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Testo del comunicato

Vedi allegato.

E-MARKET SDIR CERTIFIED

Press Release

The Board of Directors approves the consolidated financial statements and the draft financial statements as at 31 December 2020
Consolidated non-financial statement approved
Proposed dividend per share of Euro 0.75

FY 2020

Consolidated adjusted[1] EBITDA: €481 million, €504 million in 2019
Adjusted Group net result: €106 million, €104 million in 2019

Fourth quarter of 2020

Consolidated adjusted EBITDA: €119 million, €124 million in 4Q 2019
Adjusted Group net result: €27 million, €29 million in 4Q 2019

- Results for the year – EBITDA, within the guidance range, shows a slight falloff, penalised by a negative price scenario due to the effects of COVID-19, the prolonged adverse wind and water conditions, and the gradual exit of the CCGT plant from the cogeneration regime. These effects were mitigated by the increased contribution from Italian solar power and above all from the wind power sector outside of Italy, where for the first time production exceeded domestic output. Major positive effects came from hedging transactions and the containment of costs. The growth in net profit also reflects the lower cost of debt as a result of liability management transactions.

- Development – Although with some delays due to the pandemic crisis and the difficult authorisation situation in Europe, the growth path is going ahead outside of Italy, where the wind power capacity currently under construction or ready to build in the United Kingdom, France and Poland has reached 336 MW, while in Germany a co-development agreement has been signed for 600 MW in the solar power sector. A Framework Agreement is in operation with Vestas (790 MW) and Enercon (190 MW) for the supply of wind turbines destined for repowering projects in Italy and greenfield projects in France and the UK.

- ESG (Environmental, Social, Governance) – ERG's ESG strategy, increasingly an integral part of its business model, has been rewarded: "A-" (previously "B") rating obtained in the Climate Change programme promoted by Carbon Disclosure Project (CDP), alongside the advanced rating affirmed by Vigeo Eiris, which also assigned to ERG the top position in its global ranking for reporting the business impact of Climate Change, and the "AA" (previously "A") rating from MSCI. The consolidated non-financial statement has been approved and the first executive summary of the pillars comprising our ESG strategy has been published.

- Green Bond issuance – Under the 2 billion Euro EMTN (Euro Medium Term Notes) Programme, the second 500 million Euro Green Bond was successfully placed in September and in December a new Tap issue bond was issued, for an additional 100 million Euro.

- Entry of new Chief Operating Officer – In December Renato Sturani joined the ERG Group in the position of Chief Operating Officer, as well as Managing Director of ERG Power Generation S.p.A., reporting directly to the Chief Executive Officer.

- Guidance: For 2021, we forecast EBITDA within a range of between 480 and 500 million Euro and a net debt of between 1,350 and 1,450 million Euro, inclusive of investments amounting to between 235 and 275 million Euro, mostly destined for the construction of greenfield projects in Great Britain, Poland and France.

[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"

- COVID-19 Emergency – Business continuity guaranteed throughout the year both in Italy and abroad thanks to the timely and ongoing implementation of effective organisational and safety measures, recourse to 'smart working' procedures and plans for the procurement of essential components and services. A capacity for resilience also recognised by Fitch in affirming the Investment Grade rating.

Genoa, 12 March 2021 – The Board of Directors of ERG S.p.A., which met yesterday, approved the consolidated financial statements, the draft financial statements as at 31 December 2020, the report on corporate governance and ownership, the consolidated non-financial statement, the report on remuneration policy and compensation paid and the long-term incentive plan (2021-2023 LTI System).

Consolidated adjusted financial results

4th Quarter			Performance highlights (million Euro)	Year		
2020	2019	Var. %		2020	2019	Var. %
119	124	-4%	EBITDA	481	504	-5%
45	48	-6%	EBIT	183	205	-11%
27	29	-7%	Group net result	106	104	2%

	31.12.20	31.12.19	Variation
Net financial debt (million Euro)	1.439	1.476	-37
Leverage[2]	45%	45%	

Luca Bettonte, ERG's Chief Executive Officer, commented: **"The year 2020 was particularly complicated due to the pandemic crisis, which had serious repercussions on electricity demand and prices. In this situation, which was also characterised by wind and water conditions well below historical averages, we consider the results achieved to be decidedly satisfactory, with a limited downturn in EBITDA compared to a year ago, whilst remaining within our guidance figures. On the other hand, we have seen an upward trend in net profit, thanks to our more efficient debt structure. These signs are further confirmation of the Group's soundness and resilience.**

During 2020 we continued to pursue our growth path, albeit with some delays with respect to the Plan forecasts, owing to the still too long and complex authorisation procedures, aggravated by the continuing health emergency. We look with confidence towards a gradual and definitive exit from the pandemic in 2021 and are therefore revising the 2021-2025 Business Plan, which we intend to present at the time of releasing the results for the first quarter, when we shall have a clearer insight into the actual contents of Recovery Plans pertaining to the European Union Member States.

Lastly, we are especially pleased about the additional recognitions obtained in the area of sustainability, confirming our contribution to the fight against Climate Change and the UN SDG targets".

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

The Board of Directors proposes to the Ordinary Shareholders' Meeting, to be convened on 26 April 2021 in first call and, if required, on 27 April 2021 in second call, the distribution of a dividend per share of 0.75 Euro, which will be available for payment starting from 26 May 2021 (payment date), with an ex-dividend date as of 24 May 2021 (ex-date) and record date of 25 May 2021.

In order to minimise the risks connected with the ongoing COVID-19 health and pandemic emergency, the Board of Directors has decided that, for the purpose of calling the Ordinary Shareholders' Meeting, it will take advantage of the option introduced by Decree-Law no. 18 of 17 March 2020, laying down "*Measures to strengthen the National Health Service and economic support for families, workers and businesses related to the COVID-19 epidemiological emergency*" (converted, with amendments, by Law no. 27 dated 24 April 2020 and as last amended by Article 3.6 of Decree-Law no. 183 of 31 December 2020 converted, with amendments, by Law no. 21 dated 26 February 2021), establishing that (i) Shareholders may take part in the Shareholders' meeting exclusively through Designated Representative; (ii) the Company's Administration and Control bodies, as well as the Designated Representative, may take part in the Shareholders' Meeting via telecommunications devices that ensure identification of participants, their attendance and the exercise of voting rights, without in any case requiring them to be in the same place as the Chairman and the minutes secretary.

Preliminary remarks

During the course of 2020 ERG continued to pursue the growth path outlined in the Business Plan, with the addition of 38MW in installed wind power capacity in France (acquisition of Trinity), the progress made in terms of overseas greenfield development with 336 MW under construction or "Ready to Build" in the UK, France and Poland, as well as the reaching of a co-development agreement for an early stage solar portfolio of 600MW in Germany and repowering in Italy; regarding these projects the authorisation procedures are going ahead.

Covid-19 Crisis

Following the global spread of the health crisis, at the end of January 2020 the World Health Organisation qualified the COVID-19 epidemic as a public health emergency of international concern and then, on 11 March 2020, declared COVID-19 to be a Pandemic.

As regards Italy, via specific Decrees of the Presidency of the Council of Ministers, a state of emergency was declared, currently extended until 30 April 2021, and explicit measures were adopted, firstly in the Region of Lombardy and Northern Italy, and then gradually extended throughout the national territory.
The other European countries where the ERG Group operates, including the UK, France and Germany, albeit with different timing and modalities, followed the same path taken by Italy and gradually suspended activities, apart from those services deemed to be essential and of public utility, which again includes the supply of electricity.

At the first signs of emergency ERG promptly took action, putting in place all necessary measures to guarantee, on the one hand, the health of its employees and, on the other, the operational continuity of its assets in conditions of safety.
The most important organisational measure taken, as also recommended by the competent Authorities, concerned agile working (smart working), introduced in advance of legal requirements, extended to all business days of the week and to all the Group's branches in Italy and abroad, involving over 70% of the company's people, corresponding to the entire "office-based" workforce, excluding only staff assigned to the running and maintenance of plants with a view to protecting the safe operational and management continuity of business assets.
The possibility to operate in smart working is currently confirmed until 31 March 2021 for all employees and for all business days of the week.

ERG has given very careful attention to management of the personnel employed at its production sites, by adopting suitable safety measures from a perspective of both "Organisation" (able to guarantee social distancing and the remodulation of operational and logistic activities) and "Prevention and Protection" (training and information, personal protective equipment, personal hygiene measures and cleaning/sanitisation of work environments), in observance of the indications given by the Competent Authorities and in agreement with the Trade Union Organisations.

Demonstrating the effectiveness of the measures undertaken, throughout the entire period of the health emergency there has been no interruption of company activity at any production site, either in Italy or abroad, nor have any cases been reported of contagion in the workplace.

During this period there have been no reductions in staff and none have been planned. Moreover, the company has not made use of social safety nets or compulsory short-time working. On the other hand, 50 new hires entered the Group during 2020 and COVID-19 health insurance cover has also been taken out in favour of all employees, initially valid up to the end of 2020 and then extended to the whole of 2021. Engagement and partnership activities with the communities where ERG operates have gone ahead and appropriate funds have also been allocated by the Group companies and by the employees themselves to meet the most pressing needs of healthcare facilities.

In brief, ERG's response to the COVID-19 crisis closely reflects its own business model, which has always been oriented towards the creation and sharing of sustainable value for shareholders, employees and the community in general.

Within this context we also mention that in May 2020 the Fitch Ratings ("Fitch") rating agency affirmed ERG S.p.A.'s Long Term Issuer Default Rating (IDR) at BBB-, with stable outlook, and senior unsecured rating at BBB-; moreover in the months of September and December the placement was successfully completed, respectively, of the second Green Bond (500 million Euro) and the Tap Issue (100 million Euro).

Change in business perimeter during 2020

• **Wind power - France**

- On **24 February 2020**, through its subsidiary ERG Eolienne France SAS, ERG acquired from the Luxembourg company LongWing Energy France SA a 100% equity stake in five companies incorporated under French law, owners of three wind farms located in the French regions of Hauts de France, Centre - Vallée de la Loire and Nouvelle Aquitaine.
  The wind farms, which have an overall installed capacity of 38 MW, came on stream between 2010 and 2012 and have a total annual output, based on historical average, of around 70 GWh, corresponding to over 1,840 equivalent hours and equal to approximately 37 kt of avoided CO2 emissions per year. For a period of 15 years, starting from the commercial operation date, the plants are entitled to benefit from an overall incentive tariff, which in 2019 averaged about 91 Euro/MWh. The purchase price in terms of Enterprise Value amounts to around 40 million Euro. Average annual EBITDA is forecast at about 4.5 million Euro. The French Ministry for the Economy and Finance has approved the transaction. This press release reflects the impact of consolidating the acquired companies as from 1 January 2020, with a contribution to EBITDA of around 6 million Euro.

• **Wind power – Poland**

- On **5 March 2020,** through its subsidiary ERG Power Generation S.p.A., ERG finalised with Cameonio Limited, a Polish holding company based in Cyprus, the acquisition of a 100% equity stake in Laszki Wind Sp. Z.o.o., the owner of authorisations for the construction of a 36 MW wind farm in South East Poland, following the successful outcome of the auction on 5 December 2019. In the last auction, the project was awarded a feed-in tariff of 205 Polish Zloty (PLN) for a period of 15 years. Annual output when fully operational is estimated at around 90 GWh, corresponding to about 77 kt of avoided CO2 emissions. The facility is expected to come on stream during the first semester of 2022. The overall investment for construction of the wind farm, including the price paid to acquire the building permits, amounts to approximately 48 million Euro.

- On **23 October 2020,** through its subsidiary ERG Poland Holding, ERG finalised with the Vortex Energy group, a developer with ten years of experience in the Polish market, the acquisition of a 100% equity stake in EW piotrków kujawski SP. z.o.o., the owner of authorisations for the construction of a 24.5 MW wind farm in the north-central area of Poland. In addition to the purchase of building permits, the agreement also envisages a contract for the supply of services regarding the implementation of civil and electrical works. The project, which during the last auction in December 2019 was awarded a tariff of 222 PLN (approximately 50.5 Euro) per MWh for a period of 15 years, is located in a particularly windy area. Annual output, when fully operational, is estimated at around 76 GWh, corresponding to 3,100 equivalent hours and approximately 65 kt of avoided CO2 emissions. The facility is expected to come on stream during the first semester of 2022. The overall investment for construction of the wind farm, including the price paid to acquire the building permits, amounts to approximately 36 million Euro.

The above mentioned transactions will allow ERG to expand its presence in the Polish onshore wind power market, taking its installed capacity in the country to 142 MW.

Fourth quarter 2020

Consolidated financial results

In the **fourth quarter of 2020 adjusted revenues** came to 253 million Euro, with a slight downturn compared to the corresponding period in 2019 (260 million Euro), reflecting the decline in wind power and hydroelectric power in Italy, due to the decidedly unfavourable wind and water conditions, partly offset by an upturn in the energy price trend and the higher unitary incentive value in Italy (from 92.1 Euro/MWh to 99.0 Euro/MWh).

Adjusted EBITDA, excluding special items, came to 119 million Euro, compared to 124 million Euro posted in the fourth quarter of 2019. The negative variation of 5 million Euro reflects the following factors:

Wind power (-12 million): EBITDA, at 74 million Euro, showed a decrease compared to the corresponding period in 2019 (87 million Euro) due to the decidedly unfavourable wind conditions both in Italy (-101 GWh) and abroad (-25 GWh). More specifically, the result of the Italian wind farms (41 million Euro, with a reduction compared to 51 million Euro for the same period a year earlier) reflected above all the lower output partly offset by the higher unitary incentive value (from 92.1 Euro/MWh in 2019 compared to 99.0 Euro/MWh in 2020). In the fourth quarter, the overseas portfolio (34 million Euro, with a small decrease compared to 36 million Euro for the corresponding period of the previous year) reflected the lower output in Germany and Eastern Europe, only partly compensated by the contribution of the new wind farms in France.

Solar power (+1 million): EBITDA, at 8 million Euro, showed a slight increase compared to 2019 (7 million Euro), with volumes in line with the fourth quarter of 2019 and an improvement in the mix effect of FIT incentive prices.

Hydroelectric power: EBITDA, at 23 million Euro, showed no change with respect to the corresponding period a year earlier (23 million Euro in 2019). The result stems from the reduction in output compared to 2019 (319 GWh in the fourth quarter of 2020 compared to 361 GWh in the fourth quarter of 2019) due to the prolonged lack of resource availability in Central Italy, offset by the improved profile effect and the increase in incentive value. The heavy rainfall at the end of the year determined a significant increase in reservoir levels.

Thermoelectric power (+5 million): EBITDA as regards the thermoelectric power sector, at 16 million Euro, showed an increase compared to 11 million Euro for the fourth quarter of 2019. The result mainly reflects the better margin on the markets, which benefited significantly from the hedging policies implemented in line with the Group’s risk policies, together with the improved performance of the plants. This improvement in the result was only partly reduced by the downturn in the production of energy efficiency certificates for the CCGT facility following the complete exit from the High Yield Cogeneration (HYC) period.

Adjusted EBIT came to 45 million Euro (48 million Euro in 2019) after amortisation and depreciation totalling 74 million Euro essentially in line with the fourth quarter of 2019 (76 million Euro).

Adjusted Group net result came to 27 million Euro, with a slight decrease compared to 2019 (29 million Euro), in view of the poorer operating results previously commented partly offset by the lower financial charges thanks to the full engagement in liability management transactions initiated during 2019 and continued in 2020. Moreover, the adjusted effective tax rate, at 25%, was higher than in the fourth quarter of 2019, which benefited from full contribution following the reintroduction of tax benefits associated with economic growth (Allowance for Corporate Equity - ACE).

<u>FY *2020*</u>

Consolidated financial results

In 2020 adjusted revenues from ordinary operations came to 974 million Euro, with a downturn of 48 million Euro compared to 2019 (1,022 million Euro) mainly due to the decline in wind power and hydroelectric power output in Italy, as a result of the decidedly unfavourable wind and water conditions, the trend in energy prices well below those for 2019, together with a smaller production of energy efficiency certificates pertaining to the CCGT facility, which has ended its first ten years of high-efficiency cogeneration eligibility. These effects were only partly offset by the growth in overseas wind power output, also reflecting the expansion of the asset management portfolio, and by the increase deriving from the higher unitary incentive value in Italy (from 92.1 to 99.0 €/MWh).

Adjusted EBITDA, excluding special items, came to 481 million Euro, down by 23 million Euro compared to 504 million Euro posted in 2019. The variation reflects the following factors:

Wind power (-18 million): EBITDA amounted to 282 million Euro, with a decrease compared to 2019 (301 million Euro) due to the poorer result in Italy (165 million Euro, down from 191 million Euro in 2019), which reflected the scarce wind conditions compared to the particularly high values recorded in 2019 (1,902 GWh in 2020 as opposed to 2,161 GWh in 2019), the weaker market price scenario and the exit of some wind farms from the incentive period. These effects were partially offset by the higher incentive value and by the positive effects of hedging transactions. On the other hand, the result outside of Italy showed a growth from both an economic (+7 million Euro) and volume (+170 GWh) perspective, thanks to the contribution of 38 MW from the new French wind farms and the high winds in France during the period. It should be noted that the overseas wind power output (2,009 GWh) exceeded Italian production (1,902 GWh) during the year.

Solar power (+3 million): EBITDA, at 66 million Euro, showed a small increase compared to 2019 (63 million Euro) with slightly higher volumes (228 GWh in 2020 compared to 226 GWh in 2019) and an improvement in the FIT incentive mix effect, offset by the weaker market price scenario compared to the corresponding period a year earlier.

Hydroelectric power (-6 million): EBITDA, at 81 million Euro (87 million Euro in 2019), showed a decrease compared to the corresponding period a year earlier. The result is ascribable to the decrease in output with respect to 2019 (1,097 GWh in 2020 compared to 1,229 GWh in 2019) due to the prolonged lack of resource availability in Central Italy, which for the second year running was well below the historical ten-year averages, and the negative energy market scenario only partly offset by hedging policies and the increase in incentive value. The heavy rainfall at the end of the year determined a significant increase in reservoir levels.

Thermoelectric power (-3 million): EBITDA posted by the thermoelectric sector, at 67 million Euro, showed a decrease with respect to 69 million Euro in 2019, reflecting above all the anticipated lower production of energy efficiency certificates by around 7 million Euro, following the end of the incentive period for the CCGT plant's module 1, and a notable downturn in generation margins compared to the corresponding period in 2019, in the presence of a strongly deteriorating market situation as a result of the COVID-19 health emergency with a consequent decrease in the volumes of electricity output (2,441 GWh in 2020 compared to 2,504 GWh in 2019). The result reflects the higher contribution from ancillary services (*MSD*), the positive effect of hedging transactions and some insurance reimbursements and adjustments relating to site contracts. We mention that EBITDA benefited significantly from price scenario hedging policies in reference to both the productions and the clean spark spreads implemented in line with the Group's risk policies.

Adjusted EBITDA is shown net of the positive effects deriving from both application of IFRS 16, in the amount of approximately 10 million Euro, and special items pertaining to the period in the amount of approximately -23 million Euro, ascribable above all to the risk provisions set aside to cover charges requested in previous years.

Adjusted EBIT came to 183 million Euro (205 million Euro in 2019) after amortisation and depreciation totalling 298 million Euro, substantially in line with 2019 (299 million Euro).

EBIT came to 155 million Euro (190 million Euro in 2019) after amortisation, depreciation and write-downs totalling 313 million Euro (306 million Euro in 2019).

Adjusted Group net result came to 106 million Euro, including approximately 2 million Euro pertaining to minorities, with a slight increase compared to 2019 (104 million Euro), in view of the lower financial charges and taxes that more than offset the already commented poorer operating results. The net financial charges were considerably lower than in 2019, due to the reduction in the cost of debt thanks to the major liability management transactions initiated during 2019 and continued in 2020, including the issuance in 2020 of a second Green Bond at more advantageous market conditions. Moreover, the effective tax rate was lower than in 2019, following the recovery of previous deductible charges and tax benefits associated with economic growth (Allowance for Corporate Equity - ACE).

The **Group net result,** at 108 million Euro compared to 32 million Euro a year earlier, in 2020 reflects the positive effects relating to the release of deferred taxation following the revaluation of hydroelectric plants (54 million Euro). The Group result also includes extraordinary charges associated with Liability Management transactions in the amount of 39 million Euro (69 million Euro in 2019).

Adjusted net financial debt amounted to 1,439 million Euro, down by 37 million Euro compared to 31 December 2019 (1,476 million Euro). The variation reflects above all investments during the period (156 million Euro), the distribution of dividends (115 million Euro), the payment of taxes (25 million Euro[3]), more than offset by the positive cash flow (392 million Euro[4]).
The adjusted net financial debt is shown net of the effects deriving from application of IFRS 16, therefore not including the discounting of future lease payments corresponding to around 101 million Euro as at 31 December 2020.

Investments

The breakdown of investments by sector is set out in the following table:

4th Quarter		**Million Euro**	**Year**	
2020	**2019**		**2020**	**2019**
37	16	Wind power	127	189
1	1	Solar power	2	221
6	10	Thermoelectric power	18	15
2	3	Hydroelectric power	6	6
1	1	Corporate	2	2
46	**31**	**Total Investments**	**156**	**432**

In the **fourth quarter of 2020** investments totalled **46 million Euro** (31 million Euro in the fourth quarter of 2019) and concerned investments in **property, plant and equipment and intangible assets,** of which 80% in the Wind power sector (54% in the fourth quarter of 2019), primarily related to wind farm construction activities in the UK and Poland, 12% in the Thermoelectric power sector (32% in the fourth quarter of 2019) above all for the project to revamp the steam generation facilities of the CCGT plant's module 1, 5% in the Hydroelectric power sector (9% in the fourth quarter of 2019) and 2% in the Corporate sector (3% in the fourth quarter of 2019), mainly in connection with the ICT area and minor maintenance and development projects.

Investments in 2020 totalled **156 million Euro** (432 million Euro in 2019) and partly concerned the acquisition of 38 MW of operating wind farms in France (42 million Euro) and a project for the construction of a 36 MW wind farm in Poland (2 million Euro). Moreover, during the period investments were carried out in **property, plant and equipment and intangible fixed assets for the amount of 111 million Euro,** of which 74% in the Wind power sector (66% in 2019), associated above all with the commencement of construction as regards the wind farms in the UK, Poland and France, 17% in the Thermoelectric sector (22% in 2019) following the launch of investments aimed at obtaining high-efficiency cogeneration eligibility for the CCGT plant's module 1 for another ten years, 6% in the Hydroelectric power sector (8% in 2019), 2% in the Solar power sector (1% in 2019) and 2% Corporate sector (3% in 2019), mainly concerning the ICT area and minor maintenance and development projects.

Wind power: Investments in 2020 (127 million Euro) refer above all to the acquisition of wind farms in France (38 MW) during the first quarter of 2020 (amounting to 42 million Euro), as well as construction work on new farms in the UK (50 million Euro), Poland (19 million Euro) and France (2 million Euro).

[3] Includes the payment of substitute tax on the release of capital gains relating to the Andromeda Business Combination (Solar Power) in 2019
[4] Includes adjusted EBITDA, the change in net working capital and net financial income (expenses)

Solar power: Investments in 2020 (2 million Euro) concerned above all contracts aimed at further enhancing plant efficiency. We mention that FY2019 investments included the important acquisition of two photovoltaic facilities from Soles Montalto Gmbh with a total installed capacity of 51.4 MW (220 million Euro).

Hydroelectric power: Investments in 2020 **(6 million Euro)** referred 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 2020 (**18 million Euro)** primarily referred to the revamping project as regards the steam generation facilities of the CCGT plant's module 1, which will also enable renewal of the right to accrue energy efficiency certificates starting from 1 January 2022, for a further ten years.
Moreover, targeted investment projects continued aimed at maintaining the operational efficiency, flexibility and reliability of the plants. The scheduled interventions also 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 fourth quarter of 2020, total electricity sales amounted to 3.9 TWh (3.9 TWh in the fourth quarter of 2019), against a total of 2.0 TWh produced by the Group's facilities (2.1 TWh in the fourth quarter of 2019), of which about 0.5 TWh abroad and 1.5 TWh in Italy. The latter figure represents approximately 1.9% of overall domestic electricity demand (2.0% in the fourth quarter of 2019).

During the course of 2020, total electricity sales amounted to 14.9 TWh (15.1 TWh in 2019), against a total of around 7.7 TWh (8.0 TWh in 2019) produced by the Group's facilities, of which approximately 2.0 TWh abroad and 5.7 TWh in Italy. The latter figure represents about 1.9% of overall domestic electricity demand (1.9% in 2019).

The breakdown of sale volumes and electricity output, by type of source, is shown in the following table [5]:

4th quarter 2020	2019	Δ	Δ%	Electricity Output (GWh)	Year 2020	2019	Δ	Δ%
1,029	**1,155**	**-126**	**-11%**	**Wind power output**	**3,911**	**4,000**	**-89**	**-2%**
486	587	*-101*	*-17%*	*- Italy*	*1,902*	*2,161*	*-259*	*-12%*
543	568	*-25*	*-4%*	*- Overseas*	*2,009*	*1,839*	*170*	*9%*
32	**32**	**0**	**0%**	**Solar power output**	**228**	**226**	**2**	**1%**
319	**361**	**-42**	**-12%**	**Hydroelectric power output**	**1,097**	**1,229**	**-131**	**-11%**
617	**563**	**54**	**10%**	**Thermoelectric power output**	**2,441**	**2,504**	**-63**	**-3%**
1,997	**2,111**	**-113**	**-5%**	**ERG Plants total output**	**7,678**	**7,959**	**-281**	**-4%**

Steam sales **in the fourth quarter of 2020** amounted to 258 thousand tonnes, showing an upturn with respect to 196 thousand tonnes in the fourth quarter of 2019; steam sales carried out during 2020 totalled 1,067 thousand tonnes (with an increase compared to 875 thousand tonnes in 2019).

With regard to output, **in the fourth quarter of 2020** we particularly report:

Wind power: wind power electricity output totalled 1,029 GWh, down by 11% compared to the corresponding period in 2019 (1,155 GWh), reflecting a decline of 17% in Italian production (from 587 GWh to 486 GWh) and 4% abroad (from 568 GWh to 543 GWh).
The reduction in Italian output (-101 GWh) is associated with the poorer wind conditions compared to those recorded in 2019 as regards all regions and Sardinia, Sicily and Puglia in particular.
Outside of Italy, the decrease of -25 GWh is ascribable above all to the decline in output as regards Germany (-12 GWh) and Eastern Europe (-19 GWh), partly offset by the higher productions in France (+6 GWh) owing to the newly acquired facilities.

Solar power: output amounted to around 32 GWh (in line with the fourth quarter of 2019), with a load factor of 10%, in line with the corresponding period a year earlier.

Hydroelectric power: ERG Hydro's overall output in the fourth quarter of 2020, totalling 319 GWh (down by 42 GWh compared to the same period in 2019), benefited from a net unit revenue, considering the electricity sale price of revenues from the Ancillary Services Market (*MSD*) and from the period's replacement incentives and other minor components, amounting to around 103 Euro/MWh, with an increase compared to 94 Euro/MWh in the fourth quarter of 2019, thanks to the higher incentive value.

Thermoelectric power: ERG Power's net electricity output totalled 617 GWh, with an increase compared to the fourth quarter of 2019 (563 GWh) in the presence of a less favourable market situation, but with an upturn in net generation margins, due above all to the improved plant performances and the clean spark spread hedging policies carried out in line with Group risk policy. This trend exceeded the more general one recorded in Italy for the entire thermoelectric power sector thanks to the Sicily price differential with respect to the *PUN* (Single National Price) in a situation of higher prices in Sicily. The net supply of steam to captive customers at the Priolo Gargallo petrochemical site amounted to 258 thousand tonnes, with an increase compared to 196 thousand tonnes in the fourth quarter of 2019.

