Annual Report 2023

The Annual Report 2023 constitues non-official version which is not compliant with the proviisons of the Comission Delegated Regulation (EU) 2019/815.

We ARE #SDGs CONTRIBUTORS

ERG EVOLVING ENERGIES

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Directors’ Report

BASIS FOR PREPARATION

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, capital increases by contributions in kind, acquisitions and sales.

Operating segments

It should be noted that starting from 2022, following the significant Asset Rotation process launched in 2021 with the sale of the hydroelectric business and fully completed with the sale of the thermoelectric business in October 2023, the operating results are reported and commented on with reference to the different geographical segments in which ERG operates, in line with the internal methods for measuring the Group's results. It should be noted that the results, shown by geographical segment, 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 business by geographic segment and, secondarily, by technology, the wind and solar results include the hedging carried out in respect of renewables.

Alternative Performance Indicators (APIs) and adjusted results

Some of the Alternative Performance Indicators (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.

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 exceptional nature (special items): these results are indicated with the term "Adjusted results". The results that include significant income statement components of an exceptional nature (special items) are also defined as "Reported results". A definition of the indicators and the reconciliation of the amounts involved are provided in the "Alternative Performance Indicators" section.

Finalisation of the sale agreement of the Thermoelectric Business

In 2021, the Group embarked on a major Asset Rotation with the aim of completing its transformation to a pure "Wind&Solar" business model.

On 3 January 2022, ERG finalised the sale of the hydroelectric assets to Enel Produzione, while, as regards the sale of the thermoelectric business, on 17 October 2023 the Group finalised an agreement with Achernar Assets AG, a Swiss investment holding company, for the sale of the entire capital of ERG Power S.r.l.

The consideration in terms of Enterprise Value is equal to EUR 191 million. The agreements also provide for some earn-outs relating to business performance in 2024 and 2025.

In consideration of the above, in this Document the result of ERG Power S.r.l. was therefore recorded in the line "Net profit (loss) from discontinued operations" in accordance with IFRS 5.

2022 income statement amounts

As already noted in the 2022 Group Financial Statements, during 2022 measures were introduced in Italy and abroad to contain the effects of price increases in the electricity sector.

In particular, in Italy reference is made to:

- *the Surplus profits contribution introduced by Italian Decree Law of 21 March 2022;*
- *the 2023 Temporary Solidarity Contribution introduced by the Budget Law for 2023 (Italian Law no. 197 of 29 December 2022);*
- *Article 15-bis of Italian Decree Law no. 4/2022 (Sostegni-Ter).*

Abroad, reference is made to the application of the "Windfall Tax" legislation in Romania and the Price Cap regulations introduced in other countries.

In order to provide an effective representation, the 2022 comparative amounts have been restated and are therefore shown net of these charges and will therefore be understood as "net clawbacks and windfall taxes". A summary of the various impacts of the above-mentioned measures on EBITDA and EBIT is presented in the chapter "Regulatory measures to curb energy prices rises (clawback measures and windfall tax)".

Risks and uncertainties in relation to the business outlook

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

THE GROUP

CORPORATE BODIES

BOARD OF DIRECTORS [1]

Chairman

EDOARDO GARRONE *(executive)*

Deputy Chairman

ALESSANDRO GARRONE *(executive)* [2]

GIOVANNI MONDINI *(non-executive)*

Chief executive officier

PAOLO LUIGI MERLI

Directors

LUCA BETTONTE *(non-executive)*

EMANUELA BONADIMAN *(independent)* [3]

MARA ANNA RITA CAVERNI *(independent)* [3]

ELENA GRIFONI WINTERS *(independent)* [3]

FEDERICA LOLLI *(independent)* [3]

ELISABETTA OLIVERI *(independent)*[3]

MARIO PATERLINI *(independent)*[3]

RENATO PIZZOLLA *(non-executive)*[4]

BOARD OF STATUTORY AUDITORS [5]

Chairwoman

MONICA MANNINO [6]

Standing auditors

GIULIA DE MARTINO

FABRIZIO CAVALLI

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

MICHELE PEDEMONTE [7]

INDEPENDENT AUDITORS

KPMG S.P.A. [8]

1 Board of Directors appointed on 26 April 2021.
2 Director in charge of the Internal Control and Risk Management System.
3 With reference to the provisions of Article 148, paragraph 3, of the Italian Consolidated Finance Act and the matters contained in the current Corporate Governance Code recommended by Borsa Italiana S.p.A.
4 Confirmed on 26 April 2023 and expiring together with the other members of the Board of Directors and therefore on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023.
5 Board of Statutory Auditors appointed on 26 April 2022.
6 Appointed on 26 April 2023, in the office of Standing Auditor and Chairwoman of the Board of Statutory Auditors of ERG S.p.A. and expiring, together with the other members of the Board of Statutory Auditors, on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2024.
7 Appointed on 26 April 2021 at the same time as appointment to the office of Group CFO.
8 Appointed on 23 April 2018 for the period 2018 - 2026.

BUSINESS DESCRIPTION

The ERG Group is a leading independent operator of clean energy from renewable sources, operating in nine countries at European level.

The leading wind power operator in Italy and among the top ten in Europe in the onshore wind sector, the Group is also active in the generation of energy from solar sources, being among the top five in Italy and with a gradually increasing presence in France and Spain.

A major player in the oil market until 2008, ERG radically changed its business portfolio in anticipation of long-term energy scenarios, successfully transforming towards a sustainable development model. Today the company is a leading European player in the renewable energy sector.

In 2021, the Group embarked on a major Asset Rotation with the aim of completing its transformation to a pure "Wind&Solar" business model.

On 3 January 2022, ERG finalised the sale of the hydroelectric assets to Enel Produzione, while on 17 October 2023, the sale of the thermoelectric business was completed, pursuing the strategic objective of the 2022-2026 Business Plan of focusing on the core business of the generation of electricity entirely from renewable sources.

As a result of the completion of these important transactions, the Group, whose industrial strategy integrates the ESG (Environmental, Social and Governance) plan, in line with the United Nations Sustainable Development Goals (SDGs), has become a 100% Renewable operator, a key player in the decarbonisation process underway globally, as well as in the realisation of a fair and inclusive energy transition.

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 & Sales activities for all generation technologies in which the ERG Group operates with the mission of securing output through long-term contracts and managing the hedging of merchant positions in line with the Group's risk policies;
- the Operation & Maintenance activities of its wind and solar farms, which involves insourcing the maintenance of the Italian wind farms and some of the plants in France and Germany.

The ERG Group, with generation facilities of 3,266 MW of installed renewable capacity (2,747 MW wind, 519 MW solar), operates directly or through its subsidiaries, in the following Geographical Segments:

Italy

In Italy, ERG has a total installed capacity of 1,496 MW in the sector of electricity generation from wind and solar sources.

Specifically, ERG is the leading operator in the wind power sector in Italy with 1,321 MW of installed capacity, and a leading operator in solar power generation with 175 MW of installed capacity.

Abroad

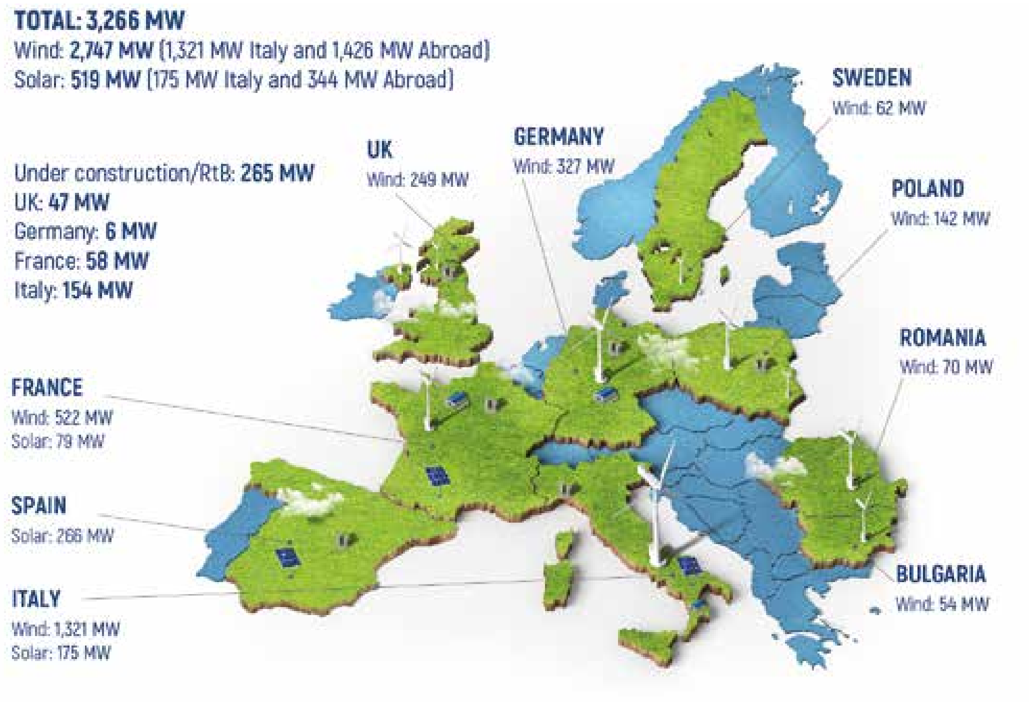
Outside Italy, ERG has a total installed capacity of 1,770 MW.

In wind power, ERG is one of the leading operators in Europe with a significant and growing presence (1,426 MW operational), particularly in France (522 MW), Germany (327 MW), the UK (249 MW), Poland (142 MW), Romania (70 MW), Bulgaria (54 MW) and Sweden (62 MW).

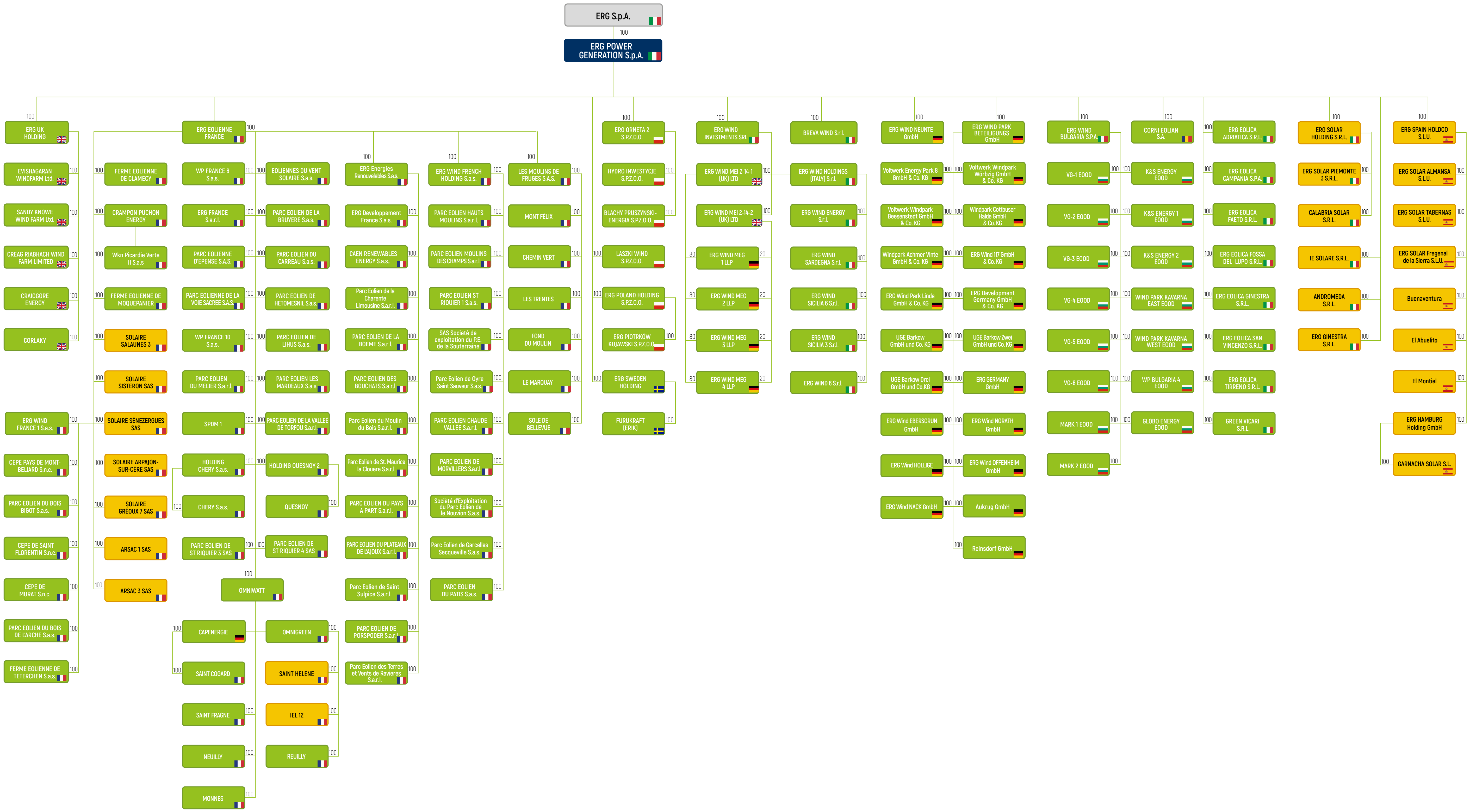
In addition, ERG operates in France and Spain in the generation of electricity from solar sources with 344 MW of installed capacity, of which 79 MW in France and 266 MW in Spain.

On 21 December 2023, the Group announced its entry into the renewable energy market in the United States through a strategic partnership with Apex Clean Energy for the acquisition of a 317-MW portfolio of wind and solar plants. The transaction is expected to close in the second quarter of 2024.

GEOGRAPHICAL SEGMENTS AT 31 DECEMBER 2023



SCOPE OF CONSOLIDATION AT 31 DECEMBER 2023



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:

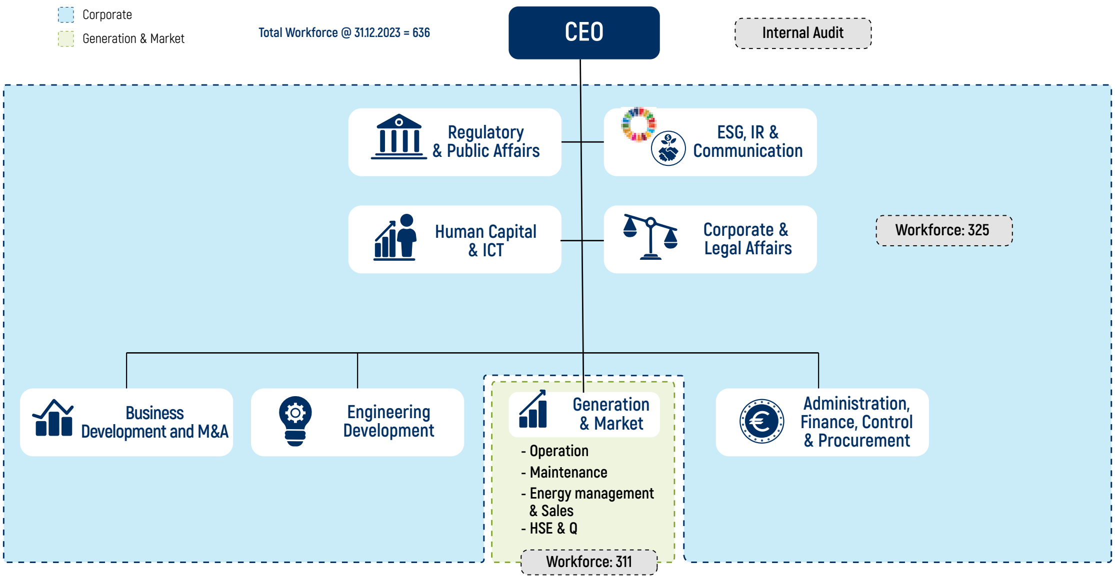
- Corporate, which ensures the strategic direction, is directly responsible for business development and ensures management of all business support processes. The company is organised in the following areas:
  - Business Development and Mergers & Acquisitions
  - Engineering Development
  - Administration, Finance, Control & Procurement
  - Human Capital & ICT
  - Regulatory & Public Affairs
  - Corporate & Legal Affairs
  - ESG, IR & Communication

- Generation & Market, which is assigned responsibility for the Group's industrial and commercial processes, organised into:
  - Wind & 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 expertise that ensures the efficiency of the operating model and the related global standardisation of processes;
  - a structure dedicated to managing health, safety, quality and environmental protection issues for the entire Group.
  - an area dedicated to identifying and coordinating all the Group's technological innovation opportunities consistent with the Strategic Lines of the Plan.

In order to continue the path of growth started and to achieve the ambitious targets set in the Business Plan, the Group has, since 2022, implemented a business model that although well-established within the various companies remains flexible, taking into account geographical diversification in the countries where the Group operates.

Throughout 2023, the Group continued to reshape its operational model. With the sale process of the Combined Cycle Gas Turbine (CCGT) cogeneration plant completed, it focused increasingly on strengthening the processes involved in developing, engineering, constructing and commissioning new wind and solar power plants, whether developed internally, repowered facilities or those resulting from Merger & Acquisition transactions or co-development agreements.

A NEW ORGANISATION TO SPEED UP DECISION MAKING PROCESS



STRATEGY

The current macroeconomic scenario is still dominated by geopolitical risks and uncertainties linked to climate change. The instability in the global arena, triggered by the pandemic and prolonged by the Russian invasion of Ukraine, was further exacerbated by the conflict between Israel and Palestine. This, coupled with the Yemeni attacks on the Suez Canal, had serious repercussions on international transportation, resulting in higher costs for both commodities and shipping. From a climate perspective, 2023 was the hottest year since 1850[9] and coincided with the reaching of an all-time high for greenhouse gas emissions[10]. In the meantime, extreme weather events affecting the planet (including heat waves, floods, droughts and fires) increased.

Within this context, which is very challenging both in economic and climate terms, renewable energy sources have enhanced their leading role in driving the worldwide transition towards a green economy. Despite greenflation, with the rising cost of wind and solar power plants, renewable energy remains cheaper and more stable than imported natural gas for Europe.

As a Pure Renewable Player, ERG confirmed its commitment to growing its renewable portfolio in the Wind & Solar sectors, in accordance with the strategic guidelines set out in the 2022-2026 Business Plan, through a policy of geographic (9 EU + US countries) and technological (Wind & Solar) diversification and the gradual securing of revenues. We remain committed to our growth through three main channels:

- Greenfield and co-development: growth strategy focused on the organic development of proprietary pipelines and co-development agreements in Italy and in the main European reference countries.
- Repowering of our plants: strategy based on technological developments in the wind and solar sector, through asset repowering (replacement of obsolete technologies with new latest generation technologies), aimed at increasing energy generation, taking advantage of the quality of the most productive sites. The revenues of the new wind farms will be secured through participation in the auction system or through long-term agreements (PPAs).
- Mergers & Acquisitions: a strategy based on seizing growth opportunities in renewable energy in countries of interest to the Group, leveraging financial resources from asset rotation, experience gained during the Group's transformation process and synergies from consolidation with its own portfolio.

Our objectives are reflected in the Business Plan, and we are currently working on the new 2024-2028 Plan that will be presented in 2024.

9 Study by Copernicus in Global Climate Highlights 2023.
10 According to research by Global Carbon Project.

BUSINESS PLAN – RESULTS TO DATE

	OBJECTIVES OF THE UPDATED BP 2022-2026	RESULTS FROM 1.1 TO 31.12.2023
Renewable Portfolio Growth	▪ **4,6 GW** installed capacity in 2026 **(5GW in 2027)**	▪ **+358 MW gross** (= +322 MW net)
Investments/ EBITDA	▪ **EUR 3.5bn 2022-2026; >EUR 650mn @2026**	▪ EUR 489 @2023
Securitisation of revenues	▪ **85-90% adjusted target** confirmed on total EBITDA; ▪ PPPs vs. auctions	▪ **PPA with EssilorLuxottica for a total of 0.9 TWh** ▪ **PPA integration with TIM** for an additional **200 GWh/year** ▪ **PPA with STMicroelectronics** totalling **3,75TWh** ▪ **PPA with Google** totalling **~2 TWh**
Geographical diversification	▪ **9 countries**	▪ Increased presence in **Spain (+174MW)**, **Italy (+92 MW gross** = +56 MW net) and the **UK (+92MW)** ▪ **Entry into the USA**: strategic partnership for acquisition **317 MW** wind and solar power (closing expected in H1 2024).
Solar as strategic activity	▪ **~860MW of solar (out of +2,200 MW)** ▪ ~25% solar on Group capacity @2026-2	▪ **+174 MW** solar **in Spain** ▪ **16% solar** on Group capacity @2023
Investment in innovation	▪ Battery Storage; ▪ Searching for offshore opportunities	▪ Ongoing progress on some storage projects in Italy
Asset Rotation for Conventional Sources	▪ **Relaunch of the CCGT divestment process**	▪ Completion **of the closing for the sale of the CCGT to Achernar**
Incorporation of ESG matters	▪ Confirmed at the heart of ERG's business model	▪ **Score improvement** in key ESG ratings ▪ Entry into the **Nasdaq Sustainable Bond Framework**
Dividend policy	▪ **EUR 1 per share (+10% vs previous)**	▪ **Dividend** of **1 EUR per share**

RESULTS AND GROWTH ACHIEVED IN 2023

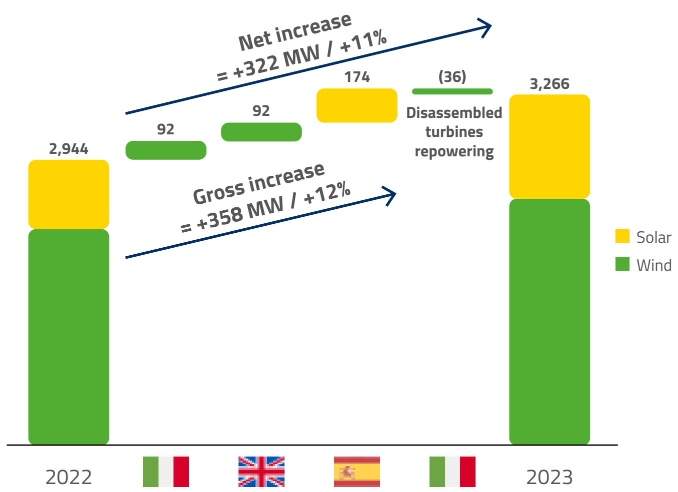
In 2023, ERG took important steps on its strategic path to decarbonise and grow its RES portfolio.

The Group's installed capacity in wind and solar power increased by 322 MW, of which:

- 56 MW of new wind power capacity through repowering operations in Italy;
- 92 MW wind power built in the UK;
- 174 MW of solar power through M&A transactions in Spain.

There was significant progress in repowering and greenfield projects in Italy in 2023, with around 100 MW authorised and auctioned. The goal of securitising revenues was also pursued through the signing of long-term contracts for around 0.5 TWh in the UK and in Italy through the 12-year agreement with Luxottica for around 0.9 TWh of green power generated by the Partinico-Monreale wind farm in the province of Palermo, the first of ERG's wind farms to complete repowering operations.

Evolution of installed capacity (MW)



CHANGE IN BUSINESS SCOPE DURING THE YEAR

- ## Solar Spain

As already mentioned in the Directors' Report at 31 December 2022, on 23 December 2022 ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with Renertia Investment Company for the acquisition of 100% of the share capital of a company that owns a photovoltaic solar system located in Fregenal de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MW.

The enterprise value of the transaction was EUR 30 million. The transaction was completed on 30 June.

It should be noted that the newly acquired Spanish company has been consolidated on an equity basis since 30 June 2023 and economically since the third quarter of 2023.

- ## Solar Spain

On 5 May 2023, ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with IBV Solar Parks, B.V., a company belonging to the German group ib vogt GmbH, a global platform for the development of industrial solar plants. The agreement concerns the acquisition of a 100% stake in Garnacha Solar S.L., a company that owns a solar power plant located in the region of Castilla and León, in northwestern Spain. The plant, with an installed capacity of 149 MW, completed the construction and commissioning phase in the last quarter of 2023.

The value of the transaction in terms of enterprise value at the Commercial Operating Date was estimated to be EUR 170 million, of which approximately EUR 90 million related to bank loans, with an equity value of EUR 80.5 million. The transaction was completed on 23 June.

The newly acquired Spanish company has been consolidated on an equity basis since 30 June 2023.

- ## Thermoelectric

On 17 October 2023, the Group finalised the closing with Achernar Energy S.p.A. (a subsidiary of Achernar Assets AG) for the sale of the entire share capital of ERG Power S.r.l. The transaction was concluded in line with what was announced on 29 June 2023.

It should also be noted that, during the year, a wind farm in the United Kingdom with a total capacity of 92 MW, developed and built in-house, and the photovoltaic systems of the newly acquired Spanish companies for a total of 174 MW became fully operational.

In addition, ERG completed the construction and commercial commissioning of two initial repowering projects of the Partinico-Monreale wind farm, for a total installed capacity of 42 MW (+26 MW incremental) and Camporeale for a total installed capacity of 50 MW (+30 MW incremental).

ERG enters the US renewable energy market

On 21 December 2023, the Group announced the signing of a major agreement with Apex Clean Energy Holdings LLC (Apex), a leading independent US clean energy developer, to create a strategic partnership with the mission of managing a portfolio of wind and solar power plants already in operation and potentially develop it.

This transaction represents the Group's first step into the overseas market and envisages the creation of a US holding company into which a wind farm and a solar plant, both recently commissioned, will be transferred, for a total of 317 MW of installed capacity and production estimated at approximately 1 TWh, as well as a cooperation agreement relating to approximately 1 GW of new onshore solar and wind projects under development in the United States.

The holding company will be 75% owned by ERG and 25% by Apex, which will continue with the operational management of the assets. The portfolio consists of a 224.4-MW onshore wind farm located in Iowa that entered into operation in the first half of 2023, with an estimated annual output of over 800 GWh, and a 92.4-MW photovoltaic farm located in Illinois that entered into operation in the second half of 2022, with an estimated annual output of over 150 GWh, equal to a total of 387 kt of CO2 avoided. Both plants are part of the Midcontinent Independent System Operator (MISO), the largest US electricity market in terms of geographical area and second largest in terms of installed capacity. The two plants benefit from Tax Equity agreements with financial counterparties and will be debt-free at closing. Revenues are secured by long-term sales contracts (PPAs) signed with leading corporate counterparties. The consideration for the acquisition of the majority stake of 75% is equal to USD 270 million. The transaction closing is expected in the second quarter of 2024 and is subject to, among other things, obtaining approval for the investment from a number of US and European authorities (including CFIUS, HSR Commission, DG-Comp) and consent to the change of control from certain relevant third parties (including the counterparties of the Tax Equity Investor and the PPA).

ERG'S STOCK MARKET PERFORMANCE

At 29 December 2023, the reference price of the ERG share was EUR 28.86, down slightly (-0.3%) compared to the end of 2022 and significantly better than the performance of the S&P Global Energy Index (-22.8%).
In the same period, a positive trend was observed for the FTSE Mid Cap (+13.1%) and the Euro Stoxx Utilities Index (+11.9%), while there was more marked growth for the FTSE All Share (+26.3%) and the FTSE MIB (+28.0%).
During the reporting period, the listed price of the ERG share ranged between a minimum of EUR 21.00 (3 October) and a maximum of EUR 29.74 (3 January).

The figures relating to the prices and exchange volumes of ERG share at 29 December 2023 are set out below:

Share price	EUR
Reference price at 29.12.2023	28.86
Maximum price (03.01.2023) (1)	29.74
Minimum price (03.10.2023) (1)	21.00
Average price	26.21

(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 (28.07.2023)	2,332,418
Minimum volume (14.08.2023)	101,396
Average volume	393,531

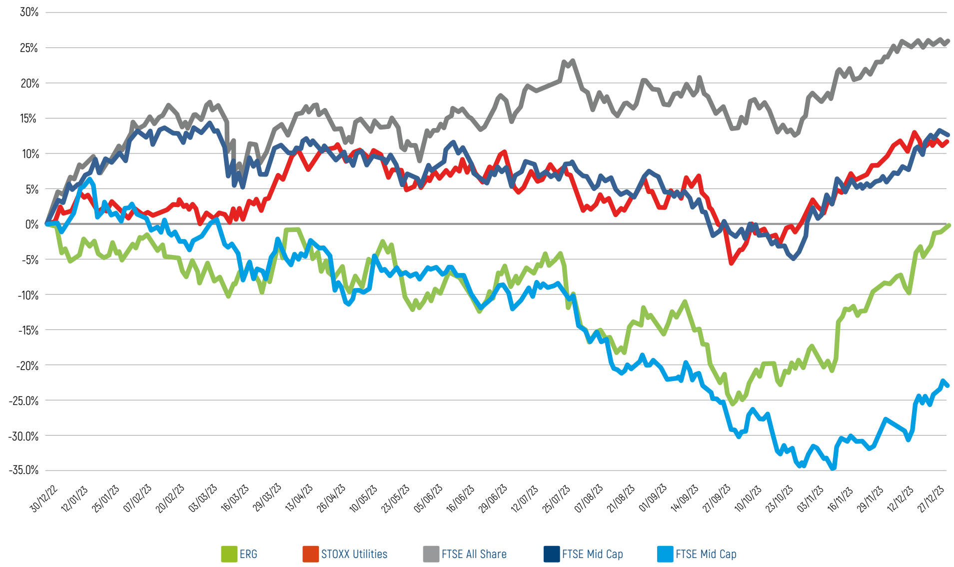
Market capitalisation at the end of 2023 was approximately EUR 4,338 million (EUR 4,353 million at the end of 2022).

The average number of shares outstanding in the period was 149,292,110.

PERFORMANCE OF ERG SHARES AND SHAREHOLDING STRUCTURE AT 31 DECEMBER 2023

ERG vs Euro Stoxx Utilities, FTSE All Share, FTSE Mid Cap, S&P Global Energy Index

% Change from 30/12/2022 to 29/12/2023



Share buy-back programme

On 12 October 2023, the Board of Directors of ERG S.p.A. resolved to start the share buy-back programme, in compliance with the resolution passed by the Shareholders' Meeting on 26 April 2023.

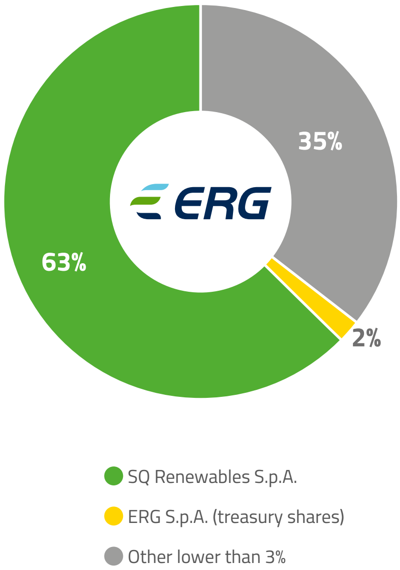
The maximum quantity of Shares that can be purchased is 3,758,000 (equal to 2.5% of the share capital), with a maximum outlay of EUR 100,000,000, without prejudice to any other limitation possibly deriving from legislative or regulatory provisions.

In the period from 16 October 2023 to 29 December 2023, ERG S.p.A. purchased 2,404,280 ordinary shares (equal to 1.5994% of the share capital of ERG S.p.A.) on the Euronext Milan market at a weighted average price of EUR 25.4826, for a total value of EUR 61,267,288.98. At 29 December 2023, considering the shares already in the portfolio, ERG S.p.A. holds 3,186,360 treasury shares, equal to 2.1197% of the related share capital.

The share buy-back programme was completed on 12 February 2024; since the start of the programme, 3,758,000 ordinary shares (maximum number of shares that can be purchased) have been repurchased at a weighted average price of EUR 26.0 per share. Considering the shares already in its portfolio prior to the start of the programme, ERG S.p.A. holds 4,540,080 treasury shares, equal to 3.0203% of the related share capital.

Information on the purchase of treasury shares was updated weekly on the Company's website (www.erg.eu) in the "Media/Press Releases" section.

Below is the company's shareholding structure at the reporting date of 31 December 2023:



SIGNIFICANT EVENTS DURING THE YEAR

Date	Geographical segment	Sector	Significant event
Press release of 12 January 2023	UK & Nordics	Wind	ERG announces the commissioning of the Creag Riabhach wind farm in the county of Sutherland, in the north of Scotland. The wind farm has a total installed capacity of 92.4 MW and an overall annual output of 271 GWh at full capacity, avoiding the emission of 125 kt of CO2 each year. A large part of the electricity generated by the plant will be sold through a 10-year Power Purchase Agreement (PPA) signed with ENGIE UK Markets Ltd during the first quarter of 2022.
Press release of 18 January 2023	Italy	Corporate	Sustainalytics assigned ERG a 'Low Risk' rating with a score of 14.6 compared to the Medium Risk (20.7) recorded the previous year, improving the ESG risk profile of the Group, which ranks 5th (out of 75) among Independent Power Producers globally. In addition, ERG was included among the "Global 100 most sustainable corporations in the world", ranking 54th in the 2023 index, first among the Italian companies included in the list.
Press release of 31 January 2023	Italy	Corporate	ERG confirmed its position in the Bloomberg Gender Equality Index with a significant improvement in score. The Group enters the first quartile of the ranking.
Press release of 9 March 2023	Italy	Wind	EssilorLuxottica and ERG announce the signing of a long-term agreement for the supply of electricity from renewable sources in Italy.
Press release of 15 March 2023	Italy	Corporate	The Board of Directors of ERG S.p.A. approved the 2022 Draft Financial Statements, the update of the Business Plan and the 2022/26 ESG Plan.
Press Release of 26 April 2023	Italy	Corporate	The Shareholders' Meeting of ERG S.p.A. approved the Financial Statements 2022, resolved on the payment of a dividend of EUR 1.00 per share, confirmed Renato Pizzolla as Board Member and appointed Monica Mannino as Chairwoman of the Board of Statutory Auditors.
Press Release of 4 May 2023	Italy	Corporate	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 5 May 2023	**Spain**	**Solar**	ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with IBV Solar Parks, B.V., a company belonging to the German group ib vogt GmbH, a global platform for the development of industrial solar plants. The agreement concerns the acquisition of a 100% stake in Garnacha Solar S.L., a company that owns a solar power system located in the region of Castilla and León, in northwestern Spain. The plant started commercial commissioning in the fourth quarter of 2023. The value of the transaction in terms of enterprise value is EUR 170 million, with an equity value of EUR 80.5 million. The transaction was completed on 23 June.
Press release of 9 May 2023	**Italy**	**Wind** **Solar**	New long-term agreement between ERG and TIM for the supply of electricity from renewable sources. The contract provides for the integration of the Power Purchase Agreement previously signed on 14 May 2021 for the supply of 340 GWh/year for 10 years, with an additional volume of 200 GWh per year "baseload" of 100% green energy generated by renewable plants in the ERG portfolio.
Press release of 13 June 2023	**Italy**	**Corporate**	ERG joins the Nasdaq Sustainable Bond Network, a platform dedicated to Sustainable Finance of the New York electronic stock exchange that brings together investors, issuers and investment banks. On the issuer's side, joining will allow the Group to further expand the network of potential international investors attentive to sustainability issues.
Press release of 14 June 2023	**Italy**	**Wind**	ERG has completed construction and started energising the Partinico-Monreale wind farm in Palermo, the first in the Group's portfolio to complete repowering operations. Following the replacement of all obsolete aerogenerators with latest generation models, the farm now has 10 4.2-MW VESTAS V132 turbines with a total installed capacity of 42 MW (compared to the previous 19 turbines for a total of 16 MW) and an estimated annual output of 94 GWh (compared to the previous 27 GWh).
Press release of 16 June 2023	**Italy**	**Wind**	MSCI Inc. has upgraded ERG to an "AAA" rating, up from an "AA" rating in 2022, putting it into the "Leader" category. ERG ranked among the top 18 Utilities internationally, among the 138 companies in the sector analysed by MSCI for ESG performance, and among the approximately 2900 companies examined globally. ERG is also among the ESG Identity Top Performers, within the "Integrated Governance Index 2023", the index that verifies the degree of ESG integration in corporate strategies, placing it among the Italian best practices in corporate governance. The Group reached fourth position, a clear improvement compared to last year's tenth position.

Press release of 29 June 2023	Italy	Thermoelectric	ERG has signed an agreement with Achernar Assets AG, a Swiss investment holding company, for the sale of the entire share capital of ERG Power S.r.l., owner of the Combined Cycle Gas Turbine (CCGT) cogeneration plant. Subject, among other things, to the successful completion of the golden power procedure at the Italian Presidency of the Council of Ministers, the closing of the transaction is expected by the end of this year.
Press release of 30 June 2023	Spain	Solar	ERG, through its subsidiary ERG Spain Holdco, completed the acquisition of 100% of the share capital of Instalación Fotovoltaica Arericsol VIII, a company that owns a photovoltaic plant located in Fregenal de la Sierra with an installed capacity of 25 MW.
Press release of 7 July 2023	Italy	Corporate	Science-Based Target initiative certified ERG's "Net Zero" objectives. ERG is committed to achieving Net Zero by 2040 through a number of actions both in the short term to 2027 (near-term target) and in the long term to 2040 (long-term target).
Press release of 18 July 2023	Italy	Corporate	The renewal of the programme for the issue of non-convertible medium/long-term bonds (EMTN Programme) is completed.
Press release of 29 September 2023	Italy	Wind	ERG completed the repowering of its wind farm in Camporeale, Palermo, and started the energisation of the 12 latest-generation 4.2-MW turbines for a total installed capacity of 50.4 MW (compared to the previous 24 wind turbines of 0.85 MW for a total capacity of 20.4 MW) and an estimated annual output of approximately 86 GWh (compared to the previous 31 GWh).
Press release of 17 October 2023	Italy	Thermo	Closing finalised with Achernar Energy S.p.A. (a subsidiary of Achernar Assets AG), as announced on 29 June 2023, for the sale of the entire share capital of ERG Power S.r.l., the company that owns and operates the low-environmental-impact and high-efficiency Combined Cycle Gas Turbine (CCGT) cogeneration power plant, fuelled by natural gas, in Priolo Gargallo (Syracuse).
Press release of 25 October 2023	Italy	Wind	ERG has launched the first Repowering in Italy of its Partinico Monreale wind farm. The event involved institutions, industry professionals, financial analysts, shareholders and top management of the Group.
Press release of 24 November 2023	Italy	Wind	ERG and STMicroelectronics, a global leader in semiconductors with customers in all electronics application sectors, announced the signing of a fifteen-year Power Purchase Agreement (PPA) for the supply of energy from renewable sources to ST's Italian operating sites in the period 2024-2038. The agreement provides for the sale by ERG of approximately 250 GWh of renewable energy per year, equivalent to a total volume over 15 years of 3.75 TWh, produced by the Sicilian plants of Camporeale in Palermo and Mineo-Militello-Vizzini in Catania.

Press release of 4 December 2023	**Spain**	**Solar**	ERG's top management visited the Garnacha photovoltaic system, located in Toro, in the Castilla y León region. The park, acquired by ERG in June 2023, has a total installed capacity of 149MWp and has completed the installation of all production equipment.
Press release of 21 December 2023	**United States**	**Wind / Solar**	ERG enters the renewable energy market in the United States through a strategic partnership with Apex Clean Energy for the acquisition of a 317-MW portfolio of wind and solar plants in Iowa and Illinois. The consideration for the acquisition of the majority stake of 75% is equal to USD 270 million. The transaction closing is expected in the first half of 2024.
Press release of 28 December 2023	**France**	**Wind / Solar**	ERG, through its subsidiary ERG Eolienne France SAS, signed an agreement with QEnergy France SAS, a leading operator in the renewable energy sector in France, for the acquisition of 100% of CEPE Renouvellement Haut Cabardès SAS, a company that owns a 73.2-MW wind and solar portfolio in France. The value of the transaction in terms of enterprise value is EUR 86 million, with an equity value of approximately EUR 17 million. The closing was completed in January 2024.

Regulatory measures to curb energy price rises (*clawback measure and windfall tax*)

In the course of 2022, measures were introduced in Italy and abroad to contain the effects of price increases in the electricity sector, which have already been described in the Annual Report 2022 and whose effects also impacted the Consolidated Financial Statements at 31 December 2023.

The implementation of these measures resulted in refunds with a negative impact of EUR 12 million on EBITDA in 2023 (EUR 9 million on the Group's net result from continuing operations in 2023). In 2022, this negative impact amounted to EUR 35 million on the EBITDA (EUR 83 million on the Group's net result from continuing operations[11]).

The table below shows the Group's adjusted results both gross and net of the effects of the transitional measures (clawback measures/windfall taxes) in order to give the most transparent representation possible of the impacts in 2023 and 2022, of an extraordinary and temporary nature, resulting from the regulations introduced in various countries in order to counteract the increase in electricity prices.

11 It should be noted that the 2022 financial year included clawback measures and windfall taxes recognised in the income taxes line of EUR 56 million, deriving from the Italian Decree Law of 21 March 2022 (EUR 37 million) and the 2023 Extraordinary Contribution (EUR 19 million) introduced by the 2023 Budget Law (Italian Law 197 of 29 December 2022), as well as the net tax effect of clawback measures in Europe (EUR 28 million).

(EUR million)	12 months 2023	12 months 2022	Change
Revenues (gross clawback)	**753**	**749**	**3**
(-) clawback measures	**12**	**35**	**(24)**
Italy	0	7	(7)
France	6	7	(2)
Germany	-	2	(2)
Spain	0	-	0
East Europe (1)	6	19	(13)
Revenues (net clawback)	**741**	**714**	**27**
EBITDA (gross clawback)	**532**	**537**	**(5)**
(-) clawback measures	**12**	**35**	**(24)**
Italy	0	7	(7)
France	6	7	(2)
Germany	-	2	(2)
Spain	0	-	0
East Europe	6	19	(13)
EBITDA (net clawback)	**520**	**502**	**19**
Net profit (loss) from continuing operations attributable to the owners of the parent (gross clawback and windfall tax)	**235**	**212**	**23**
(-) clawback measures and windfall tax	**9**	**83**	**(74)**
Italy	0	61	(61)
France	4	5	(1)
Germany	-	2	(2)
Spain	0	-	0
East Europe	5	16	(11)
Net profit (loss) from continuing operations attributable to the owners of the parent (net clawback and windfall tax)	**226**	**129**	**97**

(1) In November 2022, the Romanian Government, with Emergency Act no. 53, established the obligation for operators with capacity exceeding 10 MW to sell all available output at a fixed price of 450 lei/MWh (approximately 90 €/MWh), through the signing of PPAs. Consequently, as of that date, the impacts of clawback measures are no longer explicitly represented.

For the sake of clarity, in this Report the adjusted results for both 2023 and the comparative period of 2022 will be shown net of these charges and will therefore be understood as "net clawbacks and windfall taxes".

HIGHLIGHTS

(EUR million)		Reported (1) 2023	Reported (1) 2022	Adjusted (2) 2023	Adjusted (2) 2022
MAIN INCOME STATEMENT FIGURES					
Revenue		741	714	741	714
Gross operating profit (EBITDA)		**529**	**499**	**520**	**502**
Operating profit (EBIT)		**304**	**221**	**305**	**273**
Profit (loss) from continuing operations attributable to the owners of the parent		**214**	**85**	**226**	**129**
Profit attributable to the owners of the parent (3)		179	379	219	145
MAIN FINANCIAL FIGURES					
Net invested capital (4)		**3,757**	**3,510**	**3,592**	**3,357**
Equity		2,140	2,055	2,147	2,059
Net financial indebtedness		1,617	1,592	1,445	1,434
Financial leverage		43%	44%	40%	41%
EBITDA Margin %		**72%**	**70%**	**71%**	**70%**
OPERATING DATA					
Total installed capacity at the end of the year	MW			**3,266**	**2,944**
Total electricity output	GWh			**6,139**	**4,956**
Installed capacity at the end of the year – Italy	MW			1,496	1,440
Electricity output – Italy	GWh			2,784	2,312
Installed capacity at the end of the year – France	MW			600	600
Electricity output – France	GWh			1,315	1,076
Installed capacity at the end of the year – Germany	MW			327	327
Electricity output – Germany	GWh			629	556
Installed capacity at the end of the year – UK & Nordics	MW			311	219
Electricity output – UK & Nordics	GWh			455	226
Installed capacity at the end of the year – Spain	MW			266	92
Electricity output – Spain	GWh			213	171
Installed capacity – East Europe	MW			266	266
Electricity output – East Europe	GWh			742	615
Capital expenditure (5)	EUR million			**489**	**946**
Employees at the end of the year (6)	Units			**636**	**573**
NET UNIT REVENUE (7)				**117**	**139**
Italy – Wind	EUR/MWh			109	134
Italy – Solar	EUR/MWh			342	317
France – Wind	EUR/MWh			93	91
France – Solar	EUR/MWh			96	96
Germany – Wind	EUR/MWh			140	168
UK & Nordics – Wind	EUR/MWh			111	150
Spain – Solar	EUR/MWh			123	126
East Europe – Wind	EUR/MWh			91	139

(1) Reported economic indicators are calculated on the basis of the Consolidated Financial Statements and include special items and related theoretical taxes.

(2) Adjusted economic indicators do not include special items and related applicable theoretical taxes.

(3) The net profit attributable to the owners of the parent includes the result of the thermoelectric and hydroelectric businesses sold. In 2023, the net profit attributable to the owners of the parent mainly includes the net capital loss recognised on the sale of the CCGT plant. The 2022 comparative figure includes the result of the thermoelectric business, still being sold in 2022, as well as the net capital gain recognised following the sale of the Terni hydroelectric complex.

(4) The figures for 2023 are shown net of the effects deriving from the application of IFRS 16, while the 2022 comparative figures are presented net of the effects deriving from the application of IFRS 16 and IFRS 5, as the thermoelectric business was in the process of being sold.

(5) In property, plant and equipment and intangible assets. The figure for 2023 includes capital expenditure relating to Merger & Acquisition transactions for the acquisitions in Spain amounting to EUR 184 million, while the figure for 2022 included capital expenditure relating to Merger & Acquisition transactions amounting to EUR 638 million following the major acquisitions of wind farms and photovoltaic systems in Italy.

(6) The 2022 comparative figure does not include personnel dedicated to ensuring the operation of the CCGT cogeneration plant, sold in October 2023.

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

COMMENTS ON THE YEAR'S PERFORMANCE

Adjusted revenue in 2023 amounted to EUR 741 million, up compared to 2022 (EUR 714 million), due to the contribution deriving from the acquisitions made in the second half of 2022 and in 2023, the entry into operation of the farms developed internally and entered into operation starting from the second half of 2022 and the better wind speeds recorded in the period in all geographic areas, partly offset by sharply decreasing market prices in all countries. Output amounted to 6.1 TWh, up by a total of 1.2 TWh (+24%) compared to 2022, mainly due to the contribution deriving from the new wind farms and the increased wind levels experienced during the year. The 2023 financial year was characterised by significantly lower market prices compared to the particularly high prices of 2022, even though they were influenced by the introduction of measures to contain the effects of price increases in the electricity sector, which affected the results, albeit only partially, as the Group adopts a hedging policy that envisages sales through fixed tariffs, PPAs under pre-established conditions and financial agreements.
It should be noted that **adjusted EBITDA**[12] amounted to EUR 520 million in 2023 (EUR 502 million in 2022).

