)
Profit for the period	**68.1**	**75.6**	**14.2**	**19.2**
Minority interests	(0.6)	(0.1)	(0.7)	(0.0)
Group's net profit (loss)	**67.5**	**75.5**	**13.5**	**19.2**

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.

30/06/2018	Adjusted Statement of Financial Position	30/06/2019	31/12/2018
	(EUR million)		
3,343.8	Non current assets	3,472.1	3,273.6
224.1	Net working capital	225.5	179.3
(5.8)	Provisions for employee benefits	(5.6)	(5.8)
322.2	Other assets	333.8	291.7
(608.9)	Other liabilities	(622.4)	(567.0)
3,275.4	**Net invested capital**	**3,403.4**	**3,171.8**
1,807.8	Group Shareholders' Equity	1,722.9	1,828.8
1.2	Non-controlling interests	18.2	0.0
1,466.4	Net financial indebtedness	1,662.4	1,343.0
3,275.4	**Equity and financial debt**	**3,403.4**	**3,171.8**

Cash Flow

(EUR million)	1st half 2019	1st half 2018	2nd quarter 2019	2nd quarter 2018
EBITDA adjusted	273.4	276.7	109.7	114.2
Change in working capital	(78.9)	(143.4)	6.1	(78.9)
Operative Cash Flow	**194.5**	**133.3**	**115.9**	**35.3**
Investments on tangible and intangible fixed assets	(26.6)	(21.4)	(13.7)	(13.3)
Acquisition of companies *(business combination)*	(280.2)	(425.2)	(60.6)	(68.0)
Investments on financial fixed assets	-	(0.9)	-	0.8
TotalErg transaction	-	179.5	-	(0.0)
Sale net asset Brockahgboy	-	105.7	-	(0.0)
Divestments and other changes	1.0	0.2	0.5	1.5
Cash Flow from investments	**(305.9)**	**(162.1)**	**(73.8)**	**(79.0)**
Net Financial income (expenses)	(32.8)	(37.8)	(15.2)	(19.7)
Fair Value ERG Wind loan prepayment	(43.5)	-	(43.5)	-
Net income (loss) from equit investments	0.1	0.0	0.0	(0.0)
Cash Flow from financial management	**(76.3)**	**(37.8)**	**(58.7)**	**(19.7)**
Cash flow from tax management	-	-	-	-
Distribution of dividends	(112.4)	(171.1)	(112.4)	(171.1)
Other changes in shareholders' equity	(19.3)	6.2	(19.1)	(2.7)
Cash Flow from Shareholders'equity	**(131.7)**	**(164.9)**	**(131.5)**	**(173.8)**
Change in scope of consolidation	-	**(2.2)**	-	**(0.1)**
Initial net financial indebtedness	**1,343.0**	**1,232.7**	**1,514.2**	**1,229.1**
Change in the period	*319.4*	*233.7*	*148.1*	*237.4*
Final net financial indebtedness	**1,662.4**	**1,466.4**	**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 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 43 million), the increase of the fair value of hedging derivatives, partly offset by the positive cash flow of the period (EUR 194 million).

ALTERNATIVE PERFORMANCE MEASURES

Definitions

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

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

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

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

Adjusted EBITDA is the gross operating margin, as defined above, with the exclusion of significant special income components of an extraordinary nature (special items) and with the adjustment of the legal impacts of IFRS 16;

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

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

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

Adjusted profit attributable to the owners of the parent is the profit attributable to the owners of the parent, with the exclusion of significant profit or loss components of an extraordinary nature (special items) and the adjustment linked to the legal impacts of IFRS 16, net of the related tax effects;

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

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

Net invested capital is the algebraic sum of Non-current Assets, Net Working Capital, Liabilities related to Post-employment Benefits, Other Assets and Other Liabilities;

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

Net financial indebtedness is an indicator of the financial structure and is determined in accordance with CONSOB communication 15519/2006, also including the non-current assets relative to derivative financial instruments. Until 31 December 2018 the indicator also included the non-current financial loan to api S.p.A. (EUR 36 million) as deferred component of the TotalErg sale price;