In FY 2020:

Wind power: In 2020 wind power **electricity output,** totalling 3,911 GWh, with a decrease of 2% compared to the corresponding period in 2019 (4,000 GWh), for the first time saw overseas production, which was up by 9% (from 1,839 GWh to 2,009 GWh), exceed Italian output, which was down by 12% .
The downturn in Italian production (-259 GWh) is associated with the poorer wind conditions compared to those recorded in 2019, especially during the last months of the year, as regards all regions except for Calabria, with a sharp decline in Campania, Puglia and Sicily.
Outside of Italy, the increase of 170 GWh is mainly attributable to the higher productions in France (+159 GWh, of which +81 GWh due to the output of recently acquired facilities and +78 GWh reflected the high winds recorded compared to corresponding period in 2019) and Bulgaria (+15 GWh).

[5] Electricity 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.

Solar power: FY2020 **output,** totalling around 228 GWh, was in line with 2019, as was the related load factor of 18%.

Hydroelectric power: ERG Hydro's total **output** in 2020, amounting to 1,097 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, of about 109 Euro/MWh, with an increase compared to 102 Euro/MWh in 2019.
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 higher unit value with respect to 2019 (92.1 Euro/MWh), equal to around 99.0 Euro/MWh.

Thermoelectric power: net electricity output by ERG Power **in 2020** amounted to 2,441 GWh, with a reduction compared to 2019 (2,504 GWh) in the presence of a market situation with generation margins heavily penalised by the significant decrease in Sicilian market prices, partly contained by the reduction in the price of gas and CO2, together with the clean spark spread hedging policies carried out in line with Group risk policy.
The net supply of steam to captive customers at the Priolo Gargallo petrochemical site amounted to 1,067 thousand tonnes, with an increase compared to 875 thousand tonnes in 2019.

Our contribution to SDGs

ESG factors are now a central and integral part of ERG's business strategy, in keeping with the 17 sustainable development goals (SDGs) laid down by the UN, to which our 2018-2022 Sustainability Plan objectives have been aligned.
As confirmation of the relevance assigned to ESG issues, starting from this year we shall be publishing an Executive Summary of the Non-Financial Statement on the website www.erg.eu (IR and sustainability section) in order to highlight the Group's sustainable strategy, the year's significant KPIs and the policies and practices adopted.
A strategy summarised by the hashtag We are #SDGscontributors.

The ERG Group is committed to 4 macro-sectors representing the pillars of the new ESG Plan which we shall be approving together with the next Business Plan:

1.PLANET: commitment to the fight against climate change via the decarbonisation of our electricity production portfolio thanks above all to the development of electricity generation from renewable sources.

2.ENGAGEMENT: undertaking to promote a proactive dialogue with the Group's stakeholders in order to understand their needs and integrate them into our way of doing business.

3.PEOPLE: attention to the wellbeing, growth and valorisation of our people, as well as their health and safety.

4. GOVERNANCE: sustainable development commences with the construction of an infrastructure of Principles and Management Bodies that ensure not only compliance but the application of operational Best Practices.

Considering the trend in our business model, the fight against climate change represents a fundamental element of our sustainability: since entering the renewables sector, ERG has reduced by 90% its Carbon Index, namely the quantity of CO2 emitted for each KWh produced which, at the end of 2020, amounted to 150 gCO2/kWh, corresponding to half of what is recorded on average in Italy and a quarter at European level.
Today, thanks to the generation of energy using renewable sources, each year ERG avoids the emission of around 3 million tonnes of CO2, giving a total of over 9 million tonnes since 2018 and perfectly in keeping with the objectives established at the time of the Sustainability Plan.

The policy to minimise the environmental impact of Operations continues, as defined by the ESG Committee in 2016: at the end of 2020, 90% of our indirect energy consumption was covered by acquisitions of green electricity.

Attention to our people continues to be one of the Group's commitments: overall in 2020 a total of 28,804 training hours were provided which, notwithstanding the COVID emergency, involved 95% of the company population, with 37.4 hours per capita. We responded to the COVID-19 emergency by extending Smart

Working to all business days in order to facilitate a correct work-life balance and protect the more vulnerable categories.
Our commitment continues as regards Diversity and Inclusion with the Gender Equality Assessment and our partnership with *Valore D*.
We continue to pursue the path of "leadership in safety", a programme designed to enhance leadership in the area of safety, using a flexible methodology suited to our four different technologies across a very wide and diversified territory. In 2020, the health and safety management culture and the rigorous application of internal procedures allowed us to avoid recording any employee accidents.

With regard to ESG ratings, which have become increasingly important in investment decisions on the part of the financial community, ERG has improved its Carbon Disclosure Project – Climate Change (CDP) rating, returning to an A- rating and therefore inclusion among the 25 Italian firms forming part of the "Leadership" range. ERG has also improved its MSCI ESG Research rating, obtaining an "AA" grade as opposed to the "A" assigned in 2018. Vigeo Eiris affirmed its Advanced rating, the highest in its scale of ratings, recognising the company's strong commitment in terms of ESG.

Main events in 2020

Wind power

On **24 February 2020** a 100% equity stake was acquired in five companies incorporated in France, owners of three wind farms with a total installed capacity of 38 MW. (see Press Release dated 24/02/2020)

On **5 March 2020** a 100% equity stake was acquired in Laszki Wind Sp. Z.o.o., a Polish company that holds authorisations for the construction of a 36 MW wind farm, following the successful participation in the auction on 5 December 2019. (see Press Release dated 05/03/2020)

On **30 June 2020** ERG Eolica Fossa del Lupo S.r.l., a subsidiary of ERG Power Generation S.p.A., completed the Amend & Extend of its non-recourse project facilities agreement, for the residual amount of 103 million Euro. Via this transaction it was possible to improve the financing terms and extend the loan maturity by three years Moreover, the Amend & Extend allowed the financing to be classified as a "Green Loan" and "Sustainability Linked Loan" in compliance with the Green Loan Principles and the Sustainability Linked Loan Principles, further confirming ERG's strong commitment to sustainable development.(see Press Release dated 30/06/2020)

On **22 September 2020**, through its subsidiary ERG Power Generation S.p.A, ERG signed a framework agreement with Vestas, global leader in the design, construction and maintenance of wind turbines, for the supply of wind turbines with a potential capacity of 790 MW, including over 500 MW destined for repowering projects in Italy and the remainder for scheduled greenfield projects in France and the United Kingdom. (see Press Release dated 22/09/2020)

On **23 October 2020** a 100% equity stake was acquired in EW piotrków kujawski Sp. z.o.o., a Polish company that holds authorisations for the construction of a 24.5 MW wind farm, following the successful participation in the auction on 5 December 2019. (see Press Release dated 23/10/2020)

On **26 October 2020**, ERG won an auction for two wind farms in France with a total capacity of 27 MW. When fully operational, the two wind farms will have a total annual output estimated at around 66 GWh, corresponding to approximately 36 kt of avoided CO_2 emission, equal to the needs of about 22,500 households. Construction works are expected to start by the first quarter of 2021 and the coming on stream is respectively scheduled within the fourth quarter of 2021 as regards Vallée de l'Aa 2 and the second quarter of 2022 for Champagne I, with an overall investment of 33 million Euro. (see Press Release dated 26/10/2020)

On **4 November 2020**, through its subsidiaries Sandy Knowe Wind Farm Limited and Creag Riabhach Wind Farm Limited, ERG obtained authorisation to increase the capacity of Sandy Knowe and Creag Riabhach wind farms, currently under construction in Scotland, respectively from 48 MW to 90 MW and from 79 MW to 92 MW. The total investment for the construction of the two wind farms amounts to about 214 million Euro. (see Press Release dated 04/11/2020)

Solar power

On **3 December 2020** ERG, through its subsidiary ERG Development Germany GmbH & Co. KG., and AREAM Advisory GmbH, part of the aream Group, a Germany-based developer in the area of sustainable energy infrastructure, signed a co-development agreement to implement an early stage solar portfolio of around 600 MW in Eastern Germany. (see Press Release dated 03/12/2020)

Corporate

On **22 January 2020** ERG S.p.A. was promoted to an "AA" rating, following the "A" rating assigned in 2018, by MSCI ESG Research Ltd. ("MSCI"), one of the leading research firms measuring companies' performance on the grounds of environmental, social and governance (ESG) factors. (see Press Release dated 22/01/2020)

On **9 March 2020**, with regard to the Italian and worldwide COVID-19 emergency and the consequent restrictions on personal mobility, ERG proactively extended the possibility to operate remotely (in smart working) to all business days of the week. This possibility was gradually extended to employees of all the Group's branches insofar as this form of working was compatible with the effective performance of responsibilities assigned (approximately 70% of the company's personnel), giving maximum attention to ensuring business continuity and the security of production sites. At the present time, this operational procedure has been confirmed until 31 March 2021, unless extended, with varying procedures defined from branch to branch.

On **21 April 2020** the ERG S.p.A. Shareholders' Meeting approved the 2019 Annual Accounts, resolved to pay a dividend of Euro 0.75 per share and approved an amendment to the Articles of Association to introduce the mechanism for increasing voting rights.
During his speech, the Chief Executive Officer provided full information regarding the actions and initiatives taken by the Group to deal with the COVID-19 crisis.
For the first time, the Shareholders' Meeting was held exclusively using telecommunications systems and was attended by a number of shareholders representing 79.4% of the company's capital.
(see Press Release dated 21/04/2020)

On **14 May 2020** the rating agency Fitch Ratings ("Fitch") affirmed ERG S.p.A.'s Long Term Issuer Default Rating (IDR) at BBB-, with stable outlook, and senior unsecured rating at BBB-. (see Press Release dated 14/05/2020).

On **6 July 2020** Vigeo Eiris, one of the leading international ESG (Environmental, Social, Governance) rating agencies, affirmed ERG S.p.A.'s Advanced rating, the highest in its scale of ratings, acknowledging the company's strong ESG commitment and the value of its social responsibility policy. (see Press Release dated 06/07/2020)

On **4 September 2020** ERG S.p.A. completed its placement of a second 7-year fixed rate bond for 500,000,000 Euro, issued as part of its 2 billion Euro EMTN (Euro Medium Term Notes) Programme.
The issue was very well received, with a request corresponding to 6 times the amount of notes offered. (see Press Release dated 04/09/2020)

On **1 October 2020** Vigeo Eiris, one of the leading international ESG (Environmental, Social, Governance) rating agencies, assigned to ERG the maximum score (88/100) and top position in its ranking of the best firms for reporting the business impact of Climate Change. (see Press Release dated 01/10/2020).

On **1 December 2020** Renato Sturani joined the ERG Group as Chief Operating Officer and Managing Director of ERG Power Generation S.p.A., reporting directly to the Chief Executive Officer. In this position he replaces Pietro Tittoni, who leaves the company having become eligible for retirement. (see Press Release dated 01/12/2020)

On **9 December 2020** ERG was assigned an "A-" (previously B) rating in the climate change programme promoted by Carbon Disclosure Project (CDP), the international not-for-profit organisation which, by monitoring corporate performances in the fight against Climate Change, steers companies and governments towards a reduction in greenhouse gas emissions. ERG thus moves up the CDP scale positioning itself in the "Leadership" range, which includes all the companies that adopt best practices in the fight against Climate Change. (see Press Release dated 09/12/2020)

On **15 December 2020** ERG S.p.A. announced the issue and placement of a new bond for the amount of Euro 100,000,000 ("Tap Issue")

The Tap Issue took the form of a Green Bond on the basis of ERG S.p.A.'s Green Bond Framework, made available to the public on 2 September 2020 and rated by Vigeo Eiris which, in its capacity as independent advisor, provided a Second Party Opinion certifying the compliance of ERG's Green Bond Framework with the Green Bond Principles (see Press Release dated 15/12/2020)

On **21 December 2020** ERG S.p.A., further to the announcement made on 15 December 2020 concerning the Notes repurchase agreement, completed its repurchase of the Notes issued on 19 July 2017 for the aggregate principal amount of Euro 75,000,000. (see Press Release dated 21/12/2020)

Significant events after the year end

On **28 January 2021** ERG, through its subsidiary ERG Power Generation S.p.A, signed a framework agreement with ENERCON GmbH for the supply of wind turbines with a potential capacity of around 190 MW destined for repowering projects in Italy and for a greenfield project in the United Kingdom. The agreement, which has a potential value of 120 million Euro, in addition to the supply also includes the transportation, installation, commissioning and maintenance envisaged during the initial phase of the wind turbines' life cycle. (see Press Release dated 28.01.2021)

On **28 January 2021** ERG S.p.A. announced that, following exercise of the redemption option pursuant to Condition 6.4 (Redemption and Purchase/Redemption at the Option of the Issuer (Clean-up Call)) of the Terms and Conditions of the Notes (see Press Release dated 22 December 2020), all the remaining outstanding Notes have been redeemed, for an aggregate principal amount of Euro 25,000,000.
(see Press Release dated 28.01.2021)

Business outlook

It should be noted that the results by business segment for the year 2021 reflect a different management allocation compared to 2020 of the costs relating to the staff functions supporting all the technologies, with a greater absorption by the activities abroad in line with the strategic development goals.

Wind power
ERG is continuing with its strategy of international development in Wind and in the programme for the Repowering of its wind farms in Italy. EBITDA for the latter is expected to grow compared to 2020 as a result of higher volumes, the better price scenario and the higher incentive value. The result abroad is expected to decrease compared to 2020 due to less favourable statistical wind forecasts compared to the high forecasts of 2020 and due to the exit from the incentive system of approximately 76 MW in France, albeit partially offset by a scenario of rising market prices in Eastern Europe and the start-up at the end of the year of the first wind farms currently under construction in the United Kingdom.
The total EBITDA is expected to be higher compared with the previous year.

Solar power
In 2021, ERG will continue to benefit from some synergies deriving from the optimisation of the Energy Management portfolio, and from the in-sourcing of some activities previously carried out by third parties capitalising its own industrial competencies in the operating consolidation of the managed assets.
EBITDA for FY 2021 is forecast to be in line with 2020.

Hydroelectric power
We expect volumes to increase significantly compared to the very reduced volumes in 2020 thanks also to the high availability of water in the reservoirs accumulated at the beginning of the year; this higher volume forecast will be accompanied by the optimisation of Energy Management output on the energy markets. The result will also benefit from both the higher incentive price on at least 40% of production, and the improved price scenario.
Therefore, EBITDA is expected to increase sharply compared to the values of 2020.

Thermoelectric power
The forecast of the 2021 result will reflect above all the complete exit from the first period of High Yield Cogeneration (HYC). The shutdown of the combined cycle plant, scheduled during the year, will in fact be dedicated to investments aimed at renewing cogeneration for a second decade by resuming the production of energy efficiency certificates. Activities aimed at improving the efficiency and operational flexibility of the plant will continue, as will those of Energy Management on spot markets and dispatching services.

A decided reduction in EBITDA is expected with respect to 2020.

Total EBITDA for 2021 is forecast within a range of between EUR 480 million and EUR 500 million (EUR 481 million in 2020) thanks to greater forecast production volumes, the better price scenario and the greater unit value of the incentive in both the Hydro and Wind sectors in Italy. These effects are partly offset in Wind abroad by less favourable wind forecasts, as well as by a lower expected profitability in the Thermoelectric sector due to the complete exit from the first period of HYC. The Solar power sector confirms its stable performance over time.

With reference to price scenarios, it is noted however that a preponderant portion of RES productions and of the Clean Spark Spreads associated with thermoelectric power production have already been covered by forward sales, in line with the Group's risk hedging policy. In 2021, the level of coverage corresponds to approximately 70% of the budget total output.

The capital expenditure for 2021, expected to be within the range of 235 million Euro to 275 million Euro, will be related to the development of greenfield investments with the construction of the wind farms in the United Kingdom for approximately 250 MW, in Poland for 60 MW and in France for 25 MW, in addition to the usual capital expenditure for wind farm maintenance. Also included is capital expenditure for activities aimed at the modernisation of the plant and simultaneous renewal of the High Yield Cogeneration (HYC) qualification for the CCGT's module 1.
Net financial indebtedness at the end of 2021 is expected to be in the range between 1.35 billion Euro and 1.45 billion Euro (1.44 billion Euro in 2020), including distribution of the ordinary dividend of 0.75 Euro per share.

Additional information

Appointment of the new Board of Directors
The Ordinary Shareholders' Meeting will be called upon, *inter alia*, to pass resolution regarding the appointment of members to the Board of Directors, having previously determined their number and appointed the Chairman of the Board of Directors, on the basis of proposals formulated in accordance with applicable legislative, regulatory and statutory provisions.
The suggestions and guidelines formulated for shareholders by the Board of Directors regarding the quantitative and qualitative composition considered optimal for the management body's renewal are available to the public on the Company's website (www.erg.eu) in the section "Corporate Governance/2021 Shareholders' Meeting".

Directors' Fees
The Ordinary Shareholders' Meeting will be called upon, *inter alia*, to pass resolution with regard to the fees to be allocated to members of the Board of Directors and, following the decision taken by the Board of Directors, in continuity with the Company's governance, to appoint a Control and Risk Committee (extending its competence in matters concerning ESG, as appropriate) and a Nominations and Remuneration Committee, to the members of the aforesaid Committees for FY2021 on the basis of proposals formulated in accordance with applicable legislative, regulatory and statutory provisions.
The Board of Directors recommends that such fees should be in keeping with the professional commitment required for the office in question and associated responsibilities.
In this connection it should be noted that the Board of Directors, assisted by the Nominations and Remuneration Committee, has considered adequate the fixed annual fee paid, for FY2020, in favour of all members of the Board of Directors and in favour of the directors called upon to sit on the Nominations and Remuneration Committee and the Control and Risk Committee, assuming as reference both the companies forming part of the MID CAP and those of the FTSE-MIB, taking into account the professionalism and commitment required for the office in question.

Purchase and sale of treasury shares
The Ordinary Shareholders' Meeting will be called upon, *inter alia*, to resolve on the authorisation of the Board of Directors for the purchase of treasury shares up to a revolving limit of 30,064,000 ordinary shares, corresponding to 20% of ERG's share capital (intending thereby the maximum quantity of treasury shares from time to time held in portfolio), subject to revocation, for the period still outstanding, of the previous authorisation approved by the Shareholders' Meeting on 21 April 2020, in order to optimise the equity structure with a view to maximising value creation for shareholders, also in relation to the liquidity available and in any case for any and all other purposes permitted by current applicable legislative and regulatory provisions.

The authorisation will be valid for a period of eighteen months with effect from the date of the resolution. The purchase must be conducted through the use of distributable profits and available reserves resulting from the last approved financial statements, in compliance with Article 132 of the Consolidated Finance Act and according to the procedures laid down in Article 144-*bis*, paragraph 1, letter b), of the Issuers' Regulations, at a unitary price, including additional purchase charges, to be no more than 30% lower in minimum and no more than 10% higher in maximum with respect to the reference price recorded by the share during the stock exchange session on the day before each individual transaction.
The Company currently holds 1,450,080 treasury shares, for an amount corresponding to 0.965% of share capital.
The Ordinary Shareholders' Meeting will be also called upon to resolve on the authorisation of the Board of Directors for the sale of treasury shares, in one or more stages, for a period of eighteen months starting from the date when the related resolution is adopted, subject to revocation, for the period still outstanding, of the previous authorisation approved by the Shareholders' Meeting on 21 April 2020, in accordance with Article 2357-*ter* of the Italian Civil Code, at a unitary price no more than 10% lower in minimum with respect to the reference price recorded by the share during the stock exchange session on the day before each individual sale. This is intended to optimise financial leverage and however in all other circumstances where the possibility to dispose of the shares appears, in the opinion of the administrative body, to be in keeping with the interests of the Company and the Shareholders.

Long-term incentive plan (2021-2023 LTI System)
The Ordinary Shareholders' Meeting will be called upon to approve the Long-term Incentive Plan (2021-2023 LTI System) (the "Plan") as approved by the Board of Directors on 11 March 2021, following a proposal by the Nominations and Remuneration Committee on 3 March 2021, having consulted the Board of Statutory Auditors.
The Plan envisages the assignment, free of charge, of a certain number of ERG shares, upon completion of a three-year vesting period, subject to the achievement of a predetermined minimum level of financial performance. The Plan also envisages that, in cases where, in addition to the achievement of financial performance objectives, a predetermined market performance is also achieved by the ERG Share on the Electronic Stock Market (*MTA*), the number of shares attributable will increase up to a predetermined maximum identified with the cap price achieved by ERG's Share. The total number of shares attributable may be increased or reduced according to the level of achievement of a sustainability objective. As regards the shares, if any, attributed at the end of the Plan, 25% will be subject to a lock-up period of 8 months, which will end in 2025.
The Plan will be used as an incentive and to promote the retention of directors and/or employees of ERG and its subsidiaries, including some Managers with Strategic Responsibilities, who hold major strategic relevance for the execution of the 2021-2025 Business Plan (for the relative Plan reference period, in keeping with the three-year mandate that will be granted to the new Board of Directors by the 2021 Shareholders' Meeting) which will be fully defined and approved by the new Board of Directors and disclosed to the marked during the first six months of 2021. The Plan should therefore be considered "of particular relevance" within the mean of Article 84-*bis*, paragraph 2 of the Issuers' Regulations.
A description of the Plan purposes and characteristics is set out in greater detail in the Information Document, prepared by the Board of Directors in accordance with Article 114-*bis* of the Consolidated Finance Act and Article 84-*bis* of the Issuers' Regulations and made available to the public at the Company's offices, at Via De Marini 1, Genoa, on the Company's website (www.erg.eu) in the section "Corporate Governance/2021 Shareholders' Meeting", at the offices of Borsa Italiana S.p.A. and on the eMarket authorised storage mechanism (www.emarketstorage.com), at the time of publication of the Shareholders' Meeting notice of call.

Report on the remuneration policy and compensation paid
The Board of Directors has approved the Report on the remuneration policy and compensation paid. The Ordinary Shareholders' Meeting will be called upon, pursuant to Article 123-*ter* of the Consolidated Finance Act, to decide for or against:

- the first section of the Report, concerning the Company's policy with regard to remuneration of the management body members, the general managers, the managers with strategic responsibilities for FY2021, as well as the members of the control bodies. The related resolution will be binding.
- the second section of the Report. The related resolution will not be binding.

In reference to the estimates and forecasts contained in this section, we point out that actual results may differ even significantly from the announced results due to a multitude of factors, including: future trends in prices, the operating *performance of plants, conditions pertaining to wind, water availability and irradiation, the impact of regulations for the oil and energy industry and the environment, the impact of the COVID-19 pandemic, 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 Report on Operations. Appropriate explanatory notes illustrate the adjusted results.

Pursuant to Article 154-bis, paragraph 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 fourth quarter and FY2020 will be explained to analysts and investors today at 11a.m. (CET), during the course of 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 eMarket Storage authorised storage mechanism (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued at 7:45 a.m (CET) on 12 March 2021, 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 eMarket Storage authorised storage mechanism (www.emarketstorage.com).

The annual Financial Report, together with the reports of the Board of Statutory Auditors and of the Independent Auditors, the consolidated non-financial Statement, the Directors' Explanatory Report, the Report on remuneration policy and compensation paid, as well as the additional documents prescribed, will be made available to the public within the deadlines and according to the procedures laid down in current regulations at the Company's registered office at Via De Marini 1, Genoa, and on the Company website (www.erg.eu) in the section "Corporate Governance/2021 Shareholders' Meeting", at the offices of Borsa Italiana S.p.A. and on the eMarket Storage authorised storage mechanism (www.emarketstorage.com).

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<u>Financial statements and Alternative Performance Indicators</u>

Alternative Performance Indicators (APIs) and Adjusted results

Certain Alternative Performance Indicators (APIs) are used in this document, which differ from the financial indicators expressly set forth by the IAS/IFRS adopted by the Group.

These alternative indicators are utilised by the Group with a view to facilitating the disclosure of information on its business performance as well as its net financial debt.

Lastly we mention that, in order to facilitate an understanding of the business segments' performance, the operating results are also shown with the exclusion of significant special income components of an extraordinary nature (special items): these results are indicated with the term "**Adjusted results**".

For a definition of the indicators and reconciliation of the amounts involved, reference is made to the information provided in the specific "Alternative Performance Indicators" section.

IFRS 16

In application of IFRS 16, the Group, as lessee, has recognised a liability for leases and right-of-use assets related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory. The application of the standard as from 1 January 2019 has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as amortisation of the right-of-use asset and as financial expense correlated to the liability linked to the discounting of future lease payments.

Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially when the relative lease payments were made.

The application of IFRS 16 has therefore led to:

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 10 million;
- an increase (approximately EUR 101 million) in the net financial indebtedness and the net invested capital (approximately EUR 99 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation (EUR 6 million) and greater financial expense (EUR 4 million) linked to the application of the above-mentioned method.

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

Performance highlights

4th Quarter				Year	
2020	2019	*(EUR million)*		2020	2019
		Key economic data			
253	260	Revenues Adjusted (1)		974	1,022
119	**124**	**EBITDA adjusted (1)**		**481**	**504**
45	**48**	**EBIT adjusted (1)**		**183**	**205**
41	25	Net Profit		110	33
41	25	of which profit attributable to owners of the parent		108	32
27	**29**	**Adjusted Net profit attributable to owners of the parent (1)**		**106**	**104**
		Key financial data			
3,209	**3,264**	**Net adjusted invested capital (2)**		**3,209**	**3,264**
1,770	1,787	Shareholders' Equity Adjusted		1,770	1,787
1,439	1,476	Total net financial indebtedness (2)		1,439	1,476
417	812	of which non-recourse Project Financing (3)		417	812
45%	45%	Financial leverage adjusted		45%	45%
47%	**48%**	**EBITDA Margin %**		**49%**	**49%**
		Operating data			
1,967	**1,929**	**Installed capacity of wind farms at the end of the period**	*MW*	**1,967**	**1,929**
1,029	1,155	Electric power generation from wind farms	*KWh million*	3,911	4,000
480	**480**	**Installed capacity of thermoelectric plants**	*MW*	**480**	**480**
617	563	Electric power generation from thermoelectric plants	*KWh million*	2,441	2,504
527	**527**	**Installed capacity of hydroelectric plants at the end of the period**	*MW*	**527**	**527**
319	361	Electric power generation from hydroelectric plants	*KWh million*	1,097	1,229
141	**141**	**Installed capacity of solar plants at the end of the period**	*MW*	**141**	**141**
32	32	Electric power generation from solar plants	*KWh million*	228	226
3,864	**3,930**	**Total sales of electric power**	*KWh million*	**14,897**	**15,121**
46	31	Capital expenditure (4)	*EUR million*	156	432
784	**754**	**Employees at period end**	*Units*	**784**	**754**
		Net unit revenues (5)			
115	115	Wind Italy	*Euro/MWh*	119	118
93	92	Wind Germany	*Euro/MWh*	96	96
89	90	Wind France	*Euro/MWh*	89	89
84	78	Wind Poland	*Euro/MWh*	78	73
79	90	Wind Bulgaria	*Euro/MWh*	66	79
65	63	Wind Romania	*Euro/MWh*	56	67
n.a.	n.a.	Wind UK	*Euro/MWh*	n.a.	n.a.
318	302	Solar	*Euro/MWh*	315	314
103	94	Hydroelectric	*Euro/MWh*	109	102
39	40	Thermoelectric	*Euro/MWh*	35	40

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

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

(2) Adjusted net financial indebtedness and the adjusted net invested capital are presented net of the effects deriving from the application of IFRS 16 therefore excluding the recognition of assets and the discounting of future lease payments of approximately EUR 101 million from net financial indebtedness and approximately EUR 99 million from net invested capital.