ITALY

- **Wind (EUR -2 million)**: EBITDA, amounting to EUR 216 million, substantially in line with 2022 (EUR 218 million) due to the lower market prices captured, specially to the elimination of the incentive value (equivalent to EUR 43 per MWh in 2022), substantially offset by the scope effect arising from the acquisition of wind farms carried out in the second half of 2022, the contributions from the farms that came into operation during the year, and the higher wind speeds experienced during the year. Output amounted to 2,528 GWh in 2023 compared to 2,062 GWh in 2022, due to the better wind conditions recorded in the period as well as due to the new capacity in operation (+231 GWh).
- **Solar (EUR +9 million)**: EBITDA, amounting to EUR 79 million, up compared to 2022 (EUR 70 million13) due to the full contribution of the photovoltaic systems acquired in the second half of 2022 and the higher prices captured thanks to the hedges carried out despite a scenario of lower prices in the reference period. Output amounted to 256 GWh in 2023 compared to 250 GWh in the corresponding period of 2022, mainly due to the scope effect (+21 GWh).

ABROAD

- **Wind (EUR +7 million)**: EBITDA, amounting to EUR 223 million, up compared to 2022 (EUR 216 million) mainly due to the contribution from the farms built internally and entering into operation in late 2022 and early 2023 mainly in the UK and the higher wind speeds experienced during the period in all countries, particularly in France, partly offset by the general strong reduction in market prices.

12 Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to EUR 14 million, as well as other negative effects of special items for approximately EUR 4 million.
13 Adjusted EBITDA for 2022 included, however, charges of EUR 7 million as a result of the application of the regulations relating to Article 15-bis of Italian Decree Law 4/2022 (the "Sostegni-Ter" Decree).

- **Solar (EUR +2 million)**: EBITDA, amounting to EUR 25 million, up compared to 2022 (EUR 23 million) due to the contribution of the newly acquired photovoltaic plants in Spain (174 MW), which became operational in the second half of 2023.

Overall, the scope effect related to the increased capacity was EUR 68 million due to the full contribution of the greenfield and repowering plants built internally that entered into operation, as well as the acquisitions made in the second half of 2022 and 2023.
It should also be noted that the total gross operating profit (EBITDA) is impacted by the electricity price hedging policies implemented in line with the Group's risk policies.

Adjusted EBIT amounted to EUR 305 million (EUR 273 million in 2022). Depreciation and amortisation amounted to EUR 215 million, down compared with 2022 (EUR 229 million) and reflect the full contribution of the new assets (EUR 27 million), more than offset by the extension of the useful life of wind power assets in Italy and abroad (EUR 27 million) as a result of the Lifetime Extension programmes and the end of the useful life of some wind farm and photovoltaic components (EUR 13 million) also as a result of the start of Repowering and Revamping investments.

Adjusted net profit (loss) from continuing operations attributable to the owners of the parent amounted to EUR 226 million, a significant increase compared to 2022 (EUR 129 million) and reflects, in addition to the above, lower financial expense of EUR 19 million and lower taxes in comparison with 2022. It should be noted that the 2022 results included the effects of both the Surplus Profits Contribution (introduced by Italian Decree Law of 21 March 2022) in the amount of EUR 37 million, and the Extraordinary Contribution (introduced by the 2023 Budget Law) in the amount of EUR 19 million, both of which were recognised under income taxes.

Reported net profit (loss) attributable to the owners of the parent was EUR 179 million, including the net tax impact of special items, as well as the net loss (EUR 43 million) recognised in the sale of the CCGT plant. It should be noted that the reported net profit (loss) attributable to the owners of the parent for 2022 (EUR 379 million) included the net gain recognised on the sale of the Terni hydroelectric complex on 3 January 2022 (amounting to approximately EUR 324 million).

In 2023, **capital expenditure** totalled EUR 489 million (EUR 946 million in 2022) and mainly refers to the acquisition of solar systems (EUR 184 million) in Spain in June 2023, organic development and maintenance activities (EUR 305 million compared to EUR 307 million in 2022), related to construction activities in Italy for 47-MW Greenfield and Repowering activities on Italian wind farms for around 269 MW of new wind power capacity (of which 92 MW already completed), as well as construction completion activities on the wind farms that came into operation between the end of 2022 and early 2023 in the UK for approximately 179 MW and Sweden for 62 MW, and Revamping activities in solar. It should also be noted that construction is underway on three Greenfield farms in France for 59 MW.

Adjusted net financial indebtedness of continuing operations totalled **EUR 1,445 million,** up (EUR +11 million) compared to 31 December 2022 (EUR 1,434 million). The change reflects the effect of the acquisitions of two photovoltaic systems in Spain (EUR 184 million), capital expenditure for the period (EUR 305 million) mainly related to the development of Repowering and Revamping projects in Italy, dividends distributed to shareholders (EUR 154 million), the effect of the share buy-back programme (EUR 61 million) and the payment of taxes (EUR 26 million) offset by the positive cash flow for the period (EUR 495 million14), which includes the proceeds from the financial settlement of certain hedging derivatives as well as the effects of the sale of the thermoelectric business (EUR 93 million), finalised on 17 October 2023.

It should also be noted that the indebtedness at the end of the year reflects the negative fair value of commodity futures of roughly EUR 1 million (EUR 153 million at 31 December 2022).

Adjusted net financial indebtedness is presented net of the effects deriving from the application of IFRS 16, therefore excluding the discounting of future lease payments of EUR 172 million at 31 December 2023 (EUR 157 million at 31 December 2022).

REFERENCE MARKET

Price scenario

	2023	2022
Base load price scenario (EUR/MWh)		
Italy		
Single National Price [1]	127	304
Feed-In Premium (FIP) (former Green Certificates) – Italy	0	43
TTF	41	121
CO_2	83	80
Abroad		
France	97	276
Germany	95	235
Poland	144	207
of which Electricity	*112*	*167*
of which Certificates of Origin	*32*	*40*
Bulgaria	104	253
Romania	133	295
of which Electricity	*104*	*265*
of which Green Certificate	*29*	*29*
Northern Ireland	122	226
Great Britain	108	241
Spain	87	168
Sweden SE4	65	152

(1) Single National Price: Italian electricity reference price.

14 It includes the adjusted EBITDA, the change in working capital and net financial income (expense).

REGULATORY FRAMEWORK – INCENTIVES

INCENTIVES ITALY

Wind	• 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 FIP is a "two-way CfD". Duration of the incentive: 20 years. • Plants subject to complete reconstruction (Repowering) can participate in auctions, competing directly with the new plants (starting from the sixth auction even if they have not adhered to the so-called "Spalmaincentivi") although with a 5% increase in the discount offered. In addition, a gradient coefficient D of 0.9 is applied to the incentive component of the tariff due.
Solar	• Incentives for photovoltaic systems are paid through a FIP tariff on the energy fed into the grid for a duration of 20 years. • The feed-in tariff was introduced in Italy with the Interministerial Decrees of 28 July 2005 and of 6 February 2006 (1st Feed-in Premium) which provided for a financing system for electric power generation operating expenses. • New measures were introduced with the Italian Ministerial Decree of 19 February 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 based on the type of architectural integration and the size of the plant. • In 2010, the 3rd Feed-in Premium came into effect with the Italian Ministerial Decree of 6 August 2010, applicable to plants in 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 "salva 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 5 May 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 5 July 2012 (5th Feed-in Premium) partly confirmed the provisions of Italian Ministerial Decree of 5 May 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 October 2014 (so-called "Spalmaincentivi" decree) made it mandatory for producers to choose, by November 2014, a method for remodulating the incentive: 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.

Solar	• The Italian Ministerial Decree of 4 July 2019 allows photovoltaic plants to access the incentives, for 20 years, 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 on installing ground-mounted modules in an agricultural area; this prohibition does not apply to agrovoltaic plants which, in compliance with the provisions of Article 65, paragraph 1-quater, of Italian Decree Law no. 1 of 24 January 2012, use innovative supplementary solutions that do not compromise the continuity of agricultural and pastoral cultivation activities. Access to incentives for agrovoltaic plants is also subject, in compliance with the provisions of Article 65, paragraph 1-quinquies, of Italian Decree Law no. 1 of 24 January 2012, to the simultaneous implementation of monitoring systems that make it possible to verify the impact on crops, water savings and agricultural productivity.

INCENTIVES AND TARIFFS ABROAD

Germany	**Wind**	• 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 2018: a transition period is provided for, in which it is possible to continue to benefit from the tariffs set out in the EEG 2014 of declining value in relation to the actual new power installed during the period. • Plants that entered into operation from 2017 onwards: FIP incentives allocated through Dutch auctions (EEG 2017, EEG 2021 and EEG 2023). The duration of the incentive is approximately 20 years. The value of the incentive is determined on the basis of a 1-way Contract for Difference (CfD) and the tariff awarded in the auction is adjusted according to the so-called "Referenzertrag" formula.
Germany	**Solar**	• Plants that entered into operation from 2017 onwards: FIP incentives allocated through Dutch auctions (EEG 2017, EEG 2021, EEG 2023). Ground-mounted photovoltaic plants can access auctions provided they have a capacity not exceeding 20 MW For the year 2023, this limit is waived by the transitional provision (§ 100 EEG 2023), and even larger plants may participate in the 2023 auctions provided that they have a capacity not exceeding 100 MW. • The value of the incentive is determined on the basis of a one-way Contract for Difference (CfD) for around 20 years.

France	**Wind**	• 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 (for the awarding of incentives with a duration of 20 years partially adjusted to inflation indices on an annual basis) or direct access in the case of plants with a capacity of less than 18 MW and wind turbines with a unit capacity of no more than 3 MW and meeting specific criteria.
France	**Solar**	• A FIT system introduced in 2000 and from 2011 auctions for photovoltaic systems with a capacity of between 250 kW and 17 MW. • From 2018, auctions for photovoltaic systems with a capacity exceeding 500 kW for the assignment of a two-way CfD with 20-year term, partially adjusted for inflation indices on an annual basis.
Bulgaria	**Wind**	• 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	**Wind**	• 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 CO 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, which has a 15-year duration, 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	**Wind**	• Green Certificates with a duration of 15 years with delayed assignment with respect to the underlying electricity output. Specifically: a) recovery ecovery 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) the period of validity of the GCs, which is planned until 31 March 2032 (only 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.
Spain	**Solar**	• Regimen Especifico, where the main element of revenue supplementation is the "Retribución a la Inversión" (Return on Investment), expressed in EUR/MW, calculated on an annual basis and paid for the entire duration of the incentive period of 30 years, based on the plant's capacity. An additional element of revenue supplementation is also envisaged, expressed in EUR/MWh, if necessary, to cover operating costs, the "Retribucion a la Operacion" (Return on Operation). • From 2016: the introduction of the auction mechanism for the recognition of "Retribución a la Inversión" (Return on Investment), calculated on an annual basis and paid for the entire duration of the incentive period of 25 years, based on the plant's capacity and the winning bid. Discount offered on the standard value of the initial investment (EUR/MW), which represents the main remuneration parameter for calculation of the Return on Investment. • From 2020, abandonment of the previous incentive system, based on a Return Asset Base system, in favour of the adoption of a system based on remuneration of the electricity produced. The incentive is calculated as the difference between the awarded price and the average daily price of electricity (two-way CfD). The remuneration period is not fixed but lasts for a period no less than 12 years and up to the attainment of the maximum volume of energy subject to incentives.

RELEVANT LEGISLATIVE AND INSTITUTIONAL UPDATES DURING THE YEAR

EUROPEAN UNION

- **European Commission – Net Zero Industry Act (NZIA)**
  In March 2023, the European Commission presented the NZIA aimed at supporting investments in manufacturing capacity in green technologies in Europe. For wind, it sets an annual domestic production capacity target of 36 GW. It is further proposed that national governments also adopt criteria other than price for the award of renewable auctions, such as environmental sustainability, energy system integration, and the resilience of supply chains.

- **European Commission – *Wind Power Action Plan, European Wind Charter***
  In October 2023, the European Commission published the Wind Power Action Plan, a programme of activities aimed at increasing the installation of wind farms in the European Union. The main actions include guidelines for establishing the standard rules for renewable energy auctions more quickly, verifying in which cases insufficient auction base prices have prevented the saturation of quotas.
  The plan also provides for the adoption of a specific EU Wind Charter, issued at the end of 2023 and also signed by ERG.

- **European Commission – regulatory acts of the "Fit for 55" package**
  In May 2023, several regulatory acts were published, envisaged by the "Fit for 55" package, to achieve the interim goal of reducing greenhouse gas emissions by 55% compared to 1990, established by the Climate Law of 2021.
  Notably, the new Renewable Energy Directive (EU) 2023/2413, known as RED III, was adopted last October 2023.
  The directive enters into force on 20 November 2023; Member States will have to transpose the directive into national law by 21 May 2025 (18 months after entry into force).
  Compared to the previous RED II, RED III further increases the target for the share of renewable energy in the Union's final energy consumption to 42.5% (RED II: 32%).
  The most far-reaching reform concerns the authorisation system. Within 27 months of entry into force (i.e. by mid-February 2026), Member States must identify "renewable energy fast-track areas" within which authorisation is expected within 12 months for new projects (plus 6 months in exceptional circumstances) and within 6 months for repowering (plus 3 months in exceptional circumstances). Within these areas, environmental impact assessments are not conducted for each individual project but on a zonal basis.
  The development of the network/infrastructure is included in the authorisation procedures.
  The other main measure of the package is Regulation 2023/956, which establishes a carbon border adjustment mechanism (CBAM).

European Commission – review of national energy and climate plans
In December 2023, the Commission assessed the proposals for the revision of the National Energy and Climate Plans (NECPs) sent by the Member States, accompanying them with a series of recommendations and assessments.
Overall, the revised NECPs are not adequate to meet the targets on greenhouse gas emission reduction, renewable energy and energy efficiency and also hamper efforts to improve the Union's energy security.

Main EU measures related to the energy crisis and the increase in electricity and gas prices

- In October 2022, **Regulation (EU)** no. 2022/1854 was published. Specifically, this envisages:
  - the establishment of a cap on market revenue from electricity generated with technologies defined as "infra-marginal";
  - a solidarity contribution from the oil, natural gas and coal sectors;

  A cap of EUR 180 per MWh is set on unit "market revenue" from the generation of electricity from "infra-marginal" sources, including wind and solar. This limit applies throughout the European Union and entails the return of surplus revenue.
  Member States may maintain or introduce, under specific conditions, additional revenue limitations aimed at coping with the energy crisis, i.e. not applying the limit for service/redispatch revenue and subjecting 90% of excess revenue to refund.
  The cap does not apply to 2-way Contracts for Difference, feed-in tariffs and other forms of revenue

limitation not related to the ongoing energy crisis.
The limit will apply from 1 December 2022 to 30 June 2023.
In the same month, the European Commission deemed it unnecessary to extend the Regulation.
It also highlighted how the infra-marginal cap varies considerably among the Member States, entailing considerable implementation complexities for operators. It also states that extending the caps would increase investor uncertainty and the risk of a slowdown in the ecological transition.

In December 2022, **Regulation (EU) no. 2022/2577** was published, laying down a framework to accelerate the deployment of renewable energy.
Specifically for the repowering of existing plants with an increase in capacity, the entire permit-granting process including the works for connection to the grid shall not exceed 6 months including the EIA; this is reduced to 3 months in the event of an increase in capacity not exceeding 15%. The EIA, if requested, shall be limited to changes or extension with respect to the initial project.
Photovoltaic revamping projects that do not involve the use of additional space shall be exempted from EIA screening under certain conditions.
At the beginning of January 2024, the new **Regulation 2024/223** was adopted, **extending** the authorisation simplification and speeding-up measures for wind power repowering **until June 2025**.

ITALY

- **INECP – revision proposal sent to the European Commission**
  At the end of June 2023, MASE (Italian Ministry for the Environment and Energy Security) sent the European Commission the proposal to update the Integrated National Energy and Climate Plan. The process of updating the Plan will lead to the final approval of the new text by June 2024.
  The installed capacity targets by 2030 in the wind and photovoltaic sector were increased by approximately 28 GW (of which 2 GW offshore) and approximately 80 GW, respectively. The process of simplifying authorisation procedures also continues and the CfD auction instrument is confirmed as the main support mechanism for the development of renewable energy.

- **Italian Legislative Decree no. 199/2021 transposing Directive no. 2018/2001 (RED II)**
  In November 2021, Italian Legislative Decree no. 199/2021, for the implementation of European Directive no. 2018/2001 on the promotion of the use of energy from renewable sources (RED II), was published.
  The main provisions, which have not yet been implemented, include the confirmation of CfD auctions for industrial-size renewable plants and the assignment to the regions to identify "Suitable Areas" for renewable plants, understood as areas with "high potential" for installation.
  The areas of plants subject to "non-substantial" repowering according to the 2021 Italian "Semplificazioni" Decree are already considered suitable – and therefore subject to authorisation simplification.

- **Italian "Sicurezza Energetica/Energia" Decree Law and subsequent conversion law**
  In December 2023, the decree-law known as the "Sicurezza Energatica" Decree or "Energia" Decree was issued, published in Official Gazette 287 of 9 December 2023 and converted into law in February 2024.
  The provisions of greatest interest concern the raising of the thresholds for environmental impact assessment and screening for certain types of photovoltaic projects, as well as some changes in the authorisation regimes. It also removes any interpretative doubt on the mandatory but non-binding nature of the opinion of the Italian Ministry of Culture for the environmental impact assessments (EIA) of renewable projects on areas already identified as suitable.
  Photovoltaic systems in agricultural areas, even if not qualified as suitable, can from now on participate in future auctions for renewable energy.
  The single national price (PUN) is to be gradually phased out – preceded by a specific implementing ministerial decree – in favour of zonal prices for end customers maintaining a reference price equivalent to the PUN for a transitional period.
  A new incentive mechanism was also established through a "profile" auction, as an alternative to the Contracts for Differences (CfD) currently envisaged.
  Energy-intensive consumers who commit to installing systems for self-generation from renewable energy, can request an advance from the GSE for a portion of the renewable electricity and related guarantees of origin that they will produce, through the stipulation of two-way contracts for difference. In turn, the GSE will procure this energy by entering into contracts with producers from renewable sources.

- **"Sostegni-ter" Decree containing measures to limit the effects of price increases in the electricity sector – "aiuti-bis" Decree – "aiuti-ter" Decree – "aiuti-quater" Decree and the related conversion laws.**
  In January 2022, Italian Decree Law no. 4/2022

"sostegni-ter", subsequently converted into law, was published. This introduced measures to contain the effects of price increases in the electricity sector.
From 1 February 2022 and until 30 June 2023, a two-way compensation mechanism on the price of energy shall be applied on electricity generated by certain renewable energy plants.
This mechanism applies exclusively to photovoltaic generation incentivised up to the fourth Feed-in Premium, as well as to all non-incentivised generation of RES plants (solar, hydroelectric, geothermal and wind), provided that they entered into operation prior to 1 January 2010. These types of generation are excluded from the scope of application of the rules if they are the subject of energy sales contracts concluded before 27 January 2022, at a fixed price, not dependent on market fluctuations and provided that the price is not 10% higher than the reference prices indicated in a table annexed to the decree.
With the subsequent Italian Decree Law no. 115/2022 ("aiuti-bis"), published in August 2022 and converted into law in September with Italian Law no. 142/2022, the extension to 30 June 2023 of the aforementioned compensation mechanism was ordered. It is also specified that in the case of producers belonging to a corporate group that have sold the electricity injected into the grid "infra-group", only the contracts entered into between the companies of the group, including non-producing, and subjects outside the group are relevant. In the event of failure to pay the extraordinary contribution, the penalties originally envisaged are doubled.
The subsequent Italian Decree Law no. 144/2022 "aiuti-ter", published in September 2022 and converted into law in November, amended the payment method for the two-way compensation mechanism pursuant to Italian Decree Law no. 4/2022.

- **2024 Budget Law**
  The 2024 Budget Law provides for a number of changes to the tax treatment of certain considerations, in particular the taxation of income such as surface and easement rights, including those relating to renewable energy plants.

- **"Ucraina-bis" or "Taglia prezzi" decree and related conversion law – "Aiuti" decree-law as well as relevant conversion laws.**
  In May 2022, the law converting Italian Decree Law no. 21 2022 (known as "Ucraina-bis" or "Taglia Prezzi") was published. The law contains the provision on the "**Extraordinary contribution against high utility bills**", later amended by a further Italian Decree Law no. 50/2022, converted by Italian Law no. 91 of 15 July 2022 on national energy policies and the Ukrainian crisis (known as "Aiuti").
  The provision sets forth an additional taxation of profits for each company of an industrial group active in the energy sector, based on the increase in the balance between active and passive transactions in the period from 1 October 2021 to 30 April 2022, compared to the balance of the same period in the previous year.
  The value of the applied rate has been increased to 25% and applies if the aforementioned increase exceeds EUR 5,000,000. The contribution is not due if the increase is less than 10%.
  Through the 2023 Budget Law, it was confirmed that the balances deriving from the sale and purchase of shares, bonds or other securities not representative of goods and shares that exist between the recipients of the measure are excluded from the extra-taxation.
  The law also contains some **provisions in favour of the development of renewable energies**.
  With regard to the "suitable" areas, the Italian Prime Minister's Office has the power of substitution in the event of failure to adopt the regional law, or non-compliance with the national identification criteria.
  Areas that (i) do not include assets under protection by the Italian Ministry of Culture and (ii) do not fall within the "buffer zone" of such assets are considered temporarily eligible. The Italian Ministry of Culture participates in the work of the INECP-NRRP Commission but without voting rights.

- **Budget Law 2023 – implementation of Regulation (EU) no. 2022/1854 on the cap on revenue from electricity.**
  At the end of December 2022, the Italian State published its Budget Law 2023. The law includes the provisions with which Italy intends to implement Regulation (EU) no. 2022/1854 on an emergency intervention to address high energy prices.
  From 1 December 2022 until 30 June 2023, a "cap" is applied to market revenues obtained from the production of electricity fed into the grid by "infra-marginal" plants, therefore including wind and photovoltaic plants, not included in the scope of application of Art. 15-bis of the "Sostegni ter" Decree Law.
  A one-way compensation mechanism obliges the producer to pay to GSE the difference (calculated by GSE itself), if negative, between 180 EUR/MWh and the monthly average, weighted on the production profile of each plant, of the hourly market zonal price. Exceptions to the limit of 180 EUR/MWh are envisaged for sources with higher generation costs. The revenue cap applies to any market revenue of producers and intermediaries participating in wholesale markets.

This mechanism does not apply to energy subject to supply contracts concluded before 1 December 2022 if not linked to the trend in the prices of the energy spot markets and stipulated at an average price below the cap, to electricity subject to withdrawal contracts concluded by GSE pursuant to the Electricity release law, to renewable source plants with active incentive contracts regulated with two-way mechanisms and to renewable source plants with contracts that provide for the withdrawal of energy at "all-inclusive tariff", as well as electricity shared within energy communities and self-consumption.
The methods by which the mechanism is implemented will be governed by ARERA in continuity with the operating methods defined in implementation of the provisions set forth in Article 15-bis of the "Sostegni ter" Decree Law.
The solidarity contribution to be paid by the fossil fuel and petroleum products sectors provided for by Regulation no. 2022/1854 is also envisaged. The Italian provision, however, also makes this contribution obligatory for those carrying out electricity production or resale activities within the territory of the State, despite the fact that this sector is already subject to the "cap" of 180 EUR/MWh.
The contribution, which is not tax deductible, is applied on a temporary basis in 2023 to 50% of the portion of taxable income relating to the tax period prior to the one in progress at 1 January 2023, exceeding by at least 10% the average total income achieved in the four tax periods prior to the one in progress at 1 January 2022. The total amount cannot exceed 25% of the value of the equity.

- **Further simplification measures for renewable plants.**
  In February 2023, Italian Decree Law no. 13/2023 known as "Semplificazioni 2023" was issued.
  For renewable energies, the need to submit the superintendent's prior verification of archaeological interest with the EIA application is removed.
  The buffer zone for protected assets for wind farms is increased to 3 kilometres and for photovoltaic plants to 500 metres.
  It is also specified that the opinion of the Italian Ministry of Culture is binding only for the authorisation of renewable projects located in areas subject to naturalistic-cultural protection.
  The procedures for the installation of photovoltaic systems in some types of areas are further simplified and other simplifications are introduced for the issue of the single authorisation together with the EIA measure.

- **Italian Law converting the "NRRP" Decree Law**
  In the law converting the "NRRP" Decree of April 2023, the procedures for the authorisation of certain photovoltaic projects and for agrovoltaic plants no more than 3 kilometres away from industrial areas are further simplified.
  For these types of plants in industrial areas with power up to 20 MW, the mere communication of free construction is envisaged.

- **Italian Laws converting the "Enti e PNRR" and "Asset" Decree Laws**
  In July 2023, the law converting Italian Decree Law no. 57/2023 was published. Among the provisions of the law, one notable provision allows for the adjustment to inflation of the base auction tariffs for renewable energy plants governed by the "FER 1" Italian Ministerial Decree.
  The tender values are updated on a monthly basis at the time of publication of the individual notices, by reference to the national consumer price index for the entire community, to take into account the average inflation accumulated between 1 August 2019 and the month of publication of the notice of the relevant procedure.
  With the subsequent law converting Italian Decree Law No. 104/2023, the GSE was granted the right to re-use the quotas not awarded in the previous calls for tenders, including for the "refurbishment" category.

- **ARERA – Resolution approving the forward procurement system for electricity storage capacity.**
  Resolution 247/2023 approved the criteria and conditions for the operation of the storage capacity supply system provided for by Italian Legislative Decree 210/2021.
  There will be periodic auctions defined by Terna for energy storage systems, which will then be made available to operators for the exchange of time-shifting products via a platform defined by the Gestore di Mercati Energetici (GME).
  In December 2023, the measure received a positive verification of compatibility with the guidelines on State aid by the European Commission.

- **ARERA – Resolution 345/2023 on the new Integrated Text on Electricity Dispatching.**
  At the end of July 2023, the Energy Authority launched the new Integrated Text on Electricity Dispatching (TIDE) which will take effect from 2025, with some exceptions.
  The new Integrated Text constitutes the regulatory basis for new electricity dispatching compliant with European codes, designed with a view to an electricity system dominated by renewable energies.

The next steps necessary for the full application of the TIDE from 1 January 2025 are the implementation by Terna, the GME and the other parties involved, of all the adjustments to the codes and related texts.

FRANCE

- **Participation in auctions of renewable plants on agricultural land**

  In 2022, the CRE provided for the possibility, under conditions, of renewable plants installed on agricultural land that has been uncultivated for more than five years or used for livestock/grazing to participate in auctions.

- **2023 and 2024 Budget Laws – application of a cap on revenue from electricity.**

  At the end of December 2022, a "revenue cap" for infra-marginal technologies governed by Regulation (EU) 2022/1854 was published in the Budget Law.

  The revenue cap is set at 100 EUR/MWh for wind and photovoltaic technology; the return of revenue exceeding the revenue cap is applied to 90% of the total (intra-marginal contribution).

  The measure applies retroactively from 1 July 2022 to 31 December 2023, with three different payment periods for economic items (1 July 2022 – 30 November 2022; 1 December 2022 – 30 June 2023; 1 July 2023 – 31 December 2023).

  All revenue deriving from the sale on the market of energy produced by renewable plants awarded by auction before the start of the envisaged Contract for Difference (CfD) are excluded from the calculation.

  The subsequent 2024 Budget Law provided for the extension to the end of 2024 of the infra-marginal cap, now at 105 €/MWh for wind and photovoltaic energy. The mechanism will also be applied to 50% of the excess revenue (against the previous 90%).

- **Acceleration law for renewable plants.**

  In March 2023, law no. 2023-175 was published, establishing a plan to adjust administrative procedures to simplify and accelerate project implementation, with the goal of increasing solar power generation capacity tenfold to over 100 GW by 2050, while developing fifty offshore wind farms with a final capacity of 40 GW.

  Provisions are made for "renewable areas" and "exclusion areas", the reduction of administrative disputes, the installation of photovoltaic panels along motorways, main roads and car parks.

  The defining framework for agrovoltaic technology is also given.

- **Revision of the Integrated Energy and Climate Plan**

  At the end of November 2023, the French government sent its revised National Energy and Climate Plan (NECP) to the European Commission.

  The goal of carbon neutrality by 2050 is declared, with a 50% reduction in greenhouse gas emissions by 2030 compared to 1990 levels.

  "Decarbonised" energy targets envisage 58% in the energy mix by 2030 and 71% by 2035. For the photovoltaic sector, the target is to install 54-60 GW by 2030 and 75-100 GW by 2035. For onshore wind, 33-35 GW by 2030 and 40-45 GW by 2035.

  The target for offshore wind is reduced to 3.6 GW by 2030 (previously: 5.2-6.2 GW by 2028) and 18 GW by 2035.

  Flexibility capacity (demand-response, batteries, vehicle-to-grid and other systems) is also expected to increase to 25 GW in 2030 and 35 GW in 2035.

  For nuclear power plants, the target is now the installation of 9.9 GW of new capacity by 2026, while a study will confirm a second phase of at least 13 GW, to be defined by 2026.

  The remaining coal-fuelled plants are scheduled to be shut down by 2027, while oil-fuelled plants will be phased out by 2030.

GERMANY

- **EEG Reform 2023**

  In July 2022, the EEG Reform 2023 was published.

  The targets for renewable installations by 2030 are increased, establishing a capacity of 215 GW for solar plants, 115 GW for onshore wind and 30 GW for offshore wind. The onshore wind quota was therefore increased to 12.8 GW for 2023, and by 10 GW from 2024 to 2028, with reallocation of the unused quota to the following year.

  A new amendment then expanded the powers of the Federal Network Agency (BNetzA), raising the possible increase in the auction-based tariff to 25%, instead of the 10% already approved, in the event of significant increases in the average costs of the energy generation of plants that will go into operation.

  On 27 December 2022, the reference price of the 2023 onshore wind auctions was set at 73.5 EUR/MWh (vs. the 58.8 EUR/MWh reference price of the 2022 auctions), adjusting it to the maximum permitted values and the reference price of the 2023 photovoltaic auctions was set at 73.7 EUR/MWh (vs 59.0 EUR/MWh). The same prices were confirmed for 2024.

- **Implementation of Regulation (EU) no. 2022/1854 on the cap on revenue from electricity.**

  In implementation of Regulation (EU) no. 2022/1854, the German government also adopted a "cap" on unit revenue from the sale of electricity generated with infra-marginal technologies, therefore including renewables such as wind and photovoltaic.

The cap is applied to renewable sources from 1 December 2022 to 30 June 2023. It will not be applied to plants with installed capacity of less than 1 MW, to electricity supplied from storage, and to electricity consumed off-grid.

For plants incentivised with market premium or awarded an auction, the cap is set at 30 EUR/MWh (so-called "safety margin") in addition to the FIP set forth in the agreement.

For non-incentivised plants, whose electricity is sold on the free electricity market, the cap is set at 100 EUR/MWh plus the safety margin of 30 EUR/MWh.

For plants operating on the free market that have ended the incentive period, the cap is set at 100 EUR/MWh (without safety margin).

For wind and photovoltaic plants, the safety margin of 30 EUR/MWh is increased by 6% of the average German monthly price captured by the same technology.

Electricity producers will have to pay 90% of profits exceeding the cap, calculated on the monthly average of the price captured in Germany by the same technology, to the network operator.

On 9 June 2023, the Federal Government expressed its opinion, ending the mechanism on 30 June 2023.

- **Implementation of the Temporary Regulation on permitting procedures of the European Council no. 2022/2577**

  In March 2023, the Federal Government approved the provisions defined by the EU emergency regulation on the permitting of renewables (EU Regulation no. 2022/2577).

  For areas already subject to a strategic environmental assessment, an environmental impact assessment is no longer required, and the other provisions of the regulation remain directly applicable, including the environmental impact assessment for incremental capacity only for repowering operations.

- **Revision of the Integrated Energy and Climate Plan**

  In November 2023, the German government sent its revised National Energy and Climate Plan (NECP) to the European Commission.

  In terms of greenhouse gas emissions, the stated goal is to achieve carbon neutrality by 2045, while by 2030 Germany is targeting a reduction of at least 65% compared to 1990.

  As regards renewable energy targets, by 2030 it is expected to reach both 40% of total gross consumption and at least 80% of gross electricity consumption.

  Specific objectives are also defined for the reference technologies:

  - onshore wind: 115 GW by 2030 and 160 GW by 2040 (10 GW/year);
  - photovoltaic 215 GW by 2030 and 400 GW by 2040 (22 GW/year);
  - offshore wind: at least 30 GW by 2030, at least 40 GW by 2035 and at least 70 GW by 2045.
  - On energy storage, the country aims to strengthen the industrial production of mobile and stationary energy storage systems, investing EUR 1.5 billion of IPCEI funds.

  With regard to the transition from coal power generation, the last power plant is scheduled to be closed by 2038, with the use of lignite from North Rhine-Westphalia to be phased out by 2030.

UK

- **GB: measures to mitigate the increase in the price of electricity and gas.**

  In October 2022, the British energy authority, introduced a cap of 40 GBP/MWh on Balancing Services Use of System charges, applied until 31 March 2023.

  From 1 April 2023 the tariff relating to grid balancing will be levied solely on demand and therefore this charge will no longer apply to producers.

- **Restriction on revenue from the sale of electricity (Electricity Generator Levy)**

  At the end of December 2022, some indications were published on the calculation of the Electricity Generator Levy (EGL), aimed at limiting revenues from the sale of electricity for producers from "infra-marginal" technologies such as wind and photovoltaic.

  The measure is applied from 1 January 2023 to 31 March 2028, aimed at industrial groups or individual companies that generate more than 50 GWh/year of electricity. The technologies involved are nuclear, renewable sources (including biomass) and waste. However, electricity sold through contracts for differences (CfD) awarded at auction and incentive mechanisms such as ROC and REGO are excluded. Imbalances and income from the ancillary services market and from the Capacity Market are excluded from the calculation.

  The limitation is applied in the form of an additional tax of 45% on profits exceeding a limit calculated according to a formula that takes into account revenues from electricity generation and production, a Reference price, a range of eligible costs and an exemption.

  The Reference Price is equal to 75 GBP/MWh from 2023 until April 2024, then annually indexed to inflation on an annual basis until 31 March 2028, while the exemption is GBP 10 million per year at corporate group level.

The Reference Price is indexed each year to the Consumer Price Index of the previous year. For the period from 1 April 2024 to 31 March 2025, it is therefore 77.94 GBP/MWh. The measure was included in the 2024 Budget Law. The measure also contains an exemption from the EGL for new projects for which the final investment decision was made on or after 22 November 2023.

- **Energy Act 2023**
  In October 2023, the *Energy Act 2023* was passed, a new framework for a wide range of energy issues to support the UK on its Net Zero journey. The *Great British Nuclear* project is launched, with the creation of a public company to promote the government's ambition to reach 24 GW of installed capacity in Great Britain by 2050. The Offshore wind environmental package was also launched, which provides for actions to speed up the licensing of offshore wind projects.
  The Future System Operator, an integrated operator to manage electricity and gas grids in the energy transition period, is also established.

- **Connections action plan**
  Issued in November 2023, it is designed to speed up the connection of electricity generation plants in Great Britain to the transmission grid.
  The plan aims to resolve the current level of congestion in grid connection requests, which is around 500 GW.

SWEDEN

- **2023 Budget Law: electricity cost containment mechanisms resulting from EC Regulation no. 2022/1854.**
  In February 2023, the Swedish government adopted a limit of 1957 SEK/MWh (equivalent to approx. 180 EUR/MWh) for electricity revenue for all infra-marginal generation technologies. The period of application for energy producers runs from 1 March to 30 June 2023. The refund is applied to 90% of revenue exceeding the cap, considering an hourly calculation period; payments are made monthly.

SPAIN

- **2023-2030 NECP revision**
  At the end of June 2023, the Spanish Ministry of Ecological Transition published and put up for consultation the draft National Energy and Climate Plan (Plan Nacional de Energía y Clima 2023-2030).
  Significant increases in renewable energy and decarbonisation targets are expected until 2030.
  In particular, the total renewable capacity target rose to 160 GW: 62 GW for wind power (from 50 GW of the previous NECP) and 76 GW for solar photovoltaics. The storage capacity is increased to 22 GW (from 2.5 GW), while the useful life of the nuclear plants is reduced. Gas generation capacity remains stable at 26 GW and the closure of coal generation plants is scheduled for 2025.

- **Decree on Mechanisms to contain the cost of electricity**
  In May 2022, Royal Decree no. 10/2022 was published in the Spanish Official Journal, establishing a temporary adjustment mechanism for electricity production costs to reduce the price of electricity in the wholesale market.
  The measure provides for a national price to be set for natural gas used for electricity generation, capped at 40 EUR/MWh until November 2022 and then increasing from December 2022 until reaching a maximum of 70 EUR/MWh in May 2023. The measure was then extended to the whole of 2023, with an increasing cap value up to 65 EUR/MWh in December 2023.
  Thermoelectric producers will therefore be reimbursed the difference with respect to the gas price actually paid and the financial coverage will take place through cost sharing with consumers and the increase in congestion income compared to the previous year.

- **Other measures to combat high energy prices and the development of renewable energies.**
  From the second half of 2021, the Spanish government introduced a series of measures to counter the high energy prices due to the Russian-Ukrainian crisis.
  The main measures on the electricity and gas markets include the suspension of the 7% generation tax extended to 31 December 2023, then reintroduced as from 2024 according to a gradual mechanism. The measure on surplus profits adopted in 2021, applicable to non-CO_2-emitting and non-incentivised plants larger than 10 MW, is extended to the end of December 2023; the measure applies also to new bilateral agreements and to renegotiated existing agreements if the threshold of 67 EUR/MWh is exceeded.
  At the end of 2022, the scope of application of the Social Bonus established by Law no. 24/2013 was expanded. The measure provides for an obligation for specific parties to finance the so-called Bono Social paid to vulnerable customers.
  Previously aimed at retail companies, it is applied to all players in the electricity sector, including generation. The amount to be financed for 2023 is 1.465428 EUR/MWh.
  As regards the energy transition, various measures are approved, including a new rapid authorisation procedure extended until 31 December 2024 for wind power plants up to 75 MW and for photovoltaic

systems up to 150 MW in areas with low environmental impact and with connection within 15 km.

In December 2023, a special Royal Decree provided for the reintroduction as from 2024 of the 7% electricity generation tax according to a graduated mechanism for 2024.

POLAND

- **Law for the containment of electricity prices.**

  In November 2022, the Polish government adopted Law no. 2697 for the containment of electricity prices. The law introduces a temporary cap on the revenue of electricity producers, applied to all infra-marginal energy producers – including wind and photovoltaic technologies therefore – with an installed capacity of more than 1 MW, from 1 December 2022 to 31 December 2023.

  The cap for plants that access the auction mechanism is equal to the price awarded in the auction (indexed to inflation). For plants that do not participate in the auction, the cap is equal to the reference price in the auction system in force at the calculation date.

- **"Distance act"**

  In March 2023, the law on the "distance act" was published to regulate investments in the wind sector.

  With the exception of areas adjacent to nature parks and reserves, the minimum distance between an onshore wind farm and residential areas stipulated by law is 700 metres, while in relation to the nearest residential or mixed building it is reduced to 500 metres, subject to local public consultation.

  If the authorised distance is less than 700 metres, residents have the right to purchase the energy produced without paying general system charges, the latter being borne by the wind farm operator.

- **Extension of RES auctions to 2027**

  Last January 2022, the European Commission approved the extension until 31 December 2027 of Poland's RES auction programme.

  In July 2022, the Polish Council of Ministers presented a draft regulation on the amount of electricity from renewable sources to be allocated through auctions in the years 2022-2027.

  For onshore plants with a capacity of more than 1 MW, the government's estimate is a total of 3,000 MW for wind power and 4,500 MW for photovoltaic power.

ROMANIA

- **Measures to mitigate the increase in the price of electricity and gas.**

  During 2022, the government issued a series of emergency ordinances, later converted into law relating to measures to counter the escalation of gas and electricity prices. The 100% tax levied on net profit above 450 lei/MWh (already introduced from 1 November 2021 at a rate of 80%, then increased to 100% from 1 September 2022) is to be extended until 31 March 2025 for all plants except cogeneration plants.

  An obligation was also introduced for energy producers to sell at least 40% of electricity on forward markets other than the DAM (day-ahead market), ID (intra-day) and balancing markets. The only exemptions concern plants that entered into operation after June 2020.

  In a further provision issued in November 2022, the Government introduced additional measures to combat high energy prices.

  The previous obligation to sell electricity directly until 31 December 2022 is repealed for electricity suppliers with a portfolio of end customers. A new mechanism for the centralised purchase of electricity is also introduced for the period 1.01.2023 – 31.03.2025. Electricity producers with a capacity exceeding 10 MW will be obliged to sell all available production at a fixed price of 450 lei/MWh.

  Renewable plants are exempt from the regulation.

- **Auctions for the award of CfDs for renewable energies.**

  In August 2023, the Romanian Ministry of Energy formalised the adoption of two-way Contracts for Difference (CfDs) on a competitive basis to support the development of renewable energy in the electricity sector.

  The two-way contracts awarded will be at a fixed price for a period of up to 15 years, aimed at new onshore projects with installed capacity exceeding 5 MW. The scheme does not apply to the upgrading/renovation of existing plants.

  Two rounds of auctions are planned (the first in 2024 and the second in 2025), each with separate tenders for onshore technology (wind/PV) and with a total capacity of 5,000 MW. For the first auction, the commissioning of the plant must take place within 36 months from the date of signing the CfD.

BULGARIA

- **Amendment to the 2023 Budget Law – Implementation of Regulation (EU) no. 2022/1854 on the cap on revenues from electricity**

  In December 2022, the amendment to the Budget Extension Law was published in implementation of Regulation (EU) no. 2022/1854 for the introduction of a cap on revenues from the sale of electricity through "infra-marginal" technologies, therefore including wind power and photovoltaic. This limit was then extended to the whole of 2024

For producers from renewable sources with a "premium agreement" in force at October 2022, where the premium is equal to 0 BGN/MWh, the contribution to be paid is defined as the difference between the market price of the electricity captured and a "revenue cap" calculated by applying a reference price that will be determined by the Energy Authority.

For producers with zero premiums, such as ERG, the contribution is calculated as 90% of the difference between the market price of electricity captured by the plant and the "revenue cap" equal to the tariff of the premium agreement.

PERFORMANCE BY COUNTRY

	FY		
(EUR million)	2023	2022	Δ
ADJUSTED REVENUE			
Italy	**374**	**365**	**9**
Abroad	**367**	**348**	**19**
France	*124*	*98*	*26*
Germany	*89*	*94*	*(5)*
UK & Nordics	*54*	*34*	*20*
Spain	*27*	*22*	*5*
East Europe	*73*	*100*	*(27)*
Corporate	**35**	**34**	**1**
Intra-segment revenue	*(35)*	*(33)*	*(2)*
Total adjusted revenue	**741**	**714**	**27**
ADJUSTED EBITDA			
Italy	**294**	**288**	**7**
Abroad	**267**	**116**	**151**
France	*248*	*239*	*9*
Germany	*78*	*55*	*23*
UK & Nordics	*65*	*70*	*(5)*
Spain	*37*	*24*	*13*
East Europe	*20*	*18*	*2*
Corporate	**48**	**72**	**(24)**
Adjusted EBITDA	**520**	**502**	**19**
ADJUSTED AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES			
Italy	**(119)**	**(127)**	**9**
Abroad	**(94)**	**(98)**	**4**
France	*(39)*	*(46)*	*7*
Germany	*(19)*	*(28)*	*8*
UK & Nordics	*(13)*	*(4)*	*(8)*
Spain	*(5)*	*(4)*	*(1)*
Sweden	*0*	*-*	
East Europe	*(18)*	*(15)*	*(2)*
Corporate	**(3)**	**(3)**	**0**
Adjusted amortisation, depreciation and impairment losses	**(215)**	**(229)**	**13**

(EUR million)	FY 2023	2022	Δ
ADJUSTED EBIT			
Italy	**176**	**160**	**16**
Abroad	**154**	**141**	**13**
France	*40*	*9*	*31*
Germany	*46*	*42*	*3*
UK & Nordics	*24*	*19*	*4*
Spain	*15*	*14*	*1*
East Europe	*30*	*57*	*(26)*
Corporate	**(25)**	**(28)**	**3**
Adjusted EBIT	**305**	**273**	**32**
CAPITAL EXPENDITURE (1)			
Italy	**219**	**653**	**(433)**
Abroad	**265**	**290**	**(25)**
France	*25*	*11*	*15*
Germany	*3*	*1*	*1*
UK & Nordics	*45*	*159*	*(114)*
Spain	*190*	*100*	*90*
East Europe	*2*	*20*	*(18)*
Corporate	**4**	**3**	**1**
Total capital expenditure	**489**	**946**	**(457)**

(1) TIncludes capital expenditure in property, plant and equipment and intangible assets and M&A investments.

ITALY

The ERG Group operates in Italy through its companies that own wind and solar farms. Aside from the availability of plants, the performance of each wind farm is influenced by the wind speed profile of the site on which the farm is located, by the sale price of electricity, which can vary in relation to the geographical areas where the plants are located, by the incentive systems for renewable energy sources and by the regulations of organised energy markets.

ERG operates in the power generation sector in Italy, with an installed capacity of 1,321 MW in wind power and 175 MW in solar power, an increase over the previous year of 56 MW attributable to the Repowering of the Partinico-Monreale wind farm (42 MW of which 26 MW increase) at the end of the second quarter of 2023 and the Camporeale wind farm (50 MW of which 30 MW increase) at the end of the third quarter of 2023.

	2023	2022	Δ
OPERATING RESULTS			
Installed capacity (MW) (1)	**1,496**	**1,440**	**56**
Wind	1,321	1,265	56
Solar	175	175	0
Output (GWh)	**2,784**	**2,312**	**472**
Wind	2,528	2,062	466
Solar	256	250	7
Load Factor % (2)			
Wind	24%	20%	4%
Solar	17%	18%	-1%
Net unit revenue (EUR/MWh)	**131**	**154**	**(23)**
Wind	109	134	(25)
Solar	342	317	25

(1) Capacity of plants in operation at the end of the year.
(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In **2023, electricity output** in Italy amounted to 2,784 GWh, of which 2,528 GWh from wind sources and 256 GWh from photovoltaic systems, up compared to the same period of 2022 (2,312 GWh, of which 2,062 GWh from wind and 250 GWh from solar), as a result of the scope effect (+231 GWh wind and +21 GWh solar) in a context of increased wind speeds.