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

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

The **special items** include significant atypical income items. These include:

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

Reconciliation with adjusted operating results

FY			1st Half		2nd quarter	
2018	**EBITDA**	Notes	2019	2018	2019	2018
479.6	**EBITDA from continuing operations**		*264.9*	*273.4*	*101.7*	*114.2*
3.3	*Contribution of discontinuing operation (Brockahgboy)*	*1*	*0.0*	*3.3*	*0.0*	*0.0*
482.9	**EBITDA**		*264.9*	*276.7*	*101.7*	*114.2*
	Special items exclusion and impact of IFRS 16					
	Corporate					
2.7	*- Reversal of ancillary charges on no recurring operations*	*2*	*6.4*	-	*4.1*	*0.0*
-	*- Adjustment for impact IFRS 16*	*3*	*(0.4)*	-	*(0.2)*	*0.0*
	- Reversal of HR and company reorganization costs	*4*	*6.0*	-	*6.0*	*0.0*
5.1	*- Reversal liabilities/charges ERG 80*	*5*	-	-	*0.0*	*0.0*
	Thermoelectric					
-	*- Adjustment for impact IFRS 16*	*3*	*(0.4)*	-	*(0.2)*	*0.0*
	Hydroelectric					
-	*- Adjustment for impact IFRS 16*	*3*	*(0.1)*	-	*(0.1)*	*0.0*
	Solar					
-	*- Adjustment for impact IFRS 16*	*3*	*(0.2)*	-	*(0.1)*	*0.0*
	Wind					
-	*- Adjustment for impact IFRS 16*	*3*	*(2.8)*	-	*(1.4)*	*0.0*
490.6	**Margine operativo lordo adjuted**		*273.4*	*276.7*	*109.7*	*114.2*

			1st Half		2nd quarter	
2018	**Amortisation, depreciation and impairment losses**		2019	2018	2019	2018
(274.1)	**Amortisation and depreciation expense for continuing operations**		*(148.4)*	*(135.5)*	*(75.1)*	*(67.6)*
(0.7)	*Contribution of discontinued operations (Brockaghboy)*	*1*	-	*(0.7)*	*0.0*	*0.0*
(274.8)	**Amortisation and depreciation and impairment losses**		*(148.4)*	*(136.2)*	*(75.1)*	*(67.6)*
	Special items exclusion					
0.0	*- Adjustment for impact of IFRS 16*	*3*	*3.1*	-	*1.6*	*0.0*
(274.8)	**Adjusted depreciation and amortisation**		*(145.3)*	*(136.2)*	*(73.4)*	*(67.6)*

			1st Half		2nd quarter	
2018	**Profit attributable to owners of the parent**		2019	2018	2019	2018
132.6	**Profit attributable to owners of the parent**		1.9	105.1	*(47.3)*	*20.2*
	Special items exclusion and impact of IFRS 16					
0.0	*Exclusion impact of IFRS 16*	*3*	*0.6*	-	*0.3*	*0.0*
0.0	*Exclusion of HR and company reorganization costs*		*4.5*	-	*4.5*	*0.0*
0.0	*Exclusion of ancillary charges on corporate loan prepayments*	*6*	*2.0*	-	*0.3*	*0.0*
0.0	*Exclusion of ancillary charges on ERG Wind loan prepayments*	*6*	*49.4*	-	*49.4*	*0.0*
0.0	*Exclusion of ancillary charges on ERG Power loan prepayments*	*6*	*1.5*	-	*1.5*	*0.0*
2.2	*Exclusion of ancillary charges on no-recurring operations*		*6.0*	-	*3.8*	*0.0*
4.4	*Exclusion of liabilities/charges ERG 80*		*0.0*	-	*0.0*	*0.0*
(26.2)	*Exclusion of capital gain from sale of UK equity investment*		*0.0*	*(26.2)*	*0.0*	*0.1*
(6.0)	*Exclusion of the net gain on refinancing (IFRS 9)*	*7*	*1.6*	*(3.4)*	*1.0*	*(1.1)*
107.0	**Adjusted profit attributable to the owners of the parent**		*67.5*	*75.5*	*13.5*	*19.2*