(3) Including cash and cash equivalents and excluding the fair value of the derivatives hedging interest rates.

(4) In property, plant and equipment and intangible assets. They also include M&A investments of EUR 44 million made in 2020 for the acquisition of wind farms in France (EUR 42 million) and a project for the construction of a wind farm in Poland (EUR 2 million). In 2019, investments through Merger & Acquisition transactions amounted to 364 million euro for the acquisition of two photovoltaic plants from Soles Montalto Gmbh with a total installed capacity of 51.4 MW (220 million euro), for the acquisitions of companies owners of wind farms in Germany (84 million), in France (52 million), a pipeline in Germany (2 million) and a project for the construction of a wind farm in the United Kingdom (6 million).

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

Performance by sector

4th Quarter 2020	4th Quarter 2019	Δ	(EUR million)	Year 2020	Year 2019	Δ
			Adjusted revenues			
106	119	*(13)*	Wind power	402	421	*(19)*
10	10	*1*	Solar	73	72	*1*
32	34	*(2)*	Hydroelectric power	118	124	*(6)*
105	97	*7*	Thermoelectric power (1)	381	405	*(24)*
10	10	*(0)*	Corporate	36	37	*(1)*
(10)	*(10)*	*0*	*Intra-segment revenues*	*(36)*	*(37)*	*1*
253	**260**	***(7)***	**Total adjusted revenues**	**974**	**1,022**	***(48)***
			Adjusted EBITDA			
74	87	*(12)*	Wind power	282	301	*(18)*
8	7	*1*	Solar	66	63	*3*
23	23	*0*	Hydroelectric power	81	87	*(6)*
16	11	*5*	Thermoelectric power (1)	67	69	*(3)*
(3)	(4)	*0*	Corporate	(15)	(16)	*1*
119	**124**	***(5)***	**Adjusted EBITDA**	**481**	**504**	***(23)***
			Amortisation, depreciation and write-downs			
(40)	(42)	*3*	Wind power	(165)	(169)	*4*
(11)	(11)	*(1)*	Solar	(42)	(41)	*(1)*
(14)	(14)	*0*	Hydroelectric power	(57)	(57)	*0*
(8)	(7)	*(0)*	Thermoelectric power	(30)	(28)	*(2)*
(1)	(1)	*(0)*	Corporate	(4)	(3)	*(1)*
(74)	**(76)**	***2***	**Amortisation and depreciation adjusted**	**(298)**	**(299)**	***1***
			Adjusted EBIT			
35	44	*(9)*	Wind power	118	132	*(14)*
(3)	(4)	*1*	Solar	23	22	*2*
9	9	*0*	Hydroelectric power	24	30	*(6)*
9	3	*5*	Thermoelectric power (1)	37	41	*(4)*
(5)	(5)	*0*	Corporate	(19)	(19)	*1*
45	**48**	***(3)***	**Adjusted EBIT**	**183**	**205**	***(22)***
			Investments (2)			
37	16	*20*	Wind power	127	189	*(62)*
1	1	*0*	Solar	2	221	*(218)*
2	3	*(1)*	Hydroelectric power	6	6	*1*
6	10	*(4)*	Thermoelectric power	18	15	*3*
1	1	*0*	Corporate	2	2	*0*
46	**31**	***15***	**Total investments**	**156**	**432**	***(276)***

It is noted that the comparative data on adjusted revenues for 2019 have been restated (Wind EUR 421 million compared to EUR 414 million previously reported; Solar EUR 72 million compared to EUR 71 million previously reported; Hydroelectric EUR 124 million compared to EUR 119 million previously reported; and Thermoelectric EUR 405 million compared to EUR 418 million previously reported) with reference to a different allocation of hedges on the businesses.

(1) Includes the residual contribution from minor portfolios managed by Energy Management not attributable to individual business units. With regard to revenues, the share for the resale of electricity purchased from the market was approximately EUR 50 million (EUR 52 million in 2019).

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

Adjusted Income Statement

To enhance understandability of the Group's performance, the operating results are shown in this section excluding impacts relating to the adoption of IFRS 9 and of special items, and with the reclassification for IFRS 16.
It should be recalled that this section reflects the impacts of the consolidation, from 1 January 2020, of the companies acquired during the first quarter 2020.
For the definition of indicators, the composition of the financial statements and the reconciliation of the amounts involved, reference is made to that indicated in the Alternative Performance Indicators section below.

4th Quarter 2020	4th Quarter 2019	(EUR million) Adjusted Income Statement	Year 2020	Year 2019
253.1	259.7	Revenue	973.7	1,021.6
9.8	6.3	Other revenue	21.9	14.5
262.9	**265.9**	**TOTAL REVENUE**	**995.6**	**1,036.1**
(80.1)	(73.1)	Costs for purchase and changes in inventory	(282.2)	(290.8)
(47.0)	(51.6)	Costs for services and other operating costs	(167.5)	(176.6)
(17.3)	(17.5)	Personnel Expense	(64.9)	(65.0)
118.6	**123.7**	**EBITDA**	**480.8**	**503.7**
(73.7)	(75.9)	Amortisation, depreciation and write-downs of fixed assets	(297.5)	(298.8)
44.8	**47.8**	**EBIT**	**183.3**	**204.9**
(9.1)	(13.4)	Net financial income (expenses)	(47.1)	(61.2)
0.0	0.0	Net income (loss) from equity investments	0.2	0.1
35.7	**34.5**	**Profit before taxes**	**136.5**	**143.8**
(9.1)	(5.7)	Income taxes	(29.0)	(38.9)
26.7	**28.8**	**Profit for the period**	**107.4**	**104.9**
0.4	0.3	Minority interests	(1.7)	(1.2)
27.1	**29.1**	**Group's net profit (loss)**	**105.8**	**103.6**

Adjusted Statement of Financial Position

The reclassified statement of financial position contains the assets and liabilities of the mandatory financial statements, used in the preparation of the annual financial report, highlighting the **uses** of resources in non-current assets and in working capital and the related funding **sources**.
For the definition of the indicators for the main items used in the Reclassified Statement of Financial Position, reference is made to that indicated in the "Alternative Performance Indicators" section below.
The adjusted values at 31 December 2020 do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 101 million with a balancing entry in net invested capital amounting to approximately EUR 99 million.

Adjusted Statement of Financial Position	12/31/2020	12/31/2019
(EUR million)		
Non current assets	3,261.6	3,422.2
Net working capital	152.2	146.8
Provisions for employee benefits	(5.4)	(5.4)
Other assets	212.7	189.4
Other liabilities	(412.0)	(489.5)
Net invested capital	**3,209.0**	**3,263.5**
Group Shareholders' Equity	1,760.1	1,775.6
Non-controlling interests	9.7	11.5
Net financial indebtedness	1,439.2	1,476.4
Equity and financial debt	**3,209.0**	**3,263.5**

Cash Flow

4th Quarter			Year	
2020	2019	*(EUR million)*	2020	2019
118.6	123.7	Adjusted EBITDA	480.8	503.7
(19.0)	9.8	Change in net working capital	(40.8)	49.2
99.6	**133.5**	**Cash Flow from operations**	**440.0**	**552.9**
(45.9)	(30.6)	Investments in property, plant and equipment and intangible assets	(111.5)	(67.9)
-	-	Company acquisitions (business combinations)	(44.3)	(364.0)
(0.2)	-	Capital expenditure in financial non-current assets	(0.3)	-
(0.7)	1.2	Divestments and other changes	(0.4)	2.1
(46.8)	**(29.4)**	**Cash Flow from investments/divestments**	**(156.4)**	**(429.8)**
(9.1)	(13.4)	Financial income (expense)	(47.1)	(61.2)
(12.9)	-	Closure fair value of loans	(23.9)	(43.5)
0.0	0.0	Net gains (losses) on equity investment	0.2	0.1
(22.0)	**(13.4)**	**Cash Flow from financial management**	**(70.8)**	**(104.6)**
(11.7)	**(15.5)**	**Cash Flow from tax management**	**(25.4)**	**(41.0)**
(1.3)	(0.0)	Distribution of dividends	(115.2)	(112.4)
(35.7)	17.4	Other changes in equity	(35.1)	1.2
(37.0)	**17.4**	**Cash Flow from Shareholders'equity**	**(150.2)**	**(111.1)**
-	**0.2**	**Change in the consolidation scope**	**-**	**0.2**
1,421.3	**1,569.1**	**Opening net financial indebtedness**	**1,476.4**	**1,343.0**
17.9	*(92.8)*	*Change in the period*	*(37.2)*	*133.4*
1,439.2	**1,476.4**	**Closing net financial indebtedness**	**1,439.2**	**1,476.4**

Cash Flows from operations in **2020** are positive by EUR 440 million, down by EUR 113 million compared to the corresponding period of 2019, mainly due to the changes in working capital.

Cash Flows from investments in **2020** are tied to the M&A activity and in particular to the acquisition of operational wind farms in France (EUR 42 million) and a project for the construction of a wind farm in Poland (EUR 2 million), and to the investments in the year (EUR 111 million).

Cash Flows from financing activities refer to the interest accrued in the year and to the financial charges as part of the Voluntary Prepayment programme. Cash flows for 2019 also included the effect of the closure of the fair value of the project financing of ERG Wind Investment Ltd.

Cash flows from Equity refer to the changes in the hedging reserve tied to derivative financial instruments, to the translation reserve and to the dividends distributed.

The **adjusted net financial indebtedness** totalled **EUR 1,439 million**, down (EUR 37 million) compared to 31 December 2019 (EUR 1,476 million). The change mainly reflects the investments in the year (EUR 156 million), the distribution of dividends (EUR 115 million) and the payment of taxes (EUR 25 million[6]), more than offset by the positive cash flows (EUR 392 million[7]).

ALTERNATIVE PERFORMANCE INDICATORS

[6] Includes payment of substitute tax in relation to the capital gains exemption related to the Andromeda (Solar) Business Combination in 2019.
[7] Includes the adjusted EBITDA, the change in working capital and net financial income (expenses).

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Special items** include significant special income components of an extraordinary nature. These include:
  - income and expenses connected to events whose occurrence is non-recurring, i.e. those transactions or events that do not frequently re-occur over the normal course of business;

- income and expenses related to events that are not typical of normal business activities, such as restructuring and environmental costs;
- capital gains and losses linked to the disposal of assets;
- significant impairment losses recognised on assets following impairment tests;
- income and the associated reversals recognised in application of IFRS 9, in relation to the restructuring of loans in place.

COVID-19 emergency
In 2020, the only item related to the COVID-19 emergency, isolated as a special item, relates to the EUR 2 million donation made by the Group (EUR 1 million already distributed).

Reconciliation with adjusted operating results

4th Quarter 2020	4th Quarter 2019	EBITDA (Euro million)	Year 2020	Year 2019
101.8	**123.9**	**EBITDA**	**468.4**	**495.9**
		Special items exclusion		
		Corporate		
0.7	*0.9*	*- Reversal of ancillary charges on non-recurring operations* (1)	*2.5*	*9.3*
(0.3)	*(0.3)*	*- IFRS 16 reclassification* (2)	*(1.1)*	*(0.9)*
-	-	*- Reversal of COVID-19 donation* (3)	*2.0*	-
-	*1.2*	*- Reversal of HR and corporate reorganisation costs* (4)	-	*7.2*
1.1	*(8.2)*	*- Reversal for release of provision for disposed businesses* (5)	*1.1*	*(8.2)*
		Thermoelectric		
(0.3)	*(0.3)*	*- IFRS 16 reclassification* (2)	*(1.2)*	*(1.0)*
		Hydroelectric		
(0.0)	*(0.0)*	*- IFRS 16 reclassification* (2)	*(0.2)*	*(0.2)*
15.8	-	*- Reversal of allocation to provision for Local Entities* (6)	*15.8*	-
		Solar		
(0.0)	*(0.1)*	*- IFRS 16 reclassification* (2)	*(0.4)*	*(0.4)*
0.2	-	*- Reversal of allocation to provision for Local Entities* (6)	*0.2*	-
		Wind		
(1.5)	*(1.9)*	*- IFRS 16 reclassification* (2)	*(7.4)*	*(6.5)*
1.1	-	*- Reversal of allocation to provision for Local Entities* (6)	*1.1*	-
-	*8.5*	*- Reversal of allocations to tax-related provisions* (5)	-	*8.5*
118.6	**123.7**	**Adjusted EBITDA**	**480.8**	**503.7**

4th Quarter 2020	4th Quarter 2019	Amortisation, depreciation and impairment losses (Euro million)	Year 2020	Year 2019
(84.3)	**(78.0)**	**Amortisation and depreciation and impairment losses**	**(313.3)**	**(306.0)**
		Special items exclusion		
1.3	*1.7*	*- IFRS 16 reclassification* (2)	*6.5*	*6.7*
9.3	-	*- Reversal write-down of plants in Germany* (7)	*9.3*	-
-	*0.5*	*- Reversal of amortisation and depreciation on disposed Businesses* (5)	-	*0.5*
(73.7)	**(75.9)**	**Adjusted depreciation and amortisation**	**(297.5)**	**(298.8)**

4th Quarter 2020	4th Quarter 2019	Profit attributable to owners of the parent (Euro million)	Year 2020	Year 2019
40.9	**25.1**	**Profit attributable to owners of the parent**	**107.9**	**31.6**
		Special items exclusion		
0.1	*0.3*	*IFRS 16 reclassification* (2)	*0.0*	*1.0*
0.2	-	*Exclusion of the impact of the COVID-19 donation* (3)	*1.8*	-
-	*0.9*	*Exclusion of impact of HR and corporate reorganisation costs* (4)	-	*5.4*
16.9	-	*Exclusion of ancillary charges on loan prepayments* (8)	*30.4*	*52.9*
0.6	*0.9*	*Exclusion of ancillary charges on non-recurring transactions* (1)	*2.4*	*8.7*
-	-	*Exclusion of IRAP 2019 balance - Decreto Rilancio* (9)	*(0.6)*	-
(53.9)	-	*Exclusion of deferred taxes on goodwill exemption Solar and alignment Hydro plants* (10)	*(57.0)*	-
1.2	*(5.1)*	*Exclusion of expenses related to disposed Businesses* (5)	*1.0*	*(5.1)*
13.8	-	*Exclusion of expenses related to allocations to Local Entities provisions* (6)	*13.8*	-
-	*6.4*	*Exclusion of expenses related to tax-related provisions* (5)	-	*6.4*
6.6	-	*Exclusion of write-down of plants in Germany* (7)	*6.6*	-
0.7	*0.5*	*Exclusion impact gains/losses on IFRS 9* (11)	*(0.5)*	*2.7*
27.1	**29.1**	**Adjusted profit attributable to the owners of the parent**	**105.8**	**103.6**

1. Ancillary charges pertaining to other non-recurring transactions and to the acquisitions that took place in 2020 in relation to operational wind farms in France.

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

3. Donation. Reference is made to the information provided in the specific COVID-19 emergency section.

4. Expenses related to corporate reorganisation of the Group, in particular to the simplification and rationalisation of the organisational-corporate structure of the Group in Italy and abroad.

5. Allocations related to the reappraisal of the tax-related risks on the wind business and partial release on the Provision for Businesses disposed of by the Group.

6. Allocations to provisions for institutional risks against charges related to fees to be paid to Local Entities for public concessions equal to EUR 17 million.

7. Write-down of some wind farms in Germany following the Impairment Test procedure.

8. Financial expenses correlated to the early closure of Corporate and project financing loans as part of Liability Management activities concurrently with the placement of the Green Bonds in 2019 and 2020.

9. Reversal of the IRAP benefit deriving from the "Decreto Rilancio", which introduced the cancellation of the payment of the IRAP balance for the 2019 tax period.

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

11. 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 net gains of approximately EUR 1 million being accounted for in 2020. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted income statement financial expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.

Below is the reconciliation between the Financial Statements and the *adjusted* statements.

Income Statement 2020

(EUR million)	Financial Statements	*Reclassification of IFRS 16 impact*	*Adjustment for impact of IFRS 9*	*Reversal of special items*	Adjusted income statement
Revenue	973.7	-	-	-	973.7
Other income	21.9	-	-	-	21.9
Total revenue	**995.6**	**-**	**-**	**-**	**995.6**
Purchases and change in inventories	(282.2)	-	-	-	(282.2)
Services and other operating costs	(180.0)	*(10.2)*	-	*22.7*	(167.5)
Personnel expense	(64.9)	-	-	-	(64.9)
EBITDA	**468.4**	***(10.2)***	**-**	***22.7***	**480.8**
Amortisation, depreciation and impairment of non-current assets	(313.3)	*6.5*	-	*9.3*	(297.5)
Operating loss (EBIT)	**155.1**	***(3.8)***	**-**	***32.0***	**183.3**
Net financial income (expense)	(89.2)	*3.8*	*(0.7)*	*39.0*	(47.1)
Net gains (losses) on equity investments	0.3	-	-	*(0.1)*	0.2
Profit (loss) before taxes	**66.3**	***0.0***	***(0.7)***	***70.9***	**136.5**
Income taxes	43.3	-	*0.2*	*(72.5)*	(29.0)
Profit (loss) from continuing operations	**109.5**	***0.0***	***(0.5)***	***(1.6)***	**107.4**
Net profit (loss) from discontinued operations	-	-	-	-	-
Net profit (loss) for the year	**109.5**	***0.0***	***(0.5)***	***(1.6)***	**107.4**
Non-controlling interests	(1.7)	-	-	-	(1.7)
Profit (loss) attributable to the owners of the parent	**107.9**	***0.0***	***(0.5)***	***(1.6)***	**105.8**

Income Statement 2019

(EUR million)	Financial Statements	*Reclassification of IFRS 16 impact*	*Adjustment for impact of IFRS 9*	*Reversal of special items*	Adjusted income statement
Revenue	1,021.6	-	-	-	1,021.6
Other income	22.8	-	-	*(8.2)*	14.5
Total revenue	**1,044.4**	**-**	**-**	***(8.2)***	**1,036.1**
Purchases	(290.8)	-	-	-	(290.8)
Services and other operating costs	(190.5)	*(9.0)*	-	*22.9*	(176.6)
Personnel expense	(67.1)	-	-	*2.1*	(65.0)
EBITDA	**495.9**	***(9.0)***	**-**	***16.8***	**503.7**
Amortisation, depreciation and impairment of non-current assets	(306.0)	*6.7*	-	*0.5*	(298.8)
Operating profit (EBIT)	**189.9**	***(2.3)***	**-**	***17.2***	**204.9**
Net financial income (expense)	(137.1)	*3.7*	*3.5*	*68.7*	(61.2)
Net gains (losses) on equity investments	(0.5)	-	-	*0.7*	0.1
Profit before taxes	**52.3**	***1.4***	***3.5***	***86.6***	**143.8**
Income taxes	(19.5)	*(0.4)*	*(0.8)*	*(18.2)*	(38.9)
Profit from continuing operations	**32.8**	***1.0***	***2.7***	***68.4***	**104.9**
Net profit (loss) from discontinued operations	-	-	-	-	-
Net profit for the year	**32.8**	***1.0***	***2.7***	***68.4***	**104.9**
Non-controlling interests	(1.2)	-	-	-	(1.2)
Profit attributable to the owners of the parent	**31.6**	***1.0***	***2.7***	***68.4***	**103.6**

Reclassified statement of financial position at 31 December 2020

(EUR million)	Reported Statement of financial position	*Adjustment for impact of IFRS 16*	Adjusted Statement of financial position
Intangible assets	1,049.9	-	1,049.9
Property, plant and equipment	2,259.4	*(99.9)*	2,159.5
Equity investments and other financial non-current assets	52.3	-	52.3
Non-current assets	**3,361.5**	***(99.9)***	**3,261.6**
Inventories	49.4	-	49.4
Trade receivables	178.5	-	178.5
Trade payables	(74.2)	-	(74.2)
Excise duties payable to tax authorities	(1.5)	-	(1.5)
Net operating working capital	**152.2**	**-**	**152.2**
Employee benefits	(5.4)	-	(5.4)
Other assets	211.4	*1.2*	212.7
Other liabilities	(412.0)	-	(412.0)
Net invested capital	**3,307.7**	***(98.7)***	**3,209.0**
Equity attributable to the owners of the parent	1,758.1	*2.0*	1,760.1
Non-controlling interests	9.7	-	9.7
Non-current financial indebtedness	2,106.4	*(94.2)*	2,012.1
Current net financial indebtedness	(566.4)	*(6.5)*	(572.9)
Equity and financial indebtedness	**3,307.7**	***(98.7)***	**3,209.0**

Reclassified statement of financial position at 31 December 2019

(EUR million)	Reported Statement of financial position	*Adjustment for impact of IFRS 16*	Adjusted Statement of financial position
Intangible assets	1,110.7	-	1,110.7
Property, plant and equipment	2,336.3	*(78.5)*	2,257.9
Equity investments and other financial non-current assets	53.6	-	53.6
Non-current assets	**3,500.6**	***(78.5)***	**3,422.2**
Inventories	43.5	-	43.5
Trade receivables	193.5	-	193.5
Trade payables	(87.8)	-	(87.8)
Excise duties payable to tax authorities	(2.3)	-	(2.3)
Net operating working capital	**146.8**	**-**	**146.8**
Employee benefits	(5.4)	-	(5.4)
Other assets	187.5	*1.9*	189.4
Other liabilities	(489.5)	-	(489.5)
Net invested capital	**3,340.1**	***(76.5)***	**3,263.5**
Equity attributable to the owners of the parent	1,774.6	*1.0*	1,775.6
Non-controlling interests	11.5	-	11.5
Non-current financial indebtedness	2,100.9	*(70.1)*	2,030.8
Current net financial indebtedness	(547.0)	*(7.4)*	(554.4)
Equity and financial indebtedness	**3,340.1**	***(76.5)***	**3,263.5**

Management Report as at 31 december 2020

We are #SDGsContributors

ERG
EVOLVING ENERGIES

The Document is an annex supporting the press release of 12 March 2021 in order to better detail and comment on the ERG Group's results for the year 2020.
The comments provided are an extract from the Management Report which, together with the Notes to the Financial Statements, will be published within the time limits established by current regulations.

Disclosure pursuant to Articles 70 and 71 of the Issuers' Regulation
The Parent 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, share capital increases by contributions in kind, acquisitions and sales.

Operating segments
Operating results are presented and commented on with reference to the various generation 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 application of effective hedges of the generation margin. The above mentioned hedges include, inter alia, the use of instruments by Energy Management to hedge the price risk. In order to give a clearer representation of the businesses in terms of technology, the wind, hydroelectric and solar power results include the hedges entered into in relation to renewable sources ("RES") and the thermoelectric power 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 IAS/IFRS adopted by the Group.
These alternative indicators are used by the Group in order to facilitate the communication of information on its business performance as well as its net financial indebtedness.
*Finally, in order to facilitate an understanding of the business segments' performance, the operating results are also shown with the exclusion of significant special income components of an extraordinary nature (special items): these results are indicated with the term "**Adjusted results**".*
*The results corresponding to the values indicated in the Notes to the Consolidated Financial Statements and which include significant special income statement components of an extraordinary nature (special items) are also defined as "**Reported results**".*
A definition of the indicators and the reconciliation of the amounts involved is provided in the specific "Alternative Performance Indicators" section and the comments in the following IFRS 16 paragraph.

IFRS 16
In application of IFRS 16, the Group, as lessee, has recognised a liability for leases and right-of-use assets related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory.
The application of the standard as from 1 January 2019 has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as amortisation of the right-of-use asset and as financial expense correlated to the liability linked to the discounting of future lease payments.
Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially when the relative lease payments were made.
The application of IFRS 16 has therefore led to:

- *an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 10 million;*
- *an increase (approximately EUR 101 million) in the net financial indebtedness and the net invested capital (approximately EUR 99 million) in relation to the application of the equity method indicated by the standard;*
- *greater depreciation and amortisation (EUR 6 million) and greater financial expense (EUR 4 million) linked to the application of the above-mentioned method.*

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

Corporate bodies

BOARD OF DIRECTORS[8]

CHAIRMAN
Edoardo Garrone (executive)

DEPUTY CHAIRMAN
Alessandro Garrone (executive[9])
Giovanni Mondini (non-executive)

CHIEF EXECUTIVE OFFICER
Luca Bettonte

DIRECTORS
Massimo Belcredi (independent[10])
Mara Anna Rita Caverni (independent[11])
Barbara Cominelli (independent[11])
Marco Costaguta (non-executive)
Paolo Francesco Lanzoni (non-executive[12])
Silvia Merlo (independent[11])
Elisabetta Oliveri (independent[11])
Mario Paterlini (independent[11])

BOARD OF STATUTORY AUDITORS[12]

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.[13]

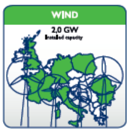
[8] Board of Directors appointed on 23 April 2018.
[9] Director in charge of the Internal Control and Risk Management System.
[10] With reference to the provisions of Article 148, paragraph 3, of the Italian Consolidated Finance Act.
[11] With reference to the provisions of Article 148, paragraph 3, of the Italian Consolidated Finance Act and the matters contained in the current Corporate Governance Code recommended by Borsa Italiana S.p.A.
[12] Board of Statutory Auditors appointed on 17 April 2019
[13] 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.

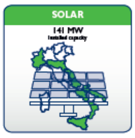
Management of the industrial and commercial processes of the ERG Group is entrusted to the subsidiary ERG Power Generation S.p.A., which carries out:
- centralised Energy Management activities for all the generation technologies in which the ERG Group operates;
- the *Operation and Maintenance* activities of its Italian wind farms and solar plants and part of the plants in France and Germany, as well as the Priolo CCGT plant and the Terni Hydroelectric Complex[14]. It provides technical and administrative services in France for both group companies and third parties through its foreign subsidiaries.

ERG Power Generation S.p.A., with generating facilities comprising over 3,000 MW of installed capacity, operates also, directly or through its subsidiaries, in the following Electric Power generation sectors:



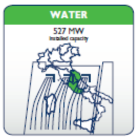
Wind

ERG is active in the generation of electricity from wind sources, with 1,967 MW of installed power at 31 December 2020. 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 (874 MW operational), mainly in France (397 MW), Germany (272 MW), Poland (82 MW), Romania (70 MW) and Bulgaria (54 MW).



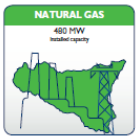
Solar

ERG is active in the generation of electricity from solar sources, with an installed capacity of 141 MW with 33 photovoltaic plants located in 9 regions in 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 power plants, 7 dams, 3 reservoirs and one pumping station, located in the Umbria, Marche and Lazio regions, linked by a network of rivers and canals of over 150 km with a capacity of 527 MW.