(EUR million)	2023	2022	Δ
ECONOMIC RESULTS			
Adjusted revenue	**374**	**365**	**9**
Wind	285	284	1
Solar	89	80	9
Adjusted EBITDA	**294**	**288**	**7**
Wind	216	218	(2)
Solar	79	70	9
Amortisation, depreciation and impairment losses	**(119)**	**(127)**	**9**
Wind	(72)	(82)	10
Solar	(46)	(45)	(1)
Adjusted EBIT	**176**	**160**	**16**
Wind	143	136	8
Solar	32	25	8
Capital expenditure in property, plant and equipment and intangible assets	**219**	**653**	**(433)**
Wind	201	522	(321)
Solar	18	131	(112)
EBITDA Margin % (1)	**79%**	**79%**	**0%**
Wind	76%	77%	-1%
Solar	89%	87%	2%

(1) Ratio of adjusted EBITDA to revenue from sales and services.

Revenue recorded in 2023 (EUR 374 million) increased compared to 2022 (EUR 365 million) mainly as a result of the full contribution deriving from the acquisitions made in the third quarter of 2022 and the repowering plants that entered into operation in 2023 as well as the higher wind speeds observed in the last months of the year, partially offset by the lower market prices captured and the unit value of the GRIN incentive, which in 2023 was zero compared to 43 EUR/MWh in 2022.

In light of the above, the net unit revenue of wind power in Italy, considering the sale value of the energy, including the value of incentives (formerly green certificates) equal to zero in 2023 and hedging as well as other minor components, for ERG was 109 EUR/MWh (134 EUR/MWh in 2022) due to the lower prices captured compared to a 2022 characterised by strongly higher market prices. The net unit revenue of solar in Italy amounted to 342 EUR/MWh in 2023 (317 EUR/MWh in 2022) due to the hedges applied in line with the Group Risk Policy.

Adjusted EBITDA in Italy in **2023** amounted to EUR 294 million, up compared to 2022 (EUR 288 million), consistent with the comments on revenue.

Depreciation and amortisation for the period decreased compared to 2022, mainly due to the impact of the extension of the useful life of wind assets (EUR 13 million) as a result of the Lifetime Extension programmes, the end of the useful life of certain wind farm and photovoltaic components (EUR 13 million) also as a result of Repowering and Revamping projects, which resulted in the write-down of the carrying amount in previous years, partially offset by the full contribution from the acquisitions made in Italy during the second half of 2022 (EUR 15 million).

Capital expenditure

Capital expenditure in Italy **in 2023 (EUR 219 million)** mainly refers to the Repowering activities on the Camporeale (50 MW) and Partinico-Monreale (42 MW) wind farms that came into operation in 2023, the start of repowering activities on the Mineo-Militello and Vizzini (101 MW) and Salemi-Castelvetrano (76 MW) wind farms, the continuation of construction activities at the greenfield plant in Roccapalumba (47 MW), as well as the usual maintenance activities aimed at further increasing the efficiency of the plants. In Solar, significant plant revamping activities continue, aimed at ensuring greater plant efficiency.

Relevant legislative and regulatory updates during the year

See also the "Relevant regulatory and institutional updates" chapter.

- **MASE – Decree on Guarantees of Origin**
  On 14 July 2023, MASE published Italian Ministerial Decree 224 on Guarantees of Origin (GO), in implementation of Italian Legislative Decree 199/2021 implementing RED II. The aforementioned Ministerial Decree updates the methods for issuing, transferring, recognising and cancelling renewable energy GOs from energy carriers:
  - Renewable gases (including biomethane);
  - Renewable hydrogen;
  - Thermal and/or cooling energy.

  The procedures already in place for GOs from renewable electricity generation remain unchanged.
  The Ministerial Decree aims in particular to foster transparency in GO exchanges, avoiding duplication phenomena and/or possible cases of greenwashing, by promoting measures (such as a certification service of renewable energy consumption for consumers, and the possibility of issuing GOs, in the case of PPAs and on the producer's instructions, directly to the purchaser) that increase end-users' awareness in their electricity procurement choices.

- **GSE – new "controlli" regulation**
  In December 2023, the GSE published the new Regulation for controls on incentivised plants, in implementation of the specific provision of Italian Legislative Decree no. 28/2011, which governs the sanctions that can be imposed on RES operators.
  Violations deemed "major" lead to the forfeiture of incentives, while "minor" violations result in a percentage reduction (10-50%) of incentives. The reduction is halved if the operator, prior to the verification/control, spontaneously reports the violations.

Wind

- **ARERA – Average annual value of electricity for incentive calculation**
  In January 2023, ARERA published resolution no. 27/2023 updating the average price for the sale of electricity, equal to 298.05 EUR/MWh, for the purpose of calculating the incentive in lieu of green certificates. This price brings the value of the FIP feed-in tariff to zero for 2023. In January 2024, ARERA published resolution 14/2024, updating it for the following year; the value is 125.96 EUR/MWh. The value of the incentive for 2024 resulting from the envisaged formula is 42.15 EUR/MWh.

- **Onshore wind power auctions – photovoltaic (Group A): ninth auction session pursuant to the 2019 RES Ministerial Decree**
  In May 2022, the GSE opened the ninth call for RES auctions pursuant to Italian Ministerial Decree of 4 July 2019, with a quota reserved for Group A auctions of approximately 1,905 MW not assigned in previous calls, and a base auction price of 66.5 EUR/MWh.
  Two repowering projects owned by ERG participated in the auction: Castelvetrano-Salemi (TP) and Greci-Montaguto (AV).
  The Castelvetrano-Salemi project won the auction, while the Greci-Montaguto project, together with some photovoltaic projects of other operators, was withdrawn before the publication of the results due to the progressive misalignment between the prices awarded, the growing cost of plants and the commercial alternatives (first and foremost PPAs – Power Purchase Agreements).

- **Council of Ministers of March and July 2022 – EIA unlocked. RES plants and subsequent measures**
  In March 2022, the Italian government's Council of

Ministers exercised its statutory power of substitution by approving the Environmental Impact Assessment (EIA) of renewable plant projects totalling 418 MW.
The projects involved include the repowering of the 121.5 MW ERG "Nulvi - Ploaghe" (Sassari) wind farm.
The EIA Approval Decree for ERG's repowering was subsequently published in May 2022, only to be challenged at the end of June by the Region of Sardinia before the Regional Administrative Court of Sardinia, which in late November 2022 upheld the Region's claims, effectively annulling the EIA Decree. The case is currently pending before the Council of State and the hearing has been set for 13 July 2023.

ABROAD

ERG is active abroad in the generation of electricity from wind and solar sources.

ERG is one of the ten leading operators in the wind power sector in Europe with a significant and growing presence (1,426 MW operational), mainly in France (522 MW), Germany (327 MW), Poland (142 MW), UK & Nordics (311 MW), Romania (70 MW), Bulgaria (54 MW).

In addition, ERG operates in France and Spain in the generation of electricity from solar sources with 344 MW of installed capacity, of which 79 MW in France and 266 MW in Spain, increased at the end of 2023 with the entry into operation of the Fregenal de la Sierra and Garnacha photovoltaic farms.

France

	2023	2022	Δ
Operating Results			
Installed capacity (MW) [1]	**600**	**600**	**0**
Wind	522	522	0
Solar	79	79	0
Output (GWh)	**1,315**	**1,076**	**239**
Wind	1,219	982	237
Solar	96	94	1
Load Factor % [2]			
Wind	27%	22%	4%
Solar	14%	14%	0%
Net unit revenue (EUR/MWh)	**93**	**91**	**2**
Wind	93	91	2
Solar	96	96	(0)

(1) Capacity of plants in operation at the end of the year.
(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In **2023, electricity output** in France amounted to 1,315 GWh, of which 1,219 GWh from wind and 96 GWh from photovoltaic systems, up compared to the same period of 2022 (+239 GWh) mainly due to the increased wind levels recorded, in addition to the scope effect (+23 GWh) resulting from the full contribution of the 20-MW wind farm developed internally in 2022.

(EUR million)	2023	2022	Δ
Economic results			
Adjusted revenue	**124**	**98**	**26**
Wind	115	89	25
Solar	9	9	0
Adjusted EBITDA	**78**	**55**	**23**
Wind	73	50	23
Solar	5	5	0
Amortisation, depreciation and impairment losses	**(39)**	**(34)**	**(5)**
Wind	(34)	(31)	(3)
Solar	(4)	(3)	(1)
Adjusted EBIT	**40**	**9**	**31**
Wind	39	8	30
Solar	1	1	0
Capital expenditure in property, plant and equipment and intangible assets	**25**	**9**	**16**
Wind	25	9	16
Solar	0	0	0
EBITDA Margin % (1)	**63%**	**56%**	**7%**
Wind	64%	56%	7%
Solar	59%	55%	4%

(1) Ratio of adjusted EBITDA to revenue from sales and services..

Revenue recorded in **2023** (EUR 124 million) was significantly higher than in the same period of 2022 (EUR 98 million), mainly due to higher production in wind power.

The net unit revenue from wind power in France of 93 EUR/MWh was slightly higher than in the same period of 2022 (91 EUR/MWh) primarily due to the inflation adjustment of fixed sales tariffs, while the net unit revenue of photovoltaic systems totalled 96 EUR/MWh, substantially in line with that recorded in 2022.

Adjusted EBITDA in France in **2023** amounted to EUR 78 million, up compared to 2022 (EUR 55 million), for the same reasons linked to revenue.

Depreciation and amortisation for the period (EUR 39 million) decreased compared to the same period of 2022 (EUR 46 million) due to the impact of the extension of the useful life of wind assets as a result of the Lifetime Extension programmes.

Capital expenditure

Capital expenditure **in 2023 in France (EUR 25 million)** refers to the development and construction activities for new wind farms (59 MW) expected to be commissioned between the end of 2024 and early 2025.

Relevant legislative and regulatory updates during the year

See also the "Relevant regulatory and institutional updates" chapter.

Wind

Guarantees of origin decree

In November 2023, a new decree was published implementing the rules on Guarantees of Origin (GO) for electricity following the transposition of Directive (EU) 2018/2001 RED II.

Specifically, it specifies the rules for GOs from self-consumption electricity, changes the conditions for auctioning GOs of plants benefiting from incentive/support schemesand introduces some changes in the auctioning of GOs from plants benefiting from support schemes (which remain at the disposal of the state).

The possibility of issuing GOs is now also envisaged for plants generating electricity from any primary energy source (including nuclear, gas and coal) or through cogeneration.

Cahiers des charges on "CRE 4" and "PPE 2"

In August 2022, the Energy Authority (CRE) published amendments for the renewable auctions awarded, aimed at allowing operators that were successful in the auctions held up to 31 December 2021 and that entered into operation between 1 September 2022 and 31 December 2024 to absorb part of the increase in plant costs, extending the period of sale of electricity to the market before the start of the two-way contract awarded by auction. The extent of this extension varies in relation to the expected date of entry into commercial operation of the plants (COD).

For the same category of plants, it is also possible to increase the capacity up to 140%, provided it is compatible with the plant's environmental authorisation.

Cahiers des Charges for onshore wind power

In November 2022, CRE published the new Cahier des Charges for onshore wind power auctions applicable from the December 2022 auction. A new indexing will be applied to update the awarded tariff before the start-up of the plant: the awarded tariff will be adjusted to take into consideration changes in the parameters of raw material costs, inflation, interest rates between the month of the auction date and 12 months before commissioning. In addition, the base price (cap) will no longer be made public. Slight changes were also made to the annual indexing formulas for the awarded tariffs.

New Cahiers des Charges for onshore wind power

The new *Cahier des Charges* for auctions starting from 4 December were published in November 2023.

From that date, only a portion of the plant can be auctioned; partial or total enforcement of the Financial Guarantee is also envisaged in the event of waiver by projects winning the auction.

Failure to comply with the auction eligibility requirements is sanctioned in a manner commensurate with the seriousness of the violation. Bids with a bid price above the ceiling or with a valuation of the overall carbon footprint of the project that exceeds the envisaged limit will also be excluded from the auction.

"Deplafonnement" FIP 2016, FIP 2017 and CfD

Law no. 1157-2022 of 16 August 2022, amending the 2022 Finance Act, introduces a change to the 2016 FIP, 2017 FIP and CfD format "complement de remuneration" agreement, awarded up until the December 2019 auction. Notably, the financial threshold for the return of the tariff contribution is removed with retroactive effect from 1 January 2022, in cases where the market price is higher than the tariff. This threshold (so-called "plafonnement"), envisaged for all plant technologies, was equal to the sum of the contributions received from the start of the contract (in the hours in which the market price was lower than the tariff). With the 2024 Budget Law, it was clarified that this removal takes place with retroactive effect from 1 January 2022 and, consequently, all subjected support schemes are transformed into 2-way CfDs.

Wind – new provisions for 2017 FIP

At the end of April 2022, new regulations were published introducing specific and more stringent conditions for access to the 2017 FIP for new onshore wind projects.

From 1 July 2022, the 2017 FIP will still be reserved for new wind farms with a maximum number of 6 turbines with a nominal capacity not exceeding 3 MW each, provided, however, that (i) the maximum height is limited to 137 metres due to civil or military aviation or radar constraints or (ii) they are executed through participatory investments targeting local communities.

These conditions must be fulfilled for the duration of the agreement.

At the end of December, a new amending decree introduced the possibility, for plants that submitted an application for FIP 2017 by 1 July 2022 and expected to be operational between 1 September 2022 and 31 December 2024, to extend the deadline for the completion of the plant and to sell electricity on the market before the start of the Agreement. In addition, starting from 1 January 2023, a new tariff adjustment coefficient will be applied to new projects that will request FIP-2017 to take into account the increases in costs and financial resources between the date of the FIP 2017 request and the 12 months before the completion of the plant.

As a result of a further amendment issued in April 2023, the plants benefiting from the 2017 FIP consisting of a maximum of 6 wind turbines connected before 1 October 2022 are temporarily allowed to increase the power of the plant, until 31 December 2023.

The unit power of the turbines can exceed 3 MW, up to a total increase of 1 MW for the entire plant; the 2017 FIP tariff is therefore applied to the total resulting power. However, turbines already installed may not be replaced.

Publication of results of onshore wind farm auction May 2023

At the beginning of July 2023, the Ministry of Ecological Transition published the results of the auction held in May 2023 for onshore wind.

The auction was over-subscribed, with 1,800 MW participating (120 projects) out of 925 MW available; 73 projects were awarded, for a total of 1,156 MW, applying the flexibility allowed by current regulations.

The weighted average price awarded was 85.29 EUR/MWh, while the auction price was not disclosed.

ERG participated and won with the two projects Parc Eolien De Saint Maurice La Clouere/Limousin (8.8 MW) and Parc Eolien De Porspoder/Bretagne (9 MW), with a tariff of 88 EUR/MWh (indexed for 20 years).

Cahiers des Charges for Solar power

In November 2022, CRE published the new Cahier des Charges for ground-mounted photovoltaic systems with a capacity between 500 kW and 30 MW, applicable starting from the December 2022 auction. The base price (cap) will no longer be made public. The awarded tariff will be adjusted before the start-up of the plant to take into considering changes in the parameters of raw materials costs, inflation, interest rates between the month of the auction date and 12 months before commissioning. Slight changes were also made to the annual indexing formulas for the awarded tariffs.

Germany – Wind

	2023	2022	Δ
Operating Results			
Installed capacity (MW) (1)	327	327	-
Output (GWh)	629	556	73
Load Factor % (2)	22%	19%	3%
Net unit revenue (EUR/MWh)	140	168	(28)

(1) Capacity of plants in operation at the end of the year.
(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In **2023**, **electricity output** in Germany amounted to 629 GWh, up compared to the same period of 2022 (556 GWh) due to the higher wind speeds during the period.

(EUR million)	2023	2022	Δ
Economic results			
Adjusted revenue	96	48	49
Adjusted EBITDA	72	28	44
Amortisation, depreciation and impairment losses	(28)	(22)	(6)
Adjusted EBIT	45	6	38
Capital expenditure in property, plant and equipment and intangible assets	1	151	(149)
EBITDA Margin % (1)	75%	59%	16%

(1) Ratio of adjusted EBITDA to revenue from sales and services.

Revenue recorded in **2023** (EUR 89 million) were down slightly mainly due to the lower prices captured, partially offset by the higher wind speeds recorded in the period.

Net unit revenue from wind power in Germany, equal to 140 EUR/MWh, was down compared to 2022 (168 EUR/MWh), due to the effect of lower market prices recorded, mitigated by the application of the one-way incentive mechanism that operates as a floor and the hedging policies adopted.

Adjusted EBITDA in Germany for **2023** amounted to EUR 65 million, a significant decrease compared to 2022 (EUR 70 million), for the same reasons linked to revenue.

Depreciation and amortisation for the period decreased compared to 2022 (EUR 8 million) due to the impact of the extension of the useful life of wind assets as a result of the Lifetime Extension programmes.

UK and Nordics – Wind

	2023	2022	Δ
Operating Results			
Installed capacity (MW) (1)	311	219	92
Output (GWh)	455	226	229
Load Factor % (2)	18%	33%	-15%
Net unit revenue (EUR/MWh)	111	150	(39)

(1) Capacity of plants in operation at the end of the year.
(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In **2023**, **electricity output** in the UK and Sweden amounted to 455 GWh, a sharp increase compared to 2022 (226 GWh), and refers to the contribution from wind power plants developed internally and commissioned between the end of 2022 and the beginning of 2023 (241 MW). For a better understanding of the Load Factor trend, it should be noted that during the early months of 2023 all of the aforementioned new wind farms were in a commissioning or production ramp-up phase, in a period characterised by winds significantly lower than historical averages.

(EUR million)	2023	2022	Δ
Economic results			
Adjusted revenue	54	34	20
Adjusted EBITDA	37	24	13
Amortisation, depreciation and impairment losses	(13)	(4)	(8)
Adjusted EBIT	24	19	4
Capital expenditure in property, plant and equipment and intangible assets	45	159	(114)
EBITDA Margin % (1)	67%	70%	-2%

(1) Ratio of adjusted EBITDA to revenue from sales and services.

Revenue recorded in **2023** amounted to EUR 54 million (EUR 34 million in 2022), up sharply compared to the same period of 2022 due to the contribution from new assets, partly offset by the effect of sales prices in 2023 through PPAs at fixed prices, while it should be noted that the first half of 2022 had benefited from market prices that were significantly higher than the current ones. It should be noted that the farms in Scotland participate in the balancing services market whereby willingness to reduce plant output is remunerated.

Adjusted EBITDA in the UK & Nordics segment for **2023** amounted to EUR 37 million, up significantly compared to 2022 (EUR 24 million), for the same reasons linked to revenue.

Depreciation and amortisation for 2023 increased due to the contribution of the aforementioned wind farms in Scotland.

Capital expenditure

Capital expenditure in UK & Nordics **in 2023 (EUR 45 million)** refers to the completion of assets that entered into operation between the end of 2022 and the beginning of 2023 and the construction of a new farm in Northern Ireland.

Spain – Solar

	2023	2022	Δ
Operating Results			
Installed capacity (MW) (1)	266	92	174
Output (GWh)	213	171	42
Load Factor % (2)	21%	21%	0%
Net unit revenue (EUR/MWh)	123	126	(3)

(1) Capacity of plants in operation at the end of the year.
(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In **2023**, **electricity output** in Spain amounted to 213 GWh, up compared to the same period of 2022 (171 GWh) due to the contribution deriving from the new photovoltaic farms that came into operation in the second half of 2023 (+174 MW) and the better irradiation recorded in the year.

(EUR million)	2023	2022	Δ
Economic results			
Adjusted revenue	27	22	5
Adjusted EBITDA	20	18	2
Amortisation, depreciation and impairment losses	(4)	(4)	(0)
Adjusted EBIT	16	14	2
Capital expenditure in property, plant and equipment and intangible assets	190	100	90
EBITDA Margin % (1)	74%	84%	-10%

(1) Ratio of adjusted EBITDA to revenue from sales and services.

Revenue recorded **in 2023** amounted to EUR 27 million, up compared to 2022 (EUR 22 million) due to the contribution of the scope effect deriving from the entry into operation of the new facilities and increased output partially offset by lower market prices recorded, mitigated by the hedging policies implemented.

Adjusted EBITDA in Spain for **2023** amounted to EUR 20 million, up compared to 2022 (EUR 18 million), for the same reasons linked to revenue.

Capital expenditure

Capital expenditure in **2023 in Spain (EUR 190 million)** mainly refers to the acquisitions made in June 2023, relating to photovoltaic systems that became operational in the second half of 2023.

East Europe – Wind

	2022	2021	Δ
Operating Results			
Installed capacity (MW) [(1)]	266	266	-
Output (GWh)	742	615	128
Load Factor % [(2)]	32%	31%	1%
Net unit revenue (EUR/MWh)	91	139	(48)

(1) Capacity of plants in operation at the end of the year.
(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In **2023**, **electricity output** in East Europe amounted to 742 GWh, up from the same period of 2022 (615 GWh) due to the contribution of the wind farms that came into operation in Poland during 2022 (61 MW), and the increased wind speeds recorded.

(EUR million)	2022	2021	Δ
Economic results			
Adjusted revenue	73	100	(27)
Adjusted EBITDA	48	72	(24)
Amortisation, depreciation and impairment losses	(18)	(15)	(2)
Adjusted EBIT	30	57	(26)
Capital expenditure in property, plant and equipment and intangible assets	2	20	(18)
EBITDA Margin % [(1)]	66%	72%	-6%

(1) Ratio of adjusted EBITDA to revenue from sales and services.

Revenue recorded **in 2023** was down significantly compared to 2022, mainly due to the reduction in energy prices, only partly offset by the higher output and scope effect deriving from the full contribution of the wind farms that entered into operation in Poland during 2022 (61 MW).
Average unit net revenue in East Europe amounted to 91 EUR/MWh, down sharply from 2022 (139 EUR/MWh net of clawback measures), due to lower market prices.

It should be noted that the measures introduced by the Romanian government to combat high energy prices (windfall taxes) require the Group's plants to sell through PPAs at 450 lei/MWh (approximately 90 EUR/MWh).

Adjusted EBITDA in East Europe for **2023** amounted to EUR 48 million, a significant decrease compared to 2022 (EUR 72 million), for the same reasons linked to revenue.

Depreciation and amortisation in 2023 increased slightly due to the contribution of the new wind farms that came into operation in Poland in the first few months of 2023 (61 MW).

Relevant legislative and regulatory updates during the year

See also the "Relevant regulatory and institutional updates" chapter.

Poland

- **Extension of RES auctions to 2027**
  Last January 2022, the European Commission approved the extension until 31 December 2027 of Poland's RES auction programme.
  In July 2022, the Polish Council of Ministers presented a draft regulation on the amount of electricity from renewable sources to be allocated through auctions in the years 2022-2027.
  For onshore plants with a capacity of more than 1 MW, the government's estimate is a total of 3,000 MW for wind power and 4,500 MW for photovoltaic power.

- **Definition of 2023 auction prices**
  In November 2023, the new 2023 renewable energy auction prices were updated, increasing them by +10% compared to the 2022 values.

Romania

- **NRRP auction**
  At the end of March 2022 the Ministry of Energy opened a single call, in the form of a competitive tender for the construction of new renewable energy plants.
  A budget of EUR 458 million (of which EUR 75 million is earmarked for plants of less than 1 MW capacity and EUR 383 million for larger plants) has been allocated from the NRRP funds to finance investment costs for new wind and solar capacity, with or without storage systems. Repowering projects or expansions of existing plants are not eligible.
  The projects must enter into operation by 30 June 2024, while there is a maximum amount granted per source, with a maximum limit of EUR 15 million for each company and for each project.

Bulgaria

- **Definition of the value of incentives for the regulatory period 1 July 2022 – 30 June 2023**
  In July 2022, the estimates of the energy prices to be referred to for the calculation of the incentive were updated.
  The incentive component is calculated as the difference between the reference tariff for the individual plant and the estimate of the adjusted baseload market price (Forecasted Market Price for Wind Producers – FMP) on the national wind profile.
  For the regulatory period from 1 July 2022 to 30 June 2023, the Bulgarian National Authority estimated the value of FMP market prices to be 440.21 BGN/MWh, thus bringing the incentive component to zero.
  The Authority reserves the right to review the FMP every six months in the event of a significant change in market prices.

RISKS AND UNCERTAINTIES

The main Risk Assessment and Management activities carried out as part of Enterprise Risk Management include: (i) the identification and assessment of the main risks associated with the Business Plan, as well as the definition of the respective Risk Policies; (ii) continuous verification of the functioning and effectiveness of the risk management process; (iii) sharing of the results of the half-yearly Risk Assessments with all of Group management. The ERM model is subject to periodic updates in line with the evolution of the Group and the context in which it operates and applies to all ERG Group companies.
Enterprise Risk Management is aimed at contributing in a proactive and integrated manner to safeguarding the share capital of the ERG Group and to managing the business efficiently and effectively in line with the strategies defined by the Board of Directors, giving adequate consideration to current and prospective risks, including medium and long term risks, with an organic and comprehensive vision.
It should be pointed out that, at the date of preparation of this Report, no particular risks and uncertainties are envisioned, in addition to those mentioned in the document, which may determine significant consequences on the operating results, financial position and cash flows of the ERG Group.

In view of the war that broke in Ukraine at the end of February 2022, management is monitoring any critical issues and impacts that the conflict could have on the ERG Group, in particular with reference to credit risk and plant security.
As regards **credit risk**, there are no positions opened directly with Russian and Ukrainian counterparties.
In relation to **plant safety**, note the position of some of the Group's wind farms in East Europe (Poland and Romania) close to the Ukrainian border: since these are countries that are part of NATO, there are currently no risks directly linked to the conflict.

Geopolitical tensions had a strong bullish impact on the commodity markets and in particular gas during 2022, resulting in a sharp increase in electricity prices. These phenomena led to a sudden rise in inflation after which central banks intervened with restrictive monetary policies through repeated increases in interest rates reaching their highest levels in 15 years. In addition, following the increase in energy costs, governments have implemented regulatory and tax measures on the sector through "Clawback measures" aimed at limiting the impacts of these increases for end consumers.
It should be noted, however, that from the end of 2022 there was a reversal of the trend with a reduction in gas prices that continued during 2023 and which, also as a result of a reduction in demand, brought prices down to values close to those before the Ukrainian crisis. This reduction also led to a significant drop in energy prices and a reduction in inflation, which, however, has not yet been followed by an easing of restrictive monetary policies and significant reductions in interest rates.

Finally, it should be noted that the inflationary pressures experienced in 2022 and 2023 led to a significant increase in investment costs for renewable plants.

In view of its operations, ERG classifies the risks to which it is exposed into four categories: Strategic, Financial, Operational and Compliance.

	Strategic	• Availability of renewable resources • Evolution of the regulatory framework • Climate Change • New capital expenditure • Risks related to Parent Company Rating and Reputation
	Financial	• (Commodity) price risk • Liquidity • Credit and Counterparties • Exchange Rate and Interest Rates • Disputes
	Operational	• Health, Safety and Environment • ICT and Cyber Security • Continuity of service • Human Capital • Procurement and Supply Chain
	Compliance	• Anti-corruption legislation • Country

STRATEGIC RISKS

Availability of renewable resources

This risk refers to the possibility that the Group may incur economic damages deriving from the volatility of electricity generation volumes, with particular reference to renewable production and to the availability of natural resources (such as Wind and Sun).

The risk is mitigated through:

- Technological diversification of renewable energy plants (e.g. Wind and Solar) and the geographic diversification of the generating farms, which reduce both the impact and likelihood of occurrence of the risk;
- Scheduling the outages of renewable facilities in relation to the periods of low contribution of renewable sources, thereby reducing their impact;
- The use of more accurate meteorological forecasting tools to define generation plans that allow for improvement in Volume Risk management strategies over the short term.

The use of statistical risk analysis models is also envisaged, as they enable quantification of the economic impacts over the term of the plan.

Evolution of the regulatory framework

Changes in operating rules, as well as the requirements and obligations that characterise the markets and countries in which ERG operates, may adversely affect the Group's results and/or operating performance and have a significant economic impact on the asset value. This category includes, for example, the possibility that measures (market change and/or windfall taxes) may be adopted in the countries where ERG operates in order to reduce the price perceived by renewable energy sources and consequently lower the supply costs for the system (interventions involving refunds of the price perceived by certain categories of renewable plants and taxation of the so-called surplus profits of energy operators). The Group constantly monitors changes in the regulatory framework in the countries where it operates, in order to prevent and/or mitigate the effects on the different business areas, through safeguards spanning multiple levels, which entail, at the local, national, and European level, collaborative dialogue with institutions and with the bodies governing and regulating the sector through active participation in business associations and in working groups established in the same bodies, as well as the examination of regulatory changes and industry authority measures, and the preparation of specific position papers to communicate its position in this regard.

To this end, the ERG Group has established specific Organisational Units dealt with the continuous monitoring of developments in key national and international regulations, that track the evolution of the regulatory framework in the countries in which the Group operates.

Among the main matters subject to regulatory developments, the following are highlighted in particular:

- the reform of the Electricity Market both at European level and in the various countries in which the Group operates;
- the reform of the incentive systems for Renewable Energy Sources in the countries in which the Group operates (e.g. transition from FIT to FIP; changes in the auction systems; European Directives; Guidelines on State aid for the environment and energy);
- energy savings certification within the White Certificates mechanism by Gestore dei Servizi Energetici (GSE);
- the implementation of the European Green Deal and the other packages adopted at EU level for the decarbonisation and security of energy supply, as well as the related national implementation plans;
- the rules for obtaining and maintaining the authorisations and permissions for the construction and operation of Renewable energy plants, as well as the incentives associated with them.

Climate Change

Climate change risk is the possibility that climate changes in the short, medium and long term may have impacts on ERG's business with economic/financial consequences in terms of (some examples): decreased availability of renewable resources (wind and sun); limitations or impediments to operations; increased O&M costs; increased insurance costs; higher compliance expenses; etc. To combat the climate change already underway, the Intergovernmental Panel on Climate Change (IPCC) has highlighted in its publications the effects that global warming may have and in part is already having on the planet (among others – intensification of heat waves and of extreme weather events, rising sea levels, thinning Arctic sea ice and continental glaciers) and the importance of keeping the rise of average temperatures under 2°C. The path to reach this goal requires timely interventions in all sectors of the economy and industry on a global scale and the Energy sector is one of the key factors to assure the planet's sustainability.

In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published a series of recommendations on the reporting on risks and the related opportunities, also issued by the European

Commission in the publication of June 2019. The TCFD guidelines require providing disclosure with respect to four broad topic areas: Governance; Strategy; Risk Management; Metrics & Targets.

In consideration of the above, the Group expressed observations regarding the main risks associated with climate change as well as the related possible impacts on the various corporate business areas. Moreover, in 2023, the Group conducted an internal study to quantitatively assess how climate change can affect the annual output of assets, in particular wind power. The analysis shows that in general the risks of a decrease in average wind speed, with particular reference to a medium-term horizon (10-15 years) are relatively low. Based on historical/statistical analyses of the percentage change in wind speed, low fluctuations in energy production can be expected, which can have both a positive (increasing output) and negative (reducing output) impact. However, fluctuations of this magnitude in the wind resource are already factored into the time series underlying the output estimates reflected in the Business Plan. With reference to solar assets, the change in irradiation for the group's solar plants during 2024 will be analysed in depth.

According to the Group's approach, the risks generated by Climate Change can mainly be attributed to the following:

- Change in the contributions from renewable sources (wind and sun) which may have impacts on ERG's business with economic-financial consequences in the medium/long term deriving from possible lower output. In light of the uncertainties regarding the potential effects of a worsening of weather conditions in the areas in which ERG is present and the potential compensatory effects deriving from the Group's increasing geographical complementarity, it was not considered appropriate to reflect any negative effects in the medium-term (Market Plan) and long-term (impairment test) Business Plans.
- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural events that could cause damage to generation plants, impacting Business Continuity. The "acute" phenomena category includes risks characterised by a remote probability of occurrence but a potentially catastrophic impact, including: fires; earthquakes, volcanic phenomena, hurricanes, tsunamis/floods; while the increase in average temperature, rise in sea level, reduction in rainfall fall into the category of "chronic" events.
- Regulatory and market changes referring in particular to any changes in subsidies and incentives, change in the regulatory framework, uncertainty in the demand for electricity, increased competitive pressure.

The management strategy for these risks adopted by the Group provides for:

- the reduction of the impacts related to catastrophic events through Business Continuity Management processes (for the physical protection of assets) and Disaster Recovery Plans, in particular in the ICT field;
- technological diversification of renewable energy plants (e.g. Wind and Solar) and the geographical diversification of generation facilities, which reduce both the impact and the probability of the risk occurring;
- the planning of renewable plant shutdowns on the basis of periods of low utilisation of renewable sources, thus reducing their impact;
- the use of more accurate weather forecasting tools (Wind and Sun) to define generation plans and further

improve Volume Risk Management strategies in the short term;
- the use of statistical risk analysis models, which make it possible to quantify the economic impacts over the life of the Plan;
- the transfer of risks to the insurance market. In particular, all extreme meteorological phenomena are covered (fires; earthquakes; volcanic phenomena; hurricanes; tsunamis/floods);
- the reduction of the impacts linked to the change in contributions from renewable sources and regulatory and market changes mainly through geographical diversification which allows the Group to make the most of synergies in the areas in which its assets are located, and consequently to mitigate the impacts of the aforementioned risks.

It should also be noted that the Group uses management, prevention and protection strategies to reduce the possible impacts on the areas surrounding its assets. Furthermore, the assets most exposed to extreme weather events or natural disasters are regularly checked and maintained in order to ensure that they are in the best possible condition to cope with extreme weather events. All of the Group's production sites located in Italy are also subject to ISO environmental certifications and potential sources of risk are monitored so that any critical issues can be detected promptly.
In addition, over the years the Group has demonstrated its ability to anticipate radical changes in the context in which it operates, promptly modifying its growth strategy. Over the years, ERG has transformed from an operator in the refinement and distribution of fuels to a primary operator in Italy and Europe in the generation of electricity from renewable sources. ERG is committed, through its own targets of investment in "zero emission" green technologies and in particular in wind and in solar power, to providing its own contribution to the fight against climate change in line with the objectives of COP21 and the recent COP27.

New Capital Expenditure

This risk refers to uncertain events originating from various factors, for example, scenario-related (micro/macro-economic, political, regulatory, business), technical, operational, financial or organisational, which may impact the success of a new investment.
Risks are mainly attributable to the impossibility of developing certain economic and financial forecasts over the period of the Plan or the life of a Project (in the event of a specific initiative), with resulting income statement or financial position losses, or worsening of the Group's image.
Some examples of risks that can be included in this type are: (i) the possibility that the envisaged Capex targets will not be achieved in the time and/or cost defined in the strategic plan due to changing market conditions with possible delivery delays due to difficulties procuring from strategic suppliers/sub-suppliers and requests for price adjustments on existing agreements; (ii) the possibility that the plan Opex will also undergo an increase; (iii) as a consequence of inflationary pressures and/or tensions on the financial and commodities markets, impairment issues, and more generally impairment of assets, linked in addition to the potential negative effects in terms of EBITDA, to the increase in returns requested by investors.
To minimise risk, in accordance with company policies, the ERG Group has defined specific structured processes for the selection of investments, providing for a series of subsequent levels of review and approval carried out on the basis, inter alia, of internal and external support studies, benchmark analyses, legal-regulatory analysis

and financial assessment/planning models. For all relevant projects, the main risks are associated with:

- Potential impacts and strategy/measures to contain/ eliminate risk;
- Items follow-up to monitor the mitigation processes.

Furthermore, the Group updates periodically the WACC/ HR, including through benchmarks, to ensure an adequate return with respect to the expected risk profile.

Risks related to the Rating of the Parent Company ERG S.p.A.

Any downgrades by rating agencies could limit the possibility of accessing capital markets and raise the cost of funding with consequent negative effects on the Group's financial position, results of operations and cash flows.

ERG implements a risk mitigation strategy, which runs at different levels and involves pursuing: (i) a balanced financial structure in terms of duration and composition, (ii) continuous monitoring of actual and expected results and financial balances, (iii) the systematic generation of cash by its business activities including through the long-term securing of sales revenues and (iv) geographical and technological diversification of its plants.

In 2022, ERG's risk profile, as assessed by the Fitch rating agency, remains Investment Grade "BBB-" with stable outlook. In addition to strictly endogenous and market variables, ERG's rating is also linked to Italy's sovereign rating.

Reputational Risk

This risk relates to the potential effects deriving from a negative perception of the ERG Group's reputation, understood as expectations, perceptions and opinions developed over time by all stakeholders (customers, suppliers, investors, media, etc.).

Among the various factors that negatively affect reputation, some examples are: inconsistency between what has been achieved and the communicated targets and/or a misalignment between the performance and stakeholders' expectations; the dissemination of negative news, factual or otherwise, which may compromise trust, reliability and/or credibility.

The Group mitigates the risk of deterioration of its reputation among stakeholders, through:

- a structured ESG process that envisages a strategic ESG plan with measurable objectives and KPIs, social responsibility initiatives and the disclosure of the Consolidated Non-Financial Statement;
- continuous monitoring of stakeholders' perception of the ERG brand;
- Specific active communication and information relations with the main stakeholders;
- Constant monitoring of all communication channels;
- A Crisis Management process that, through a structured approach, makes it possible to promptly manage and contain the effects of crises to safeguard ERG's reputation.

FINANCIAL RISKS

(Commodity) Price Risk

This risk is identified as the possibility that fluctuations in the purchase and sale price of Commodities will cause variations in the operating results such to compromise achievement of the objectives defined in the strategic plan.

In exercising its activities, the ERG Group is mainly exposed to fluctuations in Electricity prices for all generation plants for which the sale of electricity on the market is envisaged.

The ERG Group minimises the impact of the fluctuations in commodities prices through:

- An aggregate view by portfolio, which permits the allocation of risks where they can be more effectively managed, benefiting from the offsetting of positions with opposite signs;
- The definition of risk exposure limits and of an associated escalation process if the limits are exceeded, identifying the persons responsible for defining/authorising actions to return below the limits;
- The definition of processes and responsibilities for monitoring the exposure level using appropriate indicators (e.g., P@R, V@R, Stop Loss, Profit Taking, Open positions);
- The definition of minimum and maximum hedging quantities (Hedging Ratios) on electricity sales over the life of the plan;
- The use of derivative instruments to stabilise cash flows generated, contributing to guaranteeing the Group's economic and financial balance. The use of derivative instruments is authorised only if there is an underlying asset to pursue the reduction of the economic impacts tied to price volatility on the financial market and it is constantly monitored;
- The use of Power Purchase Agreements (PPAs) or multi-year contracts through which the supply of electricity between two parties is regulated: the seller, represented by the owner of plants for the production of energy from renewable sources, and the buyer, generally an energy wholesaler or production company; these contracts can be virtual contracts (VPPA), i.e. financial contracts through which payment is exchanged on the delivery dates on the basis of the price defined in the contract for a variable price, without the physical transfer of the underlying electricity.
- Where possible, balancing of the purchase formulas (for example, for natural gas) with chargeback to end customers and/or transfer into sales agreements of the higher costs arising from fluctuations in prices, including specific clauses reducing emerging costs (e.g., linked to the profile).

Liquidity

This is the risk resulting from the lack of financial resources to meet both short term and medium/long term commercial and financial commitments. This risk considers the possibility that the company may not be able to meet its commitments (funding liquidity risk) or that it may only be able to do so at unfavourable economic conditions due to situations of tension or to the changed market perception of riskiness of the Group (or of one of its companies).

ERG mitigates the risk through the pursuit of a balanced financial structure in terms of duration and composition, constant monitoring of the financial balance and systematic generation of cash by its business activities. The Group's objective is to maintain the subject risk profile at extremely low levels through implementation of a financial planning process having the following objectives:

- Enabling the Group to be solvent both under normal conditions of conducting business and under crisis conditions, optimising the related opportunity cost;
- Ensuring an adequate level of operational elasticity, optimising the cost of funding in relation to the current and future market conditions; the Group uses a prudent approach in estimating the projected cash inflows and outflows, taking into account the impact assessments of various scenarios, including stress-based ones, which identify the risk factors that could alter the cash flows envisaged in the Financial Plan (e.g. changes in scenarios, postponements of disposals) and define and implement the relative mitigation measures;

- Maintaining a balance in terms of duration and composition of debt, also thanks to an operating structure based on assigned limits that undergo periodic revision and approval, and a second-level control structure, autonomous from the first, which verifies its functioning;
- Guaranteeing an adequate distribution of credit lines, cash deposits and the relative financial assets among the major Italian and international banks.

In order to ensure the efficient management of liquidity, treasury activities are centralised within the Parent Company, which meets the liquidity requirements of the Group primarily with cash flows generated by ordinary operations and with credit lines, where necessary, ensuring an appropriate management of liquidity. To pursue its risk mitigation objectives, the ERG Group's stock of financial assets is used in short-term financial instruments that are highly liquid, preferring a very limited risk profile. Short selling is not permitted under any circumstances.

Commercial Credit Risk

This is the risk of unexpected changes in the credit rating of a counterparty with respect to which there is an exposure that could have negative consequences in terms of income and capital. The objective of the Group is to maintain the risk profile at extremely low levels, through the preliminary evaluation of creditworthiness of the counterparties and the adoption, where deemed necessary, of risk mitigation tools, such as the acquisition of guarantees.

In particular, in pursuing its commercial and business objectives, ERG minimises the risk profile, through:

- The definition of risk exposure limits at Group level and of any risk mitigation tools (e.g. Bank Guarantees/Sureties/Letters of Patronage) to ensure that the risk profile is aligned with the Group's requirements;
- A structured, active management process for credit, in which specific Organisational Units and a Credit Committee:
  - Assess the creditworthiness of each individual commercial counterparty in terms of Rating, Credit Limit and Probability of Default and assign to them specific levels of reliability in terms of maximum exposure (so-called credit limit);
  - Analyse the risk profile of the portfolio and the levels of exposure to counterparties in terms of credit limit granted and sales;
  - Conduct ageing analyses and constant monitoring of the overall exposure and of the exposure by counterparty, evaluating the definition and implementation of specific corrective measures.

Moreover, the Group has defined the types of guarantees that may be accepted in the case of credit to counterparties with an unsatisfactory economic/financial assessment and the financial institutes (banks and insurance companies) qualified to issue such guarantees.

Credit Risk towards Financial Counterparties

This is the risk that unexpected changes in the creditworthiness of a financial counterparty to which an exposure exists (e.g., liquidity deposits) could cause consequent negative economic/equity impacts and damage to the company's image. The Group's objective is to find the right balance between the return on financial investments and minimise the relative counterparty risk, through:

- Dealing with counterparties with Investment Grade Public Rating or, in the absence thereof, a specific authorisation by the CEO with the input of the Risk Committee;

- Risk diversification strategies (e.g., by depositing liquidity in various banks and/or using investment funds) as per the guidelines of the Risk Committee;
- Verification that each financial counterparty is not on any national and/or international Black List;
- Constant monitoring of the standing of counterparties and an escalation process in case of negative events and/or worsening of the risk profile.

At Group level, a structured process is in force, entailing:

- The autonomy of Finance in depositing cash up to 12 months at banks with an Investment Grade Rating (at least one Investment Grade Rating by S&P, Moody's and Fitch);
- An authorisation process (involving the Risk Committee) for uses of cash over 12 months or at banks with a rating below Investment Grade.

Interest Rate Risk

This is the risk that an unexpected change in interest rates may entail a change in the value of financial positions and of the related level of expenses. In this sense, changes in market rates can have negative impacts on the level of financial expense, such as to compromise the financial stability of the Group and its capital adequacy. The ERG Group mitigates this risk by:

- seeking and finding financial resources at the best conditions offered by the market, in compliance with the restrictions set by the Risk Committee, including through the use of the bond market which makes it possible to contain the risk through the issue of fixed-rate bonds with medium/long-term maturities;
- regularly monitoring the level of exposure to risk and compliance with the restrictions set by the Risk Committee;
- using derivative instruments (e.g. IRS, Interest Rate Swaps), authorised exclusively in view of the existence of an underlying asset;

pursuing the following objectives:

- Identifying the optimum combination of fixed and floating rates;
- Optimising the Group's cost of debt within the risk limits assigned by the Chief Executive Officer, whose decision is supported by the input of the Risk Committee, and made in line with the business nature;
- Reducing the possible economic impacts tied to rate volatility on the financial market.

Currency Risk

Changes in the exchange rates of the foreign currencies with which the Group operates may impact:

- Profits, as a result of (i) the different percentage of costs and revenue expressed in a foreign currency with respect to when the price conditions were defined (economic risk); (ii) the translation of trade receivables or payables or financial assets or liabilities denominated in a foreign currency (transaction risk);
- On the consolidated financial statements (profit and equity) by effect of the conversion of assets and liabilities of companies that prepare their financial statements in another currency (translation risk).

The ERG Group adopts an exchange rate risk management strategy based on:

- The acceptance of exchange rate risk, without prejudice to the possible mitigation actions referred to in the following points, in consideration of the reduced exposure that the ERG Group has at the date of approval of this policy. For the purposes of this policy, a level of exposure understood as EBITDA@Risk, calculated at the 95th percentile, higher than 5% of the Group's EBITDA, is considered a warning signal to be submitted to the Risk Committee.
- The review or confirmation at least once a year of

the adequacy of the aforementioned exchange rate risk acceptance strategy in light of developments in Wind/Solar technology and/or changes in the macroeconomic scenario.

- The definition of processes and responsibilities for the regular monitoring of the EBITDA@Risk of Foreign Operations in currencies other than the functional currency for the ERG Group, taken individually and in aggregate.
- Where possible, the pursuit of a balance between assets and liabilities expressed in foreign currencies, thereby minimising net exposure, and financing capital expenditures at M/L term in the local currency, the profitability and cash flows of which are mainly expressed in said currency.
- The definition of processes and responsibilities for the approval of any measures to mitigate the level of risk if the periodic monitoring, the annual risk budget or the approval of a strategic investment suggest their implementation. As for monitoring, any mitigation actions must be assessed on the basis of their impact in a consolidated view of the Group and not of the individual subsidiary, subject to exceptions related to specific situations (e.g. financial covenants to be met, loans in foreign currency during the construction phase, commitments under loan agreements) and approved by the Chief Executive Officer;
- The use of financial instruments for risk hedging, authorised by the Chief Executive Officer after consulting the Risk Committee, exclusively in the event of the existence of an underlying asset and if they come under the following:
  - Spot transactions;
  - Currency swaps;
  - Outright forwards;
  - NDF (non-deliverable forwards);
  - Currency futures;
  - Currency options.
- The repatriation, as soon as possible, of the net cash generated in foreign currency by Foreign Operations, within the limits of the liquidity necessary to support their operations, in compliance with the contractual restrictions of project financing and consistently with the expiration dates of any hedging derivatives that may have been approved.

Disputes

This risk refers to the possibility that one of the companies of the ERG Group (or its employees) may be involved in civil and/or administrative and/or tax proceedings and/or in legal actions deriving from potential violations of laws or regulations, from contractual or extra-contractual liability or from other controversies (e.g., labour disputes), which could result in damages or sanctions, or damage the Group's reputation. The risk refers also to the possibility that a Group company may impugn an act or a measure harming its own interests, promulgated by institutions or administrative bodies or by independent authorities.