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[4]) 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[14], net of the reversal of the first consolidation reserve)

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

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

Income Statement 1st Half 2019

(EUR million)	**Values in Consolidated Financial Statement**	***Adjustment for IFRS 16***	***Adjustment for IFRS 9***	***Reversal of special items***	**Consolidated Financial Statement adjusted**
Revenues from ordinary operations	530.4	-	-	-	530.4
Other revenues and income	6.3	-	-	-	6.3
TOTAL REVENUES	**536.8**	**-**	**-**	**-**	**536.8**
Costs for purchase	(147.7)	-	-	-	(147.7)
Changes in inventory	1.2	-	-	-	1.2
Costs for services and other operating costs	(91.2)	*(3.9)*	-	*10.3*	(84.8)
Cost of labour	(34.1)	-	-	*2.1*	(32.0)
EBITDA	**264.9**	***(3.9)***	***-***	***12.4***	**273.4**
Amortisation, depreciation and write-downs of fixed assets	(148.4)	*3.1*	-	-	(145.3)
EBIT	**116.5**	***(0.8)***	***-***	***12.4***	**128.1**
Net financial income (expenses)	(105.2)	*1.6*	*2.1*	*68.7*	(32.8)
Net income (loss) from 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)
Net result from continued operations	**2.5**	***0.6***	***1.6***	***63.4***	**68.1**
Net result from asset sold	-	-	-	-	-
Profit for the period before minorities	**2.5**	***0.6***	***1.6***	***63.4***	**68.1**
Minority interests	(0.6)	-	-	-	(0.6)
Group's net profit (loss)	**1.9**	***0.6***	***1.6***	***63.4***	**67.5**

[4] Before the tax effect

Income Statement 1st half 2018:

(EUR million)	Values in Consolidated Financial Statement	*Reversal of Broackaghboy IFRS 5 reclassification*	*Reversal of special items*	Consolidated Financial Statement adjusted
Revenues from ordinary operations	512.8	*2.9*	-	515.7
Other revenues and income	13.2	*0.9*	-	14.1
TOTAL REVENUES	**525.9**	***3.8***	**-**	**529.8**
Costs for purchase	(140.3)	*(0.0)*	-	(140.3)
Changes in inventory	0.7	-	-	0.7
Costs for services and other operating costs	(82.3)	*(0.6)*	-	(82.8)
Cost of labour	(30.6)	-	-	(30.6)
EBITDA	**273.4**	***3.3***	**-**	**276.7**
Amortisation, depreciation and write-downs of fixed assets	(135.5)	*(0.7)*	-	(136.2)
EBIT	**137.9**	***2.6***	**-**	**140.5**
Net financial income (expenses)	(33.0)	*(0.6)*	*(4.2)*	(37.8)
Net income (loss) from 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)
Net result from continued operations	**76.8**	***28.4***	***(29.6)***	**75.6**
Net result from asset sold	28.4	*(28.4)*	-	0.0
Profit for the period before minorities	**105.2**	**-**	***(29.6)***	**75.6**
Minority interests	(0.1)	-	-	(0.1)
Group's net profit (loss)	**105.1**	**-**	***(29.6)***	**75.5**

Reclassified statement of financial position at 30 June 2019

(EUR million)	Values in Consolidated Financial Statement		*Adjustment for IFRS 16*		Consolidated Financial Statement adjusted
Intangible of non-current assets	1,046.1	-	-	-	1,046.1
Property, plant and equipment	2,445.0	-	*(73.1)*	-	2,371.8
Equity investments and other non current 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 payables to tax authorities	(1.6)	-	-	-	(1.6)
Net working capital	**225.5**	**-**	**-**	**-**	**225.5**
Provisions for employee 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
Medium-long term financial indebtedness	2,101.9	-	*(65.9)*	-	2,036.05
Short term net financial indebtedness	(369.3)	-	*(4.4)*	-	(373.70)
Equity and financial debt	**3,473.1**	**-**	***(69.7)***	**-**	**3,403.4**

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