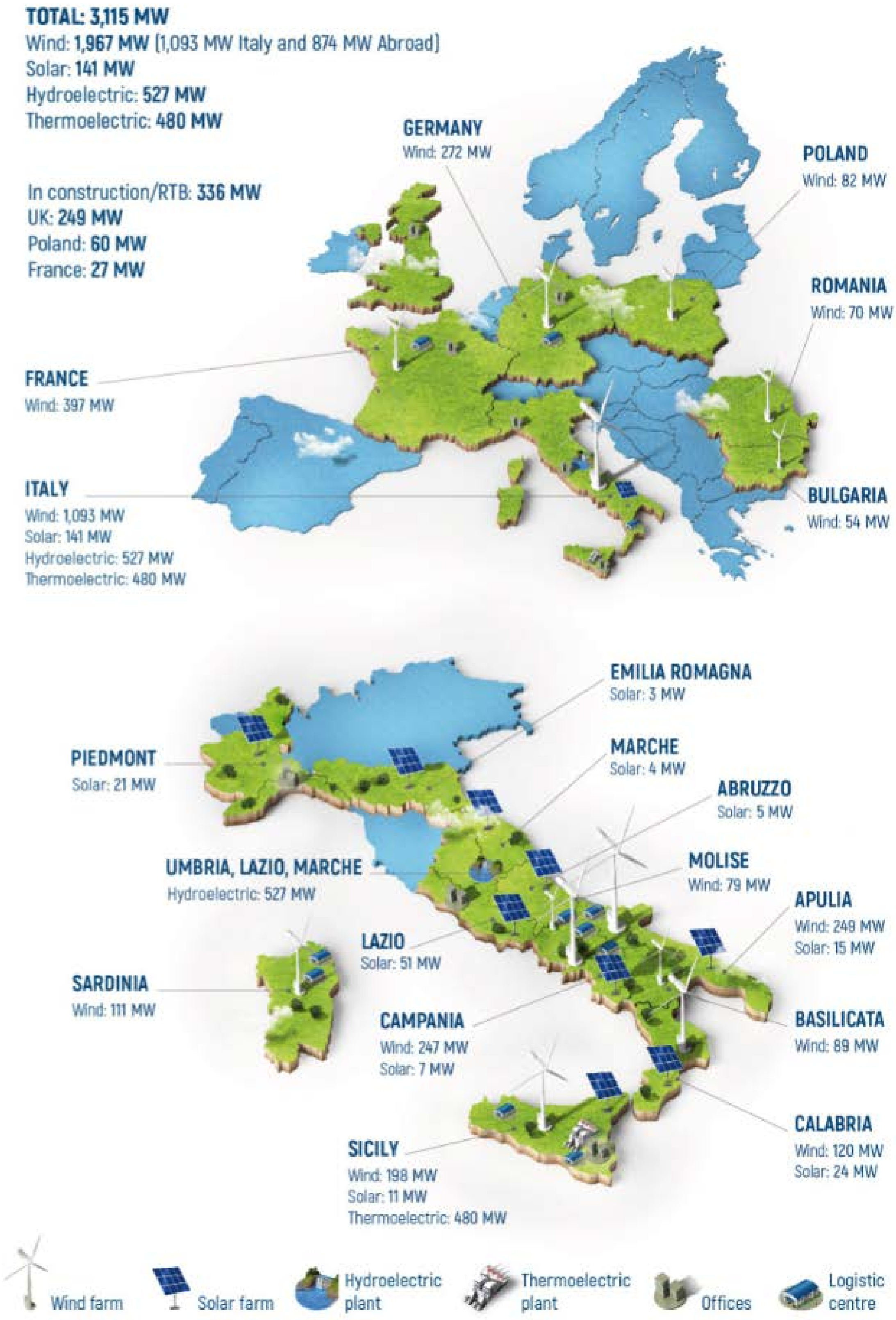


Thermoelectric

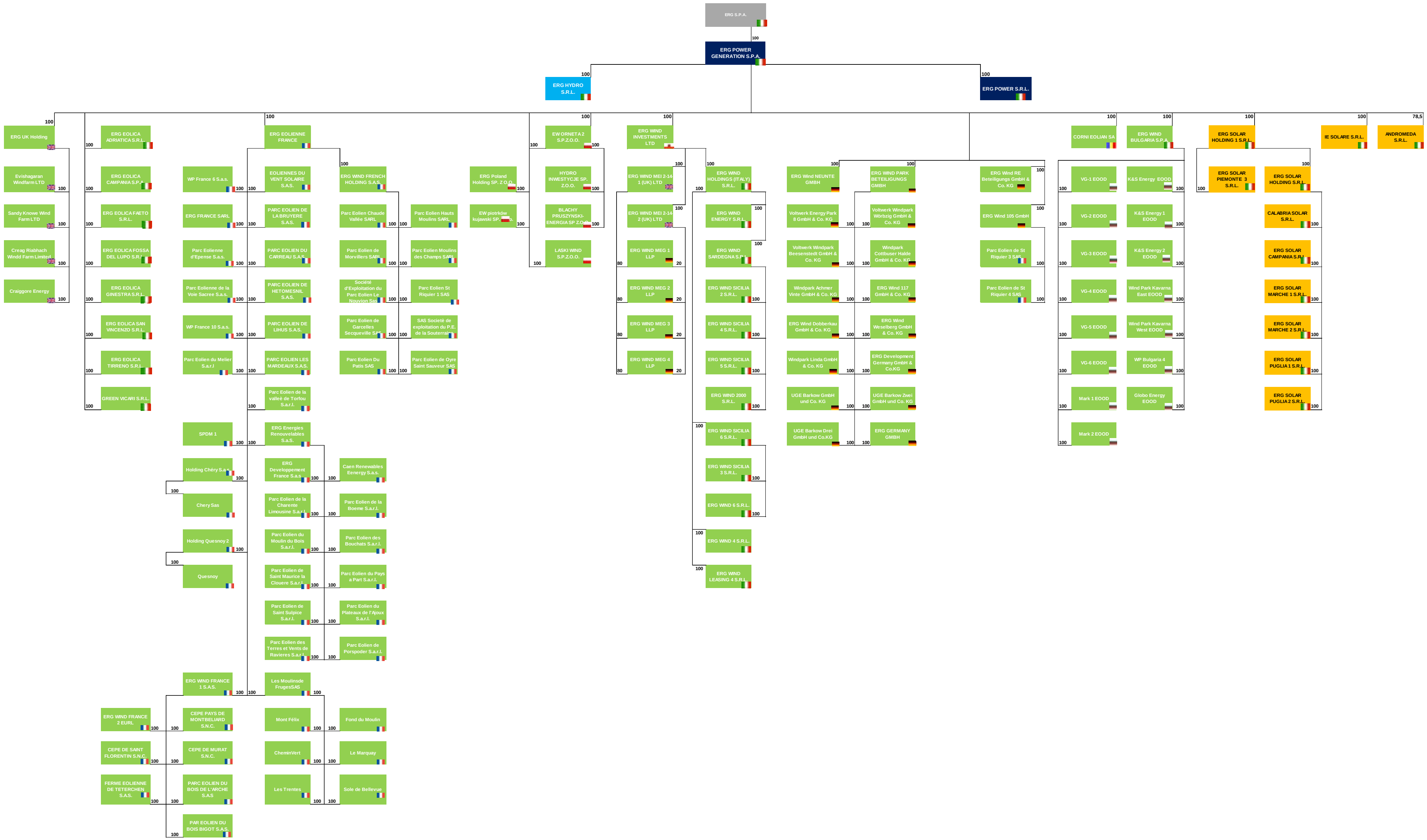
ERG is active in the generation of electricity from thermoelectric sources through the CCGT "Centrale Nord" plant (480 MW) at the industrial site in Priolo Gargallo, Syracuse, Sicily. This is a high-efficiency, low environmental impact cogenerative power plant (HEC), which uses combined cycle technology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

[14] Maintenance of the Terni Hydroelectric Complex is managed by staff from the subsidiary ERG Hydro.

Geographical segments at 31 December 2020



Consolidation scope on a line-by-line basis at 31 December 2020



Organisational model

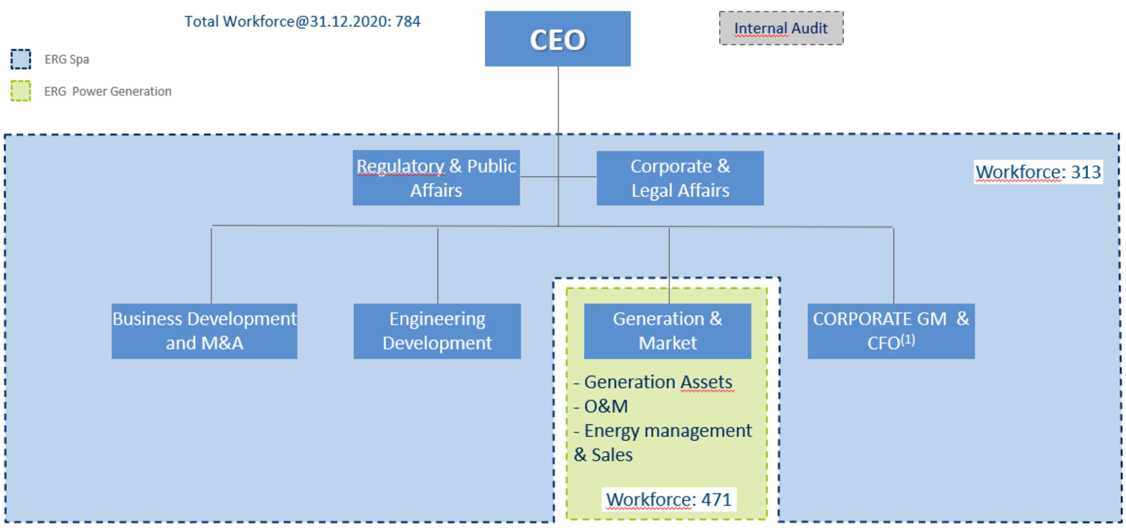
The Group's organisational structure features a strong focus on process logic and the implementation of strategic business leverages, and provides for the definition of two macro-roles:

- 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. Following the organisational changes that took place in 2020, the company has been organised into the following areas:
    - Business Development and Mergers & Acquisitions
    - Engineering Development
    - Corporate General Manager & CFO
    - Regulatory & Public Affairs
    - Corporate & Legal Affairs

  It should be stressed that Corporate General Manager & CFO includes the areas of Group Administration, Finance, Planning Control & Reporting, Group Risk Management & Corporate Finance, Investor Relations & CSR, Procurement, Human Capital & ICT and Communication with the goal of placing under a single General Management 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 & Sales, as a single entry point to organised markets and the main clients/counterparties;
    - a centre of process engineering technological excellence for the different generation technologies;
    - a structure dedicated to managing health, safety and environmental protection issues for the entire Group.

ONE COMPANY: A LEAN ORGANIZATION
TO SPEED UP DECISION MAKING PROCESS



(1) It includes Group Administration, Finance, Planning Control & Reporting, Investor Relations & CSR, Group Risk Management & Corporate Finance, Procurement, Communication and Human Capital & ICT

Strategy

ERG has radically changed its business portfolio, anticipating long-term energy scenarios, reaching a position of leadership in the renewable energy sector, in the Italian as well as in the European market.
After the completion of ERG's industrial transformation, started in 2008, the Company became a primary independent producer of electricity from renewable sources in Europe. The Group has reached an installed capacity of over 3,000 MW with an asset portfolio that is diversified both technologically and geographically. ERG is the leading wind power operator in Italy and among the main ones in Europe and it has chosen to adopt a business model oriented to sustainable development and to decarbonisation targets, consistent with the transition process of the energy system that is ongoing throughout the world.
In recent years, there has been a radical and profound change in Europe in the industry of electricity generation from renewable sources: while on the one hand Governments have been increasingly pushing decarbonisation in favour of renewable sources, on the other hand there has been a radical change in the competitive scenario through the progressive introduction of auctions for the award of new renewable capacity and the consequent abandonment of direct incentivising systems.
Within this changed competitive environment, ERG's strategy is to continue to grow in renewable energies, now leveraging its industrial know-how, its territorial presence, the quality of its assets, operating efficiency and the flexibility of the integrated Energy Management portfolio.
This strategy is based on capacity and production growth through three channels:

1. **Greenfield and co-development:** ERG intends to continue with its growth strategy through the organic development of its own pipeline of projects or agreements for co-development in France, Germany and the United Kingdom.
2. **Repowering and Reblading in Italy**: in view of the technological evolution of the wind power sector, ERG has the goal of carrying out repowering and reblading on wind farms that have obsolete technology, with turbines of less than 1 MW, expired or expiring incentives, but that are at the same time located in the windiest sites.
3. **M&A:** ERG intends to continue to have an opportunistic approach in order to exploit growth opportunities in renewable sources in the countries of interest to it, leveraging the experience acquired along its transformation path and the synergies deriving from consolidation with its own portfolio.

During 2020, ERG continued the growth path outlined in the Business Plan, with 38 MW of additional installed capacity in wind power in France (acquisition of Trinity), progress in greenfield development abroad with 336 MW under construction or "Ready to Build" in the UK, France and Poland, in addition to reaching a co-development agreement for 600 MW in early-stage photovoltaics in Germany and repowering in Italy, with progress in the authorisation procedures for our projects.

Change in business scope in 2020

- **Wind - France**

  On **24 February 2020** ERG, through its subsidiary ERG Eolienne France SAS, acquired from the Luxembourg company LongWing Energy France SA 100% of the capital of five French companies owning three wind farms located in the French regions of Hauts de France, Centre - Vallée de la Loire and Nouvelle Aquitaine.
  The wind farms, with total installed capacity of 38 MW, became operational between 2010 and 2012 and have a total annual output, based on the historical average, of approximately 70 GWh corresponding to over 1,840 hour equivalents and equal to approximately 37 kt of CO_2 emissions avoided per year. The wind farms benefit for 15 years from the initial date of operations from a total feed-in tariff that, for 2019, averaged approximately 91 EUR/MWh.
  The Enterprise Value of the acquisition is approximately EUR 40 million. The expected annual average EBITDA is approximately EUR 4.5 million. The French Ministry of Economy and Finance approved the transaction. This Report reflects the impacts of the consolidation of the companies acquired as from 1 January 2020, which contributed EUR 6 million to EBITDA.

- **Wind – Poland**

  - On **5 March 2020** ERG, through its subsidiary ERG Power Generation S.p.A. and together with Cameonio Limited, a Polish holding company based in Cyprus, finalised the acquisition of 100% of the capital of **Laszki Wind Sp. Z.o.o.,** a company that holds the permits for the construction of a 36-MW wind farm in the South-Eastern part of Poland, following the successful outcome of participation in the auction on 5 December 2019. In the latest auction the project was awarded a Feed-In Tariff of PLN 205 for a period of 15 years. Its annual output when fully operational is forecast at around 90 GWh, equal to approximately 77 kt of avoided CO_2 emissions. Entry into operation is expected by the first semester of 2022. The total capital expenditure required to build the wind farm, including the price for the purchase of construction permits, is approximately EUR 48 million.

  - On **23 October 2020** ERG, through its subsidiary ERG Poland Holding, completed the acquisition from the Vortex Energy group, a developer with a ten-years experience in the Polish market, of 100% of the share capital of **EW piotrków kujawski SP. z.o.o.**, a company that holds the permits for the construction of a 24.5 MW wind farm in the northern central part of Poland. In addition to the purchase of construction permits, the agreement also provides for a contract for the supply of services relating to the construction of civil and electrical works.
    The project, which was awarded a rate of PLN 222 per MWh (approximately EUR 50.5) for a duration of 15 years in the last auction in December 2019, is located in a particularly windy area. Its annual output when fully operational is expected to be around 76 GWh, equal to 3,100 hours equivalent and approximately 65 kt of avoided CO_2 emissions. Entry into operation is expected by the first semester of 2022.
    The total capital expenditure required to build the wind farm, including the price for the purchase of construction permits, is approximately EUR 36 million.

  The above-mentioned transactions will enable ERG to increase its presence in the Polish on-shore wind market, bringing the installed capacity in the country to 142 MW.

ERG's stock market performance

On 30 December 2020, the reference price of ERG's shares was EUR 23.40, up (+21.7%) compared with the price at the end of 2019, after distribution of a dividend of EUR 0.75 per share on 20 May 2020, due to a decline in the same period in the FTSE All Share (-5.6%) and FTSE Mid Cap (-5.8%) stock market indices, and an increase in the Euro Stoxx Utilities Index (+9.5%).

During the reporting period, the listed price of ERG's shares ranged between a minimum of EUR 13.17 (23 March 2020) and a maximum of EUR 23.72 (30 December 2020).

Figures relating to the prices and exchange volumes of ERG's shares at 30 December 2020 are set out below:

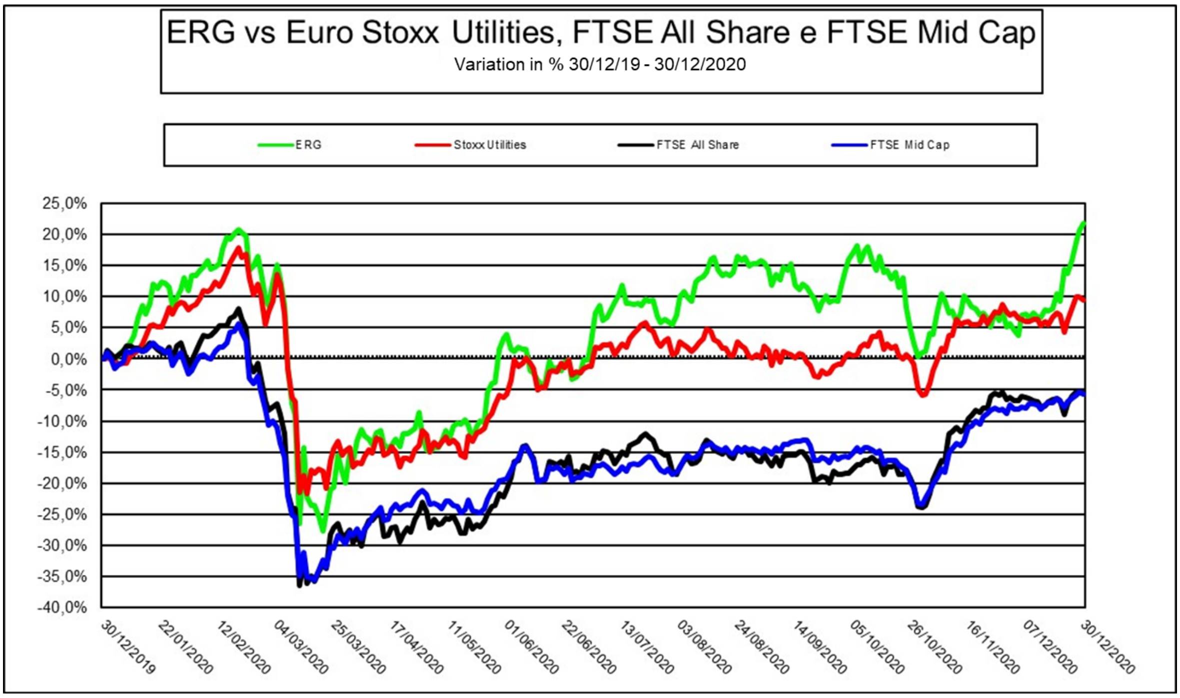
Share price	EUR
Reference price at 30.12.20	23.40
Maximum price (30.12.20) (1)	23.72
Minimum price (23.03.20) (1)	13.17
Average price	20.05

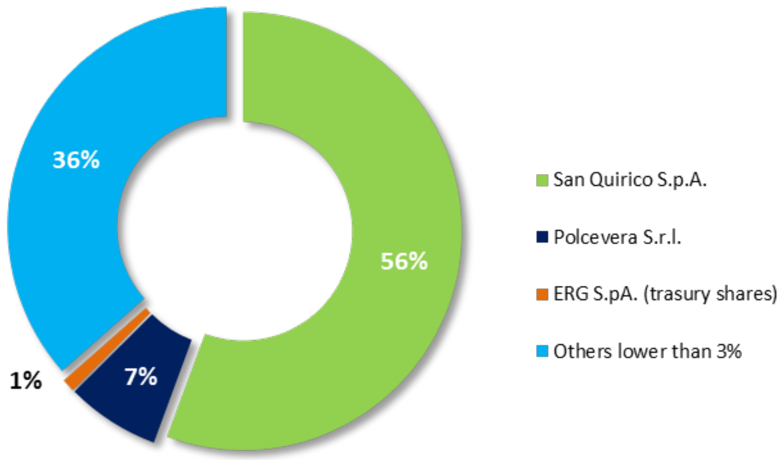
(1) lowest and highest price reached during the day's trading; hence they do not match the official reference prices on the same date.

Volumes traded	No. of shares
Maximum volume (18.09.20)	1,761,526
Minimum volume (19.10.20)	43,252
Average volume	255,536

Market capitalisation was approximately EUR 3,517 million at 31 December 2020 (EUR 2,889 million at the end of 2019).

The average number of shares outstanding in the period was 148,869,920.





Significant events during the year

Wind Power Sector

Date	Country	Significant event	Press release
24 February 2020	France	**Acquisition of 100% of the capital of five** French companies owning three wind farms, with total installed power of 38 MW.	Press release of 24/02/2020
5 March 2020	Poland	**Acquisition of 100% of the share capital of Laszki Wind Sp. Z.o.o.,** a Polish company that holds the permits for the construction of a wind farm with 36 MW of power, which won the auction of 5 December 2019.	Press release of 05/03/2020
30 June 2020	Italy	ERG Eolica Fossa del Lupo S.r.l., a subsidiary of ERG Power Generation S.p.A., completed the Amend & Extend of its non-recourse project facilities agreement for a residual amount of EUR 103 million. The transaction improved the conditions of the loan and extended its duration by three years. In addition, the Amend & Extend has allowed the loan to be classified as a "Green loan" and "Sustainability Linked Loan" in accordance with the Green Loan Principles and the Sustainability Linked Loan Principles, further confirming ERG's strong commitment to sustainable development.	Press release of 30/06/2020
22 September 2020	Italy	ERG, through its subsidiary ERG Power Generation S.p.A., signed a framework agreement with Vestas, the world leading company in the design, construction and maintenance of wind turbines, to supply wind-power generators with a potential capacity of 790 MW, of which more than 500 MW are earmarked for repowering projects in Italy and the remainder for greenfield projects in France and the United Kingdom.	Press release of 22/09/2020
23 October 2020	Poland	**Acquisition of 100% of the share capital of EW piotrków kujawski Sp. Z.o.o.,** a Polish company that holds the permits for the construction of a wind farm with 24.5 MW of capacity, which won the auction of 5 December 2019.	Press release of 23/10/2020
26 October 2020	France	ERG wins auction for two wind farms for a total of 27 MW in France. The two wind farms will have a fully-operational estimated output of around 66 GWh per year, equal to around 36 kt of CO_2 emissions avoided and equivalent to the needs of around 22,500 households. Construction works are expected to begin by the first quarter of 2021 and they should be operational by the fourth quarter of 2021 for Vallée de l'Aa 2 and the second quarter of 2022 for Champagne I, respectively, for a total capital expenditure of EUR 33 million.	Press release of 26/10/2020
4 November 2020	UK	Through its subsidiaries Sandy Knowe Wind Farm Limited and Creag Riabhach Wind Farm Limited, ERG has obtained the authorisation to increase the capacity of the Sandy Knowe and Creag Riabhach wind farms, currently being constructed in Scotland, from 48 MW to 90 MW and from 79 MW to 92 MW respectively. The total capital expenditure for the construction of the two wind farms is approximately EUR 214 million.	Press release of 04/11/2020

Solar Sector

Date	Country	Significant event	Press release

3 December 2020	**Germany**	ERG, through its subsidiary ERG Development Germany GmbH & Co. KG., and AREAM Advisory GmbH, a Germany-based company of the aream Group that develops sustainable energy infrastructures, signed a co-development agreement, which provides for a portfolio of early-stage photovoltaic projects for approximately 600 MW in Eastern Germany.	**Press release of 03/12/2020**

Corporate

Date	Significant event	Press release
22 January 2020	ERG S.p.A.'s **rating** was upgraded to **"AA"**, from the "A" assigned to it in 2018, by **MSCI ESG Research Ltd. ("MSCI")**, one of the foremost research companies on enterprise performance calculated on the basis of environmental, social and governance (ESG) factors.	**Press release of 22/01/2020**
9 March 2020	On 9 March 2020, with reference to the **COVID-19** emergency in Italy and around the world, and to the resulting restrictions on staff mobility, ERG proactively extended the remote work option to every working day of the week. This option was gradually made available to all employees in the Group's offices where the remote work option has shown to be compatible with the effective performance of the duties assigned (around 70% of the corporate workforce), ensuring that the greatest attention is given to guaranteeing business continuity and the safety of its production sites. This way of working is currently confirmed until 31 March 2021, subject to extension, with different procedures established across the various locations.	
21 April 2020	**The** ERG S.p.A. **Shareholders' Meeting** approved the Financial Statements for the year 2019, resolving to pay EUR 0.75 per share and approved the amendment of the Articles of Association for the purposes of introducing the mechanism for increasing voting rights. As part of his response, the Chief Executive Officer provided detailed information on the measures and initiatives undertaken by the Group to tackle the COVID-19 emergency. For the first time, the Shareholders' Meeting was held exclusively by means of telecommunication systems and was attended by shareholders representing 79.4% of the share capital.	**Press release of 21/04/2020**
14 May 2020	Fitch Ratings agency ("Fitch") 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 of 14/05/2020**
6 July 2020	Vigeo Eiris, one of the main international ESG rating agencies (Environmental, Social, Governance), confirmed the Advanced rating for ERG S.p.A., the highest in its rating scale, recognising the company's strong commitment to ESG and the value of its social responsibility policy.	**Press release of 06/07/2020**
4 September 2020	ERG S.p.A. completed the placement of a second Green Bond of EUR 500,000,000 with a maturity of 7 years at a fixed rate, issued in the context of the EUR 2 billion Euro Medium Term Notes (EMTN) Programme. The issue was very successful, being 6 times oversubscribed.	**Press release of 04/09/2020**
1 October 2020	Vigeo Eiris, one of the leading international ESG (Environmental, Social, Governance) rating agencies, has awarded ERG the highest rating (88/100) and the first position in the ranking of the best companies for reporting the impact of Climate Change on business.	**Press release of 01/10/2020**
1 December 2020	Renato Sturani joins the ERG Group in the role of Chief Operating Officer, and Chief Executive Officer of ERG Power Generation S.p.A., reporting directly to the CEO and replacing Pietro Tittoni, who leaves the Company having become eligible for retirement.	**Press release of 01/12/2020**
9 December 2020	ERG obtains the rating "A-" (previously B) in the Climate Change programme promoted by Carbon Disclosure Project (CDP), the international non-profit organisation that, by monitoring company performance in the fight against climate change, guides companies and governments towards the reduction of greenhouse gas emissions.	**Press release of 09/12/2020**

	ERG thus climbs the CDP ranking positioning itself in the "Leadership" bracket, which includes all the companies that adopt best practices in the fight against Climate Change.	
15 December 2020	ERG S.p.A. announces the issue and placement of a new bond loan for an amount equal to EUR 100,000,000 ("Tap Issue"). The Tap Issue took the form of a Green Bond pursuant to ERG S.p.A.'s Green Bond Framework, made available to the public on 2 September 2020 and assessed by Vigeo Eiris, as independent advisor, which issued the Second Party Opinion on the compliance of ERG's Green Bond Framework with Green Bond Princples.	**Press release of 15/12/2020**
21 December 2020	Following the announcement of the Bond repurchase agreement of 15 December 2020, ERG S.p.A. repurchased Bonds for a total nominal amount of EUR 75,000,000, placed at 19th July 2017.	**Press release of 21/12/2020**

COVID-19 emergency

At the end of January 2020, following the global spread of the health emergency, the World Health Organization declared the COVID-19 epidemic a Public Health Emergency of International Concern, going on to declare it a pandemic on 11 March 2020.

Specific decrees were issued in Italy by the Presidency of the Council of Ministers declaring the state of emergency currently extended until 30 April 2021 and implementing specific measures, initially in the Lombardy Region and northern Italy and subsequently throughout the country.
Other European countries in which the ERG Group operates, including the UK, France and Germany, have followed the same path taken by Italy — albeit with different timings and procedures — gradually suspending all activities other than services deemed essential and public utility services, which includes the supply of electricity.