The ERG Group implements a risk mitigation strategy which involves:

- The oversight, delegated to specific corporate departments, of the reference legislation (legal, tax, etc.);
- Management of the pre-litigation phase with the support of specialists in the legal and tax areas;
- Management of litigation by outside law firms of high standing, experienced in the specific matters;
- Constantly monitoring the evolution of ongoing litigation and assessing the probability of loss; for risks for which loss is deemed likely, an estimate of the economic impact is made, which takes into

consideration all possible consequences and a provision is allocated in the financial statements;

- Preparation and submission of periodic reports providing updates on the disputes, also through 231 flows to the Supervisory Bodies.

In the event of extraordinary transactions (e.g. acquisition of companies, establishment of JVs), specific Due Diligences (e.g., legal, tax) are conducted in order to mitigate the risk of disputes and, if considered appropriate, the counterparty is asked to provide the specific guarantees outlined in the contractual agreements governing the transaction.

With regard to the issuance of acts or measures that are harmful to its interests, risk is mitigated through:

- Regular and correct management, coordinated at Group level, of direct relations, or through trade associations, with Institutional Stakeholders at the local, national and international level;
- Participation in preparation of the acts or measures (including consultation procedures);
- Any appeal before the competent authorities against the acts or measures considered to be detrimental.

The strategies for managing this risk are implemented in accordance with corporate policies.

OPERATIONAL RISKS

Health, Safety and Environment (HSE) Risk

The Risk is mainly linked to the operation of industrial assets that have an impact on the health and safety of workers and on environmental matters:

- Health risks are those that can potentially impact and compromise the natural equilibrium of the personnel tasked with performing operations or work, following the emission of environmental risk factors, of a chemical, physical and biological nature, into the environment. Safety risks relate to the occurrence of accidents or injuries, or of physical harm or impairment (more or less serious) suffered by persons performing the various work activities.
- Environmental risks are connected with the possible occurrence of events that cause an alteration of the physical-chemical parameters characterising the environmental matrices (such as: water, air and soil), with negative consequences on the natural habitat and/or on the persons' health.

The ERG Group, which is strongly committed to mitigating such risks, has adopted specific Health, Safety and Environment guidelines which, in line with reference international best practices, require that all the Group's Companies:

- adopt principles and behaviours defined in specific sustainability guidelines that require all Group companies to comply with all regulations in force;
- adopt guidelines for the assessment of health and safety risks capable of upholding both the principle of prevention and compliance with the legal obligations of the responsible parties, first and foremost the Employers of the ERG group;
- pursue specific performance objectives, ongoing training of personnel and the certification of specific integrated Health & Safety management systems based on international reference standards;
- have a system of sanctions for behaviours that may endanger the safety and health of all personnel, whether internal or external, who carry out their activities within the Group's plants/areas of responsibility;

conclude specific insurance policies for the transfer of risks to cover accidents to staff and/or any civil liability related to the accident events. In addition, the ERG Group has safety standards and high quality, reliable operating practices to ensure regulatory compliance, the continued improvement of environmental performance, and efficiency in the actions undertaken in terms of prevention and reduction of the possible environmental impacts.

In particular, all Companies that manage industrial assets are provided with an OHSAS 18001 and ISO 14001 certified Management system, as well as achievement of EMAS certification on the main plants. ERG S.p.A.'s management system has been ISO 45001-certified since December 2019.

Moreover, the Group carries out structured monitoring of Health and Safety issues through the development of numerous prevention programmes and by spreading a "safety culture", directed both at internal personnel and suppliers that operate at the plants.

Adoption of the best available technologies, the application of ever more rigorous and stringent operating practices in terms of prevention and reduction of pollution and the correct management of the waste produced allow the efficient management of the business and Environmental matters. ERG publishes its "Consolidated Non-Financial Statement" annually, which provides salient information and data regarding HSE and social issues connected with the Group's business.

Information & Communication Technology risks

In the ICT field, the main risks concern attacks on systems with data breaches, security breaches, or the interruption of IT services due to hacker attacks or system malfunctions. In other words, anything that compromises the availability, confidentiality or integrity of the data.

Through its ICT systems, ERG adopts a risk-based approach in order to define both preventive and reactive security measures, and specific continuous improvement programmes aimed at increasing corporate resilience with respect to cyber security risk, including:

- At systems and infrastructures level: (i) Security assessment for the identification of the main criticalities of the SCADA systems and/or infrastructures, with remediation plans (organisational/technological); (ii) Security programmes to adapt processes, systems and infrastructure to best practices; (iii) Security awareness and training plans for users; (iv) Automatic tools for the prevention, detection and management of incidents and anomalies (e.g., intrusion detection systems);
- At device level: (i) Formalisation of the procedural corpus to regulate ICT processes; (ii) User "Awareness" programmes; (iii) Technological solutions capable of detecting cyber-attacks (e.g., advanced antivirus, double e-mail protection system, Intrusion Detection System probe) and Back Up policies for network folders and Top Management PCs; (iv) Contractual clauses and confidentiality agreements signed by suppliers.

To mitigate the potential risks of interruption of business activities on ICT processes regarded as strategic, the Group has a Disaster Recovery system in place which ensures continuity of services and data through an alternate Data Centre, the efficiency of which is subject to regular checks.

In view of the significance of the activities carried out on a daily basis within the electrical market, particular attention is paid to monitoring systems that interface with the market. These systems are subject to specific management and maintenance procedures designed to protect their stability.

There is also an agreement with the CERT (Computer Emergency Response Team), which supports ERG in preventing attacks, and there are insurance policies on Cyber risks.

It is also worth noting that the adoption of remote working has been supported by the investments made by the Group in recent years as part of the ONE ICT plan for the modernisation and digitalisation of processes: innovative mobile solutions, hybrid cloud platforms, high-capacity remote collaboration and videoconferencing systems, modern and mobility-oriented personal technological equipment, with a focus on utmost attention to security. As regards this latter aspect, the Group has had in place for some years now specific solutions, processes and resources for the management of system security and company data, using a risk-based approach and with the aim of guaranteeing business continuity and maximum resilience in the face of both incidents and cyber-attacks. Finally, it should be noted that the certification process according to the ISO 27001 and ISO 27019 standards is underway.

Continuity of service

This risk is connected to the occurrence of natural, accidental or catastrophic events (i.e. earthquakes, floods, fires, etc.), with negative consequences in terms of revenues or of preservation of corporate assets, such as to significantly undermine the Group's operations and balance.

As regards the risks of plant unavailability, the ERG Group mitigates these risks through:

- Plant management policies aimed at pursuing high levels of safety and operating excellence, in line with the best industrial practices;
- The adoption and constant updating, in line with sector best practices, of scheduled maintenance procedures, both ordinary and preventive, to identify and prevent potential critical issues, also based on specific engineering analyses conducted by specialised personnel;
- Periodic revision of the plants and the use of control and remote control instruments in order to monitor technical parameters and promptly detect any potential anomalies as well as, where possible, the use of component redundancy to ensure the continuity of productive processes;
- Ongoing specialised training courses for technical personnel working on the plants.

ICT solutions are also expected to be adopted to identify technical problems, aimed at allowing a predictive approach for planning maintenance operations in order to limit outages for accidental breakdowns.

As regards production processes, particular attention is paid to the prevention and control of the related risks, through the implementation of risk assessments, business impact analyses and a business continuity management activity.

The ERG Group uses the insurance market to cover natural and catastrophic risks and to transfer its own industrial risks, thereby guaranteeing a high level of protection, including with regard to the interruption of activities; the contractual conditions of these insurance policies are revised periodically.

Human Capital

This is defined as the risk that the global rewarding systems present in the Group (formed by fixed and variable components and benefits) may be inconsistent with respect to the persons' motivation or to the market benchmarks, with a resulting economic impact for the Group caused by the loss of key professionals and/or professionals deemed strategic.

The Group mitigates this risk by developing remuneration strategies and policies based on weighting and matching positions, aligned with market benchmarks, in order to ensure the effectiveness of the rewarding components (monetary and otherwise). In particular, the Group uses differentiated retention instruments according to the level of strategic relevance and seniority of its personnel, in line with company policies. From this perspective, the fixed component of remuneration assures retention through continuous market benchmarks, while the variable component assures the alignment between corporate objectives and individual interests by awarding bonuses upon attaining long-term objectives (LTI) and short-term objectives (MBO).

This risk is the possible negative impact deriving from an inappropriate management of individual and collective relations with employees, which generates potential internal and/or external conflicts and compromises the attainment of the business objectives.

Relations with employees, deriving from the employment agreement, are assured, both individually and collectively, which generates potential internal and/or external conflicts and compromises the attainment of the business objectives.

Relations with employees, deriving from the employment agreement, are assured, both individually and collectively, through compliance with labour laws and regulations and with international standards pertaining to human rights, diversity and equal opportunity and the establishment of a business culture centred on:

- continuous relations with the Workers' Representative Organisations at national and local level;
- employees' participation in business objectives;
- second level negotiation activities.

Procurement and Supply Chain

This risk is identified as the possibility that the Group will incur losses or higher costs, reputation damage or interruption in business continuity, at least in the short term, as a result of the loss of a strategic supplier (e.g. going out of business, bankruptcy). ERG minimises the risk through:

- the development of a supplier selection and qualification process (economic/financial, technical and HSE) according to defined parameters and criteria, through the use of tenders with the identification of a minimum number of suppliers, assuring structured rotation whenever possible;
- the maximisation of the use of economic tenders for the procurement of goods and/or services with the identification of a minimum number of suppliers, guaranteeing, where possible, structured rotation of the suppliers themselves;
- the definition of a cumulative purchase threshold with reference to a single supplier;
- the identification of specific Organisational Units responsible, in particular, for selecting and monitoring the performance of suppliers;
- the development of specific internal contracts with safeguard clauses;
- specific activities for the monitoring and control of the purchasing processes, aimed at ensuring compliance with the quality parameters and concentration of orders as defined in Group procedures.

It should also be noted that in recent months there has been a generalised increase in the price of all the main raw materials (prices more than doubled YoY) as a result, in particular, of the post-COVID-19 reopening of the markets and the conflict in Ukraine and consequent increases in demand and production (e.g. China and the USA). Increases in the following were significant for ERG:

- the price of copper, for which the significant increase in prices seems to be structural, with impacts primarily on cables for BoP and connections;
- the price of steel, the impact of which relates in particular to WTGs and was limited for ERG thanks to

the mitigations negotiated as part of the Framework Agreements (FAs) signed. In particular, the Vestas FA provides for a "steel" clause with fixed prices for 15 months from September 2020 and, for all WTG ex-works deliveries from January 2022, indexing to the price of steel limited only to the weight of the tower (excluding nacelles, rotor/hub, drive train, other components).

There is continued pressure also in logistics (very high freight rates and shortage of containers) and the price of products (e.g. turbines, solar panels) is increasing as a result of pressures in the raw materials markets.

COMPLIANCE RISKS

Risk of violation of Anti-Corruption Regulations

This risk pertains to the possibility that an employee and/or a Group Company may be involved in a proceeding for offences committed in violation of current anti-corruption regulations.

ERG condemns all corrupt practices with the utmost rigour and without exception. To prevent corruption offences, the Group has adopted a system of rules and controls defined in relation to the national and international regulatory context in which it operates. For all Group companies:

- A system of behavioural rules adopted by group companies (Code of Ethics, 231 Model and Anti-corruption Policy) has been defined, which all employees are required to comply with in carrying out their activities and which prohibit any form of corruption, active or passive, involving not only public officials but private parties as well;
- Responsibilities and specific spending powers (authorisation and signature) are defined and assigned in order to limit the possibility that a single person may complete an entire process autonomously;
- Specific employee training programmes are defined and implemented, to enhance their knowledge, on one hand, of the regulatory anti-corruption framework (and the relative sanctions system), and on the other hand the behavioural rules adopted by the Group (e.g. Code of Ethics, 231 Models and Anti-Corruption Policy); these activities also involve the Directors;
- There is an ongoing process, overseen by the Supervisory Bodies under Italian Legislative Decree no. 231/01, for the management of the reports of behaviour contrary to the principles of the Code of Ethics and of the 231 Models; this process, with reference to possible violations of the Anti-corruption Policy, is overseen by "231 Compliance";
- A "Significant Third Party" verification process is defined, through which the corruption risk related to the establishment of a contractual relationship is assessed in concrete terms, identifying, where necessary, the appropriate risk mitigation and management measures;
- Specific third-level controls are carried out by Internal Audit with regard to compliance with the principles set out in the Code of Ethics, the 231 Models and the Anti-corruption Policy.

Country Risk

This is the risk of possible changes in the political, legislative, economic and/or social framework of a country that may have negative impacts on operations, income statement results and/or the financial equilibrium. Some examples are: (i) the lack of a stable legal framework and uncertainties about the protection of the rights of foreign operators in case of contractual breaches by state agencies or other private parties; (ii) the penalising enforcement of laws or unilateral contractual changes entailing the reduction of the assets' values; (iii) increases in taxes; (iv) complex authorisation processes that impact the time-to-market of development projects; (v) delays, revisions or non-compliance with targets for combating climate change with the consequent reduction of investments in renewable energies, including in infrastructure supporting the development of the renewable generation (e.g., transmission and distribution networks).

In particular, the ERG Group implements a mitigation strategy that provides for:

- Not assuming risk and hence not executing investments in countries with political/social instability that makes them unsuitable to the risk profile the Group intends to assume;
- Mitigating risk in countries where there is considerable interest in making new investments, requiring an adequate return in relation to the expected risk profile. This assessment is carried out by analysing the main indicators of the country in question (e.g. macroeconomic and financial indicators).

The mitigation of risk also involves the creation, development and maintenance of relations with key institutions and stakeholders, in order to understand the political, institutional and regulatory scenario of the country of interest for the Group and its possible impacts on the business. The assessment of whether or not to invest in a country also takes into account that country's adherence to international treaties for combating climate change and/or the objectives that country has set itself to combat Climate Change (e.g. renewable energy penetration targets).

HEALTH, SAFETY AND ENVIRONMENT

Introduction

Protecting the health and safety of people and safeguarding the environment have always been priorities in the ERG Group's corporate culture: prevention and management of the connected risks are therefore central in the implementation of the Group's strategic guidelines.

The principles adopted with regard to health, safety and the environment are stated in the Sustainability Policy, which outlines the values, commitments and objectives that ERG aims to pursue in terms of sustainability with respect to all stakeholders.

In line with its Code of Ethics and Human Rights Policy, ERG guides the activities of the entire Group, combining the objective of creating sustainable value over time with that of respect of the environment and attention to both internal and external stakeholders.

Health and Safety

The ERG Group continued to pursue the objective of "zero accidents at work", implementing preventive and protective measures with the aim of minimising the frequency and severity of accidents.

The efforts made in 2023 made it possible to contain the number of accidents despite a significant increase in the group's operating activities, both in terms of the capacity commissioned and the number of construction sites managed by the group throughout Europe. A total of six accidents occurred of which: five in Italy, four to internal staff and one to staff of an external company, and one to an employee in France.

The SARS-CoV-2 pandemic conditions have now come to an end, and on 5 May 2023, the World Health Organisation officially declared the end of the health emergency. Given the current regulatory framework, Sars-Cov-2 infection can be assimilated to other potential viral infections. Therefore, all the company documents issued at the time to manage the emergency, including infection prevention protocols, have ceased to apply, although they remain ready in the event of changes leading to a return to an emergency condition.

Among the multi-year prevention initiatives that the Group promotes, the "Leadership in Safety" project continued throughout 2023. This project is aimed at encouraging the adoption of behavioural leadership models in relation to Safety matters by senior positions for Occupational Safety, starting from top management down to local supervisors who directly manage workers' operational activities. In 2023, the focus was on the effects of "cultural diversity" in relation to Occupational Safety management.

Environment

For the Group, environmental protection is a cultural value in the way it does business. Consequently, ERG has developed a business model that allows the production of energy with a very low environmental impact. In compliance with this principle, the Group undertakes to:

- prioritise the development of renewable sources and the use of low carbon intensity fuels;
- minimise the environmental impact of its activities, reducing energy consumption, atmospheric emissions and waste production, also by improving the quality and efficiency of its plants;
- consider the protection of biodiversity, natural habitats and ecosystems as a significant component of sustainable development in the realisation of its projects;
- promote the knowledgeable and responsible use of all natural resources available to the Group;
- adopt, in its operations, Environmental Management Systems certified according to recognised standards, with a view to continuously improving its performance, mitigating risk and seizing opportunities.

HSE&Q Management Systems and Certifications

As is now established practice, the ERG Group has adopted as tools for continuous improvement, management systems for occupational health and safety, environmental protection and quality, consistent with international standards. Specifically:

- ERG S.p.A. has adopted an occupational health and safety management system certified according to the ISO 45001 standard. During 2023, as required by the standard, the supervisory audit of its occupational health and safety management system was carried out with a positive outcome.
- ERG Power Generation S.p.A., including all subsidiaries in Italy, has adopted an integrated HSEQ management system in accordance with ISO 45001, ISO 14001 and ISO 9001, respectively. In 2023, it underwent a supervisory audit of its integrated Health and Safety, Environment and Quality system with a positive outcome.
- ERG France Sarl and ERG Developpement France Sas, including all subsidiaries in France, have adopted an integrated HSEQ management system in accordance with ISO 45001, ISO 14001 and ISO 9001, respectively. In 2023, they underwent a supervisory audit of their integrated Health and Safety, Environment and Quality system with a positive outcome.
- ERG Germany GmbH, including all subsidiaries in Germany, has adopted an integrated HSE management system in accordance with ISO 45001 and ISO 14001, respectively. In 2023, it underwent a supervisory audit of its integrated Health and Safety and Environment system with a positive outcome.
- ERG UK Holding LTD, including all subsidiaries in the UK, has adopted an integrated HSE management system in accordance with ISO 45001 and ISO 14001, respectively. In 2023, it underwent a supervisory audit of its integrated Health and Safety and Environment system with a positive outcome.

GOVERNANCE

ERG carries out its activity in compliance with the highest Corporate Governance standards, constantly applying the principles of integrity, impartiality and transparency.

With the objective of assuring these principles at all times in company life, the Group implemented a Governance System and an Internal Audit and Risk Management System that not only complies with current legal and regulatory provisions, but is also aligned with domestic and international best practices and, in particular, with the recommendations of the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. (the "Code").

The elements that constitute Corporate Governance are the **statutory bodies**, the **board committees** and the **corporate governance documents** that regulate their operation[15].

The **Board of Directors**, appointed by the Shareholders' Meeting of 26 April 2021, comprises 12 members – 6 of whom are independent[16] (one elected by the non-controlling investors) – in compliance with the gender balance criterion[17]; the mandate of the Board of Directors will expire on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023.

On 26 April 2023, the Shareholders' Meeting, pursuant to Article 15, paragraph 6, of the Articles of Association, confirmed Renato Pizzolla as Director, on the basis of the proposal formulated, pursuant to Article 126-bis of the TUF, by the shareholder SQ Renewables S.p.A. Director Renato Pizzolla's term of office will expire together with the other members of the Board of Directors and therefore on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023. The Board of Directors, which met at the end of the Shareholders' Meeting, confirmed the Director Renato Pizzolla as member of the Strategic Committee.

In compliance with the provisions of the Code, the **Nominations and Remuneration Committee** is composed of three independent directors, all belonging to the less represented gender on the Board of Directors, and has the task, among other things, of formulating proposals to the Board itself for the remuneration of Directors with delegated powers or serving in particular offices and formulating opinions to the Chief Executive Officer for the definition of remuneration policies and incentive plans for key managers and the top management of the Group.

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15 For detailed information, please refer to the section "Report on corporate governance and ownership" and to the "Consolidated non-financial statement" relating to 2023 available on the Company's website (www.erg.eu).

16 Both with reference to the provisions of Art. 148, third paragraph, of the TUF, and the provisions of Art. 2, recommendation 7, of the Code. At its meeting on 12 October 2023, the Board of Directors confirmed its positive assessment of the independence of the aforementioned Directors, also taking into account, pursuant to the provisions of Article 2, Recommendation 7, second paragraph, of the Corporate Governance Code, the "quantitative" and "qualitative" criteria defined in the Regulations for the operations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee.

17 Pursuant to Art. 147-ter, paragraph 1-ter, of the TUF, as amended by Italian Law no. 160, at least two fifths of the Directors elected were reserved to the less represented gender.

ERG has adopted a **Remuneration Policy** for the members of the Board of Directors and key managers in line with the provisions of the Code, aimed at encouraging the pursuit of sustainable success through the creation of long-term value for the benefit of shareholders, taking into account the interests of other relevant stakeholders[18].

The **Control, Risk and Sustainability Committee** comprises, in accordance with the Code, three independent directors, all of the less represented gender in the Board of Directors, and its task is to support the assessments and the decisions of the Board of Directors relating, inter alia, to the internal control and risk management system and to the approval of the periodic financial reports, of the consolidated non-financial statement and of the ESG Plan.

ERG deems correct **risk management and mitigation** within the Group to be of fundamental importance and it has therefore defined a policy directed at specifying the rules and attributing the related responsibilities.
With particular reference to financial and market risks, the Group strengthened the **Risk Committee** some time ago; this is an internal committee comprising the Chief Executive Officer and Top Management, tasked with supporting the Chief Executive Officer in the definition of strategies and policies for the management of financial and market risks and in the process of (i) authorisation of said risks management operations, (ii) monitoring the implementation of major operations and (iii) checking their relative effects; for this purpose, the Company has formalised a multi-year hedging policy, identifying minimum and maximum limits to the hedges that are periodically monitored in terms of execution and performance.

ERG has established a very rigid **system for controlling and assessing investments** (both in terms of M&A and organic growth), in order to respect the set profitability parameters. In this context, the following perform a central role:

- the **Investment Committee**, an internal committee comprising the Chief Executive Officer and the Top Management, tasked with providing support in the assessment of investment proposals by the Group and expressing a technical and economic-financial opinion for the Strategic Committee on each investment proposal;
- the **Strategic Committee**, a committee within the board, comprising the executive Deputy Chairman – Chair of the Committee – the non-executive Deputy Chairman, the Chief Executive Officer, three Directors (one independent[19] and two non-executive) with the task, inter alia, of providing support to the Chief Executive Officer and the Executive Deputy Chairman for the definition of definition of strategic business and portfolio guidelines, as well as the half-yearly review of threshold rates, and guidelines and policies on strategic finance and for individual extraordinary financial transactions. Moreover, pursuant to the provisions of Art. 1, lett. a) of the Code, the Committee also examines the long-term strategic plans and capital expenditure budgets of the Group, and the strategic benefits of significant investments and transactions effected at Group level, as well as the consistency of economic and financial returns with respect to the threshold rates, and comments on the need to involve the Board of Directors, in accordance with the provisions of Group Investment Guidelines.

18 For more detailed information, please refer to the Report on the remuneration policy and fees paid.
19 Both with reference to the provisions of Art. 148, third paragraph, of the TUF, and the provisions of Art. 2, recommendation 7, of the Code.

HUMAN CAPITAL

In line with the objectives of our Business Plan, again in 2023 ERG's commitment was strongly oriented in three directions:

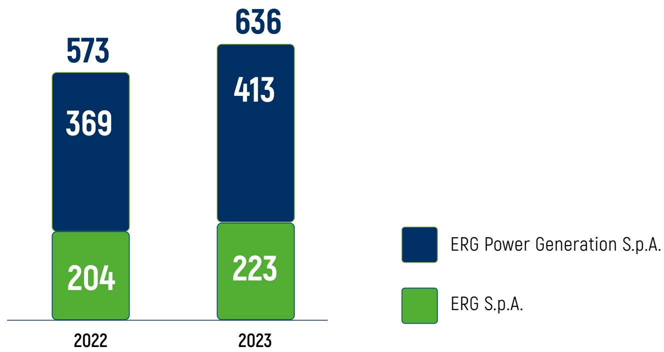
- the strengthening of the organisational structure through the addition of resources, particularly abroad and in the areas dealing with business development process;
- the continuous improvement and adaptation of the organisational model;
- the optimisation of the Human Capital development model.

ORGANISATION & PROCESSES

With regard to the Group structure, please refer to the information provided previously in the "Organisational Model" section.

In terms of Group headcount, at 31 December 2023 ERG had 636 employees (+63 compared to 31 December 2022), divided as follows:

- ERG S.p.A.: 223 people, up compared to 204 in 2022;
- ERG Power Generation S.p.A. and its subsidiaries: 413 employees, an increase of 44 compared to 2022 and significant ongoing reskilling, hiring of young talent and qualitative remix efforts..



The increase in the workforce was the result of the Group's desire to strengthen its organisational structure, to ensure the achievement of the important business objectives in the business plan, with particular reference to:

the strengthening of the areas of expertise necessary for industrial development, particularly with regard to Business Development and Mergers & Acquisitions and Engineering Development;

the continuation of the in-sourcing plan in terms of Operations & Maintenance of the Wind generation technology and the structuring of countries outside of Italy, also in relation to the staff areas;

the acquisition of skills for the management of the new Solar technology, included in the Group's generating pool starting from early 2018 and characterised by specific technical and managerial features that need to be adequately handled, with an industrial approach, with adequate resources in terms of the quantity and quality of skills.

The average age of the Group's personnel is approximately 41.7 years, down compared with the 2022 figure (41.9 years), and the level of education shows a percentage of high school and university graduates of approximately 96.9% with respect to the entire population, up 0.4% on the 2022 figure.

HUMAN CAPITAL MANAGEMENT AND DEVELOPMENT

The management and development of human capital are guided by two pillars that support the achievement of company results, both of which are indispensable for maintaining a high level of competitiveness and for sustaining a corporate culture geared towards transparently communicating values and strategy to the entire organisation by placing the person at the heart of the Company:

- Organisational Development: organisational model, processes, roles and responsibilities aimed at the management and growth of our Group;
- Talent Management: recruitment and selection, leadership development, performance, potential assessment, talent management, succession planning aimed at enhancing people's value.

Our Leadership Model allows us to relate with people on "how" to achieve results through values, skills and behaviours that also drive career development within the Group.

Furthermore, the combination of human and organisational capital makes it possible to interpret and anticipate market needs by planning actions and defining strategies to manage change.

The processes that drive the development of human capital implement the Leadership Model as individual and collective operational plans and can be managed through a portal that everyone can access from the day they are hired. In line with this approach, we suggest a "holistic vision" of individuals. People Managers are encouraged, through the various Talent Management processes, to observe and interact with their staff, considering their performance, skills, development potential, and motivation. We also suggest that all Group people follow the same model for self-examination. In fact, we promote self-responsibility and commitment to managing one's own personal and professional development. Talent is the key to achieving extraordinary results naturally and passionately; this

is why we offer paths to recognise it, use it and develop it to grow together with the Group. We regard talent as a founding element of diversity and enhance it precisely because it is an individual characteristic.

In order to ensure the continuous adaptation of skills and knowledge assets to changing business conditions, it is essential to adopt a training strategy adapted to the challenges dictated by ever-increasing competition and a complex and changing scenario. In October 2023, ERG launched ERG Academy, the training ecosystem that will further enable ERG people to work on their skills by sharing knowledge and tailoring activities to their learning style. For this reason, ERG has equipped itself with a new Learning Management System, which is perfectly integrated within the new portal and allows the management of Human Capital development processes. Over 29,000 hours of training were carried out in 2023, involving 99% of the workforce. A third of the hours were dedicated to the Safety Training Programme, focusing mainly on Leadership in Safety. A quarter of the sessions were dedicated to technical-specialist improvement initiatives, notably courses designed for Wind Technology maintenance technicians. Finally, a quarter of the hours were dedicated to management training which, alongside the usual courses related to the Leadership Model and ERG's culture, included days on Human Rights and Inclusion. Language training accounted for around 15% of the hours provided, compliance and on-the-job training for around 2%.

GENERATE RESULTS AND SHARE SUCCESS

Our remuneration policy pursues the principle of promoting sustainable value, generating results and sharing success. The fundamental principle that the ERG Group pursues is to guarantee equal opportunities of economic recognition to all its people, each according to their respective characteristics and professional skills, by applying strict policies and procedures aimed at preventing any discriminatory behaviour. Over time, the remuneration structure aims to appropriately remunerate the skills, experience and contribution required for the various roles, thus taking into account the challenges assigned and the results achieved.

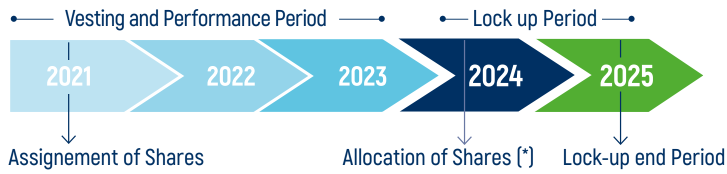
Sustainability is an integral part of business activities, with the definition of medium- to long-term strategies and sustainability targets being fundamental elements of incentive system objectives. Each incentive system envisages a Group sustainability objective, which is shared among all participants in the system. This objective consists of four sub-objectives aligned with the Pillars of the ESG Plan: Planet, Engagement, People, Governance.

The Group's sustainability target in the short-term system is worth 20% of the total relative variable remuneration for the CEO and 10% for the other participants. 47% of beneficiaries work on at least 1 additional personal sustainability objective, which on average represents 17% of the short-term variable remuneration target. The number of objectives linked to sustainability issues is 39% of the total number of objectives.

The short-term incentive is dedicated to the Chief Executive Officer, the Group Managers and a selected population of Professionals. The system is based on a Management By Objectives (MBO) approach in which the balance chosen between Group Economic objectives (50% CEO, 30% other beneficiaries), Group Sustainability objectives (20% CEO, 10% other beneficiaries) and individuals (30% CEO, 60% other beneficiaries), is in line with the best practices of leading companies in terms of managerial incentives and was designed to further support the development of leadership and individual initiative with a view to sustainable success.

The Medium/Long-Term Incentive System is defined in line with the objectives of the 2021-2025 Business Plan and its time horizon is aligned with the duration of the three-year mandate of the new Board of Directors appointed by the shareholders' meeting of 26 April 2021.

The 2021-2023 Performance Share Plan is intended for the Chief Executive Officer, the Executive Deputy Chairman, the Directors and a small population of Senior Managers defined on the basis of the levers that can be used to achieve the 2021-2025 business plan.



The System provides for the allocation of a predefined number of Shares, free of charge ("Performance Shares"), at the end of a three-year vesting period, subject to the attainment of a predetermined minimum financial performance (Performance Condition). The Performance Condition is equal to 90% of the expected value of the Group's cumulative EBITDA for the financial years 2021, 2022 and 2023.

The system also envisages that if, in addition to the Target EBITDA, the Outstanding Listing is also reached, the number of shares awarded increases according to the level of value creation for shareholders and up to a predetermined maximum.

The number of shares so determined will be increased or decreased by ±10% depending on the level of achievement of the Sustainability Objective consisting of specific indicators defined in line with the 2021-2025 ESG Plan.

At the end of the vesting period, 25% of the shares allocated will be subject to a lock-up period, equal to eight months, during which these shares are subject to a restriction of non-transferability.

For further details, reference is made to the Report on the Remuneration Policy and fees paid.

2023 INDUSTRIAL RELATIONS

During 2023, the relationship with the trade unions was characterised by dialogue, collaboration and transparency, consolidating a working method that has proved effective and efficient over time. These factors have played a fundamental role in reaching significant agreements at both national and local level, bringing tangible improvements to the quality of work and ensuring the company's long-term competitiveness in the face of the complex challenges of the national context.

Particularly significant was the renewal in June 2023 of the regulatory and economic part of the Supplementary Agreement on the Performance Bonus for the three-year period 2023-2025. With this update, the essential role of variable remuneration in involving employees in the company's operating mechanisms and in promoting work efficiency was reaffirmed. The new wording provides for the activation of welfare tools with the conversion of the Performance Bonus into goods and/or services, taking advantage of government tax concessions, and with the introduction of extraordinary benefits to meet the needs of employees and their families.

To support parent and families, an annual contribution has been introduced for nurseries and pre-schools to support parents (both female and male) in managing everyday life and facilitating their return to work after parental leave. To encourage prevention, a particularly important issue for ERG, an additional annual supplementary contribution has been introduced to be used for specific health check-ups. As far as work flexibility is concerned, an option has been introduced for up to 10 days of remote working a month for parents of children under the age of 14 and/or employees with parents with serious disabilities or who need assistance.

In April 2023 the memorandum of understanding was confirmed and updated to outline the progress in terms of developing the technical and professional skills of the resources within the scope, with particular reference to the technical and maintenance area. In order to achieve its growth objectives, ERG considers it necessary to strengthen the organisation's skills, not least through a re-skilling and up-skilling programme, but also by strengthening the various organisational structures involved.

In May 2023, the supplementary agreement for the Genoa office was signed, introducing as a particular sign of attention to environmental issues and support for employees the reimbursement of public transport season tickets and an increase in leave hours for specialist visits, extending their use to cover the care of children or other family members.

Lastly, in December 2023, a trade union agreement was signed whereby the ERG Group, confirming its attention to the welfare of its employees, wished to contribute once again this year with an extraordinary subsidy to support the purchasing power of the company's workforce by granting blue-collar and white-collar employees a fuel bonus worth EUR 200.00.

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

This section contains both the reported operating results, calculated on the basis of the figures presented in the Notes to the Consolidated Financial Statements, and the adjusted operating results, presented to exclude special items, and with the reclassification for IFRS 16.

It should be noted that, as indicated in the paragraph "Basis for preparation", the 2023 and 2022 figures were presented in accordance with IFRS 5 with reference to the process for the sale of the thermoelectric business[20], therefore reclassifying to the line "Profit (loss) from discontinued operations" for 2023 the result of the subsidiary ERG Power S.r.l. It should be noted that the 2022 reported figure included the net capital gain recognised following the sale of the Terni hydroelectric complex (equal to EUR 324 million), while the reported 2023 figure includes the net loss recognised on the sale of the CCGT plant (EUR 43 million).

The 2022 comparative figures have been restated and are shown net of "clawbacks and windfall taxes".

Finally, it should be noted that the newly-acquired Spanish companies, owners of photovoltaic systems, have been consolidated on an equity basis as from 30 June 2023, reflecting the consequent economic impact during the second half of the year, following the start of operations of the farms.

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.

20 The sale of the entire quota capital of ERG Power S.r.l., owner of the CCGT plant, was completed on 17 October.

INCOME STATEMENT

(EUR million)		Reported			Adjusted		
		2023	2022	Δ	2023	2022	Δ
Revenue	1	741	714	27	741	714	27
Other income	2	26	13	14	26	12	14
Total revenue		**767**	**727**	**41**	**767**	**726**	**41**
Purchases and change in inventories	3	(14)	(15)	1	(14)	(15)	1
Services and other operating costs	4	(171)	(157)	(14)	(171)	(160)	(20)
Personnel expense		(53)	(55)	2	(53)	(49)	(3)
EBITDA		**529**	**499**	**30**	**520**	**502**	**19**
Amortisation, depreciation and impairment of non-current assets	5	(225)	(279)	54	(215)	(229)	13
Operating profit (EBIT)		**304**	**221**	**83**	**305**	**273**	**32**
Net financial income (expense)	6	(19)	(37)	17	(6)	(25)	19
Net gains (losses) on equity investments		5	2	3	(0)	0	(0)
Profit before taxes		**290**	**187**	**104**	**299**	**248**	**50**
Income taxes	7	(74)	(98)	24	(71)	(115)	45
Net profit (loss) from continuing operations		**216**	**89**	**127**	**228**	**133**	**95**
Non-controlling interests		(2)	(4)	2	(2)	(4)	2
Profit (loss) from continuing operations attributable to the owners of the parent		**214**	**85**	**129**	**226**	**129**	**97**
Net profit (loss) from discontinued operations	8	(36)	294	(330)	(7)	16	(23)
Profit attributable to the owners of the parent		**179**	**379**	**(200)**	**219**	**145**	**75**

1 – Revenue

Revenue from sales consists mainly of:

- sales of electricity produced by wind farms, solar installations. The electricity is sold on wholesale channels, and to customers via bilateral agreements. Specifically, electricity sold wholesale includes sales on the IPEX electricity exchange, both on the “day-ahead 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 Power Purchase Agreements (PPAs), long-term energy sale contracts at pre-established prices, currently active in the wind sector in Italy, France and the United Kingdom;
- incentives related to the output of wind farms and solar installations in operation.

Reported revenue in 2023 amounted to EUR 741 million, up compared to 2022 (EUR 714 million), due to the contribution deriving from the acquisitions made in the second half of 2022 and in 2023, the entry into operation of the farms developed internally and entered into operation starting from the second half of 2022 and the better wind speeds recorded in the period in all geographic areas, partly offset by sharply decreasing market prices in all countries. It should be noted that revenue include the **effects related to the Regulatory measures to curb energy price rises (clawback measure and windfall tax)**, which resulted in repayments in 2023 of approximately EUR 12 million (EUR 35 million in 2022).

2 – Other income

This mainly includes insurance reimbursements, indemnities and expense recoveries. The item includes contractual indemnities received from suppliers for EUR 4 million as well as the partial release of provisions for risks (EUR 10 million), since the prerequisites for their recognition no longer exist, and insurance indemnities amounting to approximately EUR 5 million.

In the comparative period, the item included the partial release of the provision for fiscal risks relating to local taxes (EUR 6 million) in consideration of various favourable rulings issued in some legal disputes.

3 – Purchases and changes in inventories

The item includes costs for purchases of raw materials and spare parts.

4 – Services and other operating costs

Services include maintenance costs, costs for agreements with local authorities, for consulting services, insurance and for services rendered by third parties.

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

The adjusted values for 2023 do not include:

- the ancillary costs relating to non-recurring transactions equal to EUR 4 million;
- allocations to the Provision for disposed businesses of EUR 1 million.

Lease payment charges (lease costs for IFRS 16 purposes) for EUR 14 million are classified under this item of the reclassified income statement. For a more detailed explanation of this classification, please refer to the "IFRS 16" paragraph, available under "Definitions" in the "Alternative Performance Indicators" section.

5 – Amortisation, depreciation and impairment

Amortisation/depreciation refer to wind and photovoltaic plants. The significant decrease in the period was due to the extension of the useful life of wind farm assets in Italy and abroad for EUR 27 million in 2023 as a result of the Lifetime Extension programmes and the end of the useful life of certain wind farm and photovoltaic components (EUR 11 million) also as a result of the start of Repowering investments, which had led to their impairment in previous years, partly offset by the full contribution of new assets (EUR 27 million in 2023).

It should be noted that the adjusted values do not include:

- the amortisation and depreciation related to the application of IFRS 16 equal to EUR 7 million in 2023, as previously discussed under item 4.

6 – Net financial income (expense)

Reported net financial expense in 2023 amounted to EUR 19 million, down significantly compared to 2022 (EUR 37 million), as a result of the improved remuneration of Group liquidity resulting from the rising trend in interest rates.

The average cost of non-current liabilities in 2023 stood at 1.3% compared to 1.5% in 2022 thanks to further liability management on project liabilities. The return on liquidity is greater than that of 2022 due to the significant improvement in interest rates in the reference period (from 0.2% in 2022 to 2.9% in 2023). The item includes also 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:

- financial expense (EUR 5 million) relating to the repayment of some Project Financing carried out during the year by the company ERG Eolica Fossa del Lupo S.r.l., EW Orneta 2 sp. Z o.o. and Garnacha Solar S.L.U., a company that owns a photovoltaic system acquired in 2023;
- financial expense (EUR 1 million), tied to the reversal effect relating to refinancing operations carried out in previous years in application of IFRS 9;
- financial expense related to the liability recognised upon application of the equity method introduced by IFRS 16 (EUR 7 million), as previously discussed under item 4.

7 – Income taxes

Reported income taxes amounted to EUR 74 million, down significantly from EUR 98 million in 2022, which included the impact of Article 37 of the Italian Decree Law of 21 March 2022 in the amount of EUR 37 million (the so-called Surplus Profits Contribution) and the 2023 extraordinary contribution in the amount of EUR 19 million, only partly offset by a higher taxable income effect for the results of the period.

Adjusted income taxes amounted to EUR 71 million, down significantly compared with EUR 115 million in 2022. As already noted, taxes for 2022 included the impact deriving from Article 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 37 million (the Surplus Profits Contribution) and the 2023 extraordinary contribution of EUR 19 million.

The adjusted tax rate, obtained from the ratio between income taxes and pre-tax profit, amounted to 24% (46% in 2022).

8 – Net profit (loss) from discontinued operations

The **reported net profit (loss) from discontinued operations** includes the result of the company ERG Power S.r.l., sold on 17 October 2023, and reflects the net capital loss (EUR 43 million) recognised in the sale of the CCGT plant. The result for 2022 included the net gain recognised on the sale of the Terni hydroelectric complex on 3 January 2022 (amounting to approximately EUR 324 million) and the result of the thermoelectric business.

Adjusted net profit (loss) from discontinued operations includes the result of ERG Power S.r.l.[21], which was sold on 17 October 2023, amounting to EUR -7 million in 2023. This amount includes amortisation and depreciation for the period of EUR 14 million (net tax) and does not include the overall impact of the effects linked to the sale of the asset (totalling EUR 43 million), considered special items.

21 The sale of the entire share capital of ERG Power S.r.l., owner of the CCGT plant, was completed on 17 October.

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 2023 do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 172 million with a balancing entry in net invested capital amounting to approximately EUR 164 million.

It should be noted that, in the comparative period, in application of IFRS 5, the equity contribution of the thermoelectric business is reclassified to the item Net invested capital of assets held for sale.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	Reported		Adjusted	
(EUR million)	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Non-current assets	4,023	3,695	3,857	3,540
Net operating working capital	56	97	56	97
Employee benefits	(4)	(4)	(4)	(4)
Other assets	241	379	243	381
Other liabilities	(560)	(657)	(560)	(657)
Net invested capital of continuing operations	**3,757**	**3,510**	**3,592**	**3,357**
Net invested capital of assets held for sale	**-**	**235**	**-**	**235**
Net invested capital	**3,757**	**3,745**	**3,592**	**3,592**
Equity attributable to the owners of the parent	2,133	2,045	2,141	2,050
Non-controlling interests	7	9	7	9
Net financial indebtedness of continuing operations	1,617	1,592	1,445	1,434
Net financial indebtedness of discontinued operations	0	98	-	98
Equity and financial indebtedness	**3,757**	**3,745**	**3,592**	**3,592**

1 – Non-current assets

(EUR million)	Intangible assets	Property, plant and equipment	Financial assets	Total
Non-current assets at 31/12/2022	**1,380**	**2,274**	**40**	**3,695**
Capital expenditure	5	300	-	305
Change in consolidation scope	86	123	16	226
Divestments and other changes	0	7	(6)	1
Amortisation and depreciation	(68)	(148)	-	(215)
IFRS 16 change	-	12	-	12
Reported non-current assets at 31/12/2023	**1,403**	**2,569**	**51**	**4,023**
Adjustment for impact of IFRS 16	-	(166)	-	(166)
Adjusted non-current assets at 31/12/2023	**1,403**	**2,403**	**51**	**3,857**

The item **"Capital expenditure"** refers to the construction activities in Italy for 47 MW of Greenfield and the Repowering of Italian wind farms for approximately 269 MW of new wind capacity, as well as the completion of the construction of the wind farms that entered into operation between the end of 2022 and the beginning of 2023 in the UK for approximately 179 MW, Poland for 61 MW and Sweden for 62 MW. Construction has also started on two Greenfield farms in France for 59 MW and one in Northern Ireland for 47 MW.

The line **Changes in consolidation scope** refers to the impact of the recent acquisitions in Spain of two photovoltaic plants that become operational during the second half of 2023.

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

2 – Net operating working capital

This includes inventories of spare parts, receivables for the sale of electricity, and trade payables mainly related to the purchase of electricity, maintenance of wind power and photovoltaic plants, and other trade payables.

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 concern mainly the negative effect of the fair value of derivatives hedging electricity due to the trend in commodity prices, to the deferred tax liabilities calculated on the differences between carrying amounts and the related tax basis (mainly concessions and non-current assets), the estimate of income taxes due for the period, and the provisions for risks and charges.

5 – Non-controlling interests

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

6 – Net financial indebtedness

It should be noted that the adjusted indebtedness does not include the financial liability linked to the application of IFRS 16 of approximately EUR 172 million (EUR 157 million at 31 December 2022), the increase of which is attributable to the change in consolidation scope following the acquisitions of photovoltaic systems in Spain finalised during 2023.

SUMMARY OF THE GROUP'S INDEBTEDNESS

	Reported		Adjusted	
(EUR million)	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**
Non-current financial indebtedness	2,165	1,874	1,999	1,723
Current financial indebtedness (cash and cash equivalents)	(548)	(282)	(554)	(289)
Total indebtedness of continuing operations	**1,617**	**1,592**	**1,445**	**1,434**
Total indebtedness of discontinued operations	**-**	**98**	**-**	**98**
Total indebtedness	**1,617**	**1,690**	**1,445**	**1,533**

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

NON-CURRENT FINANCIAL INDEBTEDNESS

(EUR million)	**31/12/2023**	**31/12/2022**
Non-current loans and borrowings	329	-
Non-current financial liabilities	1,606	1,595
Total	**1,935**	**1,595**
Total Project Financing	98	212
Current portion of Project Financing	(17)	(55)
Non-current Project Financing	**81**	**156**
Non-current financial assets	**(17)**	**(55)**
IFRS 16 financial liabilities (non-current)	**166**	**151**
Total non-current financial indebtedness	**2,165**	**1,874**
Adjustment for impact of IFRS 16	**(166)**	**(151)**
Total adjusted financial indebtedness	**1,999**	**1,723**

Non-current loans and borrowings at 31 December 2023 amounted to EUR 329 million and refer to three Sustainable bilateral linked loans with Crèdit Agricole Corporate and Investment Bank (EUR 130 million), Caixa Bank (EUR 100 million) and Cassa Depositi e Prestiti (EUR 100 million), respectively, subscribed during the first half of 2023.

The loans shown above are recognised net of medium/long-term ancillary costs recognised using the amortised cost method (EUR 1 million).

Non-current financial liabilities, amounting to EUR 1,606 million, refer mainly to the liability deriving from placement of three bond loans amounting to EUR 500 million (with a 6-year duration at a fixed rate), EUR 600 million (with a 7-year duration at a fixed rate) and EUR 500 million (with a 10-year duration at a fixed rate) respectively, issued as part of the Euro Medium Term Notes (EMTN) Programme.
Liabilities are recognised net of medium/long-term accessory costs recognised for accounting purposes using the amortised cost method (EUR 7 million).

The liabilities for "Project Financing" totalling EUR 98 million at 31 December 2023 relate to:
- EUR 80 million in loans relating to the company Andromeda S.r.l., owner of a photovoltaic plant in Central Italy;
- EUR 18 million in loans issued for the construction of a wind farm in Germany.

At the end of 2023, a Project Financing was repaid by the Spanish company Garnacha Solar S.L.U acquired in June 2023 and owner of a photovoltaic plant that entered into operation in October 2023 for a total amount of EUR 84 million.

Non-current financial assets of EUR 17 million refer to the long-term portion of assets arising from the fair value measurement of interest rate hedging derivatives.

The breakdown of current net financial indebtedness is shown below:

CURRENT FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)

(EUR million)	31/ 12/2023	31/12/2022
Current bank loans and borrowings	132	296
Other current financial liabilities	37	38
Current financial liabilities	**169**	**334**
Cash and cash equivalents (1)	(459)	(424)
Securities and other current financial assets	(272)	(187)
Current financial assets	**(731)**	**(611)**
Current Project Financing	17	55
Cash and cash equivalents	(9)	(68)
Project Financing	**8**	**(12)**
IFRS 16 Current financial liabilities	**6**	**6**
Total current financial indebtedness	**(548)**	**(282)**
Total current financial indebtedness of discontinued operations	**-**	**98**
Adjustment for impact of IFRS 16	**(6)**	**(6)**
Total current adjusted financial indebtedness	**(554)**	**(191)**

(1) The 2022 figure includes the impact of the application of IFRS 5 in relation to the cash and cash equivalents of the thermoelectric business.

Current bank loans and borrowings include short-term positions related to short-term credit lines.

Other current financial liabilities mainly include:

- liabilities relating to deferred components of considerations for the purchase of assets and authorisations (EUR 20 million) in relation to the newly acquired Spanish companies;
- accrued interest expenses on Bonds and Corporate Loans (EUR 14 million) and current liabilities arising from the fair value measurement of interest rate hedging derivatives (EUR 2 million);

Securities and other short-term financial assets mainly include short-term cash investments in the amount of EUR 235 million, the short-term portion of assets arising from the fair-value measurement of interest-rate hedging derivatives in the amount of EUR 31 million, and deposits as collateral for futures derivatives transactions in the amount of approximately EUR 1 million.

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

(EUR million)	2023	2022
Adjusted EBITDA	520	502
Change in net working capital	(19)	47
Cash flows from operations	**501**	**548**
Capital expenditure in property, plant and equipment and intangible assets	(305)	(307)
Asset acquisitions and business combinations	(184)	(638)
Proceeds from disposed businesses	5	1,265
Capital expenditure on non-current financial assets	6	(6)
Divestments and other changes	(1)	(13)
Cash flows from investments/divestments	**(478)**	**301**
Financial income (expense)	(6)	(25)
Financial expense for closing loans	(5)	(3)
Net gains (losses) on equity investments	(0)	0
Collection distribution reserves ERG Power (1)	88	75
Cash flows from financing activities	**77**	**47**
Cash flows from tax management	**(26)**	**(92)**
Distribution of dividends	(154)	(139)
Share buy-back programme	(61)	-
Other changes in equity	131	26
Cash flows from Equity	**(85)**	**(113)**
Change in consolidation scope	**74**	**(69)**
Cash Flow Thermo	**24**	**(104)**
Opening net financial indebtedness of "Continuing operations"	**1,533**	**2,051**
Net change	(88)	(519)
Total adjusted indebtedness	**1,445**	**1,533**
(+ Net financial position Thermo business)	-	(98)
Adjusted indebtedness of "Continuing operations"	**1,445**	**1,434**

(1) On 17 October 2023, the closing was finalised for the sale of the entire capital of ERG Power S.r.l., owner of the Priolo Gargallo thermoelectric plant.

ALTERNATIVE PERFORMANCE INDICATORS

Definitions

On 3 December 2015, CONSOB issued Communication no. 92543/15, which transposes the Guidelines regarding the use and presentation of Alternative Performance Indicators 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 Alternative Performance Indicators (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 exceptional nature (special items): these results are indicated with the term "Adjusted results".
Since the composition of these indicators is not regulated by the applicable accounting 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 Consolidated Financial Statements templates adopted are as follows:

- **Adjusted revenue** is revenue, as indicated in the Consolidated Financial Statements, with the exclusion of significant special income components of an exceptional nature (special items);
- **EBITDA** is an indicator of operating performance calculated by adding "Amortisation, depreciation and impairment of non-current assets" to the Operating profit (EBIT). Gross operating profit (EBITDA) is explicitly indicated as a subtotal in the Consolidated Financial Statements;
- **Adjusted EBITDA** is the gross operating profit (loss), as defined above, with the exclusion of significant special income statement components of an exceptional 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 Consolidated Financial Statements, with the exclusion of significant special income statement components of an exceptional 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 amounts of taxes and profit before taxes;
- **Profit (loss) from continuing operations** does not include the result from assets held for sale relating to the thermoelectric and hydroelectric businesses reclassified under the item "Profit (loss) from discontinued operations".
- **Profit (loss) from continuing operations** is the profit (loss) from continuing operations, with the exclusion of significant income statement components of an exceptional nature (special items) and with the reclassification of the impact tied to the application of IFRS 16, net of the related tax effects.
- **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 exceptional nature (special items), and with the reclassification of the impact tied to the IFRS 16 application, net of the related tax effects.
- **Capital expenditure** are the sum of capital expenditure 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 ESMA Guidelines 32-382-1138 (Guidelines on Prospectus disclosures) and CONSOB Warning Notice

no. 5/2021, including the portion of non-current assets relative to derivative financial instruments.

- **Adjusted net financial indebtedness of continuing operations** 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 exceptional nature. These include:
- income and expense 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 expense 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.

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 the first half of 2023 has therefore led to:

- an improvement in gross operating margin (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 14 million;
- an increase (approximately EUR 172 million) in the net financial indebtedness and the net invested capital (approximately EUR 164 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation (EUR 7 million) and greater financial expense (EUR 7 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 liability 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

(amounts in millions)	Notes	2023	2022
EBITDA from continuing operations		**529**	**499**
Special items exclusion:			
- IFRS 16 reclassification	**1**	*(14)*	*(12)*
Italy			
- Reversal of ancillary charges on non-recurring operations (Special Projects)	**2**	*4*	*14*
- Reversal for allocation for provision for disposed businesses	**3**	*1*	*1*
Adjusted EBITDA		**520**	**502**

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(amounts in millions)		2023	2022
Amortisation, depreciation and impairment losses		**(225)**	**(279)**
Special items exclusion:			
- IFRS 16 reclassification	**1**	*7*	*7*
- Reversal write-down Repowering Wind Italy	**4**	*2*	*43*
- Reversal of expenses related to disposed businesses	**5**	*-*	*0*
Adjusted depreciation and amortisation		**(215)**	**(229)**

PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT

(amounts in millions)		2023	2022
Profit (loss) from continuing operations attributable to the owners of the parent		**214**	**85**
Special items exclusion:			
IFRS 16 reclassification	**1**	*1*	*0*
Exclusion of ancillary charges on non-recurring transactions	**2**	*3*	*11*
Exclusion of income related to disposed businesses	**3**	*(4)*	*(2)*
Exclusion of impairment losses recognised on Repowering Wind Italy	**4**	*2*	*31*
Exclusion of ancillary charges on loan prepayments	**5**	*4*	*2*
Exclusion of Tax Asset UK and substitute tax Solar Italy	**6**	*6*	*(1)*
Exclusion of impact of gains/losses (IFRS 9)	**7**	*1*	*3*
Adjusted net profit (loss) from continuing operations attributable to the owners of the parent		**226**	**129**

Notes

1. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.
2. Ancillary charges relating to other non-recurring transactions and other acquisitions in 2023 related to the newly acquired photovoltaic companies in Spain, as well as unsuccessful acquisitions.
3. Income relating to exceptional items on businesses disposed of by the Group. In 2023, the amount refers to the price adjustments relating to the sale of the Terni hydroelectric complex (EUR 2 million) and the integrated downstream business (EUR 3 million).
4. Charges related to Repowering and Revamping projects in Italy already impaired in the previous period. The 2022 figure refers to the impairment losses recognised on the net residual value of the property, plant and equipment and intangible assets of wind farms in Italy following the authorisation of a Repowering project and a photovoltaic plant following the authorisation of a Revamping project.
5. Financial expense related to the early closure of project financing and Corporate loans as part of Liability Management transactions.
6. Reversal of tax asset on UK-registered company and reversal of ERG Solar Holding S.r.l. substitute tax benefit
7. IFRS 9 does not allow for the deferment of the positive economic effects of the renegotiation of loans on the residual life of the liability: this resulted in a net expense of approximately EUR 1 million being accounted for in 2023. 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 Consolidated Financial Statements and the Adjusted Consolidated Financial Statements shown and commented upon in this document:

INCOME STATEMENT 2023

(EUR million)	Consolidated Financial Statements	Reclassification of IFRS 16 impact	Adjustment for impact of IFRS 9	Reversal of special items	Adjusted Income Statement
Revenue	741	-	-	-	741
Other income	26	-	-	-	26
Total revenue	**767**	**-**	**-**	**-**	**767**
Purchases and change in inventories	(14)	-	-	-	(14)
Services and other operating costs	(171)	(14)	-	5	(180)
Personnel expense	(53)	-	-	-	(53)
Gross operating profit (loss) (EBITDA)	**529**	**(14)**	**-**	**5**	**520**
Amortisation, depreciation and impairment of non-current assets	(225)	7	-	2	(215)
Operating profit (loss) (EBIT)	**304**	**(6)**	**-**	**7**	**305**
Net financial income (expense)	(19)	7	1	5	(6)
Net gains (losses) on equity investments	5	-	-	(5)	(0)
Profit before taxes	**290**	**1**	**1**	**7**	**299**
Income taxes	(74)	-	(0)	4	(71)
Net profit (loss) from continuing operations	**216**	**1**	**1**	**10**	**228**
Non-controlling interests	(2)	-	-	-	(2)
Profit (loss) from continuing operations attributable to the owners of the parent	**214**	**1**	**1**	**10**	**226**
Net profit (loss) from discontinued operations	(36)	-	-	29	(7)
Profit attributable to the owners of the parent	**179**	**1**	**1**	**39**	**219**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

(EUR million)	Reported Statement of Financial Position	Adjustment for impact of IFRS 16	Adjusted Statement of Financial Position
Intangible assets	1,403	-	1,403
Property, plant and equipment	2,569	(166)	2,403
Equity investments and other non-current financial assets	51	-	51
Non-current assets	**4,023**	**(166)**	**3,857**
Inventories	20	-	20
Trade receivables	158	-	158
Trade payables	(122)	-	(122)
Excise duties payable to tax authorities	(0)	-	(0)
Net operating working capital	**56**	**-**	**56**
Employee benefits	(4)	-	(4)
Other assets	228	1	229
Other liabilities	(545)	-	(545)
Net invested capital	**3,758**	**(164)**	**3,594**
Equity attributable to the owners of the parent	2,134	8	2,142
Non-controlling interests	7	-	7
Non-current financial indebtedness	1,617	(172)	1,445
Equity and financial indebtedness	**3,758**	**(164)**	**3,594**

As commented in the introduction, in order to provide an effective representation, the 2022 comparative figures have been restated and are therefore represented net of the "clawback and windfall taxes".

(EUR million)	Adjusted Income Statement 2022	Surplus profits contribution	Solidarity Contribution 2023	Windfall taxes/Price Cap	Adjusted Income Statement 2022
Revenue	749	-	-	(35)	714
Other income	12	-	-	-	12
Total revenue	**761**	**-**	**-**	**(35)**	**726**
Purchases and change in inventories	(15)	-	-	-	(15)
Services and other operating costs	(160)	-	-	-	(160)
Personnel expense	(49)	-	-	-	(49)
Gross operating profit (loss) (EBITDA)	**537**	**-**	**-**	**(35)**	**502**
Amortisation, depreciation and impairment of non-current assets	(229)	-	-	-	(229)
Operating profit (loss) (EBIT)	**308**	**-**	**-**	**(35)**	**273**
Net financial income (expense)	(25)	-	-	-	(25)
Net gains (losses) on equity investments	0	-	-	-	0
Profit before taxes	**284**	**-**	**-**	**(35)**	**248**
Income taxes	(67)	(37)	(19)	7	(115)
Net profit (loss) from continuing operations	**216**	**(37)**	**(19)**	**(28)**	**133**
Profit (loss) from discontinued operations	20	(4)	-	-	16
Profit (loss) for the year	**236**	**(41)**	**(19)**	**(28)**	**149**
Non-controlling interests	(4)	-	-	-	(4)
Profit (loss) attributable to the owners of the parent	**232**	**(41)**	**(19)**	**(28)**	**145**

							REPORTED			ADJUSTED	
							Continuing operations				
(EUR million)	Consolidated Financial Statements	Non-current assets	Net operating working capital	Employee Benefits	Other Assets	Other Liabilities	NET INVESTED CAPITAL	Net financial indebtedness	IFRS 16 adjustment and others	NET INVESTED CAPITAL	Net financial indebtedness
Authorisations and Concessions	975	975					**975**			**975**	
Other intangible assets	16	16					**16**			**16**	
Goodwill	413	413					**413**			**413**	
Property, plant and equipment	2,403	2,403					**2,403**			**2,403**	
Right-of-use assets	166	166					**166**		(166)	**-**	
Equity investments:	3	3					**3**			**3**	
Financial assets measured at fair value	34	-					**-**	**34**		**-**	**33**
Other non-current financial assets	48	48			-		**48**	**-**		**48**	**-**
Deferred tax assets	41				41		**41**			**41**	
Other non-current assets	45				45		**45**			**45**	
Non-current assets	**4,143**										
Inventories	1		1				**1**			**1**	
Trade receivables	158		158				**158**			**158**	
Other receivables and current assets	87				87		**87**		1	**89**	
Current tax assets	35				35		**35**			**35**	
Attività finanziarie valutate al Fair Value	47				33		**33**	**14**		**33**	**14**
Other current financial assets	242							**242**			**242**
Cash and cash equivalents	468							**468**			**468**
Current assets	**1,037**										
TOTAL ASSETS	**5,180**										
Equity attributable to the owners of the parent	2,133								8		
Non-controlling interests	7										
TOTAL EQUITY	**2,140**										
Employee benefits	4			(4)			**(4)**			**(4)**	
Deferred tax liabilities	192					(192)	**(192)**			**(192)**	
Provision for disposed businesses	85					(85)	**(85)**			**(85)**	
Provisions for dismantling expenses	79					(79)	**(79)**			**(79)**	
Other non-current provisions	37					(37)	**(37)**			**(37)**	
Financial liabilities measured at fair value	6					(6)	**(6)**	**-**		**(6)**	**-**
Non-current financial liabilities	2,016							**2,016**			**2,016**
Non-current lease liabilities	166							**166**	(166)		**-**
Other non-current liabilities	45					(45)	**(45)**			**(45)**	
Non-current liabilities	**2,628**										
Other current provisions	37					(37)	**(37)**			**(37)**	
Trade payables	122		(122)				**(122)**			**(122)**	
Passività finanziarie valutate al Fair Value	6					(6)	**(6)**	**-**		**(6)**	**-**
Current financial liabilities	186							**186**			**186**
Current lease liabilities	6							**6**	(6)		**-**
Other current liabilities	34		(0)			(34)	**(34)**			**(34)**	
Current tax liabilities	40					(40)	**(40)**			**(40)**	
Current liabilities	**432**										
TOTAL EQUITY AND LIABILITIES	**5,199**										
Reclassified Statement of financial position		**4,023**	**37**	**(4)**	**241**	**(560)**	**3,738**	**1,617**		**3,573**	**1,445**

ERG S.P.A. OPERATING RESULTS, FINANCIAL POSITION AND CASH FLOWS

The separate financial statements of ERG S.p.A. at and for the year ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, inclusive of all standards that have undergone interpretation (International Financial Reporting Standards – IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the previous Standing Interpretations Committee (SIC).

INCOME STATEMENT

RECLASSIFIED INCOME STATEMENT

(EUR million)	2023	2022
Revenue	35.4	34.3
Other income	2.1	1.2
Total revenue	**37.5**	**35.5**
Purchases and change in inventories	(0.2)	(0.1)
Services and other operating costs	(52.3)	(60.9)
EBITDA	**(15.0)**	**(25.6)**
Amortisation, depreciation and impairment of non-current assets	(3.3)	(3.4)
Net financial income (expense)	(12.5)	(19.0)
Net gains (losses) on equity investments	53.0	52.5
Profit before taxes	**22.3**	**4.5**
Income taxes	5.6	7.1
Profit for the year	**27.8**	**11.6**

Net financial income (expense)

The item mainly includes interest income on liquidity management (EUR +18 million) and financial expense on loans and bonds issued (EUR -31 million).

Net gains (losses) on equity investments

The item includes dividends distributed by the subsidiary ERG Power Generation S.p.A (EUR 50 million), as well as income from equity investments on price adjustments from the sale of divested businesses.

STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(EUR million)	31/12/2023	31/12/2022
Non-current assets	2,648	2,618
Net operating working capital	(9)	2
Employee benefits	(2)	(2)
Other assets	52	54
Other liabilities	(99)	(113)
Net invested capital	**2,591**	**2,560**
Equity	927	1,126
Net financial indebtedness	1,664	1,434
Equity and financial indebtedness	**2,591**	**2,560**

Non-current assets

Non-current assets consist mainly of non-current financial assets. In order to further strengthen the equity/financial structure of the subsidiary ERG Power Generation, the company decided to waive a portion of the credit line outstanding, amounting to EUR 30 million, and convert it into a capital contribution in favour of ERG Power Generation.

Net financial indebtedness (cash)

SUMMARY OF NET INDEBTEDNESS (CASH)

(EUR million)	31/12/2023	31/12/2022
Non-current financial indebtedness	1,925	1,594
Current financial indebtedness (cash)	(261)	(160)
Total	**1,664**	**1,434**

The increase of EUR 230 million compared to 31 December 2022 is mainly linked to the greater payable for cash pooling to subsidiaries and to a greater use of short-term credit lines.

The following table illustrates the non-current financial indebtedness:

NON-CURRENT FINANCIAL INDEBTEDNESS

(EUR million)	31/12/2023	31/12/2022
Non-current bank loans and borrowings	329	0
Bonds	1,600	1,600
Other non-current loans and borrowings	(5)	(7)
IFRS 16 financial liabilities (non-current)	1	1
TOTAL	1,925	1,594

The breakdown of current financial indebtedness is shown below:

CURRENT FINANCIAL INDEBTEDNESS (CASH)

(EUR million)	31/12/2023	31/12/2022
Current bank loans and borrowings	148	307
Other current financial liabilities	0	0
IFRS 16 Current financial liabilities	1	1
Current financial liabilities	**148**	**307**
Cash and cash equivalents	(416)	(282)
Securities and other financial assets	(287)	(164)
Loan assets with subsidiaries	293	(22)
Current financial assets	(410)	(468)
Total	**(261)**	**(160)**

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

(EUR million)	31/12/2023	31/12/2022
Cash flows from operating activities:		
Profit (loss) for the year	28	12
Amortisation and depreciation	3	3
Change in working capital and other assets and liabilities	(1)	8
Total	**30**	**23**
Cash flow from investing activities		
Net capital expenditure in property, plant and equipment and intangible assets	(3)	(3)
Change in financial assets	(30)	(519)
Total	**(33)**	**(522)**
Cash flows from Equity		
Distributed dividends	(150)	(135)
Share buy-back programme	(61)	0
Other changes in equity	(16)	60
Total	**(227)**	**(75)**
Change in net financial indebtedness	**(230)**	**(574)**
Opening net financial indebtedness	**1,434**	**860**
Change in the year	**230**	**574**
Closing net financial indebtedness	**1,664**	**1,434**

Cash flows from Equity mainly refer to dividends distributed to shareholders (EUR -150 million), the impact of the share buy-back programme initiated in the fourth quarter of 2023 (EUR -61 million), changes in the cash flow hedge reserve tied to derivative financial instruments (EUR -19 million) and LTI (EUR 3 million).

RECONCILIATIONS IN ACCORDANCE WITH CONSOB COMMUNICATION NO. DEM/6064293 OF 28 JULY 2006

	Equity		Profit for the year	
(Eur milion)	31/12/2023	31/12/2022	2023	2022
Equity and profit for the year of ERG S.p.A.	**926,854**	**1,126,023**	**27,765**	**11,613**
Derecognition of the effects of transactions carried out between consolidated companies:				
- Derecognition of intragroup profits on inventories and non-current assets	(10,676)	(3,154)	-	-
- Derecognition of intragroup dividends	-	-	(50,000)	(50,000)
	(10,676)	**(3,154)**	**(50,000)**	**(50,000)**
Deferred taxes:				
- Deferred tax liabilities on the consolidation adjustments	-	-	600	594
Derecognition of the carrying amount of the equity investments:				
- Difference between carrying amount and the Group's share of Equity	1,218,180	922,839	-	-
- Adjusted pro rata results achieved by the investees			202,132	420,890
- Recognition of Assets and Liabilities from business combinations		(358)	-	-
	1,218,180	**922,481**	**202,132**	**420,890**
Equity and profit (loss) for the year	**2,134,358**	**2,045,350**	**180,497**	**383,098**
Equity and profit (loss) for the year – non-controlling interests	**-**	**-**	**(1,829)**	**(4,158)**
Consolidated equity and profit for the year ERG Group	**2,134,358**	**2,045,350**	**178,668**	**378,939**

MANAGEMENT NOTES ON THE MAIN NON-CONSOLIDATED SUBSIDIARIES, ASSOCIATES

In addition, it is pointed out that the Group holds equity investments in non-operating subsidiaries, listed below:

- Parc Eolien de Saint-Loup sur Cher SARL
- Parc Eolien du Puits Gergil SARL
- Parc Eolien du Plateau de la Perche SARL
- Parc Eolien des Boules SARL
- Parc Eolien de la Foye Sas
- Ferme Eolienne de la voie Sacree sud SAS
- Parc Eolien Des Grandes Bornes Sas
- Parc Eolien Des Jonquilles Sas
- Parc Eolien De La Plaine De Burel
- Parc Eolien De Saint Priest En Murat
- Parc Eolien Des Vents Communaux
- Parc Photovoltaique de la Vallée Brousse
- Parc Eolien de six chemins
- Parc Photovoltaique de la Vallée de la Doulaye
- ERG Germany Verwaltungs GmbH
- ERG Windpark Bischhausen & Co. KG
- ERG Windpark Bokel GmbH & Co. KG
- ERG Windpark Heyen Gmbh & Co. KG

The scope of consolidation also includes the following subsidiaries in liquidation:

- ERG Petroleos S.A. in liquidation
- Eolico Troina S.r.l. in liquidation

DISCLOSURE IN ACCORDANCE WITH ARTICLE 2.6.2, PARAGRAPH 7, OF THE REGULATION OF BORSA ITALIANA S.P.A.

In relation to the obligation under Article 2.6.2 , paragraph 7, of the Regulations of the Markets organised and managed by Borsa Italiana S.p.A. and taking into account the provisions of Article 36 of the Market Regulations adopted by CONSOB with its resolution no. 16191 of 29 October 2007 as amended, it is certified that (i) ERG S.p.A. acquired from ***ERG UK Holding Limited, Creag Riabhach Wind Farm Ltd and Sandy Knowe Wind Farm Limited*** (the companies), the articles of association, the composition and the powers of the related corporate bodies; (ii) the companies provide the Group's auditors with the necessary information to carry out the audit of the annual and interim financial reports of ERG S.p.A. and have an administrative and accounting system capable of duly providing to the Management and to the auditors of the Group the income statement, statement of financial position and financial data necessary for the preparation of the consolidated financial statements.

It is hereby certified that ERG S.p.A. has made the financial statements of the companies available to the public at the registered office.

LIMITED MANAGEMENT AND COORDINATION BY SQ RENEWABLES S.P.A.

Following the closing of the transaction aimed at the creation of a long-term partnership between San Quirico S.p.A. and the IFM Net Zero Infrastructure Fund SCSp investment fund on 15 September 2022, ERG S.p.A. is a subsidiary of SQ Renewables S.p.A. (a full subsidiary of San Quirico S.p.A. and NZF Bidco Luxembourg 2 S.à r.l., with holdings respectively of 65% and 35%). SQ Renewables S.p.A. exercises limited management and coordination in respect of ERG S.p.A., in accordance with the provisions of the relative Regulation approved on 15 September 2022 by the Board of Directors, with the prior opinion of the Control, Risk and Sustainability Committee (hereinafter also the “Limited Management and Coordination Regulation”).

The resolution approving the Regulations for Limited Management and Coordination by the Board of Directors of ERG S.p.A. was made within the scope of the aforementioned management and coordination activities carried out by SQ Renewables S.p.A.

Pursuant to the provisions of **Article 16 of the Market Regulation adopted by CONSOB with resolution no. 20249 of 28 December 2017 as amended and supplemented**, the following is specified:

- ERG S.p.A. has fulfilled the disclosure obligations set forth in Article 2497-bis of the Italian Civil Code;
- ERG S.p.A. has autonomous negotiating ability in relations with customers and suppliers:
- ERG S.p.A. has no centralised treasury relationship with SQ Renewables S.p.A.

The committees recommended by the Corporate Governance Code (i.e. the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee) are entirely composed of independent directors both with reference to the provisions of Article 148, third paragraph, of the TUF and with reference to the contents of the Corporate Governance Code.

MANAGEMENT AND COORDINATION ACTIVITIES BY ERG S.P.A.

ERG S.p.A. carries out management and coordination activities in respect of Italian and foreign direct and indirect subsidiaries, which benefit from the advantages, the synergies and the economies of scale deriving from their inclusion in the Group; these activities are carried out in compliance with the management and operational autonomy of the aforementioned subsidiaries and involve (i) the definition of business strategies, the corporate governance system and the corporate structures, as well as (ii) the determination of shared general policies pertaining to human resources, information & communication technology, accounting, financial statements, taxation, procurement, finance, investments, risk management, legal and corporate affairs, communication, institutional relations, corporate social responsibility, business development and M&A and engineering development.

Taking into account the corporate organisational model adopted by the Group as from 1 January 2017, the directly and indirectly controlled Italian companies with respect to which, in 2023, in accordance with Articles 2497 et seq. of the Italian Civil Code, the management and coordination activities were carried out within the scope outlined above are:

ERG Power Generation S.p.A. and its following Italian subsidiaries:

- Breva Wind S.r.l.
- ERG Eolica Adriatica S.r.l.
- ERG Eolica Campania S.r.l.
- ERG Eolica Faeto S.r.l.
- ERG Eolica Fossa del Lupo S.r.l.
- ERG Eolica Ginestra S.r.l.
- ERG Eolica San Vincenzo S.r.l.
- ERG Eolica Tirreno S.r.l.
- ERG Solar Holding S.r.l.
- ERG Sviluppo Italia S.r.l.
- ERG Wind Bulgaria S.p.A.
- ERG Wind Investments S.r.l.
- Ginestra S.r.l.
- Green Vicari S.r.l.
- ISAB Energy Solare S.r.l.
- Eolico Troina S.r.l. in liquidation
- Andromeda PV S.r.l.
- Calabria Solar S.r.l.
- ERG Solar Piemonte 3 S.r.l.
- Fattoria Solare Futurasun S.r.l.
- ERG Wind Holdings (Italy) S.r.l.
- ERG Wind Sardegna S.r.l.
- ERG Wind Sicilia 6 S.r.l.
- ERG Wind Sicilia 3 S.r.l.
- ERG Wind 6 S.r.l.
- ERG Wind Energy S.r.l.

In 2023, ERG S.p.A. managed its various equity investments, held directly and indirectly, including through service contracts for staff activities, for a total price of EUR 34.3 million. As the consolidator, ERG S.p.A. also manages the national tax consolidation scheme with the main subsidiaries of the Group. All transactions are related to ordinary operations and they are settled at market conditions.

TREASURY SHARES

The Board of Directors, which met on 12 October 2023, resolved to initiate the share buy-back programme, in implementation of the resolution passed by the Shareholders' Meeting on 26 April 2023 (the "Programme"). The Programme involves the purchase of ERG ordinary shares (the "Shares") as a form of investment aimed at maximising the creation of value for the Company and the shareholders, for a maximum period of 6 months from 12 October 2023, the Programme launch date.

The maximum quantity of Shares that can be purchased in implementation of the Programme is 3,758,000 (e.g. a total of 2.5% of the share capital), with a maximum outlay of EUR 100,000,000.00, without prejudice to any other limitation possibly deriving from legislative or regulatory provisions.

At 31 December 2023, 2,404,280 shares have been repurchased since the start of the Programme at a weighted average price of EUR 25.4826 per share. Considering the Shares already in its portfolio prior to the start of the Programme, ERG, at 31 December 2023, held 3,186,360 treasury shares equal to 2.1197% of the relevant share capital.

The share buy-back programme was completed on 12 February 2024; since the start of the programme, 3,758,000 ordinary shares (maximum number of shares that can be purchased) have been repurchased at a weighted average price of EUR 26.0 per share. Considering the shares already in its portfolio prior to the start of the programme, ERG S.p.A. holds 4,540,080 treasury shares, equal to 3.0203% of the related share capital.

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

BRANCHES

ERG S.p.A. has its legal and operational headquarters in Genoa. The parent has no branches.

RELATED PARTY TRANSACTIONS

Information about related party transactions, including transactions with non-consolidated investees, is provided in the Notes to the Consolidated Financial Statements. The Procedure for Related Party transactions, adopted by the Company, is available to the public at www.erg.eu. (This information is provided in the Report on corporate governance and ownership, an integral part of the Consolidated Financial Statements).

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
Press release of 17 January 2024	Italy	Corporate	ERG is confirmed among the Corporate Knights "Global 100". ERG ranked 28th in the 2024 ranking, a significant improvement compared to the 54th position in 2023.
Press release of 24 January 2024	Italy	Corporate	TIM and ERG: kick-off for the "Missione Ambiente – Generazioni a scuola di Sostenibilità" (Mission Environment – Generations at Sustainability School) project, aimed at promoting the spread of a sustainability culture.
Press release of 29 January 2024	France	Wind Solar	Completion of the acquisition of a 73.2-MW wind and solar portfolio in France. The acquisition portfolio consists of two photovoltaic farms in operation (20.4 MW), one in an advanced state of construction (28.8 MW) and a wind farm in the commissioning phase (24 MW).
Press release of 1 February 2024	Italy	Corporate	ERG and Google sign a 20-year agreement for the supply of 2 TWh of renewable energy.
Press release of 6 February 2024	Italy	Corporate	ERG is confirmed in the Carbon Disclosure Project "A list" for the second year.
Press release of 19 February 2024	Italy	Corporate	Completion of the share buy-back programme.
Press release of 23 February 2024	Italy	Wind	ERG continues to grow in Italy with the completion of the construction and start-up of the greenfield plant at Roccapalumba in Sicily (47 MW).

BUSINESS OUTLOOK FOR THE YEAR 2024

The context in which the Group operates is characterised by extreme volatility and uncertainty. Prices for commodities and electricity appear to be lower in early 2024 than in 2023. In addition, there are demands for a medium-term review of the European electricity market, with more room for long-term energy contracts.

It should be noted that ERG, in line with the best practices in the sector and its consolidated risk policy, has in recent years made forward sales, mainly through long-term supply contracts at fixed prices (so-called PPAs) and forward contracts also through derivative financial instruments. These hedges, when carried out with a portfolio approach by the Group's Energy Management through ERG Power Generation S.p.A., are allocated from a management standpoint to the various project companies, which own the Production Units (PUs). The hedge allocation criterion follows a cascade mechanism which, with the idea of mitigating the associated risks, has the following order of priority:

1. electricity produced by PUs that do not have an incentive mechanism and are therefore fully exposed to the risk of market price volatility;
2. electricity produced by PUs that are subject to "Feed in Premium" tariffs, or mechanisms that provide for an incentive that is added to the market price;
3. any residual hedges are finally attributed to the quantities of electricity subject to for-difference incentive mechanisms, such as the former "green certificate" incentive tariffs (GRIN).

However, no hedges are envisaged for production subject to two-way for-difference incentive mechanisms.

The expected outlook for the main operating and performance indicators in 2024 compared to 2023 is as follows. It should be noted that starting from 2024 the impact on EBITDA of the application of IFRS 16 will no longer be separately reported as a special item.

Italy

Wind EBITDA is expected to increase as a result of the GRIN incentive, which stands at 42 EUR/MWh in 2024 compared to zero in 2023, the full contribution from the two Repowering wind farms that became operational in 2023 for a total of 56 MW of new additional capacity (92 MW gross of the decommissioning of old plants), an internally built wind farm that became operational in early 2024 (47 MW) and two Repowering wind farms scheduled to come on stream in the final months of the year for a total of 101 MW (177 MW gross of the decommissioning of old plants). These results are partly offset by the lower market price scenario and the lower volumes expected compared to the high wind speeds recorded in 2023.

Solar EBITDA is expected to increase compared to 2023 mainly due to higher captured prices from forward hedging in 2023 and higher volumes from plant revamping and repowering activities.

Wind & Solar Italy EBITDA for 2024 is expected to increase compared to 2023.

Abroad

Wind EBITDA is expected to decrease compared to 2023, mainly due to lower sales prices compared to those captured in 2023. This lower result is partly offset by the contribution, starting in the second half of the year, from the acquisition in the US (224 MW) and the one in France in January 2024 (24 MW), as well as the entry into operation in the final months of the year of two newly built wind farms in France (41 MW).

Solar EBITDA is expected to increase compared to 2023 mainly as a result of the contribution, starting from the second half of the year, from the system acquired in the US (92 MW), from the two systems acquired in Spain and gradually entered into operation in the second half of 2023 (25 MW and 149 MW), and the contribution from the recent acquisition in France (49 MW).

Wind & Solar abroad EBITDA is therefore expected to decrease compared to 2023.

2024 Guidance

For the year 2024, at Group level, EBITDA is estimated in the range between EUR 520 million and EUR 580 million, up from the 2023 result including the application of IFRS 16 (EUR 534 million).

Capital expenditure is in the range of EUR 550 million to EUR 600 million (EUR 489 million in 2023) and includes the recent acquisitions in the US and France, the construction of the farms scheduled to come on stream between 2024 and 2025, and the completion of those that came on stream during 2023.

Adjusted net financial indebtedness at the end of 2024 is expected to be in the range between EUR 1,750 million and EUR 1,850 million (EUR 1,445 million at the end of 2023), including the distribution of the ordinary dividend of EUR 1 per share.

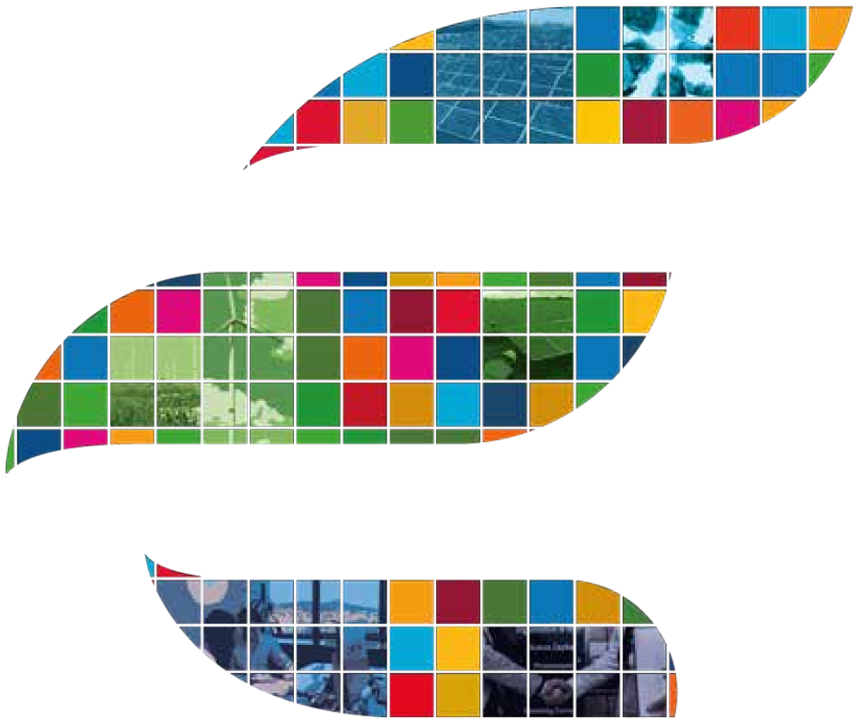
Genoa, 12 March 2024

on behalf of the Board of Directors

The Chairman

Edoardo Garrone

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY 2023

Consolidated Non-Financial Statement ("NFS")

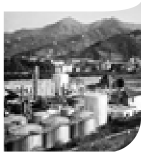
Our approach to ESG

We ARE #SDGs CONTRIBUTORS

ERG EVOLVING ENERGIES

WE ARE ERG
#VALUES

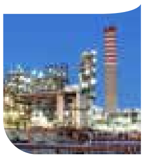
1938
Foundation of ERG in Genoa, by Edoardo Garrone



1947
Production begins at the refinery in Genoa San Quirico

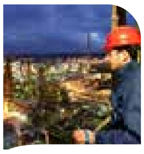
1975
Production begins at the ISAB refinery in Priolo

1997
ERG listed on the stock market

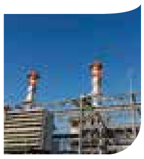


2000
ISAB Energy: production and marketing of electricity begins from the gasification of heavy refinery residues.

2006
Entry into Renewables: acquisition of EnerTAD.



2008
Sale to LUKOIL of 49% of the ISAB refinery



2010
Start-up of ERG Power's CCGT plant (480 MW). Creation of TotalERG

2013
ERG 1st wind operator in Italy (1,087 MW) and among the top 10 in Europe (1,340 MW). Acquisition of a company for O&M activities of the wind farms. Definitive exit from refining

2014
Sale of the ISAB Energy plant and ERG Oil Sicilia fuel networks

2015
Entry into the hydroelectric business with the purchase of the Terni Complex (527 MW). Wind: growth in France and Poland (+146 MW)

2018
Entry into the solar sector: 30 photo-voltaic plants acquired in Italy (89 MW). Definitive exit from the oil sector with the sale of TotalERG

2019
Solar capacity increases to 141 MW with the purchase of 51 MW in Italy. Further growth in wind power in France and Germany (+86 MW)

2020
Entry in the solar sector in Germany: co-development agreement with AREAM (600 MW)

2021
Solar: entry in France (79 MW). Wind: entry in Sweden, and start of operations in the United Kingdom

2022
Sale of the hydroelectric business. Solar: entry in Spain (92 MW) Wind: 172 MW acquired in Italy, and ~ 230 MW started up in Europe. IFM NZIF indirect shareholder (with 35% in SQ Renewables), alongside the Garrone-Mondini Family

2023
Sale of the thermoelectric business. Start-up of 2 wind farms at the end of repowering activities. Further growth in solar in Spain (+ 149 MW). Installed capacity at the end of the year: 2,747 MW from wind power and 519 MW from solar power

WE ARE ERG #VALUES

"ERG's business has always respected the Group's founding values, which are inspired by business ethics, transparency in operational management and generating value for local communities. Thanks to our industrial experience and know-how, and our in-depth knowledge of the sector in which we operate, we want to play a leading role at international level, contributing to the construction of a fair and inclusive energy transition that brings value for all and leaves no-one behind".

Edoardo Garrone
Chairman of the Board

"Thanks to the skills and experience of our people, we will be able to face the most complex tests surrounding us. Meritocracy, inclusion of diversity and an increasingly close and fruitful relationship at all company levels will enable us to grow as an operator and generate value in a sustainable manner, in the wake of what we have already demonstrated in our first 85 years of history. The main challenge will be to pass on our values from generation to generation".

Alessandro Garrone
Executive Vice President

"In an increasingly unpredictable energy scenario, ERG has proved to be a dynamic and flexible industrial operator, capable of completing its transformation towards a pure renewable business model. We place sustainability at the heart of our strategies from an environmental social and financial perspective, leveraging an effective, robust and credible governance system. We want to show that it is only by adopting this approach that we can achieve the climate change targets necessary to ensure a future for the planet and the next generations".

Paolo Merli
Chief Executive Officer

ERG's WHY

We are #GreenEnERGyMakers, one of the main European producers of energy from renewable sources.

We are #SDGsContributors: we want to contribute to achieving the sustainability goals set by the United Nations

Our mission: keep growing in RES acting as **#SDGs CONTRIBUTORS**

ERG in 2023

12-Jan Start-up of the Creag Riabhach wind farm (92.4 MW)

31-Jan Entry in the Bloomberg Gender-Equality Index with entry into the 1st quartile of the ranking

15-Mar Update of the Business Plan and the 2022-2026 ESG Plan: growth in renewables confirmed, with more challenging ESG objectives towards a fair transition

9-May Integration of the Power Purchase Agreement (PPA) with TIM for an additional 200 GWh/year

14-Jun Start-up of the 1st wind farm subject to repowering, (Partinico-Monreale, 42 MW)

23-Jun Acquisition of the solar farm in Garnacha (149 MW)

7-Jul Science Based Target initiative certifies ERG's "Net Zero" objectives

12-Oct Treasury share purchase programme launched

24/25-Oct Inauguration of the Partinico-Monreale wind farm, and conference on "Repowering and Energy Transition: The ERG Model"

4-Dec Start-up of the Garnacha solar farm

28-Dec Agreement for the acquisition of a portfolio of wind and solar assets (73.2 MW)

18-Jan ERG 5th Independent Power Producers in the ESG ranking of Sustainalytics, and 1st Italian company in the "Global 100 most sustainable corporations in the world" of Corporate Knights

9-Mar Power Purchase Agreement (PPA) with EssilorLuxottica totalling 0.9 TWh

4-May Fitch Rating confirms ERG's BBB- rating with stable outlook

13-Jun Entry into Nasdaq Sustainable Bond Network, confirming ERG's commitment to Sustainable Finance

16-Jun MSCI rating improvement to "AAA", and inclusion in the Top Ten of the Integrated Governance Index 2023

30-Jun Acquisition of the solar farm of Fregenal (25 MW)

29-Sept Start-up of the 2nd wind farm subject to repowering, (Camporeale, 50 MW)

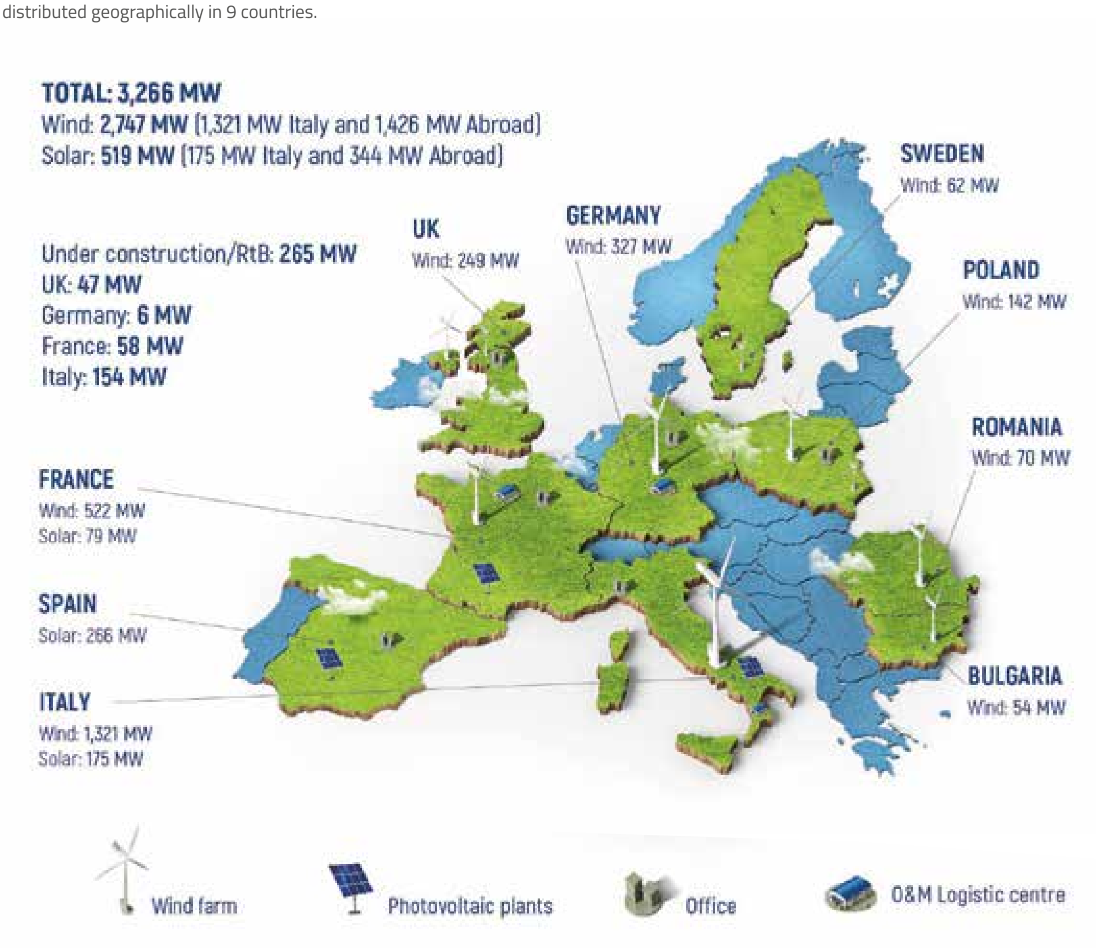
17-Oct Sale of the CCGT to Achernar, and completion of the transformation into a pure wind and solar renewable operator

24-Nov Power Purchase Agreement (PPA) with STMicroelectronics for a total of 3.75 TWh

21-Dec Entry into the US renewables market: strategic partnership with Apex Clean Energy, and agreement for the acquisition of wind and solar plants (317 MW)

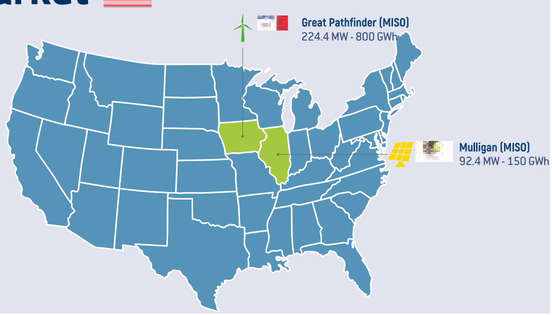
THE ERG GROUP - PURE RENEWABLE PLAYER

We are a leading independent player in the production of electricity from renewable sources, entirely focused on the production of wind and solar power. We have 3,266 MW of installed capacity (as at 31 December 2023) of which 2,747 MW in wind power and 519 MW in solar, distributed geographically in 9 countries.



ERG Enters the United States market

Our strategic partnership agreed in December 2023 with renewable developer Apex Clean Energy Holdings LLC (Apex), signalled our entry into the USA with the acquisition of 75% of two plants (one wind and one solar) in operation totalling 317 MW of installed capacity and an estimated production of about 1 TWh, as well as a cooperation agreement for about 1 GW of new onshore solar and wind projects under development in the United States.
The transaction is expected to be finalised in the first half of 2024.