ERG took action promptly at the first signs of emergency, putting in place all the necessary measures to ensure both the health of its employees and the operational continuity of its assets in safe conditions.
The main measure used by the organisation, and indeed recommended by the competent Authorities, has been remote working, which it introduced ahead of legal provisions, and extended to all working days and all the Group's offices across Italy and abroad, involving over 70% of the corporate workforce, corresponding to all "white collar" staff, and excluding only personnel dedicated to the maintenance of plants in order to safeguard operational and management continuity and ensure the safety of company assets.
The remote working option is now confirmed for all employees for all working days of the week until 31 March 2021.

ERG has managed very carefully the staff employed across its production sites through the adoption of appropriate organisational safety measures (aimed at ensuring social distancing and the reconfiguration of operational and logistical activities) and prevention and protection measures (training and information, personal protective equipment, personal hygiene measures and cleaning/sanitisation of workplaces), in compliance with recommendations by the competent authorities, and in agreement with trade union organisations.

As proof of the effectiveness of the measures adopted, it is pointed out that during the whole period of the health emergency there were no interruptions to business activities at any production site, either in Italy or abroad, nor were there any cases of transmission in the workplace.

No staff reductions have been planned or carried out during this period. Moreover, the company has not had to make use of so-called 'social shock absorbers' nor has it had to implement the forced reduction of working hours. Instead the Group welcomed 50 new hires in 2020 and introduced a COVID-19 health insurance policy for all employees, initially valid until the end of 2020 and then extended to the whole of 2021. Engagement and partnership activities with the areas in which ERG is present have continued and specific financial resources have been allocated by group companies and employees themselves to meet the most urgent needs of healthcare facilities.

In brief, ERG's response to the COVID-19 crisis reflects closely its own business model, which has always been oriented towards the creation and sharing of sustainable value for shareholders, employees and the community in general.

In this context, it is noted that in May 2020, Fitch Ratings agency ("Fitch") 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-, and that in September and December the placements, respectively, of the second Green Bond (EUR 500 million) and the Tap Issue (EUR 100 million) were successfully completed.

As regards guidance for the full financial year 2021, reference is made to the section "Business outlook".

Performance highlights

(EUR million)		Reported (2) Year 2020	Reported (2) Year 2019	Adjusted (1) Year 2020	Adjusted (1) Year 2019
Key economic data					
Revenue		974	1,022	974	1,022
Gross operating profit (EBITDA)		**468**	**496**	**481**	**504**
Operating profit (EBIT)		**155**	**190**	**183**	**205**
Profit		110	33	107	105
of which profit attributable to owners of the parent		108	32	106	104
Key financial data					
Net invested capital (3)		**3,308**	**3,340**	**3,209**	**3,264**
Equity		1,768	1,786	1,770	1,787
Total net financial indebtedness (3)		1,540	1,554	1,439	1,476
of which non recourse Project Financing (4)		417	812	417	812
Financial leverage		47%	47%	45%	45%
EBITDA Margin %		**48%**	**49%**	**49%**	**49%**
Operating data					
Installed capacity of wind farms at the end of the period	*MW*			**1,967**	**1,929**
Electricity output from wind farms	*KWh million*			3,911	4,000
Installed capacity of thermoelectric plants	*MW*			**480**	**480**
Electricity output from thermoelectric plants	*KWh million*			2,441	2,504
Installed capacity of hydroelectric plants at the end of the year	*MW*			**527**	**527**
Electricity output from hydroelectric plants	*KWh million*			1,097	1,229
Installed capacity of solar plants at the end of the year	*MW*			**141**	**141**
Electricity output from solar plants	*KWh million*			228	226
Total sales of electric power	*KWh million*			**14,897**	**15,121**
Capital expenditure (5)	*EUR million*			156	432
Employees at the end of the year	*Units*			**784**	**754**
Net unit revenue (6)					
Wind Italy	*EUR/MWh*			119	118
Wind Germany	*EUR/MWh*			96	96
Wind France	*EUR/MWh*			89	89
Wind Poland	*EUR/MWh*			78	73
Wind Bulgaria	*EUR/MWh*			66	79
Wind Romania	*EUR/MWh*			56	67
Wind UK	*EUR/MWh*			n.a.	n.a.
Solar	*EUR/MWh*			315	314
Hydroelectric	*EUR/MWh*			109	102
Thermoelectric	*EUR/MWh*			35	40

The table also shows adjusted results, to enhance the understanding of the business segments' performance, therefore excluding special items.

(1) Adjusted economic indicators do not include special items and related theoretical taxes.
(2) Reported economic indicators are calculated on the basis of the Financial Statements and include special items and related theoretical taxes.
(3) Adjusted net financial indebtedness and the adjusted net invested capital are presented net of the effects deriving from the application of IFRS 16.
(4) Including cash and cash equivalents and excluding the fair value of the derivatives hedging interest rates.
(5) In property, plant and equipment and intangible assets. They also include M&A investments of EUR 44 million made in 2020.
(6) Net unit revenue is expressed in EUR/MWh and is calculated by dividing the technology output by the revenue achieved on energy markets, inclusive of the impact of hedges, of any incentives due and the relative variable costs associated with generation/sale including, for example, the cost of fuel and imbalance costs.

Performance by sector

(EUR million)	Year 2020	2019	Δ
Adjusted revenue			
Wind	402	421	*(19)*
Solar	73	72	*1*
Hydroelectric	118	124	*(6)*
Thermoelectric [(1)]	381	405	*(24)*
Corporate	36	37	*(1)*
Intra-segment revenue	*(36)*	*(37)*	*1*
Total adjusted revenue	**974**	**1,022**	***(48)***
Adjusted EBITDA			
Wind	282	301	*(18)*
Solar	66	63	*3*
Hydroelectric	81	87	*(6)*
Thermoelectric [(1)]	67	69	*(3)*
Corporate	(15)	(16)	*1*
Adjusted EBITDA	**481**	**504**	***(23)***
Amortisation, depreciation and impairment losses			
Wind	(165)	(169)	*4*
Solar	(42)	(41)	*(1)*
Hydroelectric	(57)	(57)	*0*
Thermoelectric	(30)	(28)	*(2)*
Corporate	(4)	(3)	*(1)*
Adjusted depreciation and amortisation	**(298)**	**(299)**	***1***
Adjusted EBIT			
Wind	118	132	*(14)*
Solar	23	22	*2*
Hydroelectric	24	30	*(6)*
Thermoelectric [(1)]	37	41	*(4)*
Corporate	(19)	(19)	*1*
Adjusted EBIT	**183**	**205**	***(22)***
Capital expenditure [(2)]			
Wind	127	189	*(62)*
Solar	2	221	*(218)*
Hydroelectric	6	6	*1*
Thermoelectric	18	15	*3*
Corporate	2	2	*0*
Total capital expenditure	**156**	**432**	***(276)***

It is noted that the comparative data on adjusted revenues for 2019 have been restated (Wind EUR 421 million compared to EUR 414 million previously reported; Solar EUR 72 million compared to EUR 71 million previously reported; Hydroelectric EUR 124 million compared to EUR 119 million previously reported; and Thermoelectric EUR 405 million compared to EUR 418 million previously reported) with reference to a different allocation of hedges on the businesses.

(3) Includes the residual contribution from minor portfolios managed by Energy Management not attributable to individual business units. With regard to revenues, the share for the resale of electricity purchased from the market was approximately EUR 50 million (EUR 52 million in 2019).

(4) Includes investments in property, plant and equipment and intangible assets and M&A investments

Comments on the performance for the year

In 2020 ***Adjusted revenue*** amounted to EUR 974 million, down by EUR 48 million compared with 2019 (EUR 1,022 million) mainly due to lower wind and hydroelectric production in Italy, due to decidedly unfavourable wind and water conditions, significantly lower energy prices than in 2019 and also the lower production of energy efficiency certificates of the CCGT plant, which came to the end of the first decade of high cogeneration. These effects were only partly offset by the increase in wind power generation abroad, which was also affected by the expansion of the portfolio of managed assets, as well as by the increase resulting from the higher unit value of the incentive in Italy (from 92.1 to 99.0 EUR/MWh).

Adjusted EBITDA, net of special items, amounted to EUR 481 million, down by EUR 23 million compared with EUR 504 million recorded in 2019. The change is a result of the following factors:

- **Wind (EUR -18 million):** EBITDA of EUR 282 million, down compared with 2019 (EUR 301 million) due to the poorer results in Italy, equal to EUR 165 million and down from EUR 191 million in 2019, affected by the lower wind speeds compared to the particularly high values in 2019 (1,902 GWh in 2020 compared to 2,161 GWh in 2019), the deterioration in market prices and some wind farms reaching the end of their incentive period. These effects were partially offset by the higher value of the incentive as well as by the positive effects of the hedging actions. Results abroad, on the other hand, are growing both in economic terms (EUR +7 million) and in volume terms (+170 GWh), thanks to the contribution of 38 MW of new wind farms in a context of high wind speeds in France during the period. It is noted that wind power generation abroad (2,009 GWh) was higher than in Italy (1,902 GWh) during the year.

  Solar (EUR +3 million): EBITDA, equal to EUR 66 million, was slightly higher than in 2019 (EUR 63 million), with slightly higher volumes (228 GWh in 2020 compared to 226 GWh in 2019) and a better mix of FIT incentive prices offset by lower market prices compared with the same period of the previous year.

- **Hydroelectric (EUR -6 million):** EBITDA of EUR 81 million (EUR 87 million in 2019), down compared with the same period of the previous year. The result derives from lower outputs than in 2019 (1,097 GWh in 2020 compared to 1,229 GWh in 2019), due to the continuing low availability of resources in central Italy, which for the second consecutive year was significantly below the average ten-year historical levels, and the worsened scenario in the energy markets only partly offset by hedging policies and the higher incentive value. The significant rainfall at the end of the year led to significant increases in the reservoirs.

- **Thermoelectric (EUR -3 million):** thermoelectric EBITDA, amounting to EUR 67 million, is lower than EUR 69 million in 2019 mainly as a result of the expected lower production of energy efficiency certificates for approximately EUR 7 million, due to the end of the incentivised period of module 1 of the CCGT plant and a sharp decline in generation margins compared to the same period of 2019, in a market environment that deteriorated sharply following the COVID-19 health emergency, with subsequent lower volumes of electricity produced (2,441 GWh in 2020 compared with 2,504 GWh in 2019). The greater contribution from dispatching services (MSD), the positive effect of hedging and some insurance reimbursements and adjustments relating to site contracts contributed to the result. It should be noted that the EBITDA benefited significantly from the price scenario hedging policies both with reference to output and the clean spark spreads in line with Group risk policies.

Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 10 million, as well as the special items for the year equal to approximately EUR -23 million, mainly due to allocations to risk provisions for charges pertaining to previous years.

Adjusted EBIT was EUR 183 million (EUR 205 million in 2019) after amortisation and depreciation of EUR 298 million, essentially in line with 2019 (EUR 299 million).

EBIT was EUR 155 million (EUR 190 million in 2019) after amortisation and depreciation and write-down of EUR 313 million (EUR 306 million in 2019).

Adjusted profit attributable to the owners of the parent was EUR 106 million, after approximately EUR 2 million attributable to minority interests, slightly higher than in 2019 (EUR 104 million), in view of the lower financial expenses and taxes that more than offset the above-mentioned lower operating results. Net financial expense was markedly lower than in 2019 due to the reduction in the cost of gross debt thanks to the significant liability management transactions initiated in 2019 and continued in 2020, including the issue of a second Green Bond in 2020 at more advantageous market conditions. Moreover, the effective tax rate was lower than in 2019 as a result of the recovery of deductible charges relating to prior years and the tax relief tied to economic growth (ACE).

Profit attributable the owners of the parent was EUR 108 million compared to EUR 32 million in 2019 and reflects, in 2020, the positive effects related to the release of deferred taxation as a result of the revaluation of hydroelectric plants (EUR 54 million). Profit attributable to the owners of the parent includes also the extraordinary charges related to Liability Management operations of EUR 39 million (EUR 69 million in 2019).

In 2020, **capital expenditure** totalled **EUR 156 million** (EUR 432 million in 2019), and relate partly to the acquisition of 38-MW operational wind farms in France (for EUR 42 million), and a project for the construction of a 36-MW wind farm in Poland (EUR 2 million). During the year, **EUR 111 million in investments in property, plant and equipment and intangible assets** were also made, of which 74% in the Wind sector (66% in 2019), mainly related to the start of construction of the wind farms in the UK, Poland and France, 17% in the Thermoelectric sector (22% in 2019), following the start of capital expenditure for obtaining the qualification of high cogeneration plant for module 1 of the CCGT for an additional ten years, 6% in the Hydroelectric sector (8% in 2019), 2% in the Solar sector (1% in 2019) and 2% in the Corporate sector (3% in 2019), mostly for ICT and minor maintenance and development projects.

The **adjusted net financial indebtedness** totalled **EUR 1,439 million**, down (EUR 37 million) compared to 31 December 2019 (EUR 1,476 million). The change mainly reflects the investments in the year (EUR 156 million), the distribution of dividends (EUR 115 million) and the payment of taxes (EUR 25 million[15]), more than offset by the positive cash flows (EUR 392 million[16]).
Adjusted financial indebtedness is presented net of the effects deriving from the application of IFRS 16, therefore excluding the discounting of future lease payments of approximately EUR 101 million at 31 December 2020.

[15] Includes payment of substitute tax in relation to the exemption on capital gains related to the Andromeda (Solar) Business Combination in 2019
[16] Includes the adjusted EBITDA, the change in working capital and net financial income (expenses)

Profit for the year – Business

Reference market

Price scenario

Price scenario (EUR/MWh)	Year 2020	2019
Italy		
National single price - Electricity reference price in Italy (baseload) [1]	38.9	52.3
Electricity price - North area	37.8	51.2
Electricity price - Central-North area	38.7	52.2
Electricity price - Central-South area	39.7	52.3
Electricity price - South area	39.0	50.9
Electricity price - Sardinia	39.0	51.8
Electricity price - Sicily	46.2	62.8
Zonal price - Central-North (peak)	45.3	59.4
Feed-In Premium (FIP) (former Green Certificates) - Italy	99.1	92.1
Abroad		
France (baseload electricity)	32.2	39.5
Germany (baseload electricity)	30.7	37.9
Poland	*77.8*	84.2
of which (baseload electricity)	*46.8*	*53.5*
of which Certificates of Origin	31.0	*30.7*
Bulgaria (baseload electricity)	39.3	47.5
Romania (baseload electricity + 1 Green Certificate)	*68.8*	79.7
of which baseload electricity	*39.4*	*50.3*
of which Green Certificate	29.4	*29.4*
Northern Ireland (baseload electricity)	37.6	*50.3*
Great Britain (baseload electricity)	39.6	*49.2*

(1) Single National Price

Italian Market - Demand and output

Italian market (GWh) [1]	Year 2020	2019
Demand	302,751	319,622
Pumping consumption	2,557	2,469
Import/Export	32,200	38,141
Internal generation [2]	273,108	283,950
of which		
Thermoelectric	175,376	187,317
Hydroelectric	47,990	47,590
Geothermal	5,646	5,689
Wind	18,547	20,034
Photovoltaic	25,549	23,320

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

In 2020, demand for electricity from the Italian electricity system amounted to 303 TWh, down by 5.3% from

2019 levels. With regard to Sicily, a region in which ERG is present with its CCGT plant and with wind farms and photovoltaic installations, demand of approximately 18.7 TWh was recorded during the year, down (-2.6%) compared to 2019, 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 42.5 TWh (-3.3%).

In the same period, (net) domestic electricity output was 273.1 TWh, down by 3.8% compared with 2019, whilst the net balance of trades with other countries recorded net imports of 32.2 TWh (-16% compared to 2019). 64% of (net) domestic output was covered by thermoelectric power plants and the remaining 36% by renewable sources; specifically, 18% of output was from hydroelectric power, 9% from photovoltaic plants, 7% from wind farms and 2% from geothermal sources. Compared to 2019, there was a decrease in wind (-7%), thermoelectric (-6%) and geothermal (-1%) outputs, while photovoltaic output increased (+10%) along with hydroelectric output (+1%).

Group sales

The ERG Group's electric power sales, made in Italy through ERG Power Generation S.p.A.'s Energy Management, 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 **2020**, total sales of electricity came to 14.9 TWh (15.1 TWh in 2019), in the presence of an overall value of production for the Group plants of around 7.7 TWh (8.0 TWh in 2019), of which roughly 2.0 TWh abroad and 5.7 TWh in Italy. The latter figure corresponds to approximately 1.9% of electricity demand in Italy (1.9% in 2019).

The breakdown of sale volumes and electricity output, by type of source, is shown in the following table[17]:

Sources of electric power (GWh)		
	Year	
	2020	**2019**
Wind - wind power generation Italy	1,902	2,161
Wind - wind power generation Abroad	2,009	1,839
Solar - photovoltaic power generation	228	226
CCGT - thermoelectric power generation	2,441	2,504
Hydroelectric - hydroelectric power generation	1,097	1,229
ERG Power Generation - purchases	7,219	7,161
Total	**14,897**	**15,120**

Sales of electric power (GWh)		
	Year	
	2020	**2019**
Electricity sold to captive customers	441	527
Electricity sold wholesale (Italy)	12,447	12,754
Electricity sold abroad	2,009	1,839
Total	**14,897**	**15,121**

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.

[17] 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.

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 geographical 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.

	Year			
Installed power (MW)	**2020**	**2019**	Δ	Δ%
- Italy	**1,093**	**1,093**	**0**	**0%**
of which				
Campania	*247*	*247*	*0*	*0%*
Calabria	*120*	*120*	*0*	*0%*
Puglia	*249*	*249*	*0*	*0%*
Molise	*79*	*79*	*0*	*0%*
Basilicata	*89*	*89*	*0*	*0%*
Sicily	*198*	*198*	*0*	*0%*
Sardinia	*111*	*111*	*0*	*0%*
- Abroad	**874**	**836**	**38**	**5%**
of which				
Germany	*272*	*272*	*0*	*0%*
France	*397*	*359*	*38*	*11%*
Poland	*82*	*82*	*0*	*0%*
Bulgaria	*54*	*54*	*0*	*0%*
Romania	*70*	*70*	*0*	*0%*
Total installed capacity at the end of the year [1]	**1,967**	**1,929**	**38**	**2%**

[1] power of plants in operation at year end.

Installed capacity at 31 December 2020, amounting to 1,967 MW, refers for 1,093 MW to Italian wind farms (of which 750 MW incentivised) and for 874 MW to foreign wind farms. The increase from 31 December 2019 is due to the acquisition of three wind farms in France for 38 MW.

Highlights of adjusted performance items

	Year	
Operating results	**2020**	**2019**
(EUR million)		
Adjusted revenue	**402**	**421**
Adjusted EBITDA [1]	**282**	**301**
Amortisation, depreciation and impairment losses [1]	(165)	(169)
Adjusted EBIT [1]	**118**	**132**
Investments in property, plant and equipment and intangible assets	127	189
EBITDA margin % [2]	**70%**	**71%**
Total wind farm generation (GWh)	3,911	4,000

It is noted that the 2019 comparative data on adjusted revenue have been restated (EUR 421 million compared to EUR 414 million previously reported) with reference to a different allocation of hedges on the businesses.

(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** recorded **in 2020** decreased mainly as a result of the lower output in Italy and much lower energy prices than in 2019, partly offset by the increase in output abroad and the contribution provided by the higher MW in operation, in addition to the increase resulting from the higher unit value of the incentive in Italy (from 92.1 to 99.0 EUR/MWh). In particular, compared to **2019**, no longer incentivised Wind power production in Italy amounts to 93 GWh, with consequent lower revenue of approximately EUR 9 million.

Net unit revenue in Italy in 2020, taking into consideration the sale price of electricity, including the value of incentives (former green certificates) and the effects net of hedges, as well as other minor components, was equal to 119 EUR/MWh for ERG, up slightly compared to 118 EUR/MWh in 2019, mainly as a result of the already discussed higher unit value of incentives, which compensates for the lower unit revenue achieved on the energy markets as well as the positive contribution of hedges.

Finally, starting 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:

	Year			
Adjusted revenue	**2020**	**2019**	Δ	Δ%
(EUR million)				
Italy	**227**	**256**	**(29)**	**-11%**
Abroad	**175**	**165**	**10**	**6%**
of which				
Germany	*45*	*46*	*(1)*	*-2%*
France	*85*	*71*	*14*	*20%*
Poland	*19*	*19*	*0*	*2%*
Bulgaria	*12*	*13*	*(1)*	*-7%*
Romania	*13*	*15*	*(2)*	*-15%*
UK	-	-	-	*n.a.*
Total	**402**	**421**	**(19)**	**-4%**

	Year			
Net unit revenue	**2020**	**2019**	Δ	Δ%
EUR/MWh				
Wind Italy	119	118	*0*	*0%*
Wind Germany	96	96	*(0)*	*0%*
Wind France	89	89	*0*	*0%*
Wind Poland	78	73	*5*	*6%*
Wind Bulgaria	66	79	*(12)*	*-16%*
Wind Romania	56	67	*(11)*	*-16%*
Wind UK	n.a.	n.a.	*n.a.*	*n.a.*

In **2020**, net unit revenue in France and Germany was 89 EUR/MWh and 96 EUR/MWh respectively (including refunds for limitations in Germany), in line with the previous year. The main changes in net unit revenue abroad were seen in Romania (-16% following the decrease in energy sale prices), and in Bulgaria (-16%) as a result of the gradual change from FIT 2019 to FIP 2020.

Generation (GWh)	Year 2020	2019	Δ	Δ%
- Italy	**1,902**	**2,161**	**-259**	**-12%**
of which				
Campania	*430*	*480*	*(50)*	*-10%*
Calabria	*239*	*221*	*18*	*8%*
Puglia	*461*	*525*	*(63)*	*-12%*
Molise	*151*	*174*	*(22)*	*-13%*
Basilicata	*166*	*185*	*(19)*	*-10%*
Sicily	*262*	*343*	*(80)*	*-23%*
Sardinia	*191*	*235*	*(43)*	*-18%*
- Abroad	**2,009**	**1,839**	**170**	**9%**
of which				
Germany	*470*	*465*	*5*	*1%*
France	*952*	*794*	*159*	*20%*
Poland	*244*	*255*	*(11)*	*-4%*
Bulgaria	*150*	*135*	*15*	*11%*
Romania	*193*	*190*	*3*	*2%*
UK	*0*	*0*	*0*	*n.a.*
Total wind farm output	**3,911**	**4,000**	**-89**	**-2%**

In 2020, the **electricity output** from wind power, equal to 3,911 GWh, down 2% compared to the corresponding period in 2019 (4,000 GWh), saw output abroad (up 9%, from 1,839 GWh to 2,009 GWh) exceed output in Italy (down 12%) for the first time.
The decreased output in Italy (-259 GWh) is linked to worse wind conditions than those recorded in 2019, particularly in the final months of the year, across all regions with the exception of Calabria, with a more marked reduction in Campania, Puglia and Sicily.
As regards abroad, the increase of 170 GWh is mainly attributable to higher output in France (+159 GWh, of which +81 GWh for the output of recently acquired plants and +78 GWh due to increased wind speeds compared to the same period in 2019), and in Bulgaria (+15 GWh).

The following table shows wind farm load factors by main geographical segment; the figure, estimated taking into account the actual start of operations of the wind farms in individual years, provides a measure of the level of generation of the various farms in relative terms, and it is influenced not only by the characteristics of the wind 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 2020	2019	Δ
- Italy	**20%**	**23%**	**-3%**
of which			
Campania	*20%*	*22%*	*-2%*
Calabria	*23%*	*21%*	*2%*
Puglia	*21%*	*24%*	*-3%*
Molise	*22%*	*25%*	*-3%*
Basilicata	*21%*	*24%*	*-2%*
Sicily	*15%*	*20%*	*-5%*
Sardinia	*20%*	*24%*	*-4%*
- Abroad	***26%***	***25%***	**1%**
of which			
Germany	*20%*	*20%*	*-1%*
France	*27%*	*25%*	*2%*
Poland	*34%*	*36%*	*-2%*
Bulgaria	*32%*	*29%*	*3%*
Romania	*31%*	*31%*	*0%*
Load factor (1)	***23%***	***24%***	**-1%**

(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 **2020**, the overall load factor of 23% was slightly lower than in 2019 (24%).
In Italy in particular, the decrease in the load factor from 23% to 20% was affected by the high wind speeds recorded in 2019, particularly in the first quarter, compared with the markedly reduced wind speeds recorded this year.
Geographical differentiation served to offset this trend, thanks to the particularly high load factors seen abroad, where on average they were 26% compared with 25% in the same period of the previous year.

The breakdown of adjusted EBITDA between the various geographical segments of the Wind business is as follows:

	Year			
Adjusted EBITDA	**2020**	**2019**	Δ	Δ%
(EUR million)				
Italy	**165**	**191**	**(25)**	**-13%**
Abroad	**117**	**110**	**7**	**6%**
of which				
Germany	*28*	*31*	*(3)*	*-9%*
France	*58*	*47*	*11*	*23%*
Poland	*15*	*15*	*0*	*0%*
Bulgaria	*9*	*8*	*1*	*8%*
Romania	*8*	*10*	*(2)*	*-18%*
UK	*(1)*	*(1)*	*0*	*n.a.*
Total	**282**	**301**	**(18)**	**-6%**

The **adjusted EBITDA** for 2020 totalled EUR 282 million, down compared to the values recorded in the same period of the previous year (EUR 301 million), in a general environment of unfavourable wind conditions in Italy and more favourable wind conditions abroad, which also contributed due to the enlargement in scope of the new assets (EUR +7 million).
The contribution in Italy, down significantly compared with 2019, mainly reflects the lower volumes as a result of the aforementioned lower wind speeds recorded and the deterioration in the energy scenario.
The improved results abroad (EUR +7 million) benefit from the greater installed capacity and the greater output in France, partly offset by the worsened scenario in Eastern Europe and the increase in maintenance carried out in France and Germany.

The **EBITDA margin** for 2020 was 70%, confirming its particularly high absolute value, down slightly compared with the same period of the previous year (71%), as a result of the aforementioned phase out of the incentives of some facilities and the unfavourable scenario due to COVID-19, despite the contribution of the wind farms abroad.

Capital expenditure

Capital expenditure in 2020 (**EUR 127 million**) refers mainly to the acquisition of wind farms in France (38 MW) in the first quarter of 2020 (EUR 42 million), in addition to the construction of new wind farms in the UK (EUR 50 million), Poland (EUR 19 million) and France (EUR 2 million).

Relevant legislative and regulatory updates during the year

See also the chapter “Significant regulatory and institutional updates”.

Italy

- **Results of the sessions of auctions and registries pursuant to the Italian Ministerial Decree of 4 July 2019**
  To date, four of the auction sessions and registers provided for by the Italian Ministerial Decree of 4 July 2019, known as DM FER1, have been finalised.
  More specifically, for auctions relating to "group A" wind and photovoltaic plants with capacity greater than or equal to 1 MW, after 4 sessions a total of 2,936 MW have been auctioned and only 1,518 MW have been assigned, a negative gap of 48%. The awarding prices recorded averaged 64.4 EUR/MWh.
  The following table shows the main elements of the four competitive procedures currently recorded for group A.