KEY INDICATORS

	2023	VS 2022	= Δ
ECONOMIC DATA[a]			
Revenue	€ 741 million (83% / 17%)	€ 714 million (84% / 16%)	+4%
EBITDA	€ 520 million (81% / 19%)	€ 502 million (82% / 18%)	+4%
Capital expenditure	€ 489 million (56% / 43% / 1%)	€ 946 million (75% / 24% / 0%)	-48%
Net financial indebtedness	€1,445 million	€1,434 milion	+1%
OPERATING DATA			
Installed capacity	3,266 MW (84% / 16%)	2,944 MW (88% / 12%)	+11%
Energy production	6,139 GWh (91% / 9%)	4,956 GWh (90% / 10%)	+24%
Employees at year end	636	573	+11%

Wind Solar

(a) Adjusted data

ESG DATA

		2023	2022	= Δ
PLANET	CO_2 avoided equal to no. flights from London to New York	2,087 kt 4,174 flights	1,688[(a)] kt 3,376 flights	+24%
	Circular economy wind	100%	100%	-
	Solar circular economy	93%	92%	+1%
ENGAGEMENT	Contribution to local communities	9,061 EURk	9,351 EURk	-3%
	Students involved in educational activities	23,407	16,377	+43%
	Social purpose projects	2	0	+2
PEOPLE	Employees at year end	636 (69% / 31%)	573 (71% / 29%)	+11%
	Women key leaders	18%	18%	0%
	Training per employee	6.0 days	6.2 days	-4%
GOVERNANCE	Composition of the BoD	12 (58% / 42%)	12 (58% / 42%)	-
	Average ESG score of strategic suppliers	64.1	61.1	+5%
	ESG Finance	95%	88%	+8%

(a) 2022 data restated using IEA factors

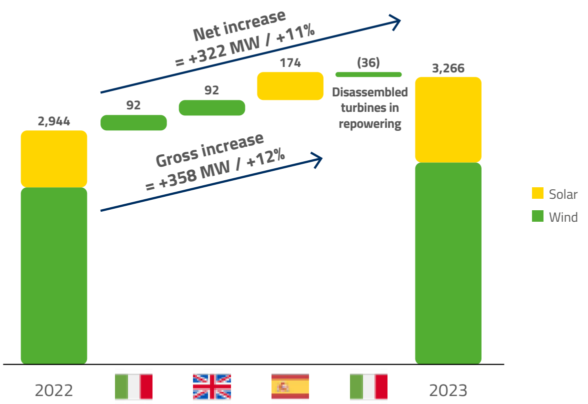
BUSINESS PLAN - RESULTS TO DATE

As a Pure Renewable Player, we confirm our commitment to the growth of the renewable portfolio with a focus on Wind & Solar, in accordance with the strategic guidelines reflected in the 2022-2026 Business Plan, through a policy of geographic (9 EU + US countries) and technological (Wind & Solar) diversification and progressive securitisation of revenues.

	OBJECTIVES OF THE UPDATED BP 2022-2026	RESULTS FROM 1.1 TO 31.12.2023
Renewable Portfolio Growth	▪ **4.6 GW** installed capacity in 2026 **(5 GW in 2027)**	▪ **+358 MW gross** (= +322 MW net)
Investments/ EBITDA	▪ **EUR 3.5 bn 2022-2026; >EUR 650 mn @2026**	▪ EUR 489 @2023
Securing revenues	▪ **85-90% adjusted target** regulated of total EBITDA; ▪ PPPs vs. auctions	▪ **PPA with EssilorLuxottica** for a total of **0.9 TWh** ▪ **PPA integration with TIM** for an additional **200 GWh/ year** ▪ **PPA with STMicroelectronics** totalling **3.75 TWh** ▪ **PPA with Google** totalling **~2 TWh**
Geographical diversification	▪ **9 countries**	▪ Increased presence in **Spain (+174 MW)**, **Italy (+92 MW gross** = +56 MW net) and the **UK (+92 MW)** ▪ **Entry into the USA:** strategic partnership for acquisition **317 MW** wind and solar power (closing expected in H1 2024).
Solar as strategic activity	▪ **~ 860 MW of solar (out of +2,200 MW)** ▪ ~25% solar on Group capacity @2026-27	▪ **+174 MW** solar **in Spain** ▪ **16% solar** on Group capacity @2023
Investment in innovation	▪ Battery Storage; ▪ Searching for offshore opportunities	▪ Ongoing progress on some storage projects in Italy
Asset Rotation for Conventional Sources	▪ **Relaunch of the CCGT divestment process**	▪ Completion **of the closing for the sale of the CCGT to Achernar**
Incorporation of ESG matters	▪ Confirmed at the heart of ERG's business model	▪ **Score improvement** in key ESG ratings ▪ Entry into the **Nasdaq Sustainable Bond Framework**
Dividend policy	▪ **EUR 1 per share (+10% vs previous)**	▪ **Dividend** of **1 EUR per share**

We are working on the new 2024-2028 Business Plan, which will be presented to the financial community during 2024.

OUR GROWTH IN 2023



THE ESG PLAN INTEGRATED INTO STRATEGY

PLANET

2026 TARGETS

1. Net Zero
2. Circular Economy
3. Energy Efficiency
4. Biodiversity

ENGAGEMENT

2026 TARGETS

5. ERG Academy for Next Generation
6. 1% for the Community
7. Trust & Reputation
8. Social Purpose for Solar Revamping

PEOPLE

2026 TARGETS

9. ERG Academy for our People
10. Diversity & Inclusion
11. Employees' well-being
12. Health & Safety, always

GOVERNANCE

2026 TARGETS

13. Sustainability Incentives
14. Enhancing Governance Model
15. Tax Control Framework
16. Sustainable Procurement
17. ESG Finance
18. Cybersecurity

OUR COMPREHENSIVE CERTIFIED ESG COMMITMENT

✓ Actions implemented

2nd quarter 2022

✓ Adoption of **Women's Empowerment Principles**

✓ Endorsement of the **UN Global Compact**

2nd quarter 2023

✓ **Target Net Zero approved by SBTi**

By the 2nd quarter of 2024

Italian certification UNI PDR 125: 2022 gender equality

GRESB

2025

Assessment

2026

Certification

EDGE certification (or other recognised internationally)

THE 2023 REPORTING OF THE ESG PLAN

SDGs	OBJECTIVES	REPORTING 2023
PLANET		
	Net Zero	▪ CCGT Sale ▪ Target Net Zero validated by SBTi
	Circular economy	▪ Wind Repowering: 100% recovery ▪ Solar Revamping: 93% recovery
	Energy efficiency	▪ Wind: +10.9 GWh ▪ Solar: -1.8 GWh
	Biodiversity	▪ 100% internally developed plants with Biodiversity Assessment
ENGAGEMENT		
	ERG Academy for Next Generation	▪ 23,407 students involved
	1% for the Community	▪ 1.2% of revenues for local communities
	Trust & Reputation	▪ Top performer in the main ESG ratings
	Social Purpose for Solar Revamping	▪ 2 projects completed in Italy
PEOPLE		
	ERG Academy for our People	▪ 50% of ERG People with personal development plans ▪ 99% of ERG People involved in training plans
	Diversity & Inclusion	▪ 18% women among key leaders ▪ 22% key leaders abroad ▪ 31% women in the workforce
	Employees' well-being	▪ Flexible Benefits Assessment ▪ Solidarity Holiday Programme extended in France and Germany ▪ 8 days of remote working per month
	Health & Safety, always	▪ No fatalities ▪ Frequency Index = 3.09 (Severe FI = 1.55) ▪ Severity index = 0.11
GOVERNANCE		
	Sustainability Incentives	▪ 100% MBO/LTI with ESG targets
	Enhancing governance model	▪ Objective 2024 in relation to the term of the mandates the Boards of Statutory Auditors
	Tax Control Framework	▪ Tax Control Framework implemented in Germany
	Sustainable Procurement	▪ 64.1 average score of strategic suppliers (+3 vs 2022) ▪ Suppliers with a carbon footprint: 44% ▪ Suppliers with D&I Policy: 63%
	ESG Finance	▪ 95% of Green funding
	Cybersecurity	▪ ISMS certification in Germany by Q1 2024

THE MAIN ESG RECOGNITIONS

January 2023
- **"Corporate Knights Global 100 most sustainable corporations in the world"**: ERG in 54th place
- **Bloomberg Gender Equality Index**: ERG in 1st quartile

June 2023
- **Nasdaq Sustainable Bond Network:** entry of ERG
- **MSCI**: rating improvement to "AAA"
- **Integrated Governance Index 2023**: ERG in 4th place

July 2023
- **Science Based Target initiative**: approval of "Net Zero" objectives

January 2024
- **"Corporate Knights Global 100 most sustainable corporations in the world"**: ERG promoted to 28th place (1st Italian company), and awarded with the "Pivot Price"
- **EthiFinance:** rating improvement to 77/100

February 2024
- **Carbon Disclosure Project:** ERG confirmed in the "A List" for the 2nd consecutive year

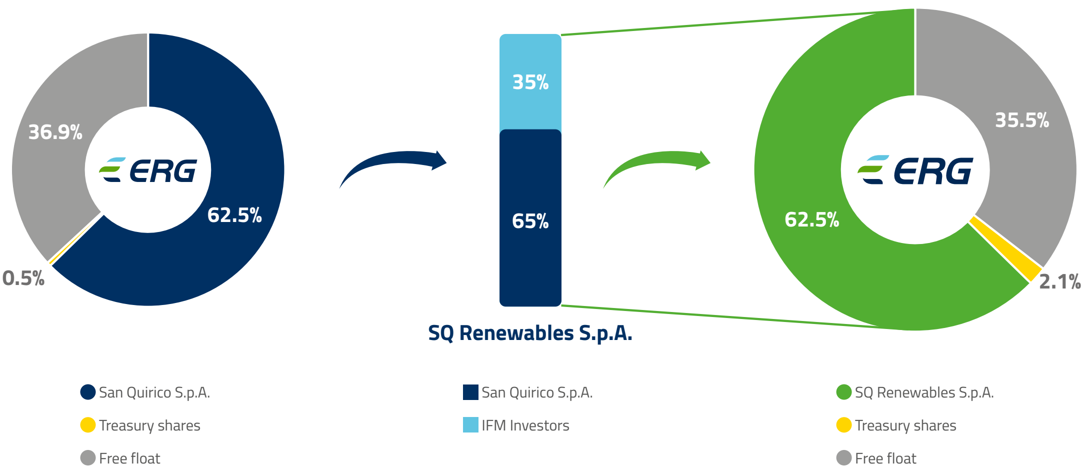
OUR SHAREHOLDERS

OWNERSHIP STRUCTURE AT 31/12/2023

1 Before the agreement with IFM Investors

2 Creation of SQ Renewables S.p.A.

3 Current shareholding structure as at 31.12.2023



THE EUROPEAN TAXONOMY

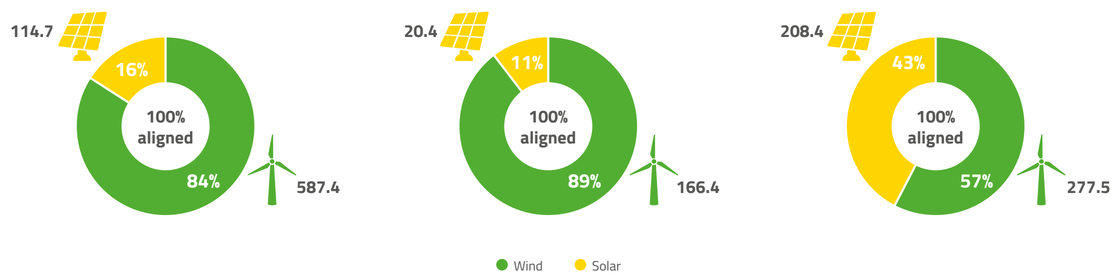
The business activities carried out by the ERG Group in the Wind & Solar Renewable Sectors are 100% aligned with the EU Taxonomy, **contribute substantially to climate change mitigation**, do no significant harm (DNSH) to the other environmental objectives of the taxonomy, and comply with the minimum safeguard criteria.

EUROPEAN TAXONOMY – ANALYSIS OF RESULTS

2023 REVENUE (mn€) 702.2

2023 OPERATING EXPENDITURE (mn€) 186.7

2023 CAPITAL EXPENDITURE (mn€) 485.9



Reported Data.
For the purposes of the Taxonomy, the following were excluded from the scope (i.e., from the numerator and denominator of the KPI): the fair value of hedging (38.5 mn€ revenue), the contribution of Corporate (0.3 mn€ revenue; 25.2 mn€ OpEx) and 2.7 mn€ structural CapEx.
In the Report on Operations, these are represented in the Corporate CapEx, which also include 1.5 mn€ of CapEx in the Wind & Solar business, centrally supported, which were instead considered for Taxonomy purposes.
Therefore, if the excluded values are added to the values in the denominator for the calculation of the alignment with the Taxonomy, the consolidated figures, as presented in the Financial Statements, result as follows: Revenues 740.9 mn€, OpEx 211.9 mn€, CapEx 488.6 mn€.
CapEx also includes intangible concessions and licences.

OUR SUSTAINABILITY GOVERNANCE MODEL

BOARD OF DIRECTORS

Defines the Group's principles of conduct, summarised in the Code of Ethics and Sustainability Policy, and approves the Non-Financial Statement.

CONTROL, RISK AND SUSTAINABILITY COMMITTEE

Supports Board evaluations and decisions related to:

- the ICRM System;
- the approval of periodic financial reports and those related to Group Governance;
- sustainability, in particular the approval of the ESG Plan and the Non-Financial Statement (NFS) and decisions relating to specific issues (e.g. Climate Change);
- compliance with the requirements of Italian Legislative Decree no. 231/01 and anti-corruption guidelines;
- Finance Area and Risk Management.

CEO

Responsible for ESG activities.

SUPERVISORY BODY

Responsible for:

- monitoring the effectiveness of the 231 Model and compliance with the Code of Ethics;
- verifying the adequacy of the 231 Model to prevent the commission of the crimes referred to in Italian Legislative Decree no. 231/01;
- ensuring that the 231 Model is updated;
- providing training on the Code of Ethics and on 231 issues;
- evaluating the reports received.

ESG COMMITTEE

Consisting of the Chairman, the Executive Deputy Chairman, the CEO, all first reports to the CEO:

- defines the Group's medium-long term sustainability policies;
- approves the ESG Plan;
- approves the Communication Plan (external and internal);
- drafts the NFS;
- also operates as the Green Bond Committee;
- operates as a D&I steering committee (from 23/02/2024).

HUMAN CAPITAL COMMITTEE

- nurtures the development of our people;
- evaluates and verifies reports of possible violations of the Human Rights Policy.

ESG FUNCTION

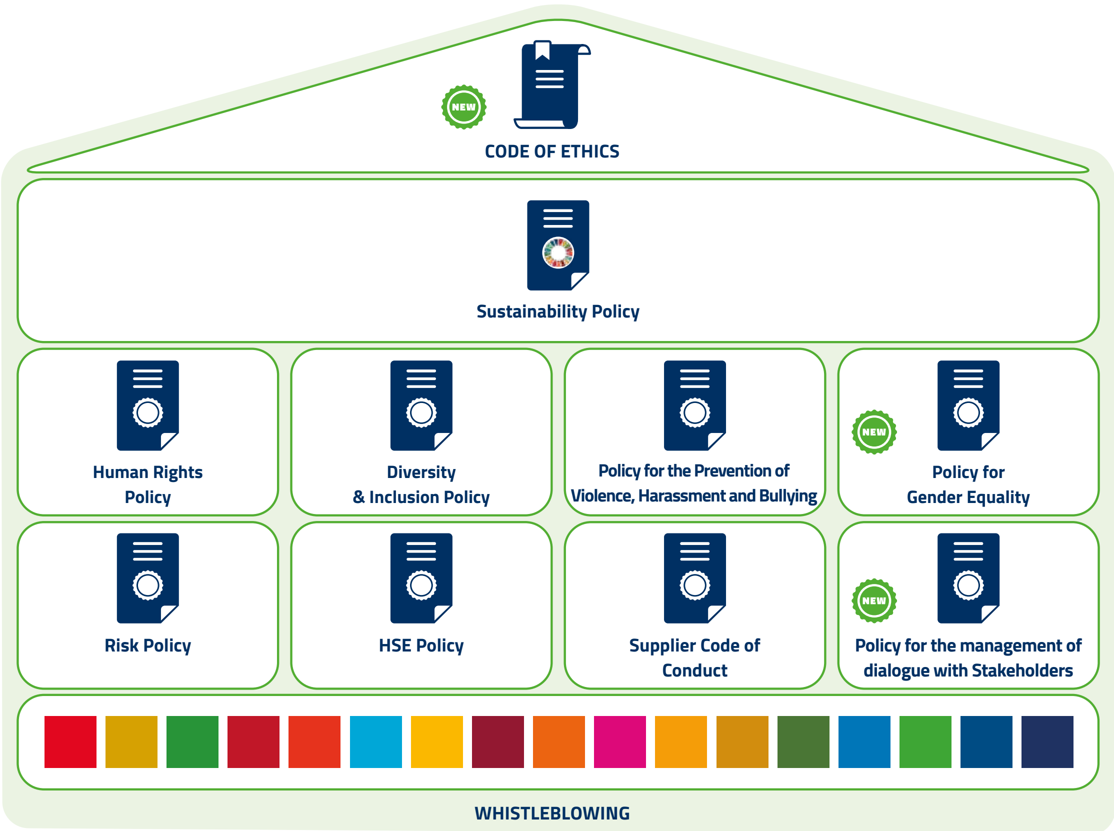
Within the ESG, IR & Communication Department, it is responsible for:

- taking care of the definition and evolution over time of the ESG Plan and budget, proposing any changes/additions;
- monitoring the execution of the ESG Plan by interfacing with the Working Group;
- drafting the NFS and ESG reporting.

ESG PLAN WORKING GROUP

- develops projects and periodically interfaces with the ESG function to update on the progress of the activities;
- uses the metrics (KPIs) identified in the ESG Plan to monitor progress, reporting anomalies/opportunities;
- periodically collects information and reports on its progress to the ESG Team, formulating proposals to integrate/improve the ESG Plan;
- provides support to report the progress of the ESG Plan in the NFS.

OUR SUSTAINABILITY POLICIES



MAIN NEW ASPECTS INTRODUCED

Code of Ethics

- Transformation into a Pure Wind & Solar model
- ESG strategy integrated into the Business Plan
- Transposition of D&I and Anti Harassment Policy
- Inclusion of the "next generation" in stakeholders
- Presence of the whistleblowing system
- New, clearer and more readable graphics

Gender equality

- ESG Committee appointed as "Steering Committee"
- Gender Equality Plan integrated into the ESG Plan
- Establishment of an inter-departmental working group on D&I
- ERG commitments to overcome stereotypes and biases
- Transparency in processes impacting gender equality

Dialogue with stakeholders

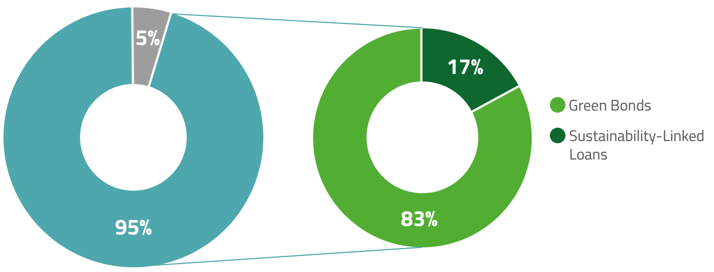
The Policy applies to all stakeholders outside the context of the Shareholders' Meeting, on issues such as:

- Operating performance and financial results
- Company Strategy and Corporate Governance
- Remuneration policies
- Sustainability (strategies and reporting)

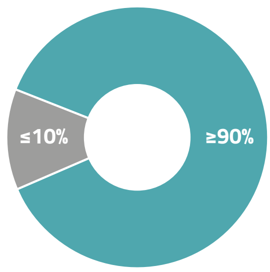
SUSTAINABLE FINANCE

Sustainable finance is an integral part of our capital structure and is the predominant component of the Group's funding sources. As at 31 December 2023, about 95% of these were made up of Sustainable Finance sources, equal to EUR 1,930 million out of a total gross debt of EUR 2,027 million (in nominal value).

2023



@2026



ERG joins the Nasdaq Sustainable Bond Network

In June 2023, following the complete allocation of earnings deriving from all the previous issuance of Green Bonds, we joined the Nasdaq Sustainable Bond Network, a platform dedicated to Sustainable Finance of the New York electronic stock exchange that brings together investors, issuers and investment banks. This new entry is an important recognition of our commitment to sustainable finance.

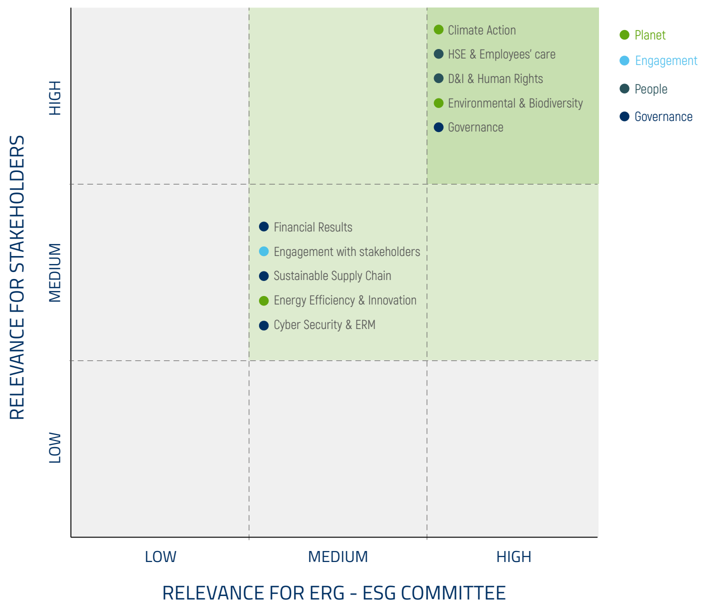
ERG'S ESG RATINGS AND SUSTAINABILITY AWARDS

- Moody's – 65 Advanced
- CDP – A
- MSCI – AAA
- Sustainalytics – 16.2 Low Risk
- ISS ESG – B+
- Sustainable Fitch – 79/100
- Bloomberg Gender-Equality Index 2023 – 82/100
- Gaïa Research by EthiFinance – 77/100
- Science Based Targets – Net Zero approved
- Corporate Knights – 28th in the 2024 Ranking

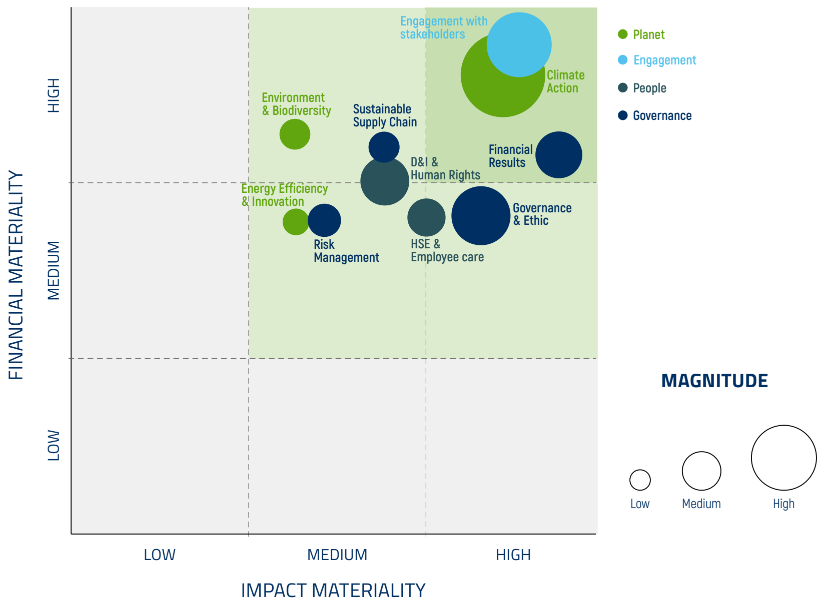
2023 MATERIALITY MATRIX

We updated the materiality matrix in 2023, involving all key stakeholders. The results of the analysis confirmed the 10 topics identified previously. The 2023 Materiality Matrix was submitted for approval by the ESG Committee on 6 December 2023 and the Control, Risk and Sustainability Committee on 12 December 2023.

2023 MATERIALITY MATRIX



DOUBLE MATERIALITY 2023

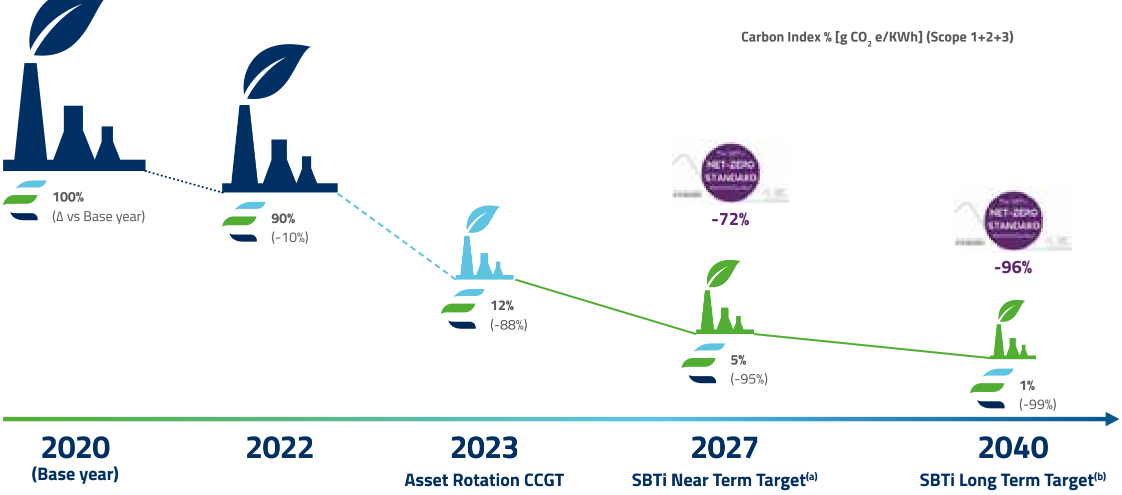


Planet

OUR NET ZERO TARGET BY 2040 APPROVED BY SBTi

ERG is among the top 15 companies in the world[1] and among the first two in Italy in the Electric Utilities and Independent Power Producers sector to have obtained certification of its decarbonisation targets by the Science Based Targets initiative. ERG is committed to achieving Net Zero by 2040 through a number of actions both in the short term (near-term target by 2027) and in the long term (long-term target by 2040).

OUR PATH TO NET ZERO

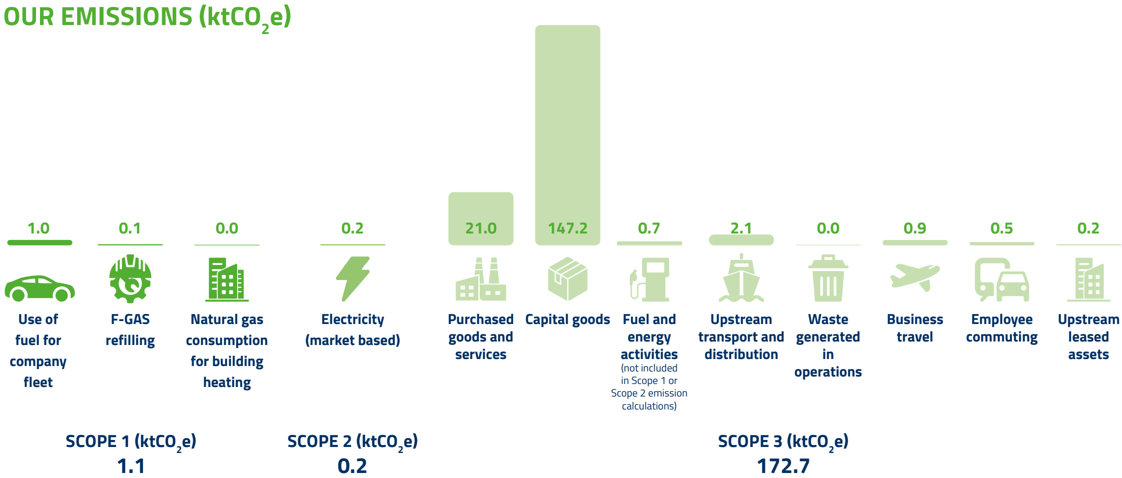


NET ZERO target approved by SBTi

(a) In the near-term:
- reduction of direct GHG emissions (Scope 1) and indirect emissions from energy consumption (Scope 2) of 72% per MWh by 2027 from a 2020 base year;
- increase of active sourcing of renewable electricity from 94% in 2020 to 100% in 2030;
- reduction of direct GHG emissions (Scope 1) and indirect emissions from fuel and energy related activities covering all sold electricity (Scope 3) of 70.4% per MWh by 2027 from a 2020 base year.

(b) In the long-term ERG commits to:
- reduction of direct GHG emissions (Scope 1) and indirect emissions from energy consumption (Scope 2) from power generation of 94.8% per MWh by 2040 from a 2020 base year;
- reduction of direct GHG emissions (Scope 1) and indirect emissions from fuel and energy related activities covering all sold electricity (Scope 3) of 95.3% per MWh within the same timeframe;
- reduction of all other indirect GHG emissions (Scope 3) of 97% per MWhe within the same timeframe.

OUR EMISSIONS ($ktCO_2e$)



1 As per press release of 7 July 2023.

OUR RENEWABLE ENERGY CONSUMPTION

2016	2017	2018	2019	2020	2021	2022	2023
51%	84%	86%	89%	90%	94%	93%	96%

DECARBONISATION - RENEWABLES' CONCRETE HELP FOR THE PLANET

Thanks to our wind and photovoltaic energy production, we avoid the emission of several million tonnes of CO_2 each year: in 2023, the figure is 2,087 kt CO_2, equivalent to 4,174 London New York flights[2].

	Italy	France	Germany	East Europe	UK and Sweden	Spain	TOTAL
Installed	1,496 MW installed	600 MW installed	327 MW installed	266 MW installed	311 MW installed	266 MW installed	3,266 MW installed
Energy production	2,784 GWh	1,315 GWh	629 GWh	742 GWh	455 GWh	213 GWh	6,139 GWh
Households	550 k	203 k	105 k	91 k	95 k	43 k	1,111 k
CO_2 avoided	986 kt	412 kt	210 kt	241 kt	161 kt	77 kt	2,087 kt
Flights	1,972 flights	824 flights	420 flights	482 flights	322 flights	154 flights	4,174 flights

Energy production

Number of households supplied with energy produced by our plants

CO_2 avoided

no. Flights from London to New York (estimated at 0.5 kt CO_2/flight)

2 It is assumed that flying from London to New York round trip generates about 1,000 kg CO_2 per passenger; assuming about 500 passengers each way equals 500 tonnes CO_2 per flight.

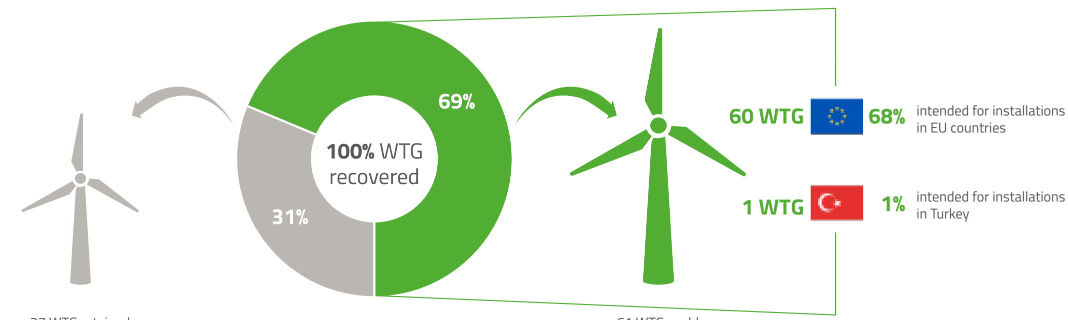
CIRCULAR WIND IN REPOWERING PROJECTS

New construction sites were opened for three additional repowering projects in Sicily in 2023: Camporeale, Mineo-Militello-Vizzini and Salemi-Castelvetrano. Compared to the 88 disassembled WTGs, 61 wind turbines were resold to third parties for installation in Europe and Turkey. 27 WTGs were instead kept in our warehouses as spare parts.

Circular Repowering

RECOVERY OF WIND TURBINES (WTGS) - REPOWERING 2023

88 turbines disassembled in 2023, of which:



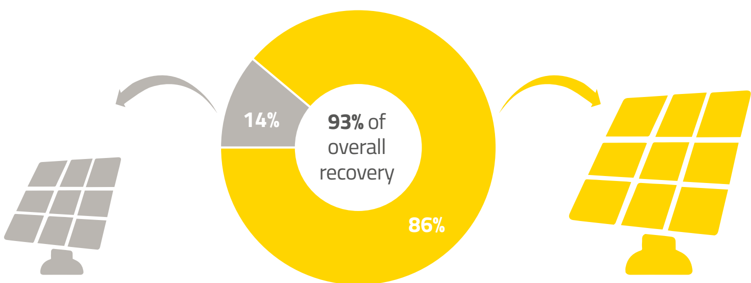
CIRCULAR SOLAR IN REVAMPING PROJECTS

Solar farm revamping projects follow the virtuous path of the circular economy: inoperable modules are given to consortia, while intact functioning modules find a second life in social projects. In 2023 we recovered 93% of the materials from the Solar Revamping Project.

Circular Solar

MODULE RECOVERY - REVAMPING SOLAR 2023

7 solar farms disassembled (6.9 MW)



The repowering of Partinico-Monreale

The Partinico-Monreale wind farm in the province of Palermo was the first in ERG's asset portfolio to complete repowering operations in June 2023.
This project involved the replacement of 19 old wind turbines (100% recovered in 2023) with 10 new wind turbines of 4.2 MW each, bringing the total capacity to 42 MW.

The renovated park will generate an estimated annual output of 94 GWh/year, about 4 times that of the existing plant (27 GWh/year): a significant contribution that represents a fundamental step in our country's energy transition.

Welcome to the
PARTINICO-MONREALE WIND FARM
Grisì District - Municipality of Monreale (PA)

10 turbines

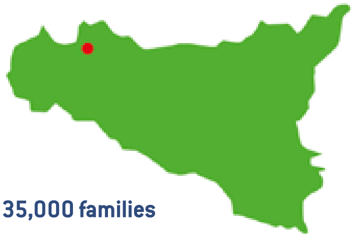
180 meters height

Total installed capacity: **42 MW**

Production: **94 GWh/year**

Coverage of the annual needs of **35,000 families**

CO_2 emissions avoided per year: **50 kt**



Engagement

ERG'S INTERNATIONAL FORUMS AND EVENTS

ERG was present at the most important international conferences in key markets in Europe in 2023.

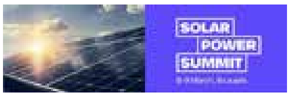
April

Wind Europe ANNUAL EVENT 2023 COPENHAGEN 25-27 APRIL

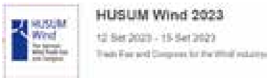
ERG was present with representatives from various units, notably Procurement, Business Development and Public Affairs. Our Engineering Innovation unit participated in a panel on the offshore wind industry, explaining how we evaluate the potential of floating wind power.

May

ERG was present with the Public Affairs team to understand the direction the European Commission and individual Member States are taking in accelerating solar deployment.



September



During the historical wind energy trade fair in Germany, an article about our presence there and an interview was published in the trade magazine Erneuerbare Energien.

October

ERG France was present with a dedicated stand and team at the key event for the wind power industry in France, meeting with suppliers, employees and representatives of French institutions.

November

At the event focusing on the end-of-life of the wind power industry, our Chief Engineering Development Officer presented the Partinico-Monreale repowering operation and our colleagues from Engineering Innovation moderated the session on decommissioning and the secondary market for wind turbines.

ERGLAB INCREASINGLY INTERNATIONAL

ERGLab is our think tank on the topics of energy and ecological transition. Launched in Italy in 2014, it aims to involve key experts and institutional stakeholders through thematic round tables. In 2023, we organised no fewer than eight ERGLabs, 5 of which were held in Italy, two in the UK and one in France, addressing the topics of greatest relevance for the advancement of decarbonisation and renewables at this particular moment in history.

January

1st ERGLab Italy (Rome)

'Greenflation' (soaring cost of renewable technologies).

It also involved our CEO.

March

2nd ERGLab Italy (Rome)

Regulatory measures in recent years for simplifying RES permitting.

May

ERGLab UK (Belfast)

'Accelerating Planning for 2030' (tools to reach the target of 80% RES energy by 2030).

July

3rd ERGLab Italy (Rome)

Energy storage systems are essential for managing the energy generated by wind and sun.

October

4th ERGLab Italy (Rome)

Auctions for long-term contracts, the main and most efficient tool for RES development.

ERGLab UK (Belfast)

'Unlocking Grid for 2030' (Integrating RES technologies into the electricity grid).

November

5th ERGLab Italy (Rome)

The role of stakeholders in ERG's materiality analysis.

ERGLab France (Paris)

'Hybridisation' (expansion of existing wind power plants through integration with photovoltaics).

STRENGTHENING OUR ENGAGEMENT WITH LOCAL COMMUNITIES

Our strategy is based on creating shared value, recognising that our plants have a positive impact in the fight against climate change, improving the lives of the local communities where they are present and helping to reduce energy dependency.

Our activity is not limited to issuing disbursements to entities and associations that propose initiatives of interest; we work with the most representative institutions and organisations to share the value generated with our communities.

SHARING VALUE FOR THE GROUP

CONTRIBUTIONS TO LOCAL COMMUNITIES (EUR k)	2023	2022	2021
Sharing Benefits paid to local communities	7,090	8,122	7,880
Support to local communities in relation to emergency situations	708	477	-
Sponsorships	353	300	305
Other donations	769	452	520
NextGen training	141		
COMMUNITY TOTAL	9,061	9,351	8,705
Group Revenues (Reported)	740,931	713,840	601,407
COMMUNITY SHARE AS A PERCENTAGE OF REVENUE	1.22%	1.31%	1.45%

SOCIAL PURPOSE FOR SOLAR REVAMPING IN 2023

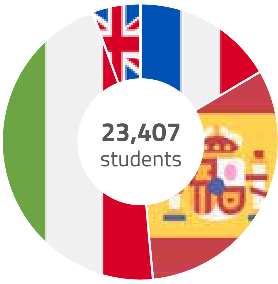
Work started in 2023 on the implementation of the four 'Social Purpose for Solar Revamping' projects approved by the ESG Committee in 2022.

The two planned plants were installed in Italy by the end of the year, while the two projects in Malawi and Madagascar are underway and are expected to be completed during 2024.

ERG ACADEMY FOR THE NEXT GENERATION

In 2023, we reached over 23,000 students from 4 different countries: Italy, France, Spain and United Kingdom.

ACADEMY 2023- INVOLVEMENT OF THE NEXT GENERATION



Science Festival: the official launch of ERG ACADEMY

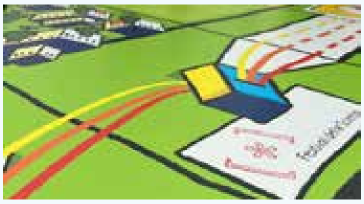
In 2023, the partnership with the Genoa Science Festival coincided with the launch of ERG Academy, allowing us to reach over 4,700 people with 3 different initiatives.

'SDGsContributors' multimedia stand

Set up again this year in the atrium of the Doge's Palace, the main venue of the Festival, the stand provided multimedia content for all ages:

- ERG and ERG Academy institutional videos
- video on the Repowering of Partinico-Monreale
- videos made during the PCTOs of some high schools
- interactive game in two versions (one for older and one for younger children) on the Global Goals

The stand was supported by the scientific animation of volunteers from the Science Festival and the presence of ERG People for in-depth information on the company and on Green Jobs.



'Green Energy Makers' Workshop

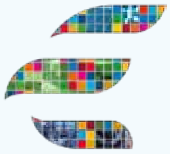
Designed by our experts and the Science Festival team, the workshop gave primary school children the opportunity to experience how a company is run in which production, technological innovation, environmental and social sustainability are integrated. The workshop is a board game with a human dimension. The classes place wind turbines and solar panels on the playing field (a carpet with a drawing that includes a rural area with a village, hills, watercourses, vegetable gardens, forests...) to define a development strategy and respond to unforeseen events with managerial choices that determine a score in megawatts and in sustainability.

Conference promoted by ERG with an introduction by Alessandro Garrone

Held on 31 October, the conference included an interdisciplinary discussion on ecological transition.
Alessandro Garrone introduced the conference by offering the audience and speakers the perspective of an entrepreneur strongly committed to environmental and social issues.

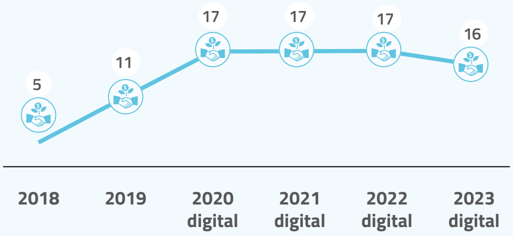
Italian Sustainability Week 2023

We participated in the Italian Sustainability Week organised by Borsa Italiana at the beginning of September 2023 for the seventh consecutive year, focusing on sustainable finance and ESG issues.



Main topics discussed with SRI investors

Sustainability day - No. of meetings for ERG



- Updates contained in the 2022-2026 ESG Plan
- SBTi certification of our Net Zero strategy by 2040
- Circular Economy, Biodiversity and D&I Targets
- Exit from the thermoelectric business
- Transformation into a pure Wind & Solar operator
- Growth targets in renewables
- Sustainable financial strategy

2023 a year to tell: interviews with top management

April

November

October

December


ERG

People

For us, our people are our asset, a "human capital" characterised by talents, skills, and relationships. This is why we invest in an inclusive, stimulating and productive working environment, in which everyone can express their abilities and improve their skills.

PERFORMANCE MANAGEMENT: GENERATING RESULTS AND SHARING SUCCESS

The Performance Management system follows a cascading logic along the organisational structure. We first define the annual objectives of the CEO's first line and progressively those of the employees, and then measure the results achieved during the year. The objectives are both corporate and individual and include a moment for discussing them at the beginning and end of the year to capitalise on learning. The incentive system is articulated along two time lines:

- short-term, based on a Management By Objectives (MBO) approach;
- long-term, based on a Performance Share system.

HUMAN CAPITAL MANAGEMENT AND DEVELOPMENT

ERG's Human Capital is based, on the one hand, on organisational development and, on the other, on talent management, which facilitate the achievement of corporate results. ERG cyclically defines its leadership model to engage people on the "methods" to achieve results: values, skills and behaviours that also drive career development within the Group.

SUSTAINABILITY OBJECTIVES IN THE INCENTIVE SCHEME

In our incentive models, sustainability targets are an integral part of the objectives.

Sustainability objectives in short-term incentives

Weight Objectives	Pillars		Objective		Target	Result	Indicators Floor 80%	Indicators Target 100%	Indicators Cap 120%	%	Final value
20% CEO 10% DRS	20%	Planet	10%	Circular Wind: repowering recovery of materials and/or energy	98%	100%				120%	24%
			10%	Circular Solar: Revamping recovery of materials and/or energy	90%	93%				120%	
	20%	Engagement	10%	Education for Next Generation: number of young people involved in training programmes on sustainability and RES	17,000	23,407				120%	20%
			10%	Social Purpose for Solar Revamping (number of projects carried out)	3 projects	2 projects				80%	
	40%	People	30%	Predictive safety: severity index [SI] <1 and compliance with frequency indices (internal + contractors): general [FI] and severity [SFI]	FI<4.60 SFI<2.00 SI<1	FI=3.09 SFI=1.55 SI=0.11				120%	48%
			10%	Diversity & inclusion: Incidence of women in workforce increase	30%	41%				120%	
	20%	Governance	Implementation of 3 projects: 1. Extension of the Tax Control Framework in Germany by 31/12/2023 2. Certification of the 'Information Security Management System' (ISMS) by March 2024 3. Sustainable Procurement: average supplier scoring ≥63 points		2 projects	3 projects				120%	24%
			OVERALL FINAL VALUE								116%

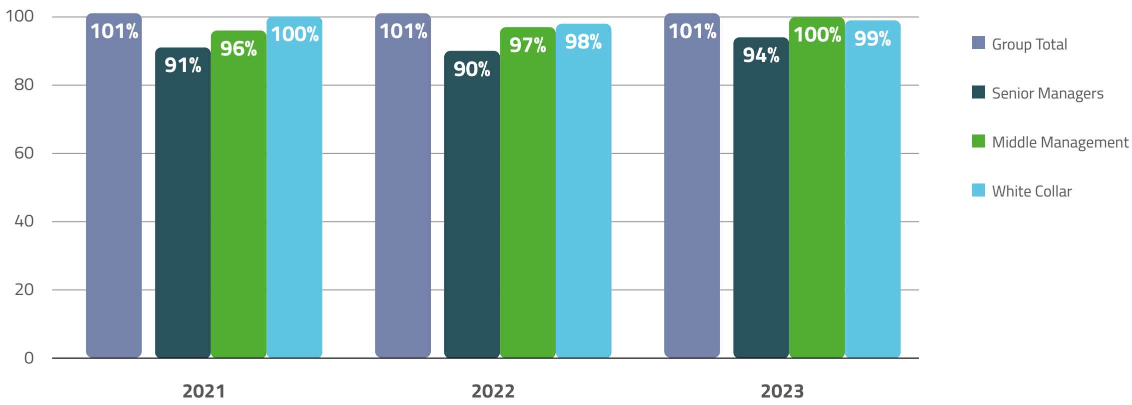
Sustainability objectives in long-term incentive 2021-2023

Weight Objectives	Pillars	Objective		Target	Result[(a)]	Indicators Floor 80%	Indicators Target 100%	Indicators Cap 120%	%	Performance
25%	Planet	Circular Wind: repowering recovery of materials and/or energy		96%	100%				120%	30%
25%	Engagement	Education for Next Generation: training programmes in Italy and France (no. young people involved)		10,000	23,407				120%	30%
25%	People	12.5%	Predictive safety: HSE Severity Index [SI] <1 and improvement of Frequency Index (internal + contractors) [FI]	No fatalities FI<4.35 SI<1	No fatalities FI=3.42 SI = 0.13				120%	15%
		12.5%	Diversity & Inclusion: number of women and employees of foreign offices with respect to total managerial positions	15% women 12% foreign	18% women 22% foreign				120%	15%
25%	Governance	Tax Control Framework		Extension France	Extension France and Germany				120%	30%
		OVERALL FINAL VALUE								120%
		MULTIPLIER								110%

(a) A 3-year average value was provided for Circular Wind and HSE

GENDER PAY GAP - GROUP

The analysis of the gender pay ratio shows a substantial alignment between the fixed salaries of women and men, consistent with our objectives.

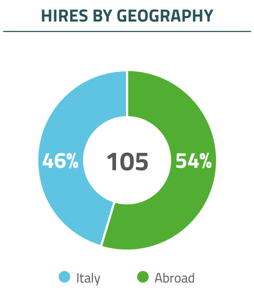


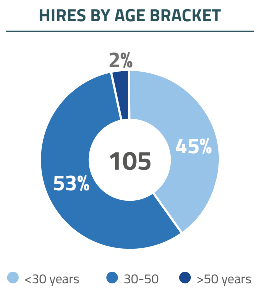
Gender pay equity is calculated for homogeneous qualifications, as the ratio between the average fixed and total remuneration of the female gender compared to the average fixed and total remuneration of the male gender both at Group and Italian level (thus excluding Senior managers with strategic responsibilities and blue-collar workers). The total pay ratio instead includes all Group employees.

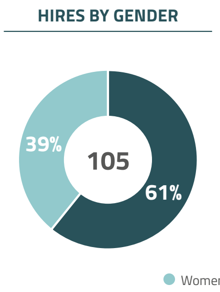
NEW TALENTS RESEARCH

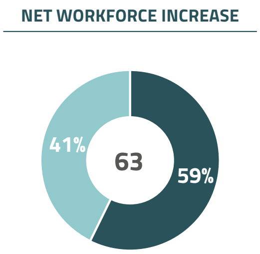
105 new people joined the Group in 2023. Women accounted for 39% of the new hires and the women's share of the staff increase was 41%.

Moreover, 45% of the employees are under 30 years of age.









THE TOOLS FOR STRATEGIC ALIGNMENT AND BELONGING INITIATIVES

TOOLS FOR STRATEGIC ALIGNMENT

ERGate intranet:
gateway to information that regulates corporate life and news about the Group, with static or dynamic content

Weekly Smart News:
Newsletter written by employees, with insights on business, ESG, HSE and D&I issues, and on the energy scenario

Question Time:
space for direct discussion between employees and Top Management on the energy scenario, the Just Transition and the Group's growth.

PEOPLE ENGAGEMENT

ERG

INITIATIVES FOR BELONGING

Training courses for **focusing on one's own purpose**

Programmes for **enhancing** a sense of **personal efficacy**, and empowering **employees** as **disseminators of ERG's** Just Transition values

Mentorship, **testimonial and ambassadorship projects for the Next Generation** and some professional communities

Corporate events open to employees (some also to families) for the **development of teamwork**, the consolidation of a **sense of belonging** and the **dissemination of ERG's work culture**

ERG ACADEMY FOR THE NETWORK COMPANY

ERG Academy is our learning ecosystem where we build and share our knowledge, support each other's growth, strengthen teams and develop the Network Company. It is the set of human, physical and technological resources that are interconnected and that allow to acquire and share knowledge and develop from a personal-professional point of view.

LEARNING ECOSYSTEM

Physical spaces
(learning centre, classrooms...)

Technology platforms

Processes, standard internal operating procedures

People
(managers, colleagues, mentors, coaches, teachers, parents, journalists...)

ERG ACADEMY

Formal learning contents
(microlearning videos, webinars and workshops...)

Tools to increase effectiveness (checklists and quick reference guides)

Collaboration spaces

On the job learning initiatives
(coaching, internships)

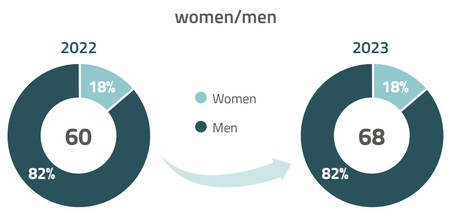
Spaces for feedback and discussion

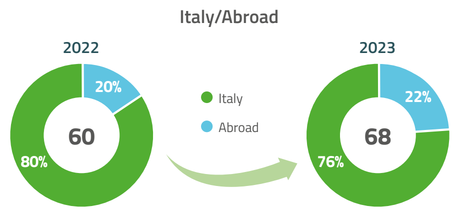
THE POWER OF DIVERSITY

In line with our Diversity & Inclusion Policy, we have over the years been pursuing a path that has gradually involved all our people in order to enhance their talents and create the prerequisites for an increasingly inclusive work environment where everyone can be themselves and realise their potential.

In line with our ESG Plan goals, in 2023 the percentage of women among key leaders reached 18% (towards a 2026 target >20% and 2027 >25%) while the percentage of key leaders abroad stood at 22% (towards a 2026 target >20% and 2027 >25%).

KEY LEADERS – MANAGERS AND SENIOR MANAGERS



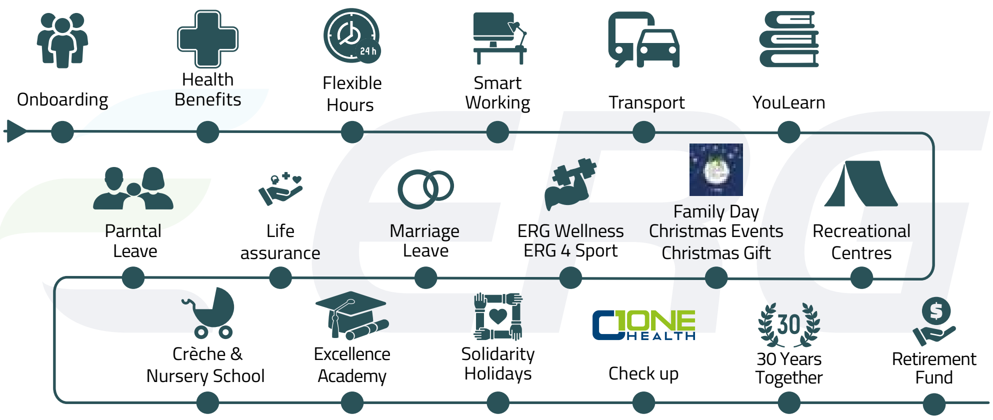


ERG'S DIVERSITY & INCLUSION JOURNEY

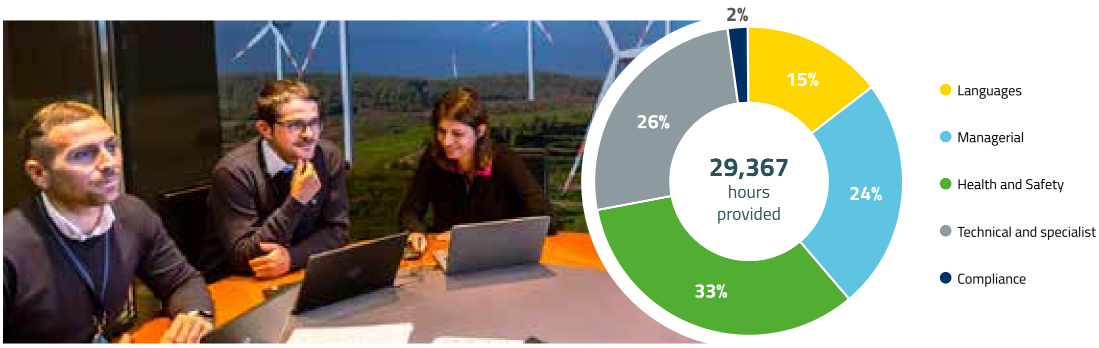
	2019	2020	2021	2022	2023
	AWARENESS	**CHANGE DESIGN FOR CULTURE AND PROCESSES**	**D&I A KEY ELEMENT OF OUR ESG PLAN**	**IMPLEMENTATION OF OUR ESG PLAN**	**PEOPLE PROCESSES UPDATE AND PARTNERSHIPS**
KEY ISSUES	▪ Endorsement of **Valore D** ▪ **Definition of guidelines and involvement of ERG People** ✓ Survey on D&I aimed at all ERG People ✓ "Valore D" Inclusion Impact Index as the basis for defining KPIs	▪ Human Capital Committee: **monitoring of KPIs** ▪ Gender Equality Assessment ▪ **Involvement of People Managers** ✓ Training course: - Inclusive leadership - Inclusive language - Unconscious bias	▪ **Increase of women on the BoD** from 33% to 42% ▪ **D&I targets in the** short- and long-term **Incentive System** ▪ **Training** ▪ **Our survey**	▪ **Update of ESG Plan** ▪ **Cultural development through social learning** ✓ mentorship programmes ✓ launch of Bias Detectors ▪ **Collaboration with socially engaged stakeholders** (Dynamo Camp, Mus-e) ▪ Agreement on **remote working**	▪ Creation of **D&I Working Group** ▪ **People Processes update** ▪ **ESG Plan update** ▪ **Code of Ethics update** ▪ **Partnership with other stakeholders** ✓ Mentorship programmes ✓ Launch of Bias Detectors ▪ Agreement **parenting and caregivers**
MILESTONES	Launch of **"The Power of Diversity" Project**	**Experimental period of remote work** (before the pandemic)	**D&I Policy**	Inclusion in **Bloomberg's Gender Equality Index** Adoption of **Women's Empowerment Principles** **Policy for the Prevention of Violence, Harassment and Bullying**	**Gender Equality Policy**

EMPLOYEES' WELL-BEING

The integrated welfare model is built around people with the aim of supporting the needs of employees and their families, helping them to live well, so that within the work environment they can feel comfortable, satisfied and healthy and able to aim for satisfactory performance levels for both the individual and ERG.



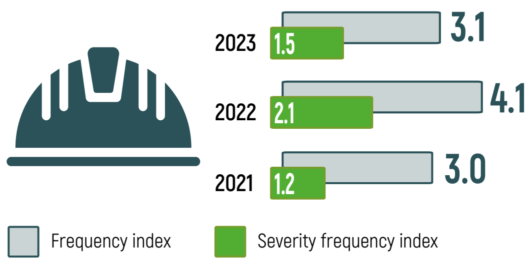
TRAINING



HEALTH & SAFETY, ALWAYS

For us, 'Health and Safety, always' means putting the health and safety of those who work for us and with us first by fostering a culture of health in the workplace and enabling accident prediction.

Accident indices (internal and external)



	2023
NEAR MISSES	36

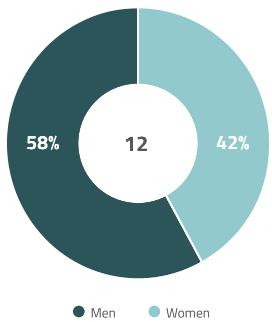

NASDAQ WELCOMES
ERG TO THE
SUSTAINABLE BOND NETWORK
ERG
EVOLVING ENERGIES
Nasdaq

Governance

THE BOARD OF DIRECTORS

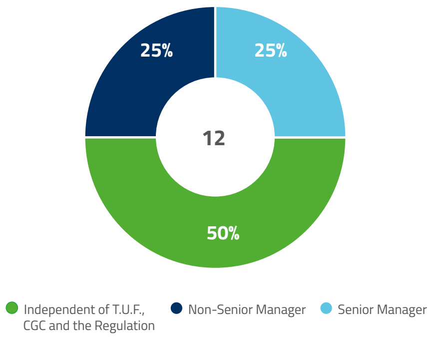
The current Board of Directors of ERG is composed of twelve members. It was appointed at the Shareholders' Meeting on 26 April 2021 with a three-year mandate and will remain in office until the date of the Shareholders' Meeting called to approve the Financial Statements as at and for the year ending 31 December 2023.

COMPOSITION BY GENDER



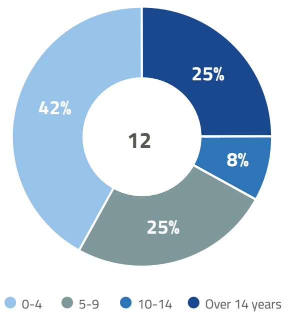
FTSE MIB AVERAGE 59% 41%

COMPOSITION BY QUALIFICATION



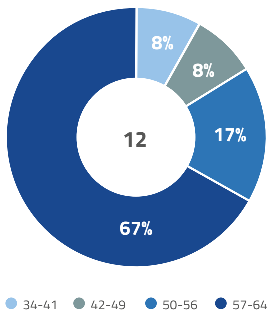
FTSE MIB AVERAGE 67% 17% 17%

COMPOSITION BY SENIORITY OF OFFICE



AVERAGE TENURE: 10.1 years
FTSE MIB AVERAGE 4.5 years

COMPOSITION BY AGE GROUPS

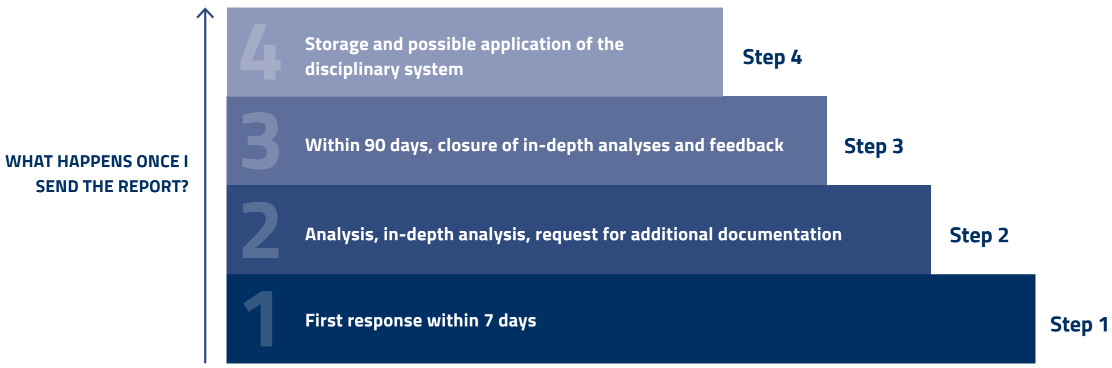


AVERAGE AGE: 56.3 years
FTSE MIB AVERAGE 58.1 years

WHISTLEBLOWING

The ERG Group strongly believes in the importance of fostering an open corporate culture marked by fairness, transparency, honesty and integrity.

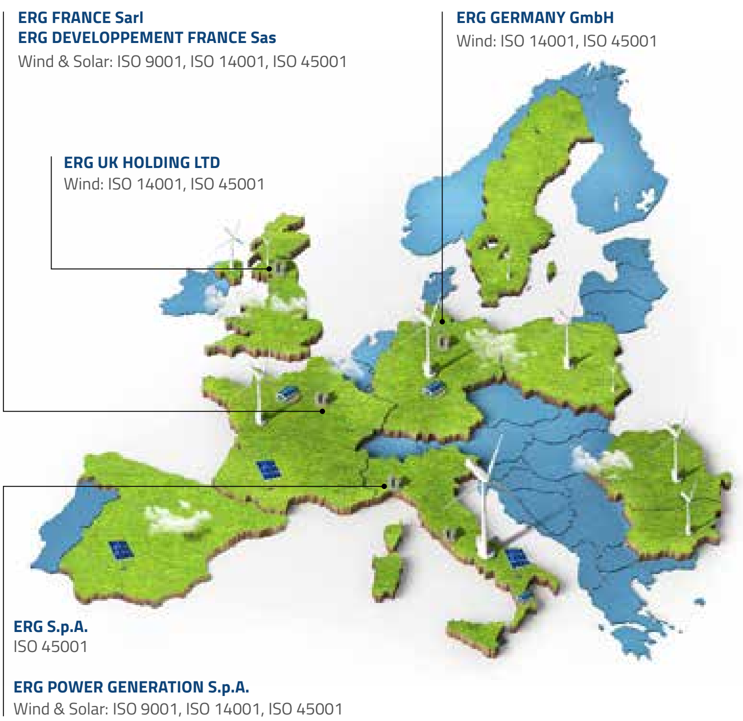
We have specific whistleblowing channels (web platform and voice mail) that can be used to report crimes, offences or irregularities.



GROUP MANAGEMENT SYSTEMS

Our Management Systems comply with recognised international standards such as ISO 14001:2015 (environment), ISO 45001:2018 (health and safety) and ISO 9001:2015 (quality). By the end of 2023, environmental certification according to ISO 14001 covers more than 82% of our installations; ISO 9001 covers more than 64%, while health and safety certification according to ISO 45001 covers 82% percent of our installations and 97% of our people.

MAP OF HSE&Q CERTIFICATIONS

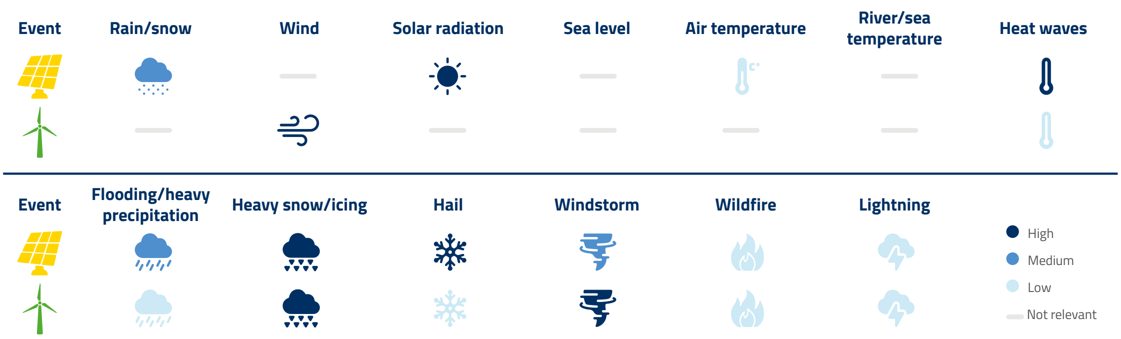


TAX STRATEGY

The Tax Control Framework (TCF) is an objective in our ESG Plan. It is an internal audit system for tax namely the set of rules, procedures, organisational structures and measures aimed at allowing an effective recording, measurement, management and control of tax risk. The TCF is operational in Italy (FY 2021), France (FY 2023) and Germany (FY 2024).

CLIMATE CHANGE RISK MANAGEMENT

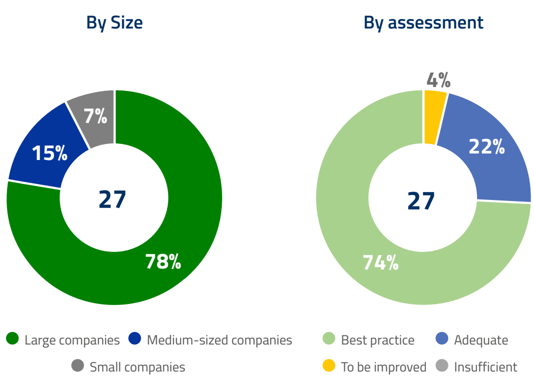
In the new 100% Renewables organisation, we have updated our risk assessment in the area of climate change, assessing the severity of the main 'physical events' with respect to our Wind & Solar assets, outlined below.



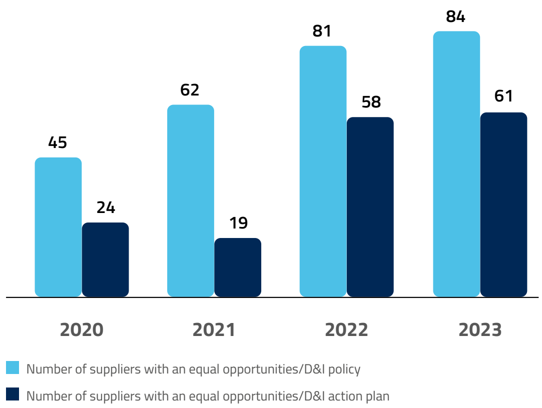
ALIGNMENT OF THE SUPPLY CHAIN WITH OUR ESG OBJECTIVES: CARBON FOOTPRINT AND D&I

In line with the objectives of the ESG Plan, we monitor the carbon footprint and D&I in the supply chain assessment. The 2023 results are shown below:

MEASURING THE CARBON FOOTPRINT



DIVERSITY & INCLUSION MEASUREMENT



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Consolidated Financial Statements

INCOME STATEMENT (1) (2)

(EUR thousand)	Notes	2023	2022
Revenue	1	740,940	713,840
Other income	2	26,209	12,678
Purchases	3	(14,299)	(15,188)
Services and other operating costs	4	(171,026)	(157,092)
Personnel expense	5	(52,782)	(54,808)
GROSS OPERATING PROFIT (EBITDA)		**529,041**	**499,430**
Amortisation of Intangible assets	20	(67,780)	(58,741)
Depreciation of property, plant and equipment and right-of-use assets	20	(157,079)	(176,689)
Reversals of impairment losses (impairment losses)	20	-	(43,185)
OPERATING PROFIT (EBIT)		**304,183**	**220,814**
Financial income	36	197,783	75,622
Financial expense	36	(217,220)	(112,195)
Net financial income (expense)		**(19,437)**	**(36,573)**
Other net gains (losses) on equity investments	23	5,390	2,294
Net gains (losses) on equity investments		**5,390**	**2,294**
PROFIT (LOSS) BEFORE TAXES		**290,137**	**186,535**
Income taxes	40	(74,063)	(97,569)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**216,074**	**88,966**
Net profit (loss) from discontinued operations	43	(35,577)	294,131
NET PROFIT (LOSS) FOR THE YEAR		**180,497**	**383,098**
Non-controlling interests	29	1,829	4,158
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**178,668**	**378,939**

(EUR)	2023	2022
Basic and diluted earnings per share (3)	1.447	0.595
Basic and diluted earnings per share att. to the owners of the parent (3)	1.197	2.534
Earnings per share from discontinued operations (3)	-0.238	1.967

(1) The notes commenting on individual items are an integral part of these Consolidated Financial Statement.

(2) The 2023 and 2022 figures have been reported in accordance with IFRS 5 with reference to the already completed sale of the Thermoelectric Business. It should be noted that in the comparative figures for 2022, the line "Net profit (loss) from discontinued operations" also includes the capital gain deriving from the sale of the hydroelectric business in application of IFRS 5. See **Section VII Discontinued operations**.

(3) Calculated on the basis of the average number of outstanding shares for the year of 149,292,110, (149,537,920 in the comparative year).).

STATEMENT OF COMPREHENSIVE INCOME[1]

(EUR thousand)	Notes	2023	2022
Net profit (loss) for the year		**180,497**	**383,098**
Changes that will not be reclassified to profit or loss			
Actuarial gains (losses)		78	163
Related tax		(22)	(46)
	13	**56**	**118**
Changes that will be reclassified to profit or loss			
Cash flow hedges – effective portion of the fair value change		136,573	360,828
Related tax		(39,470)	(108,249)
	28	**97,104**	**252,580**
Foreign operations – Exchange differences		25,318	(21,260)
Related tax		(4,805)	4,035
	28	**20,512**	**(17,225)**
Other comprehensive income net of the tax effect		**117,672**	**235,473**
Comprehensive income for the year		**298,169**	**618,570**
Comprehensive income for the year of non-controlling interests		1,829	4,158
Comprehensive income for the year attributable to the owners of the parent		**296,340**	**614,412**

(1) The notes commenting on individual items are an integral part of these Consolidated Financial Statements.

STATEMENT OF FINANCIAL POSITION [1]

(EUR thousand)	Notes	31/12/2023	31/12/2022
ASSETS			
Authorisations and Concessions	14	975,056	956,240
Other intangible assets	15	15,811	15,425
Goodwill	16	412,505	408,045
Property, plant and equipment	17	2,402,743	2,120,073
Right-of-use assets	18	165,923	154,311
Equity investments recognised according to the cost method	22	2,633	1,688
Financial assets measured at fair value	31	34,115	33,225
Other non-current financial assets	24	48,014	38,792
Deferred tax assets	42	41,397	138,242
Other non-current assets	10	45,244	53,530
Non-current assets		**4,143,440**	**3,919,570**
Inventories	7	20,019	17,603
Trade receivables	6	157,895	202,465
Other current assets	9	87,161	82,147
Current tax assets	41	34,721	32,998
Financial assets measured at fair value	31	46,796	141,568
Other current financial assets	32	241,696	211,136
Cash and cash equivalents	30	467,568	392,811
Current assets		**1,055,855**	**1,080,729**
Discontinued operations		**-**	**226,086**
TOTAL ASSETS		**5,199,295**	**5,226,385**
EQUITY			
Share capital	28	15,032	15,032
Other reserves	28	1,639,225	1,213,351
Retained earnings	28	300,108	438,028
Profit for the year	28	178,668	378,939
Equity attributable to the owners of the parent		**2,133,033**	**2,045,350**
Non-controlling interests	29	**6,664**	**9,332**
TOTAL EQUITY		**2,139,697**	**2,054,682**
LIABILITIES			
Employee benefits	13	3,543	3,723
Deferred tax liabilities	42	191,961	197,262
Provision for disposed businesses	25	84,581	84,691
Provisions for dismantling expenses	19	78,830	92,613
Other non-current provisions	26	36,601	24,401
Financial liabilities measured at fair value	35	5,830	-
Non-current financial liabilities	33	2,016,094	1,751,255
Non-current lease liabilities	34	165,687	150,955
Other non-current liabilities	12	44,634	30,989
Non-current liabilities		**2,627,761**	**2,335,888**
Other current provisions	26	36,935	38,730
Trade payables	8	122,038	123,002
Financial liabilities measured at fair value	35	5,908	76,644
Current financial liabilities	33	186,154	389,716
Current lease liabilities	34	6,353	6,362
Other current liabilities	11	34,233	59,628
Current tax liabilities	41	40,216	52,311
Current liabilities		**431,837**	**746,394**
Liabilities associated with discontinued operations		**-**	**89,421**
TOTAL LIABILITIES		**3,059,598**	**3,171,703**
TOTAL EQUITY AND LIABILITIES		**5,199,295**	**5,226,385**

(1) The notes commenting on individual items are an integral part of these Consolidated Financial Statements.

STATEMENT OF CASH FLOWS (1) (2)

(EUR thousand)	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		180,497	383,098
- Amortisation, depreciation and impairment of non-current assets	20	224,858	278,615
- Increase in other provisions	19-25-26	13,285	38,978
- Decrease in other provisions	19-25-26	(15,491)	(18,025)
- Impairment of current assets	6	(8,799)	-
- Gains (losses) on equity investments	23	(5,391)	(2,294)
- Changes to post-employment benefits	13	(180)	66
Financial expense	36	19,437	36,577
Income taxes	40-41	74,063	97,569
Other changes in non-monetary items	28	30,112	4,717
		512,391	**819,300**
- Change in other current assets and liabilities:			
- Change in inventories	7	(2,316)	(679)
- Change in trade receivables	6	53,370	100,772
- Change in trade payables	8	(4,657)	(89,153)
- Net change in other assets/liabilities	9-10-11-12	(6,199)	1,623
- Change in fair value of hedging derivatives on commodities with monetary recognition	37-38	152,916	(34,549)
Tax payment	40-41	(25,514)	(91,854)
		167,599	**(113,840)**
CASH FLOWS FROM CONTINUING OPERATIONS (A)		**679,991**	**705,460**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS	43	*202,534*	*(43,594)*
CASH FLOWS FROM OPERATING ACTIVITIES		**882,524**	**661,866**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of intangible assets	14-15	(5,683)	(4,120)
Acquisition of property, plant and equipment	17	(300,091)	(308,077)
Acquisitions of equity investments and other non-current financial assets	24	-	(929)
Net change in other increases/decreases in non-current assets	14-15-16-18	3,011	(40,846)
Net change in equity investment consolidation method	22	126	2,417
Collection from disposal of equity investments for price adjustment clauses	23	5,549	-
Proceeds from discontinued operations	44	92,857	1,093,438
Disposals of equity investments and other non-current financial assets	24-31	5,644	(38,092)
Change in other current financial assets	31-32	(30,510)	257,149
Change in the Consolidation Scope due to business combination	44	(84,697)	(392,232)
Change in the Consolidation Scope due to acquisition of assets		-	(23,467)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES OF CONTINUING OPERATIONS (B)		**(313,795)**	**545,241**
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES OF DISCONTINUED OPERATIONS	43	*(2,749)*	*102,742*
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(316,544)**	**647,983**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in non-current loans	33	330,000	-
Decrease in non-current loans	33	(250,000)	(350,218)
Net change in current bank loans and borrowings	33	84,496	(1,000,134)
Changes in other current financial liabilities	33	(30,079)	(184,708)
Net interest paid	36	(9,438)	(29,146)
Early closure of loans	33	(187,225)	(2,900)
Dividends to shareholders	28-29	(154,034)	(139,050)
Share buy-back	28-29	(61,362)	-
Decrease in lease liabilities	34	(13,796)	(12,085)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES OF CONTINUING OPERATIONS (C):		**(291,439)**	**(1,718,241)**
CASH FLOWS USED IN FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS	43	*(199,784)*	*(69,146)*
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(491,223)**	**(1,787,388)**
NET CASH FLOWS FOR THE YEAR (A+B+C)		**74,757**	**(467,540)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**392,811**	**860,352**
NET CASH FLOWS FOR THE YEAR		74,757	(467,540)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**467,568**	**392,811**

(1) The notes commenting on individual items are an integral part of these Consolidated Financial Statements

(2) The figures are presented net of the cash flows generated by the "Discontinued operations". The cash flows generated by "Discontinued operations" are indicated separately for the cash flows deriving from Operating, Investing and Financing activities, respectively. The flows of "Continuing operations" are obtained by adding together the above items.

STATEMENT OF CHANGES IN EQUITY (1)

(EUR thousand)	Notes	Share capital	Hedging reserve	Translation reserve	Treasury shares in portfolio	Other reserves	Profit (loss) for the year	Equity attributable to the owners of the parent	Non-controlling interests	Total equity
BALANCE AT 31/12/2021		15,032	(307,973)	(11,424)	(5,378)	1,695,825	172,897	1,558,983	9,639	1,568,622
Allocation of prior year profit		-	-	-	-	172,897	(172,897)	-	-	-
Share-based payments with equity-linked instruments		-	-	-	-	6,798	-	6,798	-	6,798
Distribution of dividends and reserves		-	-	-	-	(134,584)	-	(134,584)	(4,466)	(139,050)
Other changes		-	-	-	-	(259)	-	(259)	-	(259)
								-		
Net profit (loss) for the year		-	-	-	-	-	*378,939*	*378,939*	*4,158*	*383,098*
Other comprehensive income (expense)		-	*252,580*	*(17,225)*	-	*118*	-	*235,473*	-	*235,473*
Comprehensive income (expense)		**-**	**252,580**	**(17,225)**	**-**	**118**	**378,939**	**614,412**	**4,158**	**618,570**
BALANCE AT 31/12/2022	28	15,032	(55,393)	(28,649)	(5,378)	1,740,795	378,939	2,045,350	9,332	2,054,682
Allocation of prior year profit		-	-	-	-	378,939	(378,939)	-	-	-
Share-based payments with equity-linked instruments	28	-	-	-	-	2,678	-	2,678	-	2,678
Share buy-back	28	-	-	-	(61,362)	-	-	(61,362)	-	(61,362)
Distribution of dividends	28-29	-	-	-	-	(149,538)	-	(149,538)	(4,496)	(154,034)
Other changes		-	-	-	-	(435)	-	(435)	-	(435)
								-		
Net profit (loss) for the year	28-29	-	-	-	-	-	178,668	178,668	1,829	180,497
Other comprehensive income (expense)	28	-	97,104	20,512	-	56	-	117,672	-	117,672
Comprehensive income (expense)		-	97,104	20,512	-	56	178,668	296,340	1,829	298,169
BALANCE AT 31/12/2023	28	15,032	41,711	(8,136)	(66,740)	1,972,496	178,668	2,133,033	6,664	2,139,697

(1) The notes commenting on individual items are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. INTRODUCTION

ERG S.p.A. is the entity that prepares the cosolidated financial statements and has its registered office in via De Marini 1 (WTC Tower), Genoa, Italy.

The Consolidated Financial Statements at 31 December 2023 comprise the financial statements of ERG S.p.A. and of its subsidiaries (together, "ERG" or "ERG Group"). The ERG Group's core business is the generation of electricity from renewable sources, wind and solar in Italy, France, Germany, Spain, the United Kingdom, Poland, Romania, Bulgaria and Sweden. The publication of these Consolidated Financial Statements was authorised by the Board of Directors on 12 March 2024. The Shareholders' Meeting called to approve the Consolidated Financial Statements is entitled to request changes to them.

BASIS FOR PREPARATION

Unless indicated otherwise, these Consolidated Financial Statements are expressed in thousands of Euro (functional currency of the parent ERG S.p.A. and its reporting currency), and were prepared:

- in compliance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as well as in compliance with the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38 of 28 February 2005;
- on a going concern basis and therefore assuming that the Group will be able to meet the mandatory repayment conditions of the credit facilities granted by the banks and the bond issues as indicated in **Note 33 – Current and non-current financial liabilities**.

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

These Consolidated Financial Statements were audited by the independent auditors KPMG S.p.A. in accordance with the statutory audit engagement for the years from 2018 to 2026, conferred upon it pursuant to Italian Legislative Decree no. 39/2010 by the Shareholders in their meeting of 23 April 2018.

The relevant accounting standards and measurement criteria are presented in each note to which they refer.

Changes in the application of the accounting standards, where relevant, are described in the following paragraphs.

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These Financial Statements consist of:

- the **primary financial statements**, with the following characteristics:
  - the Consolidated **Statement of Financial Position** shows the assets and liabilities according to their maturity, separating current and non-current items. Current assets are those held to be realised, sold or consumed in the normal operating cycle of the Group or in the 12 months after year-end; current liabilities are those expected to be extinguished within the normal operating cycle of the Group or in the 12 months after year-end;
  - the **Income Statement** includes an analysis of the items by nature, which is deemed more representative than presenting them by function. The form chosen is in fact consistent with internal reporting and management procedures;
  - the **Statement of Comprehensive Income** shows mainly the profit or loss items recognised through other comprehensive income;
  - the structure of the **Statement of Cash Flows** is based on the indirect method, with the indication of the cash flows from operating, investing and financing activities;
  - the **Statement of Changes in Equity** is prepared in accordance with the provisions of IAS 1 and shows separately the flows relating to the components of the reserve for other components of comprehensive income;
- the **Notes to the Consolidated Financial Statements.**

Furthermore, as required by CONSOB resolution no. 15519 dated 27 July 2006 in **Note 45 – Non-recurring items**, significant income and expense arising from non-recurring transactions or events that do not occur frequently in the ordinary course of business are presented separately in the income statement. Also pursuant to the aforementioned CONSOB resolution, the amounts related to the positions and transactions with related parties, which are, however, not considered significant for these Consolidated Financial Statements, are indicated separately in **Note 46 – Related parties**.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Relevant information on the accounting standards adopted and recognition and measurement criteria

Preparation of the financial statements and notes to the financial statements pursuant to IFRS requires ERG to make estimates and assumptions that affect the carrying values of the assets, liabilities, costs and revenue recognised in the Consolidated Financial Statements and disclosures relating to contingent assets and liabilities. In the financial statements, accounting estimates refer to monetary amounts that are recognised but come with certain uncertainties in their measurement. Available information and subjective evaluations were used to obtain these estimates.

By their very nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that, in subsequent years, the current carrying amounts may differ as a result of the change in the subjective assessments used.

With regard to the sale of the Thermoelectric business and the regulatory measures to limit energy price increases, please refer to the following paragraph.

Financial Statement Area	Description of the accounting estimates and assumptions
Impairment testing of goodwill, authorisations and concessions, other intangible assets, property, plant and equipment and right-of-use assets	The main assumptions for determining the recoverable amounts concern, in particular: • the identification of expected energy and gas prices; • the assessment of the availability of renewable resources, changes to the regulatory framework; • the identification of macroeconomic variables such as inflation and discount rates, also linked to the current climate of geopolitical uncertainty; • the assessment of possible impacts of climate change. For further details, please refer to **Note 21 – Impairment testing**.
Definition of the useful life of Authorisations and concessions, other intangible assets, property, plant and equipment and the related amortisation and depreciation	Authorisations and concessions are amortised on the basis of their residual duration. Other intangible assets are amortised over a maximum period of 5 years. The useful life of property, plant and equipment is reviewed annually and adjusted where the most recent estimate differs from the previous ones. Any changes in estimates relating to useful life are recognised prospectively. If an item of property, plant and equipment comprises various parts having different useful lives, these parts are recognised separately (significant components). See section **III. Investing Activities** for more details. During the year, the Group changed its estimate of the useful lives of certain wind farms in Europe in order to align with more recent estimates made in Italy on similar farms, also validated by external professionals and experts, so as to reflect in the financial statements the updated expectations of operation and utilisation of these plants. The amendment has an effect on the current year and in future years, in compliance with the provisions of IAS 8 Accounting standards, changes in accounting estimates and errors. See **Note 20 – Amortisation, depreciation and impairment losses**.
Recoverability of deferred tax assets	These are recognised on the basis of the Group's future taxable profits as forecast by business plans as well as of the expected settlement and renewal of tax consolidation agreements (**Note 42 – Deferred taxes**).
Measurement of provisions and contingent liabilities related to civil, administrative and tax proceedings	The measurement processes are based on complex elements that by their nature imply reliance on the Directors' judgement, also taking into account the elements acquired by external consultants, and involve both determining the degree of likelihood of the occurrence of conditions that may entail a cash outlay and hence classification among liabilities or among contingent liabilities, and quantifying the related amount. See section **IV. Provisions and Contingent Liabilities**. In particular, with reference to the Provision for Disposed Businesses the most complex elements and uncertainties are connected with the process and with the measurement procedures related to the risks tied mainly to events dating back in time and pertaining to environmental, legal and tax matters tied to the divested "Oil" businesses of Coastal Refining and integrated Downstream (**Note 25 – Provision for Disposed Businesses**).
Determination of loss allowances and impairment of other assets	Trade receivables and other receivables and assets deriving from contracts with customers are subject to impairment testing in accordance with the provisions of IFRS 9 on expected credit losses. Expected credit losses (ECL) are an estimate of losses weighted on the basis of the probability of default of the counterparty. See **Note 6 – Trade receivables**.

Financial Statement Area	Description of the accounting estimates and assumptions
Fair value measurements	Some standards and disclosure obligations require the Group to measure the fair value of financial and non-financial assets and liabilities. The Group has its own structure of appraisers, responsible in general for all significant fair value measurements, including Level 3 measurements (if present). Non-observable input data and valuation adjustments are subjected to regular reappraisal. When information provided by third parties, such as broker quotes or pricing services, is used to determine fair value, the team of appraisers assesses and documents the evidence obtained from third parties to support the fact that such measurements comply with the provisions of EU-endorsed IFRS, including the level of fair value hierarchy in which the related measurement has to be classified. The significant aspects relating to the measurement are communicated to the Control and Risk Committee of the Group. See also section **V. Financing activities**.
Business Combinations	Fair value measurement of the consideration transferred (including the contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis if the initial accounting for the business combination is still provisional at the Reporting Date.
Determination of the discount rate of financial liabilities and valuation of the renewal options for right-of-use assets	The borrowing rate used is the incremental borrowing rate, determined as the sum of the Group's credit spread and the forward curve based on Euro area swap rates. In relation to the renewal options, the Group estimated the term of the related lease agreements taking into account the reasonable certainty that the option will be exercised. See also **Note 18 – Right-of-use assets**.

Sale of the Thermoelectric Business

Starting in the 2021 financial year, the Group had initiated a competitive process aimed at divesting the thermoelectric business, as part of a broader asset rotation process aimed at achieving a business model focused entirely on wind and solar power generation. On 29 June 2023, the Group signed an agreement with Achernar Assets AG, a Swiss investment holding, for the sale of the entire quota capital of ERG Power S.r.l. The transaction closed on 17 October 2023. Included in the scope of the sale were 144 people dedicated to ensuring the operation of the thermal power plant.

In consideration of the above, for the purposes of these Consolidated Financial Statements, the classification of the related results up to the date of loss of control (date of Closing) has been maintained in the line "**Net profit (loss) from discontinued operations**".

For further details, please refer to section **VII. Discontinued operations**.

Regulatory measures to curb energy price increases (Clawback Measures and Windfall Tax)

During 2022, measures were introduced in Italy and abroad to contain the effects of price increases in the electricity sector, as described in more detail in the Directors' Report.

The application of these measures also had effects in 2023, resulting in refunds for a negative impact in 2023 of approximately EUR 12 million on the net result from continuing operations (EUR 35 million in 2022).

The breakdown by country of the impacts of the aforementioned measures for the Group in financial years 2023 and 2022 is provided below.

(EUR million)

Country	Sostegni-Ter (Art. 15 bis Italian Decree Law no. 4/2022)	Windfall taxes/Price Cap Europe	Total 2023	Accounting
Italy	0	-	0	Note 1 – Revenue
France	-	6	6	Note 1 – Revenue
Poland	-	4	4	Note 1 – Revenue
Bulgaria	-	1	1	Note 1 – Revenue
Spain	-	0	0	Note 1 – Revenue
Total	**0**	**12**	**12**	

(EUR million)

Country	Surplus profits contribution (Italian Decree Law of 21 March 2022)	Temporary solidarity contribution (Italian Law no. 197 of 29 December 2022)	Sostegni-Ter (Art. 15 bis Italian Decree Law no. 4/2022)	Windfall taxes/Price Cap Europe	Total 2022	Accounting
Italy*	37	19	-	-	56	Note 40 – Income taxes
Italy	-	-	7	-	7	Note 1 – Revenue
France	-	-	-	7	7	Note 1 – Revenue
Germany	-	-	-	2	2	Note 1 – Revenue
Romania	-	-	-	15	15	Note 1 – Revenue
Poland	-	-	-	1	1	Note 1 – Revenue
Bulgaria	-	-	-	2	2	Note 1 – Revenue
Total	**37**	**19**	**7**	**28**	**91**	

* The amount does not include approximately EUR 4 million of surplus profits relating to the thermoelectric business.

For 2023 financial year, reference is made in particular to the Price cap regulations in France, Poland, Bulgaria and Spain.

It should be noted that the 2022 financial year included clawback measures and windfall taxes of EUR 91 million[1], deriving from the Italian Decree Law of 21 March 2022 (EUR 37 million) and the Temporary solidarity contribution (EUR 19 million) introduced by the 2023 Budget Law (Italian Law 197 of 29 December 2022), as well as the net tax effect of the windfall tax in Romania (EUR 15 million) and the Price cap regulations in Italy (EUR 7 million) and in other European countries (EUR 13 million).

Climate Change Risk

Climate change risk is the possibility that climate changes in the short, medium and long term may have impacts on ERG's business with operational and economic/financial consequences in terms of, among other things: decreased availability of renewable resources (wind and sun); limitations or impediments to operations, increased Operation & Maintenance costs, increased insurance costs, higher compliance costs, etc. Based on the latest report from the Intergovernmental Panel on Climate Change (IPCC) on climate change, it is confirmed that global temperatures are rising and there is a noticeable trend in variations of windiness, with an increase in extreme events. However, the

1 EUR 83 million net of the tax effect.

assessment of climate change damages is characterised by high uncertainty due to: (i) the difficulty in accurately predicting the future effects of climate change, both in terms of magnitude and geographical distribution, and (ii) the difficulty in assessing the possible vulnerabilities and/or resilience of the sectors analysed.

The European Commission has proposed the "Repower EU" plan to accelerate the clean energy transition and diversify energy sources. The main measures include increasing renewable energy targets and simplifying authorisation procedures.

According to the Group's approach, the risks generated by Climate Change can mainly be attributed to the following:

- Change in the contributions from renewable sources (wind and sun) which may have impacts on ERG's business with economic-financial consequences in the medium/long term deriving from possible lower output. In compliance with the guidelines of the ESMA Public statement – European common enforcement priorities for 2023 annual financial reports (document ESMA32-193237008-1793 of 25 October 2023), Climate Change considerations, with impacts deemed not relevant in any case, are reflected in the medium-term (Market Plan) and long-term (impairment test) Business Plans[2].
- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural events that could cause damage to generation plants, impacting Business Continuity. The "acute" phenomena category includes risks characterised by a remote probability of occurrence but a potentially catastrophic impact, including: fires; earthquakes, volcanic phenomena, hurricanes, tsunamis/floods; while the increase in average temperature, rise in sea level, reduction in rainfall fall into the category of "chronic" events. As above, in line with document ESMA32-193237008-1793 of 25 October 2023, climate change considerations in particular have been reflected in the medium-term (Market Plan) and long-term (impairment test) Business Plans[2].
- Regulatory and market changes referring in particular to any changes in subsidies and incentives, change in the regulatory framework, uncertainty in the demand for electricity, increased competitive pressure.

ERG's risk management strategy focuses, in particular, on the technological and geographical diversification of renewable energy sources, also by leveraging local synergies. The Group also uses weather forecasting tools and statistical models to mitigate the impacts of Climate Change. The Group is therefore committed to contributing to the fight against climate change by investing in zero-emission technologies, such as wind and solar, to align with the European and United Nations objectives on renewable energy.

For more details on the Group's approach to the types of risks generated by Climate Change and the strategy for managing these risks, please refer to the **Directors' Report** and ERG's Consolidated Non-Financial Statement prepared pursuant to Italian Legislative Decree 254/2016 (NFS 2023).

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2 ERG conducted an internal study in 2023 to quantitatively assess how climate change can affect the annual output of assets, in particular wind power. The analysis shows that in general the risks of a decrease in average wind speed, with particular reference to a medium-term horizon (10-15 years) are relatively low. Based on historical/statistical analyses of the percentage change in wind speed, low fluctuations in energy production can be expected, which can have both a positive (increasing output) and negative (reducing output) impact. However, fluctuations of this magnitude in the wind resource are already factored into the time series underlying the output estimates reflected in the business plans. With reference to solar assets, the change in irradiation for the group's solar plants during 2024 will be analysed in depth.

BASIS OF CONSOLIDATION AND CHANGES IN SCOPE OF CONSOLIDATION

Relevant information on the accounting standards adopted and recognition and measurement criteria

Consolidation criteria and methods[3]

Subsidiaries are consolidated on a line-by-line basis if, and only if, the Group has control, i.e.:

- *power over the investee;*
- *exposure, or rights, to variable returns deriving from the relationship with the investee;*
- *ability to exercise its power over the investee to affect the amount of its returns.*

*When assessing control, IFRS 10 requires judgement and continuous assessment. For details on when the equity interest does not imply de facto control, please refer to **Note 47 – List of Group companies and transactions during the year**.*

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the time the parent starts exercising control until the date on which control ceases.

Associates over which the Group exercises a significant influence and joint ventures (generally corresponding to an equity investment of between 20% and 50%) are accounted for using the equity method.

*For the purposes of the disclosure of the nature, extent and financial effects of the Group's interests in subsidiaries, please refer to **Note 47 – List of Group companies and transactions during the period** and **Note 29 – Non-controlling interests**.*

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

The Group's functional currency is the Euro. The financial statements of subsidiaries expressed in currencies other than the Euro are converted according to the following methods:

- *the assets and liabilities, including goodwill and adjustments to fair value deriving from the acquisition, are translated into Euro using the closing rates.*
- *the revenue and costs of foreign operations in the income statement and in the statement of comprehensive income are converted into Euro using the average rate for the year.*

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

The exchange rates used for the translation and the consolidation of financial statements in currencies other than the Euro are as follows:

exchange rate: foreign currency/EUR	Currency	Statement of financial position (1)	Income Statement (2)
Poland	Polish Zloty	4.340	4.542
Romania	RON - Romanian Leu	4.976	4.947
UK	GBP - British Pound	0.869	0.870
Bulgaria	BGN - Bulgarian LEV	1.956	1.956
Sweden	SEK - Swedish Krona	11.100	11.480

(1) Exchange rate at 31 December 2023.
(2) Average exchange rate of 2023.

*With regard to the Relevant information on the accounting standards adopted and the recognition and measurement criteria for discontinued operations in accordance with IFRS 5, please refer to **Note 43 – Net profit (loss) from discontinued operations**.*

Changes in relevant accounting standards: Global minimum top-up tax

The Organisation for Economic Co-operation and Development (OECD), in accordance with the Pillar 2, has introduced a global minimum tax that applies to multinational enterprise groups with annual revenue of EUR 750 million or more from consolidated financial statements in at least two of the four financial years immediately preceding the relevant financial year. It should be noted that the Group exceeded this threshold.