First auction session Sept 2019	Second auction session Jan 2020	Third auction session May 2020	Fourth auction session Sept 2020
GSE publication: 28 January 2020	GSE publication: 28 May 2020	GSE publication: 24 September 2020	GSE publication: 26 January 2021
Total capacity: 772 MW *(out of a total quota of 730 MW)*	Total capacity: 587.5 MW *(out of a total quota of 872 MW)*	Total capacity: 486 MW *(out of a total quota of 1,340.84 MW)*	Total capacity: 465.5 MW *(out of a total quota of 1,881.6 MW)*
The discount on the basic price (equal to 70 EUR/MWh) changed from 30.54% (equal to a CFD value of 49 EUR/MWh) to 4.29% (equal to a CFD value of 67 EUR/MWh) with an average offer price of 55 EUR/MWh	The discount on the basic price, equal to 70 EUR/MWh, changed from 18.71% (equal to a CFD value of 57 EUR/MWh) to 2.29% (equal to a CFD value of 68 EUR/MWh) with an average offer price of 65 EUR/MWh	The discount on the basic price of 70 EUR/MWh changed from 4.51% (equivalent to a tariff of 66.8 EUR/MWh) to 2.10% (equivalent to a tariff of 68.53 EUR/MWh) with a weighted average offer price of 68.08 EUR/MWh	The discount on the basic price of 70 EUR/MWh changed from 2.59% (equivalent to a tariff of 68.19 EUR/MWh) to 2.00% (equivalent to a tariff of 68.6 EUR/MWh) with a weighted average offer price of 68.52 EUR/MWh

- **Fast Reserve pilot project pursuant to resolution 300/2017**
  On 10 December 2020, the auction was held for the procurement of ultra-rapid frequency regulation service by Terna. The auction provided for a total quota of 230 MW, of which 100 MW for the Central North, 100 MW total for the Central South, South, Calabria and Sicily and 30 MW for Sardinia. The auction recorded bids totalling 1,327.3 MW. Specifically, Terna assigned 118.2 MW in the Central North at a weighted average price of approximately 23,500 EUR/MW/year; 101.7 MW in the Central South at a weighted average price of approximately 27,300 EUR/MW/year; 30 MW in Sardinia at a weighted average price of approximately 61,000 EUR/MW/year.

- **ARERA – average annual value of electricity for incentive calculation**
  On 26 January 2021, ARERA published resolution no. 22 on the determination of the average electricity sale price for 2020, for the purpose of quantifying the value of the Green Certificate replacement incentives for 2021. This average value is 39.80 EUR/MWh; as a result, the incentive value for 2021 is 109.36 EUR/MWh.

France

- **Amendment of the onshore wind auction procedures relating to the sixth session of 2020**
  On 11 February 2020, the French Energy Regulatory Authority (CRE) updated the procedures for the onshore wind auctions that took place in July 2020 (sixth session). The main amendments include (i) the option of switching from the 2016 FIP to the auction mechanism, assuming the waiver of the 2016 FIP; (ii) the removal of the provision specifying that, in the event of negative monthly adjustment of the CFD where the producer is responsible for payment, payment by the producer should have been made up to the net value of the incentive received over the lifetime of the CFD until that time (two-way CFD is applied for French auctions); (iii) the prohibition on cumulation between public incentives; (iv) the introduction of an index that measures the investment cost of the project selected attributable to French and European production.
  In the light of the COVID-19 health emergency, on 1 April 2020 the French Ministry for Ecological and Solidarity Transition (Ministère de la Transition écologique et solidaire) established also that the quota of 750 MW planned for the 1 July auction be divided into two tranches between the July session, during which a third of the quota is assigned, and the session of 3 November (additional), during which the remaining two thirds of the quota is assigned. In addition, awardee plants have been granted an extension as regards entry into operation.

- **Results of wind auctions in France of 1 July 2020**
  The results of the wind auction held in France and closed on 1 July were announced at the end of October 2020. The 250 MW quota was fully subscribed and the French Ministry for Ecological and Solidarity Transition (Ministère de la Transition écologique et solidaire) assigned incentives to 23 different offers for a capacity of 258 MW; the weighted average price of the offers accepted was 59.7 EUR/MWh. Two ERG projects were included among the winners: Parc Eolien des Bouchats SARL (Champagne I) for 19.8 MW located in the Grand-Est region and WP France 10 SAS (Vallée de l'Aa 2 Extension) for 6.9 MW located in the Hauts-de-France region.

- **Law on the acceleration and simplification of public action**
  On 8 December 2020, the French law on the acceleration and simplification of public action was published in the Official Gazette of the French Republic. The law contains two technical provisions of interest for the wind sector: sending the summary of the environmental impact assessment one month in advance to the municipalities in which the wind farm will be located and to neighbouring municipalities. For wind farm repowering projects in close proximity to UNESCO World Heritage sites, the consent of the French ABF (Architectural Review Board) will be required.

Romania

- **Definition of the mandatory quota for the purchase of GCs for 2021**
  With Order no. 237/2020 of 16 December 2020, the Regulatory Agency for the Energy Sector (ANRE)

defined the 2021 mandatory quota, i.e. 0.4505 GC/MWh.

- **Approval of the new method for settling imbalances**
Through Resolution no. 63/2020 the ANRE approved the programme for the implementation of the transition of the relevant period for the calculation of imbalances from 1 hour to 15 minutes. The implementation of the measure is effective from 1 February 2021.

Poland

- **Onshore wind auctions – photovoltaic 2021**
At the end of December 2020, the Government published some details on the next auction for onshore wind and photovoltaic plants with a capacity exceeding 1 MW to be held by the end of 2021, the last one foreseen by the current RES Act.
The quota in terms of energy is equal to 38.76 TWh, corresponding to capacity quotas of approximately 600 MW for onshore wind and 800 MW for photovoltaic.
The Government also announced its intention to promote the installation of energy storage systems through auctions for hybrid plants (RES + storage).

Bulgaria

- **Energy & Water Regulatory Commission, estimated electricity price fixed for the period 01/07/2020 – 30/06/2021**
On 1 July the Bulgarian Energy and Water Regulatory Commission (EWRC) approved the new estimated electricity price for the regulatory period 01/07/2020 – 30/06/2021. The energy price value to be used for the determination of the premium rate for incentivised wind power plants was set at 42.67 EUR/MWh, a decrease of 0.36 EUR/MWh compared to the value of 43.03 EUR/MWh applied in the previous period.

UK

- **Island of Ireland: Capacity Market**
The capacity remuneration mechanism for Ireland, approved by the European Commission in 2017, is based on a system of reliability options and it entails the execution of specific auctions for the assignment of capacity quotas. In view of the payment of a bonus in EUR/MW/year, the awardee undertakes to pay a Variable Price (CR) equal to the difference between the price recorded in the Previous Day Market and a Strike price defined for each individual auction and determined on the basis of the marginal technology with the highest variable cost. At present, this price is 500 EUR/MWh, equal to the variable cost of a unit of consumption.
The new capacity that participates in the mechanism is awarded a multi-year agreement with 10-year duration.
Wind technology can participate in capacity market auctions, with a de -rating factor of 8.9% of installed nominal capacity.
On 15 January 2020, the results of the T-2 auction for the year 2021/2022, held on 5 and 6 December 2019, were published. ERG participated in the auction with capacity corresponding to two planned wind farms and was awarded a capacity of approximately 6 MW at a price of 40.9 k£/MW/year for a total duration of 10 years.
- **Island of Ireland: electricity market**
SEM Committee, the Authority that supervises the functioning of Ireland's Electricity Market, has published a statement on the continuation of the I-SEM (Integrated Single Electricity Market) as a single electricity market between the Republic of Ireland and Northern Ireland following the end of the "Transition period" established as part of the BREXIT process. It has been confirmed that, regardless of the outcome of the process, from 1 January 2021 the I-SEM will continue to operate as a single market for the whole island.

- **CFD**
On 2 March, the Government's Business, Energy and Industrial Strategy (BEIS) department launched a consultation on the rules for the upcoming auctions, the so-called Allocation Round 4 (AR4), for the Contracts for Difference (CFD) to be held in 2021.
Through the consultation paper it was announced that these auctions will be once again extended to technologies defined as mature, including onshore wind and photovoltaic. The possibility of participation for projects under construction, as provided for in the previous auction, and the final parameters, including the quantification of quotas for each type of technology, remain to be formalised. The consultation closed on 29 May; the BEIS consequently published its response, confirming that the plants under construction, such as ERG's Creag Riabhach and Sandy Knowe projects, should be able to participate in the coming AR4. However, the department did not provide evidence on the possible continuation of auctions for mature technologies in subsequent years.
Northern Ireland did not join the scheme with sufficient time to participate in the AR4 quota, but it is expected that Northern Irish wind projects will be able to participate as from AR5 (currently scheduled for 2023).

Germany

- **EEG Reform**
On 29 April 2020, the government approved a measure for the amendment of the Renewable Energy Act (EEG), which provides for the definitive removal of the possibility for energy cooperatives to participate in auctions with projects that are not yet authorised.
To counter the difficulties associated with the COVID-19 emergency, the implementation and start-up times for renewable energy projects that have been delayed, or will be delayed by 30 November 2020, have increased by six months, from 28 to 34 months.

SOLAR

ERG is active in the generation of electricity from solar sources, with an installed capacity of 141 MW, with two photovoltaic plants in Lazio (51.4 MW), 31 photovoltaic plants located in 8 regions between the North and the South of Italy, and the plant of ISAB Energy Solare S.r.l. (installed capacity less than 1 MW and annual output of around 1 GWh, through solar panels installed in Sicily at the IGCC ISAB site in Priolo).

Highlights of adjusted performance items

	Year	
Operating results	**2020**	**2019**
(EUR million)		
Adjusted revenue	**73**	**72**
Adjusted EBITDA[1]	**66**	**63**
Amortisation, depreciation and impairment losses[1]	(42)	(41)
Adjusted EBIT[1]	**23**	**22**
Capital expenditures on property, plant and equipment and intangible assets	2	221
EBITDA Margin % [2]	**90%**	**88%**
Total solar plant generation (GWh)	**228**	**226**

It is noted that the 2019 comparative data on adjusted revenue have been restated (EUR 72 million compared to the EUR 71 million previously reported) with reference to a different allocation of hedges on the businesses.

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

In 2020, **output** amounted to approximately 228 GWh, in line with 2019, and the related load factor was 18%.
Revenue for 2020 totalled EUR 73 million, of which EUR 62 million relating to revenue from feed-in premiums and EUR 11 million to revenue from the sale of energy.
In 2020, the related **net unit revenue** amounted to a total of 315 EUR/MWh compared to 314 EUR/MWh in 2019, of which mainly 269 EUR/MWh relating to feed-in premiums and approximately 47 EUR/MWh to revenue from energy sales. The slight increase is mainly attributable to higher unit revenues relating to plants with various incentive schemes (so-called "Feed-in Premium") as well as to the positive effect of hedges, only partially offset by lower energy market prices.
Adjusted EBITDA in 2020, equal to EUR 66 million, was up compared with the previous year (EUR 63 million) with EUR 73 million relating to the above-mentioned revenue and EUR 6 million of fixed costs related mainly to maintenance costs.
The **EBITDA margin** for 2020 totalled 90% (88% in 2019).

Capital expenditure

Capital expenditure in 2020 (**EUR 2 million**) refers mainly to contracts aimed at further improving the efficiency of plants. It should be noted that capital expenditure in 2019 included the major acquisition of two photovoltaic plants from Soles Montalto GmbH with a total installed capacity of 51.4 MW (EUR 220 million).

Relevant legislative and regulatory updates during the year

See the paragraph of the chapter dedicated to wind power and the chapter "Significant regulatory and institutional updates".

HYDROELECTRIC

ERG is active in 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:

	Year	
Operating results	**2020**	**2019**
(EUR million)		
Adjusted revenue	**118**	**124**
Adjusted EBITDA[(1)]	**81**	**87**
Amortisation, depreciation and impairment losses[(1)]	(57)	(57)
Adjusted EBIT[(1)]	**24**	**30**
Capital expenditures on property, plant and equipment and intangible assets	6	6
EBITDA Margin % [(2)]	**69%**	**70%**
Total hydroelectric plant generation (GWh)	**1,097**	**1,229**

It is noted that the 2019 comparative data on adjusted revenue have been restated (EUR 124 million compared to the EUR 119 million previously reported) with reference to a different allocation of hedges on the businesses.

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

In 2020, **revenue**, amounting to EUR 118 million, related mainly to electricity sales (mostly on the spot market) for EUR 68 million and revenue from the feed-in premium (former Green Certificates) for EUR 50 million.
The costs are essentially attributable to the concession fees, personnel expenses, operation and maintenance costs, insurance payments and costs for services.
EBITDA for 2020 was EUR 81 million (EUR 87 million in 2019), a decrease, mainly due to the lower availability of water resources in the period and the deterioration of the energy scenario, albeit partly mitigated by hedges and the higher incentive value.
The total **output** of ERG Hydro in 2020, i.e. 1,097 GWh, benefited from a net unit revenue, considering the energy sale value of revenue from MSD and from substitute incentives of the period and other lesser components, amounting to approximately 109 EUR/MWh, up compared to 102 EUR/MWh in 2019.
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 higher unit value than that of 2019 of 92.1 EUR/MWh and equal to approximately 99.0 EUR/MWh.
The EBITDA margin for 2020 totalled 69%, down from 70% in 2019.
The total load factor in the year, equal to 24% (compared to 27% in 2019) is characterised by the lower availability of water resources, at levels significantly lower than the historical average.

The level of the reservoirs of Turano, Salto and Corbara lakes were respectively approximately 533, 529 and 137 metres above sea level at the end of the year, compared with the 533, 526 and 134 metres above sea level at 31 December 2019. Overall, the energy stored was increased due to seasonal phenomena and net of the use for the year both with respect to 30 September 2020 and with respect to 31 December 2019.

Capital expenditure

Capital expenditure in 2020 **(EUR 6 million**), relate mainly to maintenance contracts and planned projects in the fields of seismic improvement of infrastructures, Health, Safety and the Environment.

Relevant legislative and regulatory updates during the year

See also the paragraph of the chapter dedicated to wind power and the chapter "Significant regulatory and institutional updates".

- **Update of the Umbria Region State fee**
  At the end of 2019, the Umbria Region published the updated state fee due for large-scale public water diversion concessions with reference to the year 2020. The new amount was determined by increasing the 2019 amount to an extent equal to the planned inflation rate of 0.8%; the 2020 fee is therefore equal to 32.47 EUR/kW.

- **BIM surcharge update**
  After updating the surcharges for riparian entities at the end of 2019, on 26 February the Italian Ministry for the Environment published the Directorial Decree for the determination of the BIM surcharge – owed by hydroelectric derivation concessions with power exceeding 220 kW – for the period 1 January 2020 to 31 December 2021 within a mountain watershed (BIM).
  This figure, which for the last two years was 30.67 EUR/kW, was increased for the years 2020-21 to 31.13 EUR/kW.

- **"Cura Italia" Decree Law - COVID-19 emergency**
  On 30 April, Italian Law no. 27/2020 converting the "Cura Italia" Decree Law was published, introducing a 7-month extension of the deadline for the publication, by the Regions, of the regulations governing large-scale diversions for hydroelectric purposes laid down in Italian Law no. 12/2019. The original deadline of 31 March 2020 was therefore postponed to 31 October 2020, and with it the effects of the laws passed.

- **Update of the Lazio Region State fee**
  On 28 May the Lazio Region published the state fees due for public water diversion concessions with reference to the year 2020. The new fees were determined by increasing those for 2019 to an extent equal to the planned inflation rate of 0.8%; the 2020 fee for water derivation for hydroelectric use is therefore equal to 31.72 EUR/kW.

- **Incentive system for the upgrading of production plants included in the restart plan (Regulation 2017/2196 on electricity emergency and restoration).**
  With resolution 324/2020 of 6 August 2020, ARERA established an incentive system for the upgrading of new restart units, identified by Terna, included in the electricity restoration plan (PdRR). The main requirements are the installation of the Local Frequency Integrator (hereinafter "LFI") and the provision of black start capacity, where not already present, and the availability of backup power systems in order to ensure the operation of the plants and communications during the phases of the electricity restoration. In relation to these measures, the resolution:
  a) Sets the end date for the upgrading of the plants included in the PdRR on 18 December 2022;
  b) Provides for an incentive system for plant owners to upgrade the plants and a coefficient for modifying said incentive.

THERMOELECTRIC

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

Highlights of adjusted performance items

	Year	
Operating results	**2020**	**2019**
(EUR million)		
Adjusted revenue from sales and services [1]	**381**	**405**
Adjusted EBITDA[2]	**67**	**69**
Amortisation, depreciation and impairment losses[2]	(30)	(28)
Adjusted EBIT[2]	**37**	**41**
Capital expenditures on property, plant and equipment and intangible assets	18	15
EBITDA margin % [3]	**18%**	**17%**
Total thermoelectric plant generation (GWh)	**2,441**	**2,504**

It is noted that the 2019 comparative data on adjusted revenue have been restated (EUR 405 million compared to the EUR 418 million previously reported) with reference to a different allocation of hedges on the businesses.

(1) Includes the residual contribution from minor portfolios managed by Energy Management not attributable to individual business units The share for the resale of electricity purchased from the market was approximately EUR 50 million (EUR 52 million in 2019).

(2) not including special items as indicated in the section "Alternative performance indicators", to which reference should be made for further details

(3) ratio of adjusted EBITDA to adjusted revenue from sales and services

Following the entry into force from 1 January 2018 of the legislation on internal user networks (IUN), 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 **2020**, ERG Power's net electricity power generation was 2,441 GWh, down on 2019 (2,504 GWh) due to a market environment with generation margins significantly affected by the substantial decrease in market prices in Sicily, partly contained by the reduction in gas and CO2 prices, as well as clean spark spread hedging policies in line with Group risk policies.
The net supply of steam to captive customers of the Priolo Gargallo petrochemical site totalled 1,067 thousand tonnes, up with respect to 875 thousand tonnes in 2019.
Adjusted EBITDA in **2020** amounted to EUR 67 million (EUR 69 million in 2019), down as a result of the expected lower production of energy efficiency certificates due to the end of the incentivised period of module 1 of the CCGT plant and the worsened scenario, partly mitigated by the positive effect of hedging, the greater contribution from dispatching services (MSD) and some insurance reimbursements and adjustments relating to site contracts.

Capital expenditure

Capital expenditure in 2020 (**EUR 18 million**) relates mainly to the project to revamp the steam generation plant of module 1 of the CCGT plant, and will also enable renewal of the right to obtain energy efficiency certificates from 1 January 2022 for a further ten years.
The targeted investment initiatives aimed at preserving the operating efficiency, flexibility and reliability of the facilities continued. Progress was also made on the planned Health, Safety and Environment projects.

Relevant legislative and regulatory updates during the year

See also the chapter “Significant regulatory and institutional updates”.

- **Energy efficiency certificates (EEC). Administrative Court of Lombardy Decision no. 2538/2019 and consequent resolutions**
  On 28 November 2019, the first instance decision no. 2538/2019 of the Administrative Court of Lombardy was published; allowing an appeal by ACEA and Italgas, it repealed the part of the Italian Ministerial Decree of 10 May 2018 that provides for the definition, by the Italian Ministry of Economic Development, of a cap of EUR 250 to the tariff contribution to cover EEC costs. Consequently, all ARERA resolutions promulgated to implement the Italian Ministerial Decree of 10 May 2018 were repealed, and specifically resolutions no. 487/2018, 501/2018, 209/2019 and 273/2019. Executing the decision, last 12 December ARERA published its resolution no. 529/2019 with which it started a process to reform the mechanism for determining the tariff contribution (CT) to be paid to electricity and gas distributors. After a specific consultation carried out with Consultation Document no. 47/2020, ARERA approved Resolution no. 270/2020/R/efr published on 17 July with which the tariff contribution calculation mechanism was modified and note was taken of the changes to the EEC system introduced by the Italian “Decreto Rilancio” Decree Law. The main provisions of resolution no. 270/20 concerned the confirmation of the value of the Cap at 250 EUR/EEC and of the principles for the calculation of the contribution itself, the provision of a specific additional component to be recognised by the obligated parties proportionate to the availability of EECs in the market, temporary measures in favour of distributors to aid financial liquidity and the specific indication, already contained in the Italian “Decreto Rilancio” Decree Law, that the 2019 compulsory year ends on 30 November 2020, while the 2020 mandatory year will, exceptionally, start on 1 December 2020 and will end on 31 May 2021.

- **Calculation of the Tariff Contribution to be paid to subjects obliged to purchase EECs for the compulsory year 2019, ARERA resolution 550/2020/R/efr**
  With resolution 550/2020, ARERA determined simultaneously the value of the unit Tariff Contribution (CT) and the unit Additional Fee (CA) to be paid to subjects obliged to purchase and cancel EECs for the compulsory year 2019. The value of the CT was set at 250 EUR/EEC, equal to the maximum envisaged by current legislation, while the CA, depending on the level of liquidity of the market, was calculated as 4.49 EUR/EEC. In total, the obliged parties therefore received an overall remuneration of EUR 254.49 for each cancelled EEC.

- **Extension of GSE obligation deadlines for HEC – COVID-19 Emergency**
  In accordance with the government provisions already described in the wind sector section, the GSE extended the time limit for the submission of applications for High-Efficiency Cogeneration (HEC) from 31 March to 22 May 2020; then on 21 May, it further extended the time limit to 21 June 2020.
  The deadline for meeting the obligations imposed on electricity and gas distribution companies in relation to national quantitative energy saving targets was also extended to 30 November 2020.

- **Operating Regulations for the return of the REtee element**
  On 15 December 2020, by means of resolution 548/2020, ARERA approved the Operating Regulations, prepared by the GSE pursuant to resolution 96/2020, concerning the methods by which producers who draw natural gas for the production of electricity may submit a request to return the portion of the RE and REt tariff components intended to cover the costs deriving from the EEC mechanism (so-called "REtee" element).

E-MARKET SDIR CERTIFIED

Regulatory Framework – Incentives

Wind 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: FIP against a reference rate awarded through participation in Dutch auctions. With the Italian Ministerial Decree of 4 July 2019, wind power and photovoltaic compete for the same quota both for the registries and for the auctions and the "two-way CFD" FIP. Duration of the incentive: 20 years
- Plants undergoing full reconstruction (Repowering) that have not adhered to the so-called “Spalmaincentivi" incentive allocation may participate in auctions provided that there is a residual quota volume after allocation to greenfield plants and with a further reduction of the tariff of 5% with respect to the auction reference price.

Germany

- Plants that entered into operation by July 2014: feed-in tariff (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 capacity in the period.
- Plants that entered into operation from 2017 onwards: FIP incentives allocated through Dutch auctions (EEG 2017).

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 or 15 years. From 1 January 2019, for existing plants with capacity of over 4 MW, the incentive scheme moved from a FIT structure to a FIP structure. The incentive is calculated as the difference between the value of the FIT, as previously recognised, and a Reference Price calculated on the estimate of the future price of electricity adjusted on the wind profile. From 1 October 2019, existing plants with capacity between 1 MW and 4 MW also moved to the FIP.

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%.
- From 2018 onwards, a multi-technology Dutch auction system was reintroduced, i.e. wind – photovoltaic. The quotas and the starting auction prices are defined by the Government. The incentive is calculated as the difference between the awarded price, inflated on a yearly basis, and the average daily price of electricity (two-way CFD).

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 were set respectively at 35 EUR/MWh and 29.4 EUR/MWh.
- From 2018 onwards, the mandatory quota for the electricity consumers 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 systems are paid through a FIP tariff on energy fed 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 that came into operation from 1 January 2011 to 31 May 2011, which introduced specific tariffs for integrated photovoltaic plants with innovative characteristics. Italian Law no. 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.
- The 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.
- The 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 Italian Ministerial Decree of 17/10/2014 (so-called “incentive spreading” decree) made it mandatory for producers to choose, by November 2014, a method for remodulating 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.
- The Italian Ministerial Decree of 4 July 2019 allows photovoltaic plants to access the 20-years incentives through auctions and registries together with the wind power quota provided that:
  a) they are authorised;
  b) they use new components;
  c) they comply with the prohibition to install ground-located modules in a farming area.

Germany

- Plants that entered into operation from 2017 onwards: FIP incentives allocated through Dutch auctions (EEG 2017).
- The value of the incentive is determined on the basis of a 1-way Contract for Difference (CfD);
- Ground-mounted photovoltaic systems up to a capacity of 20 MW can access the incentive

Hydroelectric 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
- Facilities starting operations from 2013 onwards that requested the incentive in accordance with the Italian Ministerial Decree of 6 July 2012 and the Italian Ministerial Decree of 23 June 2016:
  - if their power is less than 250 kW, all-inclusive tariff for 20 years through direct access;
- Plants requesting the incentives in accordance with the Italian Ministerial Decree of 4 July 2019:
  - if their power is less than 250 kW and they are included among certain cases, access to all-inclusive tariff through Registry for 20 years;

Most of the hydroelectric plants of the ERG Group are incentivised through FIP tariff for 15 years as a result of partial hydroelectric revamping.
Additional mini-hydroelectric plants are incentivised through fixed all-inclusive tariff assigned with direct access (in accordance with the Italian Ministerial Decree of 23 June 2016) or as a result of successful participation in the selection through registries in accordance with the Italian Ministerial Decree of 4 July 2019.

Thermoelectric sector incentives (Cogeneration)

Italy

- High-Efficiency Cogeneration - HEC (cogeneration of electricity and useful heat) is incentivised through the recognition of Energy Efficiency Certificates - EECs (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.
  ERG owns a high-efficiency cogeneration (HEC) plant, based on combined-cycle, natural gas fuelled technology, which has Energy Efficiency Certificates on the basis of the energy savings achieved annually. It should be noted in particular that Module 1, which benefited from them until 2019, will be revamped allowing the recognition of EECs for a further ten years from the date of entry into service following the revamp, which is scheduled to take place by 2021. Module 2 on the other hand ended the period for the recognition of EECs on 31 December 2020.

Regulatory updates and measures of common interest to technologies

Italy

- **Provisional calculation of actual imbalances – COVID-19 emergency**
  With resolution no. 121/2020 of 7 April 2020, ARERA – by virtue of the market dynamics triggered by the COVID-19 health emergency – resolved to adopt provisional regulations for calculating the actual imbalances for non-qualified units (including wind, solar, hydroelectric not qualified to operate in the dispatching services market [MSD], units consumed).
  The mechanism – in force from 10 March to 30 June 2020 – provided that, only for the purposes of calculating the imbalance prices for units not obligatorily qualified, the purchase or sale offer prices accepted on the MSD were modified in such a way as to fall within a range with a maximum value (cap) and minimum value (floor). The cap is determined as the maximum of:
    a) the variable cost of an open cycle turbogas plant powered by natural gas (technology with the highest variable cost of the generating facilities usable in real time);
    b) the product of 1.5 multiplied by the price of the sale offers accepted on the day before market (MGP) in the same period and in the area in which the dispatching point is located.

  The floor is calculated as 50% of the price of the sale offers accepted on the MGP in the same period and in the area in which the dispatching point is located.
  As established by Resolution no. 207/2020 of 9 June, the measure was in effect until 30 June 2020. This mechanism generated a benefit as a result of a general reduction in the imbalance costs. From 1 July 2020, the value of imbalances is once again calculated according to the regulation established by Resolution no. 111/06, as amended.

- **Extension of GSE obligation deadlines – COVID-19 emergency**
  In implementation of government provisions, as from March the GSE extended some of the procedures relating to incentivised energy sectors. In May it extended the timeframe within which the carrying out of maintenance and modernisation work on incentivised plants must be notified, originally set at 60 days from the end of the work. Where the end of the work falls between 23 February and 15 May, notification must be sent within 142 days; if the end of the work falls between 23 February and 15 May, the 60-day period starts on 16 May.
  Following on from other actions during 2020, on 1 February 2021 the GSE took further action, publishing new extensions; in short, the deadline for entry into operation in order to be able to access the rates provided for by the Italian Ministerial Decree of 23 June 2016, reserved to plants eligible for ranking pursuant to the Italian Ministerial Decree of 4 July 2019 (DM FER1), was extended from 10 August 2021 to 7 November 2021.

- **New configuration of the electricity market areas in effect from 1 January 2021**
  From 1 January 2021, the changes to the structure of the market areas envisaged by Resolution 103/2019 came into force. The breakdown described in the new version of Annex 24 to the Network Code provides for moving the Umbria region from the Centre-North to the Centre-South area, removing the limited production hub of Rossano and creating the geographical area of Calabria (corresponding to the same region).

Relevant legislative and institutional updates

European Union

- **European Green Deal**
  The European Commission (EC) summits presented the European Green Deal (EGD) during COP 25 in Madrid.
  The EGD is the European Union's legislative project for achieving climate neutrality by 2050.
  Among the main "actions" that will comprise the EGD, some pertain directly to the energy sectors, in particular the general plan for the reduction of greenhouse gas emissions by 2030 to reach "climate neutrality" by 2050.
  In October 2020, the EC published the final assessment of the Integrated National Energy and Climate Plans (INECPs), which will need to be revised in 2023 to align them to the new targets established by the EGD.
  The Guidelines on State aid will be revised by 2021, and the revision of the Energy Taxation Directive in environmental terms will be proposed; it will be associated with a carbon border adjustment mechanism at European borders, duly coordinated with the revision of the ETS Directive.
  In mid-January 2020, the European Parliament approved the Commission's EGD, suggesting raising the GHG reduction target to 55% by 2030 and carrying out the above-mentioned revision of the ETS Directive, as well as removing direct and indirect subsidies to fossil fuels from 2020.
  In December 2020, also the European Council approved the Commission's proposal to raise the 2030 target to at least 55% compared to the current target (40%). With the three European institutions (Commission, Council and Parliament) in agreement, the following processes will begin: (i) updating the European Climate Law and (ii) revising the European legislation involved in adapting the aforementioned target, in particular the directives on renewable sources and energy efficiency. According to the Commission's schedule, these revisions are expected by the end of summer 2021.

- **Recovery Plan proposals: MES-Covid and Next Generation EU**
  The pandemic started in early 2020 by the worldwide spread of SARS-CoV-2 has impacted the economic and social fabric of the European Union and the Member States, forcing a review of policy action priorities and the related financial allocations.
  On 23 April 2020, the European Council reached an agreement on a number of instruments to be adopted to deal with the initial effects of the pandemic and gave the European Commission a mandate to submit a proposal for the establishment of a Recovery Fund.
  Instruments with a total value of approximately EUR 540 billion have been identified. On 27 May 2020, the Commission presented the Union's Multi-Year Financial Framework (Budget) for 2021-2027, together with the proposal for a special fund for post-COVID economic recovery.

SURE / ESM Pandemic Crisis Support / EIB Guarantee Fund for Workers and Businesses	€540 billion «MES – Covid»
Next Generation EU	Temporary reinforcement €750 billion
Multiannual Financial Framework	€1 100 billion

The package includes the following main measures: an increase in the EU Budget for the period 2021-2027 to approximately EUR 1,100 billion (+10% vs. the period 2013-2020) and the creation of an extraordinary fund of EUR 750 billion - named Next Generation EU (NGEU) - consisting partly of grants and partly of loans with long return times (by 2058).
A large portion of the EUR 750 billion fund (EUR 380 billion of which is non-repayable) will be allocated to the Recovery and Resilience Fund, the use of which by the Member States is exclusively for investments aimed at the Green Deal (at least 37%) and digitisation.
In order to access the funds, the Member States will have to submit National Recovery and Resilience Plans (NRRPs) with evidence of projects in support of the Green Deal, in line with the Integrated National Energy and Climate Plans (INECPs) already submitted to the Commission, by April 2021.
Collaboration between the Commission, the Council and the European Parliament on the proposed package has been completed. The European Council reached a first agreement on 21 July 2020, confirming the Commission's proposal; in December 2020 the agreement was finalised and therefore the conditions were met to formalise the new EU budget and the Next Generation EU by the end of 2020. Italy will be the first beneficiary of the NGEU with approximately EUR 209 billion in loans and subsidies out of the aforementioned total of EUR 750 billion.

Italy

- **Main measures related to the SARS-CoV-2 (COVID-19) emergency**
  On 11 March 2020, the World Health Organization declared COVID-19 a pandemic. At the same time, a Decree of the Presidency of the Council of Ministers (DPCM) was issued in Italy for the closure of non-essential commercial activities across the entire country. The energy sector (fuel distribution and electricity generation activities) was not affected by the lockdown.
  A number of measures were subsequently issued concerning, among other things, the suspension of time limits in administrative proceedings and the effects of ongoing administrative actions, including authorisation proceedings.
  On 30 April, Italian Law no. 27/2020 converting the "Cura Italia" Decree Law was published. This Law concerned measures to strengthen the National Health Service and economic support for families, workers and related enterprises.

The Law introduces a seven-month extension of the deadline for the publication by Regions of the laws on the regulation of large-scale hydroelectric diversions laid down by Italian Law no. 12/2019. The original deadline of 31 March 2020 was therefore postponed to 31 October 2020, and with it the effects of the laws passed.
Changes were also made in relation to the suspension of time limits in administrative proceedings, the effects of expiring administrative actions and the temporary storage of waste.

On 19 May 2020, Italian Decree Law no. 34 of 19 May, also known as the Italian "Decreto Rilancio" Decree Law, was published; among the main provisions related to the energy sector are the reduction in electricity bills for the months of May, June and July 2020 and some measures in support of the White Certificates mechanism.

In view of the ongoing pandemic, which resulted in a second wave of infections in the last quarter of the 2020, at the end of October 2020 Italian Decree Law no. 137 of 28 October 2020 (the "Ristori" Decree Law), containing further measures to support the most affected production sectors, was issued. The Decree introduces new support measures and renews some already adopted previously.

- **Draft National Recovery and Resilience Plan (NRRP)**
In compliance with the process launched by the European Commission, first at the end of November 2020 and then in mid-January 2021, the Presidency of the Italian Council of Ministers presented to the Chambers a summary draft of its NRRP aimed at distributing the substantial resources allocated to Italy within Next Generation EU, equal to approximately EUR 209 billion out of a total of EUR 750 billion.
This draft, prepared for parliamentary discussion and subsequent negotiation with the European Commission, confirms the central role of ecological transition, sustainable mobility and digitisation.

- **Conversion Law of the Italian "Semplificazioni 2018" Decree Law**
Italian Law no. 12/2019 converting Italian Decree Law no. 135 of 14 December 2018 introduced changes to the rules for concessions for large-scale diversion of water for hydroelectric use and the determination of the related annual concession fees, the applicability of which to concessions that are not due to expire shortly is still being assessed. In particular, it called upon the Regions to legislate the tender processes and procedures for the reassignment of concessions, the determination of the concession fee in binomial form and the right to request from concessionaires a free annual supply of electricity equal to 220 kWh for each kW of average nominal power of concession.
Only some the Italian Regions have complied with this national law, issuing specific legislative provisions, in some cases challenged by the Presidency of the Italian Council of Ministers; the Regions in which ERG's Terni Hydroelectric Complex is located have yet to proceed with the issue of these provisions.

- **Italian "Semplificazioni 2020" Decree Law and Conversion Law no. 120/2020**

In July, Italian "Simplificationi" Decree Law no. 76 of 16 July 2020 on "Urgent measures for simplification and digital innovation" was published.
The Decree, converted into Italian Law no. 120/2020 on 14 September 2020, provides for participation in the auctions organised by the GSE – under certain conditions – also for renewal works (complete reconstruction/repowering) on existing plants that have not adhered to the Italian Law of 21 February 2014 (regarding the so-called "Spalmaincentivi volontario" [voluntary incentive allocation]). Such works are also granted participation in any other support instrument for the implementation of the Integrated National Energy and Climate Plan.
In terms of authorisation, for complete reconstruction works it is now sufficient to limit the Environmental Impact Assessment (EIA) to the change between the pre- and post-works situation. In addition, for minor works, where modification involves changes to the size of wind turbines within the limits of 15%, a work commencement declaration is sufficient.
The provision also defines the authorisation procedures for energy storage plants and specific simplifications based on their capacity.

- **2021 Budget Law**
On 30 December 2020, the 2021 Budget Law and the multi-year Budget for the three-year period 2021-2023 was published.
The most relevant provisions include the establishment of a "Fund for energy transition in the industrial sector" for the decarbonisation and energy efficiency of the industrial sector, together with measures for the sectors most exposed to the risk of carbon leakage.
The allocation of a multi-year funding for employment conversion in areas involved in the transformation or closure of coal plants has been confirmed, while an investment fund has been set up with the Italian Ministry of Economic Development to support the development and competitiveness of small and medium-sized enterprises in various sectors, including the production of energy from renewable sources.
For various economically disadvantaged areas, concessions relating to social security contributions are provided for employers; the tax credit for investments has been extended to 31 December 2022 for the purchase of new capital assets for production facilities located in the South, and the reduction in income tax on activities in Special Economic Zones (SEZs) has been confirmed, subject to compliance with certain conditions.
In terms of environmental protection, the "Sistema volontario di certificazione ambientale per la finanza sostenibile" (voluntary environmental certification system for sustainable finance) has been set up at the Italian Ministry of the Environment, in order to assess the eco-sustainable nature of public or private investment projects, in line with European regulations on the subject. The law provides that each subject, public or private, may join it on a voluntary basis.
A decision has also been made to define – on an experimental basis – the indicators for measuring the degree of environmental sustainability and the eco-sustainable nature of public and private investment projects as well as the related calculation methods; the "Eco-sustainable Finance Committee" has been set up at the Italian Ministry of the Environment with the aim of examining the requests and issuing the environmental certification.

The Italian Ministry for Environment, Land and Sea Protection is assisted by the Italian National Institute for Environmental Protection and Research (ISPRA), in order to support and speed up the various environmental verification activities, including those related to the implementation of the INECP.

A special Revolving fund has been established with the Italian Ministry of Economy and Finance (MEF) for the implementation of the Next Generation EU programme and the establishment of the related Fund, providing EUR 32.8 billion for 2021, EUR 40 billion for 2022 and EUR 44.6 billion for 2023.

The "Transition 4.0" tax credits have been extended and enhanced to support companies in the process of technological and environmental transition, and relaunch investments affected by the COVID-19 emergency, extending to 2022 the tax credit for investments in new capital assets, enhancing and diversifying the subsidy rates, increasing eligible expenses and expanding their scope of application.

- **"Golden Power" Decrees**

On 30 December 2020, two Decrees of the President of the Italian Council of Ministers relating to the exercise by the Government of special powers (Golden Powers) were published.

The first identifies the assets and relationships of strategic importance for the national interest and the types of acts and transactions within the same group. The scope of application includes, among other things, the technologies for managing the wholesale markets for natural gas and electricity**;** it also includes economic activities of strategic importance carried out by companies that achieve an annual net turnover of EUR 300 million or more and having an average annual number of employees of 250 or more.

The second provision includes the acts of strategic importance specific to the energy, transport and communications sectors, for the purpose of the exercising of special powers by the Government.

As regards energy, it includes, among other things, the infrastructures for the supply of electricity and gas from other countries - including regasification plants of natural gas -, the national electricity transmission grid and the related control and dispatching facilities, and the management activities related to the use of these networks and infrastructures.

France

- **Programmations Pluriannuelles de l'Énergie (PPE) and Integrated National Energy and Climate Plan (INECP)**

The new version of the PPE was submitted for consultation in January 2019 and then concluded in February. The final version was published in April 2020 together with the Integrated National Energy and Climate Plan (INECP).

By 2030, France plans to reduce energy consumption by 32.6%, increase the share of renewable energy to 33% of gross final energy consumption and reduce greenhouse gas emissions (excluding agro-forestry and ETS sectors) by 42%.

The specific targets for onshore wind power indicate:

- for 2023, 24.1 GW
- for 2028, from 33.2 to 34.7 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 measure making the recycling of the materials used in dismantled wind turbines mandatory will be implemented by 2023.

Germany

- **Publication of Integrated National Energy and Climate Plan (INECP)**

In June 2020, the German government sent its INECP to the European Commission (EC). The plan aims to achieve a reduction in CO_2 emissions of at least 55%, a reduction in primary energy consumption of 30% and an increase in the percentage of renewable energy in gross final energy consumption to 30% by 2030.

- **Plan for the phase-out of electricity generation from lignite**

In mid-January 2020, the Federal Government and the four “coal-bearing” States, i.e. Saxony-Anhalt, Saxony, North Rhine-Westphalia and Brandenburg, reached an agreement for discontinuing the use of lignite in electricity generation.

The agreement provides for a programme for the progressive closure of all lignite-fuelled power plants ending in 2038 but with the intention of bringing the deadline forward to 2035.

In December 2020, the first auction was held for the closure of the country's coal plants. The entire available quota was awarded through the tender, which was oversubscribed.

The plants awarded the tender will no longer be able to market the electricity produced from 1 January 2021, without prejudice to the right of TSOs to request the maintenance of reserve capacity to guarantee the safety and adequacy of the network.

- ***Erneuerbare Energien Gesetz* (EEG) Reform**

In December 2020, the German parliament approved the reform of the Renewable Energy Sources Act (EEG), which entered into force on 1 January 2021.

The new version of the EEG outlines the growth path of the various renewable technologies up to 2028 and identifies climate neutrality by 2050 as the guiding principle. According to the EEG, the private sector should become the main driver of the German energy transition.

Together with the reform, a resolution has been published that includes the aspects not yet agreed and on which the Government will work in the first half of 2021.

Most worthy of note are an installed capacity target by 2030 of 71 GW for onshore wind and 100 GW for photovoltaics, as well as the reduction in 2021 of the reference rate for photovoltaic auctions from 75 to 59 EUR/MWh. Starting from 2022, the value will be determined as the average of the highest bids from the last three auctions, plus an 8% markup.

For onshore wind it will be reduced from 70 to 60 EUR/MWh in 2021, while from 2022 it will be progressively reduced by 2% per annum.

The size limit for photovoltaic projects at auction has been increased from 10 to 20 MW, while the number of hours for which RES plants are entitled to financial support when the wholesale power price is negative has been reduced from 6 to 4.

For RES plants that will reach the end of the incentive period in 2020 and 2021, a premium is envisaged with respect to the market value of electricity, progressively decreasing until the end of 2021. Tenders will be held for ongoing support for subsequent years, with quotas of 1.5 GW in 2021 and 1 GW in 2022.

UK

- **EU-UK Brexit Deal**
  On 24 December 2020, the European Union and the United Kingdom reached an agreement on the UK's exit from the European Union that will regulate bilateral trade relations starting from 1 January 2021.
  The agreement governs several aspects of the future relationship, some of which will still be the subject of further negotiations in the near future.
  Despite the guarantees contained in the treaty, however, starting from 1 January 2021 the economic relations between the United Kingdom and the European Union will be more limited than those existing to date; for example, border controls will be restored, with potential new costs for companies.

- **Energy White Paper**
  On 14 December 2020, the British government published the *Energy White Paper*, which defines the strategy for achieving net carbon neutrality by 2050 and for the related "green industrial revolution".
  As regards the onshore wind and photovoltaic sectors, there are no significant details, although it is emphasised that both technologies will be fundamental elements of the future generation mix and therefore a sustained growth trend in installed capacity will be required in the next decade.
  It is confirmed that the auction for electric renewable energy expected by the end of 2021 will be open to onshore wind, solar photovoltaic and other established technologies, as well as offshore wind.
  The document opens a consultation on the design of future renewable energy support schemes to explore possible evolutionary options with respect to the current mechanism of Contracts for Difference (CfD).
  The establishment of a UK Emissions Trading System (UK ETS) is confirmed to replace the current EU system. The scheme will initially cover energy-intensive industries, energy and aviation.
  In line with the importance attributed to nuclear power generation, the investment decision on a further large-scale nuclear power plant will be proposed.
  Ambitious targets for the electrification of energy consumption have also been set; electricity, according to the paper, could provide up to 50% of final energy consumption against the current 17%.

Income Statement

This section contains both the reported operating results, calculated on the basis of the data presented in the Notes to the Consolidated Financial Statements, and the adjusted operating results, presented to exclude the impacts relating to the adoption of IFRS 9 and of special items, and with the reclassification for IFRS 16 in order to facilitate an understanding of the Group's operating performance.
It should be recalled that this Report reflects the impacts of the consolidation, from 1 January 2020, of the companies acquired during the first quarter of 2020.
For the definition of indicators, the composition of the financial statements and the reconciliation of the amounts involved, reference is made to that indicated in the Alternative Performance Indicators section below.

		Reported		Adjusted	
(EUR million)		2020	2019	2020	2019
Revenue	1	973.7	1,021.6	973.7	1,021.6
Other income	2	21.9	22.8	21.9	14.5
Total revenue		**995.6**	**1,044.4**	**995.6**	**1,036.1**
Purchases and change in inventories	3	(282.2)	(290.8)	(282.2)	(290.8)
Services and other operating costs	4	(180.0)	(190.5)	(167.5)	(176.6)
Personnel expense		(64.9)	(67.1)	(64.9)	(65.0)
EBITDA		**468.4**	**495.9**	**480.8**	**503.7**
Amortisation, depreciation and impairment of non-current assets	5	(313.3)	(306.0)	(297.5)	(298.8)
Operating profit (EBIT)		**155.1**	**189.9**	**183.3**	**204.9**
Net financial expense	6	(89.2)	(137.1)	(47.1)	(61.2)
Net gains (losses) on equity investments		0.3	(0.5)	0.2	0.1
Profit before taxes		**66.3**	**52.3**	**136.5**	**143.8**
Income taxes	7	43.3	(19.5)	(29.0)	(38.9)
Net profit for the year		**109.5**	**32.8**	**107.4**	**104.9**
Non-controlling interests		(1.7)	(1.2)	(1.7)	(1.2)
Profit attributable to owners of the parent		**107.9**	**31.6**	**105.8**	**103.6**

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.

2020 reported revenue was EUR 974 million, down compared with EUR 1,022 million in 2019.

The change is a result of the following factors:

- the decrease (EUR -19 million) in the **Wind sector** mainly as a result of the lower output in Italy due to lower wind speeds and much lower energy prices than in 2019, partly offset by the increase in output of the portfolio abroad and the contribution provided by the higher MW in operation, in addition to the increase resulting from the higher unit value of the incentive in Italy (totalling EUR 402 million compared with EUR 421 million);
- the slight increase (EUR +1 million) in the **Solar sector** with slightly higher production, partially offset by a lower price scenario than the previous year (EUR 73 million versus EUR 72 million);
- the **Hydroelectric sector**, down compared to the corresponding period in 2019 (EUR -6 million) affected by lower production, due to the continuing low availability of resources in central Italy, and a negative price scenario (EUR 118 million versus EUR 124 million);
- the decrease (EUR -24 million) of the **Thermoelectric sector** (EUR 381 million versus EUR 405

million), as a result of the decrease in energy prices compared to the same period of the previous year and the lower production of energy efficiency certificates due to the end of the incentivised period of module 1 of the CCGT plant. Note that in 2020, the item includes positive balances relating to site contracts amounting to approximately EUR 6 million in respect of industrial counterparties.

With regard to the item "Revenue", there are no significant special income components of an extraordinary nature (special items).

2 - Other income
Other income mainly includes insurance reimbursements, compensation and expense repayments and grants related to income.

Reported other income in 2020 mainly includes the insurance reimbursements (equal to EUR 4.7 million) in compensation for accidents occurring in previous years in relation to the CCGT plant and the partial release of bad debt provisions in the hydroelectric and wind business abroad. In 2019, other income included the partial release of the "provision for disposed Businesses" (EUR 8 million) in consideration of the favourable decision within a tax-related dispute.

In 2020, there are no significant special income components of an extraordinary nature (special items). It should be noted that in 2019 adjusted other income did not include the aforementioned partial release of the "provision for disposed Businesses" (EUR 8 million).

3 - Purchases and changes in inventories
Costs for purchases include costs for the purchase of gas and CO2, 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.
The significant decrease in reported values in the year compared to 2019 was due to lower gas purchase costs mainly due to the significant decrease in the price of the commodity caused by the COVID-19 health emergency.
With regard to the item "Purchases and changes in inventories", there are no significant special income components of an extraordinary nature (special items).

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.
The decrease in the reported values compared 2019 is mainly due to lower ancillary costs on non-recurring transactions and lower charges related to the reorganisation of the Group, recorded in 2019.

The adjusted values in 2020 do not include the following special items:

- allocation of the EUR 2 million donation in relation to the COVID-19 emergency;
- reclassification of the impact of the application of IFRS 16 equal to approximately EUR 10 million;
- the ancillary costs relating to non-recurring transactions equal to EUR 2.5 million;
- provisions for risks against charges related to fees to be paid to Local Entities for public concessions equal to EUR 17 million;
- allocations to the provision for disposed Businesses of approximately EUR 1 million.

5 - Amortisation, depreciation and impairment of non-current assets
Amortisation and depreciation refer to wind farms, hydroelectric sector plants, the CCGT plant and solar installations.
The increase for the year is mainly linked to the change in scope of the wind farms acquired in France during the first quarter of 2020 and the write-down of some wind farms in Germany following the impairment test procedures, partially offset by lower amortisation and depreciation due to the end of the useful life of some components of wind farms in Italy.
The adjusted amortisation and depreciation do not include the above-mentioned write-down and the amortisation related to the application of IFRS 16, as previously discussed.

6 - Net financial income (expense)
Reported net financial expense for 2020 amounted to EUR 89 million, down compared to 2019 (EUR 137 million) and included financial expenses incurred in the course of the significant liability management

transactions carried out in both financial years. It is also noted that a significant portion of the non-recurring expense incurred in 2019 as a result of the Liability Management programme was attributable to the reversal of the positive adjustment, recognised upon first consolidation, of the fair value of the debt and to the prepayment of the related IRS derivative instrument on the loan held by ERG Wind Investment.

Adjusted net financial expense in 2020 amounted to EUR 47 million, a significant decrease compared to 2020 (EUR 61 million), due in particular to the effects deriving from the significant liability management transactions carried out following the issue of two Green Bonds, which took place respectively in 2019 and during the second half of 2020 and the simultaneous "Voluntary Prepayment" programme, which led to the early repayment of 25 project financings, and the partial repayment of the 2017 Bond and 4 Corporate loans.
The average cost of medium/long-term debt in 2020 stood at 2.2% compared to 2.7% in 2019, due to the same effects described above. The return on invested liquidity in 2020 was in line with that of 2019 despite the higher volumes available in a context of a sharp decline in risk-free interest rates.

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

Lastly, it is specified that the adjusted values do not include the following extraordinary components (special items) linked to liability management operations:

- expenses (EUR -39 million) relating to the early closure of corporate loans, the 2017 Bond, project financing and related IRS derivative instruments in the second half of 2020;
- financial income (EUR +0.7 million), tied to the positive effect of the refinancing of a Corporate Loan and a Project Financing Loan, in application of IFRS 9 (EUR +4.2 million), partly offset by the reversal effect relating to refinancing transactions carried out in previous years (EUR -3.5 million);
- financial expenses related to the liability recognised upon application of the equity method introduced by IFRS 16 (EUR -4 million).

7 - Income taxes

Reported income taxes in **2020** were positive (EUR +43 million) compared to EUR -20 million in 2019 and were mainly affected by the reversal to the income statement of the deferred taxation, recorded as part of the Purchase Price Allocation, following the revaluation of hydroelectric plants carried out pursuant to Italian Law 104/2020 (equal to EUR 54 million).
Adjusted income taxes, amounting to EUR 29 million, a significant reduction compared to EUR 39 million in 2019, mainly as a result of the recovery of charges relating to prior years and the tax relief tied to economic growth (ACE), do not include the release of deferred taxes on the redemption of the capital gains relating to the Andromeda (Solar) Business Combination, which took place in 2019, and the aforementioned release of the deferred taxation on the revaluation of hydroelectric plants.

The adjusted tax rate, obtained from the ratio between taxes and pre-tax profit, was 21% (27% in 2019), a decrease mainly due to the effect related to the recovery of non-deductible financial charges in previous years.

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.
Both the reported values and the adjusted values are shown below. The adjusted values at 31 December 2020 do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 101 million with a balancing entry in net invested capital amounting to approximately EUR 99 million.

		Reported		*Adjusted*	
Reclassified Statement of Financial Position		**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
(EUR million)					
Non-current assets	1	3,361.5	3,500.6	3,261.6	3,422.2
Net operating working capital	2	152.2	146.8	152.2	146.8
Employee benefits		(5.4)	(5.4)	(5.4)	(5.4)
Other assets	3	211.4	187.5	217.7	189.4
Other liabilities	4	(412.0)	(489.5)	(412.0)	(489.5)
Net invested capital		**3,307.7**	**3,340.1**	**3,209.0**	**3,263.5**
Equity att. to the owners of the parent		1,758.1	1,774.6	1,760.1	1,775.6
Non-controlling interests	5	9.7	11.5	9.7	11.5
Net financial indebtedness	6	1,539.9	1,553.9	1,439.2	1,476.4
Equity and financial indebtedness		**3,307.7**	**3,340.1**	**3,209.0**	**3,263.5**

1 - Non-current assets

	Intangible assets	**Property, plant and equipment**	**Financial assets**	**Total**
(EUR million)				
Non-current assets at 31/12/2019	**1,110.7**	**2,336.3**	**53.6**	**3,500.6**
Capital expenditure	5.8	105.7	0.3	**111.7**
Change in the consolidation scope	6.3	35.6	0.7	**42.6**
Divestments and other changes	(1.8)	(5.2)	(2.3)	**(9.3)**
Amortisation and depreciation	(71.1)	(234.5)	-	**(305.7)**
IFRS 16 change	-	21.5	-	**21.5**
Non-current assets at 31/12/2020	**1,049.8**	**2,259.4**	**52.3**	**3,361.5**
Adjustment for impact of IFRS 16	-	(99.9)	-	**(99.9)**
Adjusted non-current assets at 31/12/2020	**1,049.8**	**2,159.4**	**52.3**	**3,261.6**

"Change in the consolidation scope" relates to the acquisition of wind farms in France, consolidated on a line-by-line basis as from 1 January 2020, and to the acquisition of a project for the development of a wind farm in Poland.
The line "Divestments and other changes" comprises disposals of non-current assets, the use of main component spare parts and reclassifications.
The adjusted values at 31 December 2020 do not include the assets linked to the application of IFRS 16 of around EUR 100 million. The increase relating to the application of IFRS 16 is attributable to the recognition of the right of use on the wind farms under construction in the UK.

2 - Net operating 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. It should be noted that starting from these Financial Statements, the values relating to CO_2 purchases exceeding the requirements for the year, previously recorded under Other assets, are entered under the item Inventories. The 2019 values have also been consistently restated.

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 year, and the provisions for risks and charges.

5 - Non-controlling interests
Non-controlling interests relate to the non-controlling interest (78.5%) in Andromeda S.r.l., acquired in 2019.

6 - Net financial indebtedness
Adjusted indebtedness does not include the financial payables related to the application of IFRS 16 of approximately EUR 101 million.

	Reported		*Adjusted*	
Summary of the Group's indebtedness	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
(EUR million)				
Non-current financial indebtedness	2,106.4	2,100.9	2,014.5	2,030.8
Current financial indebtedness (cash and cash equivalents)	(566.4)	(547.0)	(575.3)	(554.4)
TOTAL	**1,539.9**	**1,553.9**	**1,439.2**	**1,476.4**

Financial Strategy and Sustainable Finance

The ERG Group's financing strategy is increasingly oriented towards green and sustainable instruments, in line with its own development model.

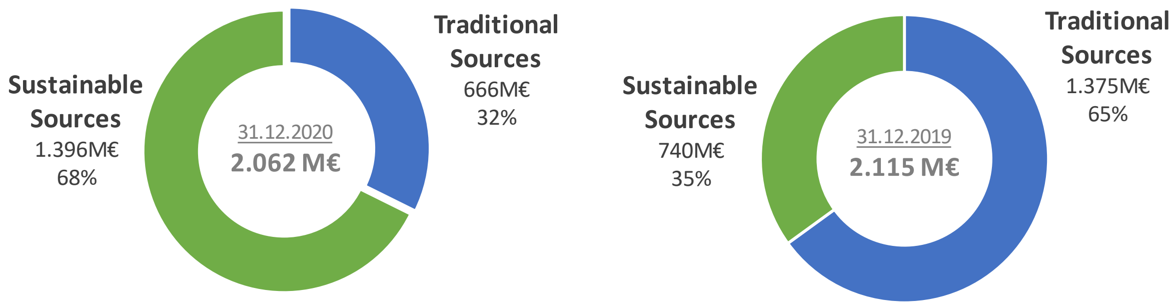
In the last two years, ERG has implemented a strategy to gradually evolve the financial structure from Project Financing to Corporate Financing, through significant liability management transactions and the simultaneous issue of two bond loans in April 2019 and in the second half of 2020 respectively; this has made it possible to rebalance the Group's financial structure in favour of corporate financing and to transform the debt structure from traditional financing sources to sustainable financing sources.
Confirming ERG's strong commitment to sustainable development, the two issues for a total of EUR 1,000 million were structured as Green Bonds on the basis of the ERG Green Bond Framework, assessed by the independent advisor Vigeo Eiris, which certified the compliance of the Green Bond Framework with the Green Bond Principles. Both issues were very successful, both being six times oversubscribed, receiving applications from top standing investors and representatives from various geographical segments, with significant participation of green and sustainable investors.

In December 2020, ERG increased the amount of the second green bond by EUR 100 million ("Tap Issue"). Also in 2020, the amendment of an existing project financing was signed, which made it possible to classify the loan as a "Green Loan" and "Sustainability Linked Loan" in compliance with the Green Loan Principles and Sustainability Linked Loan Principles.
The sources of Sustainable Finance, equal to EUR 1,396 million at 31 December 2020 out of a total of financial sources equal to EUR 2,062 million of nominal value (EUR 740 million at 31 December 2019 out of a total of financial sources equal to EUR 2,115 million of nominal value) include:

- Green Bonds, for a total of EUR 1,100 million (EUR 500 million at 31 December 2019) intended for the refinancing of wind and solar projects that have recently become part of the ERG Group portfolio and for the financing of new wind and solar projects;

- Medium/long-term senior unsecured Environmental, Social and Governance loan agreements ("ESG Loans"), for a total of EUR 200 million (EUR 240 million at 31 December 2019), which provide for a reward mechanism linked to the achievement of a CO2 emissions savings target;

- Project Green and Sustainability Linked Loan, for a total of EUR 93 million, subscribed for three wind farms in Italy with a total capacity of 154 MW and structured in compliance with the "Sustainability Linked Loan Principles" issued by the Loan Market Association. This loan provides for the periodic evaluation of sustainability parameters, and reward mechanisms linked to the achievement of objectives in terms of plant availability and green energy output.



Thanks to the liquidity resulting from the last bond issue and the cash and cash equivalents generated by the ERG group, in the second half of 2020 the Group completed the early repayment of 25 project financing loans in relation to certain wind and solar companies, the repayment of 4 Corporate loans and the partial repayment of the Bond issued in 2017.

The details of the repayment transactions carried out during the second half of 2020 are as follows:

- Bonds and Corporate Loans:

- partial repayment of EUR 75 million of the liability deriving from the issue of the non-convertible bond carried out in 2017;
- a bilateral corporate loan with Unicredit S.p.A., the nominal residual value of which at the settlement date was EUR 75 million. The loan was hedged by an IRS derivative instrument with a fair value at the end of the year of EUR 1 million, and which was extinguished during the year;
- a corporate loan with Mediocredito, the nominal residual value of which at the settlement date was EUR 53 million;
- partial repayments of the two “ESG Loans” with BNL and Credit Agricole of EUR 20 million respectively. The loans are hedged by an IRS derivative instrument; during the year, the fair value of approximately EUR 1 million for the repaid portions was partially extinguished.

- Project Financing:

- Italy: loans held by some Italian companies operating in the solar and wind sector, the nominal residual value of which at the settlement date was respectively EUR 152 million and EUR 26 million.
- France: loans held by certain French operating companies, the nominal residual value of which at the settlement date was EUR 113 million.
- Germany: loans held by certain German companies, the nominal residual value of which at the settlement date was EUR 41 million.
- Bulgaria: loans held by certain Eastern European companies, the nominal residual value of which at the date of settlement was EUR 11 million.

As part of the programme for closure of the aforementioned project financings, it should be noted that some loans were covered by IRS derivative instruments, the fair value of which at the end of the year was approximately EUR 13 million

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

Non-current financial indebtedness	31/12/2020	31/12/2019
(EUR million)		
Non-current loans and borrowings	506.5	675.8
Current portion of bank loans and borrowings	0.0	(7.8)
Non-current financial liabilities	1,138.8	655.0
Total	**1,645.3**	**1,323.0**
Total Project Financing	417.1	812.1
Current portion of Project Financing	(47.9)	(104.3)
Non-current Project Financing	**369.2**	**707.8**
Long-term loan assets	**0.0**	**0.0**
IFRS 16 financial liabilities (non-current)	**91.9**	**70.1**
Total financial indebtedness	**2,106.4**	**2,100.9**
Adjustment for impact of IFRS 16	**(91.9)**	**(70.1)**
Total adjusted financial indebtedness	**2,014.5**	**2,030.8**

- "**Non-current loans and borrowings**" at 31 December 2020 total EUR 506 million (EUR 676 million at 31 December 2019), and refer to:
  - two 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 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).
  - two Environmental, Social and Governance senior loans ("ESG Loans") with BNL (EUR 100 million) entered into in the second half of 2018, and with Credit Agricole (EUR 100 million), entered into in the first half of 2019, 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.
    As noted above, it is recalled that during the third quarter of 2020 two partial repayments were made for the above "ESG Loans" for a total amount of EUR 40 million.
  - a corporate loan with Commerzbank (EUR 60 million) entered into the second half of 2019 as part of the Liability Management activities.

  The loans indicated above are recognised net of ancillary costs, recognised with the amortised cost method (EUR 1 million) and the effect of the renegotiation of borrowing (EUR 2 million) following the application of IFRS 9.

- "**Non-current loans and borrowings**", amounting to EUR 1,139 million, refer mainly to:
  - net liabilities deriving from the fair value measurement of the derivatives to hedge interest rates of EUR 43 million (EUR 40 million at 31 December 2019);
  - liability deriving from the issue of the non-convertible bond (EUR 25 million[18]) in 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. As mentioned previously, it is recalled that during the fourth quarter of 2020 the bond was partially repaid for an amount equal to EUR 75 million; the residual value was repaid in January 2021;
  - liability deriving from placement of a bond ("Green Bond 2019") amounting to EUR 496[17] million with a 6-year duration at a fixed rate, issued within the scope of the Euro Medium Term Notes (EMTN) Programme;
  - liability deriving from placement of a bond ("Green Bond 2020") amounting to EUR 494[17] million with a 7-year duration at a fixed rate, issued within the scope of the Euro Medium Term Notes (EMTN) Programme;
  - liability deriving from placement of a bond ("Tap Issue 2020") amounting to EUR 101[17] million with a 7-year duration at a fixed rate, issued within the scope of the Euro Medium Term Notes (EMTN) Programme;

[18] Net of ancillary costs, recognised with the amortised cost method.

- liability related to the deferred component of the purchase price of the Epuron Group (EUR 3 million).

- The payables for "**Total Project Financing**" (EUR 417 million at 31 December 2020) are for:
  - EUR 120 million in loans relating to the company acquired by Soles Montalto in 2019;
  - EUR 297 million in loans issued for the construction of wind farms.

As a result of the refinancing transactions concluded in the year, net of the reversal effect relating to the refinancing transactions performed in previous years, the reduction in total debt at 31 December 2020 came to EUR 5 million, according to the application of IFRS 9.
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.

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 shown as special items.

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

Current financial indebtedness (cash and cash equivalents)	31/12/2020	31/12/2019
(EUR million)		
Current bank loans and borrowings	71.1	0.1
Current portion of bank loans and borrowings	-	7.8
Other current financial liabilities	31.8	9.3
Current financial liabilities	**102.9**	**17.2**
Cash and cash equivalents	(603.2)	(521.9)
Securities and other current financial assets	(70.6)	(22.4)
Current financial assets	**(673.8)**	**(544.3)**
Current Project Financing	47.9	104.3
Cash and cash equivalents	(52.3)	(131.6)
Project Financing	**(4.4)**	**(27.3)**
IFRS 16 financial liabilities (current)	**8.9**	**7.4**
Total current financial indebtedness	**(566.4)**	**(547.0)**
Adjustment for impact of IFRS 16	**(8.9)**	**(7.4)**
Total current adjusted financial indebtedness	**(575.3)**	**(554.4)**

Current bank loans and borrowings include short-term positions related to credit line current accounts.
Other current financial liabilities include liabilities related to a deferred component (EUR 12 million) of the consideration for the acquisition of Creag Riabhach Wind Farm Ltd, holder of authorisations for the construction of a wind farm in Scotland paid in February 2021.
Current financial assets include investments in securities and cash collateral on the trading operation on futures derivative instruments.

Cash flows

The statement of cash flows is presented based on **adjusted** values, in order to facilitate understanding of the cash flow dynamics of the year.
The breakdown of changes in net financial indebtedness is as follows:

	Year	
(amounts in millions)	**2020**	**2019**
Adjusted EBITDA	480.8	503.7
Change in net working capital	(40.9)	49.2
Cash flows from operations	**440.0**	**552.9**
Investments in property, plant and equipment and intangible assets	(111.5)	(67.9)
Company acquisitions (business combinations)	(44.3)	(364.0)
Capital expenditure on non-current financial assets	(0.3)	-
Divestments and other changes	(0.4)	2.1
Cash flows from investments/divestments	**(156.4)**	**(429.8)**
Net financial expense	(47.1)	(61.2)
Closure fair value of loans	(23.9)	(43.5)
Net gains (losses) on equity investments	0.2	0.1
Cash flows from financing activities	**(70.8)**	**(104.6)**
Cash flows from tax management	**(25.4)**	**(41.0)**
Distribution of dividends	(115.2)	(112.4)
Other changes in equity	(35.1)	1.2
Cash flows from Equity	**(150.2)**	**(111.1)**
Change in the consolidation scope	**-**	**0.2**
Opening net financial indebtedness	**1,476.4**	**1,343.0**
Net change	*(37.2)*	*133.4*
Closing net financial indebtedness	**1,439.2**	**1,476.4**

Cash Flows from operations in **2020** are positive by EUR 440 million, down by EUR 113 million compared to the corresponding period of 2019, mainly due to the changes in working capital.

Cash Flows from investments in **2020** are tied to the M&A activity and in particular to the acquisition of operational wind farms in France (EUR 42 million) and a project for the construction of a wind farm in Poland (EUR 2 million), and to the investments in the year (EUR 111 million).

Cash Flows from financing activities refer to the interest accrued in the year and to the financial charges as part of the aforementioned Voluntary Prepayment programme. Cash flows for 2019 also included the effect of the closure of the fair value of the project financing of ERG Wind Investment Ltd.

Cash flows from Equity refer to the changes in the hedging reserve tied to derivative financial instruments, to the translation reserve and to the dividends distributed.

The **adjusted net financial indebtedness** totalled **EUR 1,439 million**, down (EUR 37 million) compared to 31 December 2019 (EUR 1,476 million). The change mainly reflects the investments in the year (EUR 156 million), the distribution of dividends (EUR 115 million) and the payment of taxes (EUR 25 million[19]), more than offset by the positive cash flows (EUR 392 million[20]).

ALTERNATIVE PERFORMANCE INDICATORS

[19] Includes payment of substitute tax in relation to the capital gains exemption related to the Andromeda (Solar) Business Combination in 2019.
[20] Includes the adjusted EBITDA, the change in working capital and net financial income (expenses).

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COVID-19 emergency
In 2020, the only item related to the COVID-19 emergency, isolated as a special item, relates to the EUR 2 million donation made by the Group (EUR 1 million already distributed).

IFRS 16
The Group, as lessee, has recognised new liabilities for leases and higher right-of-use assets related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory.
The application of the standard has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as depreciation of the right-of-use assets and as financial expense correlated to the liability linked to the discounting of future lease payments.
Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially when the relative lease payments were made.
The application of IFRS 16 in 2020 therefore led to:

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 10 million;
- an increase (approximately EUR 101 million) in the net financial indebtedness and the net invested capital (approximately EUR 99 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation (EUR 6 million) and greater financial expense (EUR 4 million) linked to the application of the above-mentioned method.

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

Reconciliation with adjusted operating results

EBITDA	Year	
(amounts in millions)	2020	2019
EBITDA	**468.4**	**495.9**

Special items exclusion:		
Corporate		
- Reversal of ancillary charges on non-recurring transactions (Special Projects) (1)	*2.5*	*9.3*
- IFRS 16 reclassification (2)	*(1.1)*	*(0.9)*
- Reversal of COVID-19 donation (3)	*2.0*	*-*
- Reversal of HR and corporate reorganisation costs (4)	*-*	*7.2*
- Reversal for release of provision for disposed businesses (5)	*1.1*	*(8.2)*
Thermoelectric		
- IFRS 16 reclassification (2)	*(1.2)*	*(1.0)*
Hydroelectric		
- IFRS 16 reclassification (2)	*(0.2)*	*(0.2)*
- Reversal of allocation to provision for Local Entities (6)	*15.8*	*-*
Solar		
- IFRS 16 reclassification (2)	*(0.4)*	*(0.4)*
- Reversal of allocation to provision for Local Entities (6)	*0.2*	*-*
Wind		
- IFRS 16 reclassification (2)	*(7.4)*	*(6.5)*
- Reversal of allocation to provision for Local Entities (6)	*1.1*	*-*
- Reversal of allocations to tax-related provisions (5)	*-*	*8.5*
Adjusted EBITDA	**480.8**	**503.7**

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**Year**	
(amounts in millions)	**2020**	**2019**
Amortisation, depreciation and impairment losses	**(313.3)**	**(306.0)**
Special items exclusion:		
- IFRS 16 reclassification (2)	*6.5*	*6.7*
- Reversal write-down of plants in Germany (7)	*9.3*	*-*
- Reversal of amortisation and depreciation on disposed businesses (5)	*-*	*0.5*
Adjusted depreciation and amortisation	**(297.5)**	**(298.8)**

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**Year**	
(amounts in millions)	**2020**	**2019**
Profit attributable to owners of the parent	**107.9**	**31.6**
Special items exclusion:		
IFRS 16 reclassification (2)	*0.0*	*1.0*
Exclusion of impact of COVID-19 donation (3)	*1.8*	*-*
Exclusion of impact of HR and corporate reorganisation costs (4)	*-*	*5.4*
Exclusion of ancillary charges on loan prepayments (8)	*30.4*	*52.9*
Exclusion of ancillary charges on non-recurring transactions (1)	*2.4*	*8.7*
Exclusion balance IRAP 2019 - Decreto Rilancio (9)	*(0.6)*	*-*
Exclusion of deferred taxes on goodwill exemption Solar and alignment Hydro plants (10)	*(57.0)*	*-*
Exclusion of expenses related to disposed Businesses (5)	*1.0*	*(5.1)*
Exclusion of expenses related to allocations to Local Entities provisions (6)	*13.8*	*-*
Exclusion of expenses related to allocations to tax-related provisions (5)	*-*	*6.4*
Exclusion of expenses related to write-down of plants in Germany (7)	*6.6*	*-*
Exclusion impact gains/losses on IFRS 9 (11)	*(0.5)*	*2.7*
Adjusted profit attributable to owners of the parent	**105.8**	**103.6**

1. Ancillary charges pertaining to other non-recurring transactions and to the acquisitions that took place in 2020 in relation to operational wind farms in France.
2. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.
3. Donation. Reference is made to the information provided in the specific COVID-19 emergency section.

4. Expenses related to corporate reorganisation of the Group, in particular to the simplification and rationalisation of the organisational-corporate structure of the Group in Italy and abroad.

5. Allocations related to the reappraisal of the tax-related risks on the wind business and extraordinary items on the Provision for businesses disposed of by the Group.

6. Allocations to provisions for institutional risks against charges related to fees to be paid to Local Entities for public concessions equal to EUR 17 million.

7. Write-down of some wind farms in Germany following the Impairment Test procedure.

8. Financial expenses correlated to the early closure of Corporate and project financing loans as part of Liability Management activities concurrently with the placement of the Green Bonds in 2019 and 2020.

9. Reversal of the IRAP benefit deriving from the "Decreto Rilancio", which introduced the cancellation of the payment of the IRAP balance for the 2019 tax period.

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

11. 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 net gains of approximately EUR 1 million being accounted for in 2020. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted income statement financial expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.

Below is the reconciliation between the Financial Statements and the adjusted statements shown and commented upon in this document.

Income Statement 2020

(EUR million)	Financial Statements	*Reclassification of IFRS 16 impact*	*Adjustment for impact of IFRS 9*	*Reversal of special items*	Adjusted income statement
Revenue	973.7	-	-	-	973.7
Other income	21.9	-	-	-	21.9
Total revenue	**995.6**	**-**	**-**	**-**	**995.6**
Purchases and change in inventories	(282.2)	-	-	-	(282.2)
Services and other operating costs	(180.0)	*(10.2)*	-	*22.7*	(167.5)
Personnel expense	(64.9)	-	-	-	(64.9)
EBITDA	**468.4**	***(10.2)***	**-**	***22.7***	**480.8**
Amortisation, depreciation and impairment of non-current assets	(313.3)	*6.5*	-	*9.3*	(297.5)
Operating loss (EBIT)	**155.1**	***(3.8)***	**-**	***32.0***	**183.3**
Net financial income (expense)	(89.2)	*3.8*	*(0.7)*	*39.0*	(47.1)
Net gains (losses) on equity investments	0.3	-	-	*(0.1)*	0.2
Profit (loss) before taxes	**66.3**	***0.0***	***(0.7)***	***70.9***	**136.5**
Income taxes	43.3	-	*0.2*	*(72.5)*	(29.0)
Profit (loss) from continuing operations	**109.5**	***0.0***	***(0.5)***	***(1.6)***	**107.4**
Net profit (loss) from discontinued operations	-	-	-	-	-
Net profit (loss) for the year	**109.5**	***0.0***	***(0.5)***	***(1.6)***	**107.4**
Non-controlling interests	(1.7)	-	-	-	(1.7)
Profit (loss) attributable to the owners of the parent	**107.9**	***0.0***	***(0.5)***	***(1.6)***	**105.8**

Income Statement 2019

(EUR million)	Financial Statements	*Reclassification of IFRS 16 impact*	*Adjustment for impact of IFRS 9*	*Reversal of special items*	Adjusted income statement
Revenue	1,021.6	-	-	-	1,021.6
Other income	22.8	-	-	*(8.2)*	14.5
Total revenue	**1,044.4**	**-**	**-**	***(8.2)***	**1,036.1**
Purchases	(290.8)	-	-	-	(290.8)
Services and other operating costs	(190.5)	*(9.0)*	-	*22.9*	(176.6)
Personnel expense	(67.1)	-	-	*2.1*	(65.0)

EBITDA	**495.9**	***(9.0)***	***-***	***16.8***	**503.7**
Amortisation, depreciation and impairment of non-current assets	(306.0)	*6.7*	*-*	*0.5*	(298.8)
Operating profit (EBIT)	**189.9**	***(2.3)***	***-***	***17.2***	**204.9**
Net financial income (expense)	(137.1)	*3.7*	*3.5*	*68.7*	(61.2)
Net gains (losses) on equity investments	(0.5)	*-*	*-*	*0.7*	0.1
Profit before taxes	**52.3**	***1.4***	***3.5***	***86.6***	**143.8**
Income taxes	(19.5)	*(0.4)*	*(0.8)*	*(18.2)*	(38.9)
Profit from continuing operations	**32.8**	***1.0***	***2.7***	***68.4***	**104.9**
Net profit (loss) from discontinued operations	-	*-*	*-*	*-*	-
Net profit for the year	**32.8**	***1.0***	***2.7***	***68.4***	**104.9**
Non-controlling interests	(1.2)	*-*	*-*	*-*	(1.2)
Profit attributable to the owners of the parent	**31.6**	***1.0***	***2.7***	***68.4***	**103.6**

Reclassified statement of financial position at 31 December 2020

(EUR million)	**Reported Statement of financial position**	***Adjustment for impact of IFRS 16***	**Adjusted Statement of financial position**
Intangible assets	1,049.9	-	1,049.9
Property, plant and equipment	2,259.4	*(99.9)*	2,159.5
Equity investments and other financial non-current assets	52.3	-	52.3
Non-current assets	**3,361.5**	***(99.9)***	**3,261.6**
Inventories	49.4	-	49.4
Trade receivables	178.5	-	178.5
Trade payables	(74.2)	-	(74.2)
Excise duties payable to tax authorities	(1.5)	-	(1.5)
Net operating working capital	**152.2**	**-**	**152.2**
Employee benefits	(5.4)	-	(5.4)
Other assets	211.4	*1.2*	212.7
Other liabilities	(412.0)	-	(412.0)
Net invested capital	**3,307.7**	***(98.7)***	**3,209.0**
Equity attributable to the owners of the parent	1,758.1	*2.0*	1,760.1
Non-controlling interests	9.7	-	9.7
Non-current financial indebtedness	2,106.4	*(94.2)*	2,012.1
Current net financial indebtedness	(566.4)	*(6.5)*	(572.9)
Equity and financial indebtedness	**3,307.7**	***(98.7)***	**3,209.0**

Reclassified statement of financial position at 31 December 2019

(EUR million)	**Reported Statement of financial position**	***Adjustment for impact of IFRS 16***	**Adjusted Statement of financial position**
Intangible assets	1,110.7	-	1,110.7
Property, plant and equipment	2,336.3	*(78.5)*	2,257.9
Equity investments and other financial non-current assets	53.6	-	53.6
Non-current assets	**3,500.6**	***(78.5)***	**3,422.2**
Inventories	43.5	-	43.5
Trade receivables	193.5	-	193.5
Trade payables	(87.8)	-	(87.8)
Excise duties payable to tax authorities	(2.3)	-	(2.3)
Net operating working capital	**146.8**	**-**	**146.8**
Employee benefits	(5.4)	-	(5.4)
Other assets	187.5	*1.9*	189.4
Other liabilities	(489.5)	-	(489.5)
Net invested capital	**3,340.1**	***(76.5)***	**3,263.5**
Equity attributable to the owners of the parent	1,774.6	*1.0*	1,775.6
Non-controlling interests	11.5	-	11.5
Non-current financial indebtedness	2,100.9	*(70.1)*	2,030.8
Current net financial indebtedness	(547.0)	*(7.4)*	(554.4)
Equity and financial indebtedness	**3,340.1**	***(76.5)***	**3,263.5**

Significant events after the reporting date

Date	Sector	Significant event	Press release
28 January 2021	**Wind**	ERG, through its subsidiary ERG Power Generation S.p.A., signed a framework agreement with ENERCON GmbH to supply wind-power generators with a potential capacity of approximately 190 MW, which are	**Press release of 28 January 2021**

		earmarked for repowering projects in Italy and a greenfield project in the United Kingdom. In addition to the supply, the agreement, which has a potential value of EUR 120 million, includes the transport, installation, commissioning and maintenance foreseen in the first phase of life of the wind turbines.	
28 January 2021	**Corporate**	ERG S.p.A. announces that following the exercise of the redemption option in compliance with clause 6.4 - Redemption and Purchase / Redemption at the Issuer's Choice (Clean-up Call) - of the bond loan regulation (see CS of 22 December 2020), all the remaining Bonds have been redeemed for a total nominal amount of Euro 25,000,000	**Press release of 28 January 2021**

Business outlook

The expected outlook for the main operating and performance indicators in 2021 is as follows.
It should be noted that the results by business segment for the year 2021 reflect a different management allocation compared to 2020 of the costs relating to the staff functions supporting all the technologies, with a greater absorption by the activities abroad in line with the strategic development goals.

Wind

ERG is continuing with its strategy of international development in Wind and in the programme for the Repowering of its own wind farms in Italy. EBITDA for the latter is expected to grow compared to 2020 as a result of higher volumes, the better price scenario and the higher incentive value. The result abroad is expected to decrease compared to 2020 due to less favourable statistical wind forecasts compared to the high forecasts of 2020 and due to the exit from the incentive system of approximately 76 MW in France, albeit partially offset by a scenario of rising market prices in Eastern Europe and the start-up at the end of the year of the first wind farms currently under construction in the United Kingdom.
The total EBITDA is expected to be higher compared with the previous year.

Solar

In 2021, ERG will continue to benefit from some synergies deriving from the optimisation of the Energy Management portfolio, and from the in-sourcing of some activities previously carried out by third parties capitalising its own industrial competencies in the operating consolidation of the managed assets.
The EBITDA for the entire year 2021 is forecast to be in line with 2020.

Hydroelectric

We expect volumes to increase significantly compared to the very reduced volumes in 2020 thanks also to the high availability of water in the reservoirs accumulated at the beginning of the year; this higher volume forecast will be accompanied by the optimisation of Energy Management output on the energy markets. The result will also benefit from both the higher incentive price on at least 40% of production, and the improved price scenario.
Therefore, EBITDA is expected to increase sharply compared to the values of 2020.

Thermoelectric

The forecast of the 2021 result will mainly be affected by the complete exit from the first period of High Efficiency Cogeneration (CAR). The shutdown of the combined cycle plant, scheduled during the year, will in fact be dedicated to investments aimed at renewing cogeneration for a second decade by resuming the production of energy efficiency certificates. Activities aimed at improving the efficiency and operational flexibility of the plant will continue, as will those of Energy Management on spot markets and dispatching services.
EBITDA is expected to contract relative to 2020.

Total EBITDA for 2021 is forecast within a range of between EUR 480 million and EUR 500 million (EUR 481 million in 2020) thanks to greater forecast production volumes, the better price scenario and the greater unit value of the incentive in both the Hydro and Wind sectors in Italy. These effects are partly offset in Wind abroad by less favourable wind forecasts, as well as by a lower expected profitability in the Thermoelectric sector due to the complete exit from the first period of CAR. Solar confirms its stable performance over time.

With reference to price scenarios, it is noted however that a preponderant portion of RES productions and of the Clean Spark Spreads tied to thermoelectric generation have already been the subject of forward sales, in line with the Group's risk hedging policy. In 2021, the level of coverage is equal to approximately 70% of the budget total output.

The capital expenditure for 2021, expected to be within the range of EUR 235 million to EUR 275 million, will be related to the development of greenfield investments with the construction of the wind farms in the United Kingdom for approximately 250 MW, in Poland for 60 MW and in France for 25 MW, in addition to the usual capital expenditure for wind farm maintenance. Also included is capital expenditure for activities aimed at the modernisation of the plant and the simultaneous renewal of the High Efficiency Cogeneration (CAR) qualification for module 1 of the CCGT.
Net financial indebtedness at the end of 2021 is expected to be in the range between EUR 1.35 billion and EUR 1.45 billion (EUR 1.44 billion in 2020), including the distribution of the ordinary dividend of EUR 0.75 per share.

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