It should be noted that, for global minimum tax purposes, if a jurisdiction in which the multinational enterprise group operates enacts or substantially enacts changes to its tax law, the entire group may be affected regardless of whether a similar tax law has been enacted or substantially enacted in the parent jurisdiction. Therefore, the parent must monitor the progress of the legislative procedure in each jurisdiction in which it operates to determine if and when it may be impacted by the global minimum tax.

The Group has adopted the document "International tax reform – Pillar 2 Model Rules (Amendments to IAS 12)" published on 23 May 2023, which introduced a requirement to provide new disclosures with respect to current tax expense (income) related to Pillar 2 income taxes and a temporary exception to the recognition and disclosure of deferred tax information with respect to the global minimum tax. These amendments entered into force immediately.

The exception provided for by IAS 12 applies retroactively. However, since at 31 December 2022, no jurisdiction in which

3 The consolidation criteria and methods specifically referring to the thermoelectric asset are not reported here as these assets have been classified under Discontinued operations.

the Group operates had enacted or substantially enacted new tax legislation to introduce the global minimum tax, retroactive application has no effect on the Group's consolidated financial statements. With regard to prospective application, please refer to ***Note 40 – Income taxes****.*

The following is a summary of the changes in the scope of consolidation, which occurred in the year 2023, relating to the Solar Spain business:

- on 23 June 2023 ERG, through its subsidiary ERG Hamburg Holding GmbH, completed the acquisition from IBV Solar Parks, B.V. – a company in the German group ib vogt GmbH – of 100% of **Garnacha Solar S.L.U.**, a company that owns a photovoltaic system located in the region of Castilla and León, in the north-west of Spain. The system has an installed capacity of 149 MWp and became operational in the fourth quarter of 2023.
- on 30 June 2023 ERG, through its subsidiary ERG Spain Holdco S.L.U., completed the acquisition from Renertia Gestion Solar II, S.C.R.-PYME S.A., a company linked to Renertia Investment Company, of 100% of the share capital of Instalación Fotovoltaica Arericsol VIII, S.L.U., a company that owns a photovoltaic system located in **Fregenal** de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MWp. The Fregenal system, built during 2022, went into operation in July 2023 and will have an estimated total annual output of around 50 GWh.

The following table summarises the impacts related to the consolidation on an line-by-line basis of the companies acquired in the year:

(EUR thousand)	Garnacha	Fregenal	TOTAL
Authorisations and Concessions	67,345	14,683	82,028
Goodwill	2,771	1,608	4,379
Property, plant and equipment	104,246	18,994	123,240
Right-of-use assets	14,995	2,468	17,463
Other non-current financial assets	15,937	-	15,937
Deferred tax assets	825	-	825
Non-current assets	**206,118**	**37,754**	**243,872**
Inventories	-	100	100
Other current assets	1,059	404	1,463
Financial assets measured at fair value*	1,751	-	1,751
Cash and cash equivalents*	(49,357)	(12,413)	(61,771)
Current assets	**(46,548)**	**(11,909)**	**(58,457)**
TOTAL ASSETS	**159,571**	**25,845**	**185,415**
Deferred tax liabilities	17,294	3,671	20,965
Provisions for dismantling expenses	2,704	581	3,285
Other non-current provisions	12,500	-	12,500
Non-current financial liabilities*	75,370	-	75,370
Non-current lease liabilities*	14,995	2,468	17,463
Other non-current liabilities	3,300	54	3,354
Non-current liabilities	**126,163**	**6,774**	**132,936**
Trade payables	3,692	-	3,692
Current financial liabilities*	28,956	19,071	48,027
Current tax liabilities	759	-	759
Current liabilities	**33,407**	**19,071**	**52,478**
TOTAL EQUITY AND LIABILITIES	**159,570**	**25,845**	**185,415**
***Impact on Net Financial Indebtedness (a)**	**(166,927)**	**(33,953)**	**(200,880)**
IFRS 16 impact on Net financial Indebtedness (b)	*(14,995)*	*(2,468)*	*(17,463)*
Impact on Net Financial Indebtedness Directors' Report c = (a-b)	**(151,932)**	**(31,485)**	**(183,417)**

The table above provides a breakdown of the assets acquired and the liabilities assumed inclusive of the impacts of the adoption of IFRS 16.

* The impact on the Net Financial Indebtedness relates to the following items: cash and cash equivalents (which includes the consideration paid for the acquisition), financial assets measured at fair value, non-current financial liabilities, non-current lease liabilities and current financial liabilities.

For further details on business combinations, please refer to **Note 44 – Business combinations and asset acquisition** in section **VIII. Other Notes**.

Lastly, it should be noted that on 17 October 2023, ERG finalised the closing with Achernar Assets AG for the sale of the entire quota capital of ERG Power S.r.l. in line with what was communicated on 29 June 2023, following the conditions precedent set forth in the sale agreement, including the completion of the golden power procedure at the Italian Presidency of the Council of Ministers.

II. OPERATIONAL MANAGEMENT

This section discusses the items in the Consolidated Financial Statements strictly related to the operating and current management of the Group's assets as well as the reporting by operating segment. In particular, it discusses the income statement items that make up the gross operating profit or loss and the statement of financial position items relating to the operating working capital as well as other assets and liabilities.

Please note that the balance sheet and income statement figures relating to the thermoelectric business, which was sold on 17 October 2023, have been reported in accordance with IFRS 5. For further details, please refer to Section **VII – Discontinued operations**.

REPORTING BY OPERATING SEGMENT

Relevant information on the accounting standards adopted and recognition and measurement criteria

Following the previously mentioned Asset Rotation process, starting from 2022, the operating results are presented and commented on with reference to the various geographical segments in which the Group operates, in line with the new internal methods for measuring the Group's results, and in line with the 2022-2026 Business Plan approved by the Board of Directors on 14 March 2022, aimed at reinvesting the resources deriving from divestments and the growth strategy in Wind and Solar through a policy of geographical and technological diversification.

It should be noted that the results, shown by geographical segment as from 2022, 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 business by geographic segment and, secondarily, by technology, the wind and solar results include the hedging carried out in respect of renewables.

The operating segments identified pursuant to IFRS 8 therefore coincide with the various geographical areas in which the Group operates: Italy, France, Germany, Eastern European countries, UK & Nordics (United Kingdom and Sweden) and Spain.

This information structure corresponds to the reporting structure periodically analysed by the Management and the Board of Directors of the Parent for the purposes of monitoring and managing business performance. The tables below show information by geographical segment on the results indicated in the financial statements.

*With reference to Italy, and the completed thermoelectric sector divestiture process, the relevant results have been reclassified as "Discontinued operations", and therefore the summary income statement and statement of financial position data of this divested operating segment have not been reported in the segment reporting below. For more information, refer to **Note 43 – Net profit (loss) from discontinued operations**.*

*It is noted that in the **Directors' Report**, in order to facilitate an understanding of the operating segments' performance, the operating results are also shown with the exclusion of significant special income components of an exceptional nature (non-recurring items, reclassifications and other): these results are indicated with the term "adjusted".*

*For more information on the operating segment performance and the measurement and reconciliation of adjusted results and other alternative performance indicators, please refer to the **Directors' Report** and to **Note 45 – Non-recurring items**.*

Gross operating profit (loss) and Operating profit (loss)

Gross operating profit (loss) and operating profit (loss) are determined by the operating activities of the Group that generate continuing revenue and by the other income and costs related to the operating activities. Gross operating profit (loss) does not include net financial income and expense, gains and losses on equity investments, income taxes, amortisation, depreciation, reversals of impairment losses and impairment losses on:

- *Authorisations and concessions;*
- *Other intangible assets;*
- *Property, plant and equipment;*
- *Right-of-use assets.*

Operating profit (loss) is equal to the gross operating profit (loss) less amortisation, depreciation, reversals and impairment losses recognised on authorisations and concessions, other intangible assets, property, plant and equipment and right-of-use assets.

*Net Invested Capital is the algebraic sum of Fixed Assets, Net Operating Working Capital, Post-employment benefits, Other Assets and Other Liabilities, as better defined in the **Directors' Report**.*

Reporting by geographical segment

2023

(EUR million)	TOTAL	of which Italy	France	Germany	East Europe	UK & Nordics	Spain
Revenue	741	374	124	89	73	54	27
Gross operating profit (loss) (EBITDA)	529	274	81	67	49	38	20
Amortisation, depreciation and impairment losses	(225)	(128)	(40)	(20)	(18)	(14)	(6)
Operating profit (EBIT)	304	146	41	47	31	25	14
Net invested capital	3,757	1,807	623	243	251	525	309
Capital expenditure in non-current assets	305	224	25	3	2	45	7

2022

(EUR million)	TOTAL	of which Italy	France	Germany	East Europe	UK & Nordics	Spain
Revenue	714	366	98	94	100	34	22
Gross operating profit (loss) (EBITDA)	499	254	58	73	72	24	18
Amortisation, depreciation and impairment losses	(279)	(178)	(47)	(29)	(16)	(5)	(4)
Operating profit (EBIT)	221	76	10	44	57	20	14
Net invested capital	3,510	1,760	625	279	263	484	100
Capital expenditure in non-current assets	307	117	11	1	20	159	-

REVENUE AND OPERATING MARGINS

NOTE 1 - REVENUE

Relevant information on the accounting standards adopted and recognition and measurement criteria

Revenue from contracts with customers is recognised in accordance with IFRS 15.

The main types of revenue of the Group that generate separate performance obligations, pursuant to IFRS 15, are:

1. *Revenue from the sale of commodities;*
   - *Sales of electricity on the electricity exchange;*
   - *Sales of electricity through Power Purchase Agreements (PPAs), including short-term;*
2. *Revenue for incentivising tariffs (feed-in tariff, auctions, feed-in premiums, etc.) on electricity;*
3. *Revenue for green certificates (foreign companies) and guarantees of origin.*

The Group stipulates commodity derivatives to manage the risk of volatility in the price of electricity. Revenue includes also income and expenses deriving from the reclassification of the hedging reserve relating to derivative instruments with the objective of hedging Power sales. For further details, please refer to ***Note 38 – Disclosure on financial risks****.*

As regards revenue for the ***feed-in premium****, with a duration between 10 and 20 years, this may be invoiced to the customer together with the electricity transferred, or applied separately by the Regulators to the company (in Italy typically by the GSE). These agreements are considered to be distinct performance obligations from the supply of energy and, in the event that they are billed together with the price for energy sold to the customer, the revenue from the customer excludes the feed-in premium portion. The feed-in premium performance obligation is fulfilled at a point in time (when the specific conditions agreed with the Regulator are met/reached: production of electricity from renewable sources), since none of the criteria for fulfilment over time has been met. However, in view of the fact that the electricity is produced and sold at essentially the same time, the accounting of revenue for the feed-in premium corresponds to that of the revenue for the sale of electricity.*

With particular reference to revenue generated through feed-in tariffs regulated by auctions and using a two-way incentive mechanism, under certain predefined conditions, these incentives could be structured as derivative financial instruments. It should be noted that, at the date of this Document, there are no types of two-way incentive mechanisms falling within the definition of derivative financial instrument (IFRS 9).

As regards ***revenue for certificates****, with a duration between 10 and 20 years, this derives from the fact that the Group has mainly renewable generation assets (wind and solar) for whose production the Regulators assign certificates to the Group. Certificates are therefore instruments to encourage the demand (Certificates of Origin) and supply (Green Certificates) of renewable energy.*

Green Certificates are essentially awarded for every MWh of electricity produced. A Guarantee of Origin (GO) is an electronic certificate attesting to the renewable origin of the sources used by IGO qualified plants, and for each MWh of renewable electricity fed into the network by IGO qualified plants, the GSE issues a "GO" certificate.

The Group considers the certificate to have been essentially assigned at the moment the renewable energy is produced, and revenue is recognised when the energy is produced.

The following information is also noted in relation to the disclosure requirements of IFRS 15:

- *there are no contracts with significant financing components;*
- *there are no contracts with variable fees;*
- *as a practical measure, the entity recognised the incremental costs to obtain the contract as expenditure in the moment in which they were incurred, since the period of depreciation of the assets that the entity would otherwise recognise does not exceed one year.*

It is noted that the Group, as leader in the generation of electricity from renewable sources and based on a strategic plan geared towards growth in installed capacity in Italy and abroad, regularly enters into medium/long-term supply contracts based on which the counterparty acquires, for a contractually predetermined period, the output of one or more identified farms. The ***Power Purchase Agreements*** *(PPAs) are long-term and characterised by a defined price and aim to guarantee a revenue structure with a medium/low level of risk and to ensure a stable return on the investments made to realise the aforementioned growth plan. The transfer of the energy may be physical or there may be provision for the exchange on the delivery date of a differential based on the price defined in the contract for a variable price, without the physical transfer of the underlying electricity (financial or virtual PPA, VPPA). VPPAs are accounted for in accordance with IFRS 9 without the application of the own use exemption; see* ***Note 37 – Financial Instruments*** *for more information.*

As previously mentioned, it should be noted that following the sale of the Thermoelectric Business, the relative contribution of the thermoelectric business until 17 October 2023 has continued to be shown in the line "Net profit (loss) from discontinued operations", in accordance with IFRS 5.

Finally, it should be noted that revenue is shown net of the effects of the transitional measures (clawback measures).

2023

(EUR thousand)	Italy	France	Germany	East Europe	UK & Nordics	Spain	Total
Revenue from sales							
Energy to the market	243,306	29,604	78,383	62,840	21,561	26,747	462,440
Incentive rate – Feed-in Tariff	80,092	81,434	10,931	-	-	-	172,457
Power Purchase Agreements	44,578	12,644	-	-	32,665	-	89,888
Renewable energy certificates abroad	-	-	-	9,929	-	-	9,929
Total Revenue from sales	**367,976**	**123,682**	**89,314**	**72,769**	**54,226**	**26,747**	**734,714**
Revenue from services							
Other – Services	6,226	-	-	-	-	-	6,226
Total Revenue from services	**6,226**	**-**	**-**	**-**	**-**	**-**	**6,226**
Total Revenue	**374,202**	**123,682**	**89,314**	**72,769**	**54,226**	**26,747**	**740,940**
of which Wind	285,660	114,515	89,314	72,769	54,226	-	616,484
of which Solar	88,542	9,167	-	-	-	26,747	124,456

2022

(EUR thousand)	Italy	France	Germany	East Europe	UK & Nordics	Spain	Total
Revenue from sales							
Energy to the market	174,220	11,614	841	86,000	4,688	21,713	299,075
Incentive rate – Feed-in Tariff	149,606	74,285	93,368	-	-	-	317,259
Power Purchase Agreements	29,229	11,072	-	-	29,278	-	69,579
Renewable energy certificates abroad	-	-	-	14,060	-	-	14,060
Total Revenue from sales	**353,055**	**96,970**	**94,210**	**100,060**	**33,966**	**21,713**	**699,973**
Revenue from services							
Other – Services	13,866	-	-	-	-	-	13,866
Total Revenue from services	**13,866**	**-**	**-**	**-**	**-**	**-**	**13,866**
Total Revenue	**366,921**	**96,970**	**94,210**	**100,060**	**33,966**	**21,713**	**713,840**
of which Wind	269,585	87,933	94,210	100,060	33,966	-	585,753
of which Solar	97,337	9,036	-	-	-	21,713	128,087

Revenue increased slightly compared to 2022 as a result of the full contribution from the acquisitions made in the second half of 2022, the entry into operation of the wind farms developed internally and the gradual start of operations in the second half of 2022 and early 2023, partly offset by lower market prices in all countries where the Group operates.

For further details regarding the prices and quantities sold, please refer to the comments in the **Directors' Report**.

Revenue from energy sales to the market includes the net positive impact of EUR 39 million (EUR 127 million negative in 2022) of derivatives hedging commodities. Please refer to **Note 38 – Disclosure on financial risks** for further details.

(EUR thousand)	2023	2022
Gains on electricity sale cash flow hedges	168,241	69,216
Losses on electricity sale cash flow hedges	(129,738)	(196,323)
Total revenue	**38,503**	**(127,107)**

The timeframe for the collection of receivables related to revenue depends on the type of revenue. Receivables for energy sold to the market have average realisation times of less than three months in all countries in which the Group operates, for contracts with end customers and for transport revenue the time-frame varies according to the counterparty.

As regards the timeframe for the distribution of incentives in Italy for the generic "m" month the payment, following publication of the report highlighting the incentives due for the month "m+1", takes place by the end of the "m+2" month. Finally, for solar companies, it is specified that the GSE pays the incentive tariffs in constant monthly instalments equal to 90% of the estimated average annual producibility of each plant, in the calendar year of production, and makes the adjustment, in relation to actual production, by 30 June of the following year. Advance payments are made at the end of the second month following that of the accrual period.

Below is a summary, by country, of the PPAs finalised by 31 December 2023:

COUNTRY	START DATE/ DURATION	COUNTERPARTY	VOLUME	STYPE	PRICE	PLANTS/ CAPACITY	ACCOUNTING
ITALY	January 2022 / 10 years	TIM	≈340 GWh Baseload / Pay as produced *	PHYSICAL	COLLAR	WIND ITALY Portfolio / 77 MW	IFSR 15
ITALY	January 2023 / April 2024 / 12 years	LUXOTTICA	≈70 GWh Baseload	PHYSICAL (from April 2024)	FIXED	Partinico / Monreale / 42 MW	IFSR 15
ITALY	January 2024 / 15 years	ST Microelettronics	≈250 GWh Baseload /	PHYSICAL	FIXED	Camporeale/ Mineo-Militello-Vizzini/151 MW	IFSR 15
ITALY	Juane 2024 / 20 years	Google	≈100 GWh Pay as produced	FINANCIAL	FIXED	Roccapalumba 47 MW	IFSR 9
FRANCE	May - September 2021 /5 years	ENGIE	≈45 GWh Pay as produced	PHYSICAL	FIXED	Bois Bigot / Bois de l'Arche / 21 MW	IFSR 15
FRANCE	October - December 2021 /5 years	ENGIE	≈100 GWh Pay as produced	PHYSICAL	FIXED	Theta Portfolio / 55 MW	IFSR 15
UK	January 2022 /6 years	ELECTROROUTE	≈240 GWh Pay as produced	PHYSICAL	FIXED	Evishagaran / Craggoire / 70 MW	IFSR 15
UK	January 2023 / January 2024 / 10 years	ENGIE UK	≈530 GWh Baseload	PHYSICAL	FIXED	Sandy Knowe / Creagh Riabhach 179 MW	IFSR 15
SPAIN	January - March 2024 /12 years	Google	≈193 GWh Pay as produced	FINANCIAL	FLOOR	Garnacha / Creagh Riabhach 149 MWp	IFSR 9

* PPA amended in 2023. Integrated baseload volume of 23 MW baseload equal to approximately 200 GWh/year.

NOTE 2 - OTHER INCOME

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

(EUR thousand)	2023	2022	Change
Release of excess cost allocations	10,983	7,129	3,854
Indemnities	9,016	1,612	7,404
Other income	5,488	3,769	1,719
Reimbursement of expenses	721	168	553
Total	**26,209**	**12,678**	**13,531**

This item mainly includes contractual indemnities and guarantees received from suppliers for EUR 7 million, as well as, for EUR 6 million, the release of provisions for tax risks and provisions for risks and charges recorded at the time of the acquisition of certain companies, since the conditions that had led to their recognition in previous years no longer existed. Lastly, the item includes the release of part of the provision for tax risks on local taxes for EUR 6 million following the positive outcome of the dispute with the Italian Revenue Agency over the determination of the cadastral income on wind towers, as better described in **Note 26 – Other provisions.**

NOTE 3 - PURCHASES

This item, amounting to EUR 14,299 thousand (EUR 15,188 thousand in 2022), mainly includes the costs for the purchase of plant components (spare parts) with a useful life not exceeding one year and consumables mainly in relation to wind farms, as well as energy purchases. The item is shown net of the change in inventories of EUR 2,516 thousand (EUR 1,903 thousand in 2022).

It should be noted that in 2022, a positive impact of EUR 11 million from commodity hedging derivatives was recognised, whereas in 2023, no hedges on commodity purchases were made.

NOTE 4 - SERVICES AND OTHER OPERATING COSTS

(EUR thousand)	2023	2022	Change
Services	125,407	120,938	4,470
Rental, lease and hire expenses	18,112	15,482	2,631
Taxes and duties	14,430	13,899	531
Provisions for risks and charges	7,557	2,168	5,389
Other operating costs	5,176	4,307	870
Loss allowance	343	300	43
Total	**171,026**	**157,092**	**13,934**

Rental, lease and hire expenses refer mainly to royalties and fees for the use of company software, not falling within the scope of application of IFRS 16.

Taxes and duties mainly concern municipal and property taxes on Italian and foreign farms, non-deductible VAT for the financial assets of ERG S.p.A. and foreign subholdings, and other taxes and duties in Italy and abroad.

For details of **Provisions for risks and charges**, please refer to **Note 26 – Other provisions**.

Services are broken down as follows:

(EUR thousand)	2023	2022	Change
Maintenance and repairs	45,566	39,847	5,719
General and Information Technology (IT) services	27,023	28,113	(1,090)
Consultancy	16,647	17,358	(711)
Utilities and consumption	10,621	14,588	(3,968)
Commercial, distribution and grid connection costs	8,149	2,791	5,358
Insurance	6,770	5,616	1,154
Directors' remuneration (Italy)	6,568	8,964	(2,396)
Audit costs	1,901	1,849	52
Services from network operator (Italy)	1,361	979	382
Statutory Auditors' remuneration (Italy)	356	356	0
Advertising and promotions	446	477	(31)
Total	**125,407**	**120,938**	**4,470**

- **Maintenance and repairs** mainly include ordinary maintenance costs for electricity generation plants; the increase is due to the business combinations (acquisitions) carried out during the year, as well as the contribution of the wind farms that came into operation in the United Kingdom.
- **General and Information Technology (IT) services** relate to IT services, bank expenses, overheads, security and cleaning services and ancillary personnel and HSE (Health, Safety and Environment) costs.
- **Consultancy** include mainly expenses for legal, technical and professional consultancy as well as expenses incurred for non-recurring transactions.
- **Directors' remuneration (Italy)** includes remuneration, expenses and the portion of the cost pertaining to the 2021-2023 Long-Term Incentive Plan of ERG S.p.A. and ERG Power Generation S.p.A. In accordance with IFRS 2 – Share-Based Payment following the implementation of the aforementioned Incentive Plan with reference to the Directors, the portion of the cost accrued was recognised under services. For further details, please refer to **Note 5 – Personnel expense**.
- It should be noted that in 2022 the item included the Special Contribution relating to the Chief Executive Officer as reported in **Additional information** in **Note 46 – Related parties**.
- **Commercial, distribution and grid connection costs** include the costs of distribution and connection to the grid; the increase in the item compared to 2022 is mainly due to the "grid connections" of the farms that came into operation in the United Kingdom.

NOTE 5 - PERSONNEL EXPENSE

(EUR thousand)	2023	2022	Change
Wages and salaries	39,588	39,839	(251)
Social security expenses	9,542	10,636	(1,094)
Post-employment benefits	1,941	2,443	(502)
Other personnel costs	1,712	1,890	(178)
Total	**52,782**	**54,808**	**(2,025)**

At 31 December 2023, the total number of employees[4] was 636 (573 at 31 December 2022).

The cost for post-employment benefits pertains mainly to the portion of benefits relating to defined contribution plans. The cost also includes the contributions paid to defined contribution plans in favour of key managers, for the details of which please see **Note 46 – Related Parties**.

It is noted that costs in 2022 included charges of EUR 5.1 million relating to an extraordinary bonus paid to some Group employees for the special contribution made in 2022 for the purpose of implementing the Group's Business Plan. This bonus also includes the portion of the Special Contribution relating to Group management.

"Other personnel costs" include additional post-employment benefits.

Share-based payment transactions

*It should be noted that, in accordance with the provisions of **IFRS 2 – Share-based payment** following the implementation of the 2021-2023 Long-Term Incentive Plan with reference to employees, the cost accrued in 2023 was recognised in the item "Personnel expense" on the basis of the fair value determined at the date of inception of these instruments (as an "equity-settled" plan in accordance with IFRS 2).*

On 26 April 2021, the Shareholders' Meeting of ERG S.p.A. approved the 2021-2023 Long-Term Incentive Plan, according to the conditions provided for in the relevant Information Document.

The Plan calls for the assignment of a predefined number of ERG S.p.A. Shares, free of charge (hereafter, "Performance shares"), at the end of a three-year vesting period, subject to the attainment of a minimum predetermined economic performance (non-market condition). The performance parameter approved by the Board of Directors refers to the cumulative 2021-2023 Group EBITDA of the Business Plan. According to the Regulation, this operating condition may be changed in light of changes in the consolidation scope or other significant events.

At the end of the vesting period, 25% of the Shares assigned will be subject to an additional lock-up period of eight months, which will conclude in 2025, during which said shares are subject to the non-transferability constraint.

The shares assigned represent the conditional rights that are the subject of the Plan, free of charge and non-transferable inter vivos, each of which gives the Beneficiaries the right to be assigned free of charge 1 (one) share according to the terms and conditions contained in the Regulations.

The Plan provides also that if, in addition to the achievement of the economic performance objective, the ERG Share attains a predetermined market performance (market condition) on the stock market (i.e. the outstanding Price), the number of Shares to be assigned will increase up to a predetermined maximum: the shares assigned shall be equal to the allocated shares if the price of the ERG shares is equal to or less than the "Target Price"; or shall be equal to 200% of the shares allocated if the price is higher than the "Cap Price". If the price is between the Target Price and the Cap Price, shares will be assigned by linear interpolation.

The number of shares that can be assigned, determined according to the rules described above, may be increased or decrease by ±10% depending on the level of attainment of the Sustainability Objective. This objective is composed of specific indicators, determined in floor, target and cap scenarios approved by the Board of Directors at the meeting on 13 May 2021.

In application of the incentive strategy adjustment clause set forth in the 2021-2023 LTI system regulations, following the change in the dividend policy envisaged for the 2021-2023 period, set at EUR 2.25 per share and finalised over the three-year period at EUR 2.65 per share, the Board of Directors resolved in its meeting of 12 March 2024 to change the value of (i) the "Target Price" to EUR 22.08, (ii) the "Cap Price" to EUR 27.08 and (iii) the number of shares assigned to 327,100.

The estimate of the fair value, which is independent of the non-market activation conditions (achievement of the Target EBITDA and the sustainability parameter) as defined by IFRS 2, was carried out by applying the Monte Carlo method, thus identifying a range of values and taking their average value into consideration.

4 The 2022 comparative figure does not include personnel dedicated to ensuring the operation of the CCGT cogeneration plant, sold in October 2023.

The assessment exercise was carried out formulating the following assumptions:

- *Volatility (20%): median of historical volatility at 180 days of the panel of ERG share comparables;*
- *Dividend Yield: estimated on the basis of the dividends forecast in the plan for the three-year time period 2021-2023, i.e. EUR 0.75 per share, as a percentage of share price;*
- *Time to maturity: in accordance with the provisions of the regulation of the financial instrument, the derivative was assumed to have a duration of three years.*

In application of the above, a range of fair values of the incentive plan was identified between EUR 7.7 million and EUR 8.4 million with the average value of EUR 8.0 million recognised on an accruals basis in the years of the vesting period. This amount refers, for 56%, to the Directors, and for the remainder to Group employees.

WORKING CAPITAL AND OTHER ASSETS AND LIABILITIES

(EUR thousand)	Notes	31/12/2023	31/12/2022	Change
Trade receivables	6	157,895	202,465	(44,571)
Inventories	7	20,019	17,603	2,416
Trade payables	8	(122,038)	(123,002)	964
Operating working capital		**55,876**	**97,066**	**(41,190)**
Other current assets	9	87,161	82,147	5,014
Other non-current assets	10	45,244	53,530	(8,286)
Other non-current liabilities	12	(44,634)	(30,989)	(13,645)
Other current liabilities	11	(34,233)	(59,628)	25,395
Assets for fair value derivatives hedging commodities	31	32,934	72,033	(39,099)
Liabilities for fair value derivatives hedging commodities	35	(9,390)	(76,644)	67,254
Employee benefits	13	(3,543)	(3,723)	180
Other assets (liabilities)		**73,539**	**36,727**	**36,812**

NOTE 6 - TRADE RECEIVABLES

Relevant information on the accounting standards adopted and recognition and measurement criteria

Initial recognition takes place at fair value, subsequently they are measured using the amortised cost criterion.

Trade receivables and other receivables and assets deriving from contracts with customers are subject to impairment testing in accordance with the provisions of IFRS 9 on expected credit losses. Expected credit losses (ECL) are an estimate of losses weighted on the basis of the probability of default of the counterparty.

For customers, the Group individually assesses the time frame and the amount of the write-off on the basis of the actual expectation of recovery.

(EUR thousand)	31/12/2023	31/12/2022	Change
Receivables from customers	119,371	157,880	(38,509)
Receivables for incentives	43,861	58,722	(14,861)
Loss allowance	(5,338)	(14,137)	8,799
Total	**157,895**	**202,465**	**(44,570)**

The item includes mainly receivables for the supply of electricity to third parties (including incentives, feed-in tariff, green certificates and Feed-in Premium).

The change in the year is mainly attributable to the zero value of the GRIN incentive in the wind business in Italy and to a particularly unfavourable price scenario compared to the 2022 financial year.

The loss allowance changed as follows:

(EUR thousand)	31/12/2023	Increases	Decreases	31/12/2022
Loss allowance	(5,338)	-	(8,799)	(14,137)
Total	**(5,338)**	**-**	**(8,799)**	**(14,137)**

The decrease in the year relates mainly to the utilisation for the impairment losses recognised on the incentives in Eastern Europe, following a ruling by the Supreme Administrative Court in April 2023 that they are irrecoverable. The related loss allowance was recognised for the purposes of the Consolidated Financial Statements at 31 December 2021.

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

The analysis of the trade receivables existing at year end follows. The ageing brackets are presented net of the related loss allowance.

(EUR thousand)	31/12/2023	31/12/2022
Receivables not past due	**144,001**	**194,452**
Receivables past due:		
within 30 days	9,881	7,028
within 60 days	-	55
within 90 days	40	42
after 90 days	3,973	889
Total	**157,895**	**202,465**

It should be noted that the amount of receivables due within 30 days was fully collected in January 2024.

NOTE 7 - INVENTORIES

Relevant information on the accounting standards adopted and recognition and measurement criteria

Spare parts

Inventories are recognised at cost, determined using the weighted average cost method, or market value (replacement cost), whichever is lower. The cost includes direct materials and, where applicable, direct labour costs and overheads that have been incurred to bring the inventories to their current position and condition.

The cost is calculated using the weighted average cost method. For the net realisable value, the replacement cost is normally taken as reference or, where available, the net realisable value of the assets.

Inventories, amounting to EUR 20,019 thousand (EUR 17,603 thousand at 31 December 2022), mainly include spare parts for wind farms and photovoltaic systems. The breakdown of inventories by country is provided below:

(EUR thousand)	31/12/2023	31/12/2022	Change
Italy	15,260	13,291	1,969
France	3,300	3,000	300
Germany	1,341	1,293	48
Other	118	19	100
Total	**20,019**	**17,603**	**2,417**

NOTE 8 - TRADE PAYABLES

Relevant information on the accounting standards adopted and recognition and measurement criteria

These are liabilities deriving from commercial transactions and are payable within the next year.

These refer mainly to payables for investments, purchases of components and electricity.

Initial recognition takes place at fair value, subsequently they are measured using the amortised cost criterion.

*The Group proceeds with the derecognition when the obligation has been fulfilled, cancelled or expired; for further details, see the comments on financial assets and liabilities in Section **V. Financing activities** in the Net Financial Position section.*

Trade payables, amounting to EUR 122 million (EUR 123 million at 31 December 2022), mainly include payables for maintenance and other services from third parties for plants in operation (approximately EUR 56 million), for capital expenditure related to wind farms under construction (approximately EUR 40 million) and for purchases of electricity (EUR 13 million). The change mainly concerns electricity purchases, impacted by lower prices and lower volumes in 2023, offset by higher payables for capital expenditure in the current year.

NOTE 9 - OTHER CURRENT ASSETS

(EUR thousand)	31/12/2023	31/12/2022	Change
Tax assets	48,877	43,544	5,333
Portions of deferred charges	21,241	17,157	4,084
Other assets	17,043	21,446	(4,403)
Total	**87,161**	**82,147**	**5,014**

Tax assets relate to tax-related assets such as VAT and other taxes. The item does not include receivables relating to direct taxes, for which reference is made to **Note 41– Current tax assets and liabilities**.

The **Portions of deferred charges** refer mainly to lease payments to municipalities, surface rights and insurance premiums for approximately EUR 10 million and to deferred charges relating to development projects for approximately EUR 11 million.

NOTE 10 - OTHER NON-CURRENT ASSETS

Other non-current assets, equal to EUR 45 million (EUR 54 million at 31 December 2022) relate mainly to:

- the portion still to be collected (EUR 19 million) of the grants per Italian Law no. 488/92 relating to wind farms acquired with the ERG Wind transaction. With respect to the aforesaid receivables, a liability of an equal amount has been allocated and it was recognised in the 2013 Consolidated Financial Statements as part of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (**Note 12 – Other non-current liabilities**);
- amounts of EUR 17 million due as compensation for the liability tied to interest and revaluations on the grants under Italian Law no. 488/1992 relating to wind farms acquired with the ERG Wind transaction and revoked by the Italian Ministry of Economic Development as discussed more thoroughly in **Note 24 – Other non-current financial assets**;
- deferred tax charges relating to subsequent years (EUR 5 million), relating mainly to the substitute tax on the Andromeda PV S.r.l. goodwill exemption.

NOTE 11 - OTHER CURRENT LIABILITIES

(EUR thousand)	31/12/2023	31/12/2022	Change
Other current liabilities	18,385	26,407	(8,022)
Employees	6,235	10,846	(4,611)
Pension and social security institutions	3,901	4,531	(630)
Tax liabilities	3,222	10,572	(7,350)
Portions of income deferred to subsequent years	2,489	7,272	(4,783)
Total	**34,233**	**59,628**	**(25,395)**

The change in the item **Other current liabilities** mainly refers to short-term guarantee deposits received from Group customers, as well as to changes in minor items.

The change in the item **Employees** refers mainly to the payment of bonuses related to the Management Compensation Plan.

NOTE 12 - OTHER NON-CURRENT LIABILITIES

(EUR thousand)	31/12/2023	31/12/2022	Change
Liabilities for prior year taxes from merger of foreign companies	18,594	18,594	-
Portions of income deferred to subsequent years	14,499	791	13,707
Price of Wind Group acquisition	9,821	9,821	-
Other minor items	1,720	1,782	(62)
Total	**44,634**	**30,988**	**13,645**

The change in **Portions of income deferred to subsequent years** includes the difference in the fair value of a VPPA at the subscription date with respect to the transaction price, equal to EUR 14 million for the non-current portion, which is expected to reverse over the duration of the agreement.

NOTE 13 - EMPLOYEE BENEFITS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Employee benefits include the estimated liability relating to the benefits payable to employees when they terminate their employment.

Short-term benefits for employees

Short-term benefits for employees are recognised as a cost at the time at which the service that gives rise to such benefits is performed. The Group recognises a liability for the amount expected to be paid when there is a present, legal or constructive obligation to make these payments as a consequence of past events and it is possible to make a reliable estimate of the obligation.

Post-employment benefits

These are provided through:

- *defined contribution plans: contributions paid to independent institutions that deal with their administrative and financial management are recognised as a cost in profit/(loss) over the period in which the employees work;*
- *defined benefit plans: the sum of future obligations under these plans is based on actuarial assumptions using the projected unit credit method. The calculation is performed by an independent actuary. This calculation is based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the specific economic conditions of each country or Group company. The discount rates are determined, at the measurement date, with reference to the yield of investment grade corporate bonds in the relevant geographical area (or of government bonds in countries where there is no representative market for these corporate bonds).*

Below is a schematic representation of the cases pertaining to the classification of post-employment benefits for IAS 19 purposes based on the main types of post-employment benefits in the light of the introduction of Italian Law no. 296 of 27 December 2006.

Types of Post-employment benefits	Personnel employed in 2006*	IAS 19 classification
Post-employment benefits vested up to 31 December 2006**	>50 employees	Defined benefit plan
	<50 employees	Defined benefit plan
Post-employment benefits accrued since 1 January 2007**	>50 employees	Defined contribution plan
	<50 employees	Defined benefit plan

* For newly incorporated companies, the number taken as a reference relates to the first year of business.

** Without prejudice to the options to allocate the post-employment benefits to supplemental pension plans.

Termination benefits

The termination benefits are recognised as a cost when the Group has committed without possibility of withdrawal to offer said benefits or, if prior, when the Group recognises the restructuring costs. Benefits entirely due beyond twelve months from the reporting date are discounted.

Liabilities for post-employment benefits, which amounted to EUR 3,543 thousand (EUR 3,723 thousand at 31 December 2022), include the estimated liability related to the post-employment benefits payable to employees upon termination of employment.

(EUR thousand)	31/12/2023	31/12/2022
Opening balance	**3,723**	**4,289**
Revaluation for the year	(0)	(229)
Changes in the year	(179)	364
Decrease in liabilities associated with discontinued operations	*-*	*(700)*
Closing balance	**3,543**	**3,723**

The main assumptions used in determining the actuarial value of the liability are shown below:

	31/12/2023	31/12/2022
Discount rate[5]	3.2%	3.8%
Inflation rate	2.5%	3.0%
Average turnover rate	3.0%	3.0%
Average rate of salary increase	1.5%	1.5%
Average age	44	45

The following table shows the impact on the liability of a +/-0.5% change in the discount rate:

(EUR thousand)	31/12/2023	31/12/2022
+0.5% change in discount rate: lower liability	(80)	(101)
-0.5% change in discount rate: higher liability	86	107

5 Listing at 31 December 2023 of the iBoxx Corporate EUR benchmark index with a duration of 10+ and AA rating.

III. INVESTING ACTIVITIES

NOTE 14 - AUTHORISATIONS AND CONCESSIONS

Relevant information on the accounting standards adopted and recognition and measurement criteria
*Authorisations and concessions include concessions, authorisations and rights to operate wind and solar plants, including any rights to feed-in tariffs, amortised based on their residual useful life. These intangible assets are recognised at purchase cost, inclusive of all related charges net of amortisation and any impairment losses as indicated in **Note 21 – Impairment Test**.*

(EUR thousand)	Authorisations and Concessions
Historical cost	1,377,656
Amortisation and impairment losses	(421,415)
BALANCE AT 31/12/2022	**956,240**
Changes in the year:	
Change in scope of consolidation	82,028
Capital expenditure	710
Amortisation	(63,967)
Other changes	45
Historical cost	1,460,394
Amortisation and impairment losses	(485,338)
BALANCE AT 31/12/2023	**975,056**

For greater comprehension, changes during the year relating to reclassifications, disposals and divestments and other changes are shown net of the related accumulated amortisation and impairment losses.
The change in the scope of consolidation refers to the increase resulting from the Garnacha and Fregenal business combinations, which took place in June 2023. For further details, please refer to **Note 44 – Business Combinations and Asset Acquisition**.

NOTE 15 - OTHER INTANGIBLE ASSETS

Relevant information on the accounting standards adopted and recognition and measurement criteria
Other intangible assets refer mainly to software licences. Intangible assets are recognised at purchase cost, including all related ancillary charges. Other intangible assets are amortised over a maximum period of 5 years.

(EUR thousand)	Other intangible assets	Assets under development	Total
Historical cost	64,475	7,739	72,213
Amortisation and impairment losses	(56,788)	-	(56,788)
BALANCE AT 31/12/2022	**7,686**	**7,739**	**15,425**
Changes in the year:			
Capital expenditure	2,535	2,437	4,973
Reclassifications	5,101	(5,101)	-
Disposals and divestments	(775)	-	(775)
Amortisation	(3,812)	-	(3,812)
Historical cost	59,930	5,075	65,005
Amortisation and impairment losses	(49,194)	-	(49,194)
BALANCE AT 31/12/2023	**10,735**	**5,075**	**15,811**

For greater comprehension, changes during the year relating to reclassifications, disposals and divestments and other changes are shown net of the related accumulated amortisation and impairment losses.

Assets under development at the end of the year, like the main changes in the year, refer to software mainly in ERG S.p.A. and ERG Power Generation S.p.A.

NOTE 16 - GOODWILL

Relevant information on the accounting standards adopted and recognition and measurement criteria

Goodwill acquired in a business combination is not amortised, but is subjected to impairment tests pursuant to the procedures provided for in IAS 36 – Impairment of Assets every year, or more frequently if specific events or changes in circumstances indicate the possibility that there may have been any impairment ("trigger events").

*For additional information, reference is made to **Note 21 – Impairment Testing**.*

The table below shows the changes in the item "Goodwill" during the year:

(EUR million)	Wind Italy	Solar Italy	Wind France	Solar France	Wind Germany	Solar Spain	Total
Balance at 31/12/2022	**194**	**86**	**77**	**15**	**33**	**4**	**408**
Changes for the year:							
"Garnacha" business combination	-	-	-	-	-	3	3
"Fregenal" business combination	-	-	-	-	-	2	2
Balance at 31/12/2023	**194**	**86**	**77**	**15**	**33**	**9**	**413**

At 31 December 2023, this item amounted to EUR 413 million (EUR 408 million at 31 December 2022). The change refers to business combinations that took place in 2023. For further details, please refer to **Note 44 – Business Combinations and Asset Acquisition**.

For the purposes of these Consolidated Financial Statements, the test required by paragraph 12 of IAS 36 was performed and no elements emerged that required an adjustment to the carrying amount of goodwill. For additional information, reference is made to **Note 21 – Impairment Testing**.

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

Relevant information on the accounting standards adopted and recognition and measurement criteria

Property, plant and equipment

These are recognised at purchase cost, inclusive of capitalised financial expense, net of accumulated depreciation and any impairment losses. They are depreciated on a straight-line basis over the estimated useful life.

The assets cost, in presence of current obligations, includes charges for dismantling, assets removal and site restoration to be incurred at the time facilities are abandoned, which are presented in a specific provision. Capitalised financial expenses are recognised in accordance with the alternative accounting treatment permitted by IAS 23.

Main assumptions – useful life and depreciation

The useful life of property, plant and equipment is reviewed annually and adjusted where the most recent estimate differs from the previous ones. Any changes in estimates relating to the useful life of property, plant and equipment are recognised prospectively. If an item of property, plant and equipment comprises various parts having different useful lives, these parts are recognised separately (significant components).

Freely transferable assets are depreciated over the estimated life of the asset or the concession term, whichever is shorter.

The average depreciation rates applied are as follows:

The depreciation rates applied are as follows:

	%
Wind-power generators	3.33 - 5
Photovoltaic modules	3.33 - 5
Industrial and commercial buildings	2.75 - 5.5
Automation and control systems	10
Lightweight constructions	10
General plant	5 - 10
Motor vehicles, furniture and furnishings	10 - 16
Surface rights and other civil works	3.5
Other miscellaneous goods/equipment	14 - 16

(EUR thousand)	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
Historical cost	99,830	4,251,483	35,975	214,461	4,601,749
Depreciation and impairment losses	(46,974)	(2,409,824)	(24,879)	-	(2,481,677)
BALANCE AT 31/12/2022	**52,856**	**1,841,660**	**11,096**	**214,461**	**2,120,073**
Changes in the year:					
Change in scope of consolidation	-	123,240	-	-	123,240
Capital expenditure	3,778	87,852	1,413	207,048	300,091
Reclassifications	-	65,861	105	(65,966)	-
Disposals and divestments	-	(3,471)	(289)	-	(3,760)
Depreciation	(3,054)	(139,313)	(4,978)	-	(147,344)
Other changes	557	6,842	3,044	-	10,443
Historical cost	104,391	4,426,678	35,642	355,542	4,922,253
Depreciation and impairment losses	(50,253)	(2,444,006)	(25,251)	-	(2,519,510)
BALANCE AT 31/12/2023	**54,138**	**1,982,671**	**10,392**	**355,542**	**2,402,743**

For greater comprehension, changes during the year relating to reclassifications, disposals and divestments and other changes are shown net of the related accumulated depreciation and impairment losses.

The **Change in scope of consolidation** refers mainly to the aforementioned business combinations during the year and capital expenditure during the year. For a more detailed analysis, reference should be made to **Note 44 – Business Combinations and Asset Acquisition**.

Capital expenditure mainly refers to organic development activities for approximately EUR 300 million (EUR 307 million in 2022), related to construction activities in Italy, including Repowering projects, as well as to the completion of construction activities of wind farms that will come into operation between the end of 2022 and the beginning of

2023 in the UK and Sweden, solar Revamping activities in Italy and wind farm construction activities in France.

The item **Reclassifications** includes reclassifications between different asset classes, relating to the completion of wind farms under construction, particularly for Repowering activities in Italy (Partinico-Monreale and Camporeale).

The item **Other changes** mainly refers to the Exchange gain of the year for approximately EUR 21 million, and to the capitalisation of financial interest relating to the organic growth of the wind farms under construction for approximately EUR 4 million, offset by the net decrease in the item dismantling costs for approximately EUR 15 million, due to the alignment of inflation and discounting rates for the period.

With regard to the existence of restrictions on the assets held by the Group, please refer to **Note 33 – Current and non-current financial liabilities**.

NOTE 18 - RIGHT-OF-USE ASSETS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Leases

The Group's leases, as per the IFRS 16 definition, relate to land, warehouses, properties, equipment, substations and vehicle fleet. Leased assets are recorded in the Consolidated Financial Statements with the recognition of an asset representing the right to use the underlying asset and a liability representing the obligation to make lease payments.

Financial liabilities are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses the incremental borrowing rate (determined as the sum of the Group's credit spread and the forward curve based on Euro area swap rates).

Main assumptions – lease evaluation

The group uses subjective assessments to determine whether a contract contains a lease. The Group analysed all the lease contracts, defining the lease term for each of them, the "non-cancellable" period.

The Group's leases have an average term of 24 years, with the inclusion for some leases of a renewable option exercisable at the end of the binding period. Others provide for additional payments tied to the change of the local price indices.

In relation to the renewal options, the Group estimated the term of the related lease agreements taking into account the reasonable certainty that the option will be exercised.

Specifically, for land and buildings, this assessment considered the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly corporate cars and equipment, the Group generally deemed improbable that extension or early termination clauses would be exercised in consideration of the practice usually followed by the Group.

The change in this item over the year is shown in the following table:

(EUR thousand)	Land and buildings	Specific plant	Equipment	Other assets	Total
BALANCE AT 31/12/2022	**152,942**	**479**	**30**	**858**	**154,311**
Increase in right-of-use assets	3,133	361	167	1,239	4,900
Increase in right-of-use assets due to business combinations	17,463	-	-	-	17,463
Derecognition of right-of-use assets	(817)	-	-	(198)	(1,015)
Depreciation for the year	(8,710)	(15)	(50)	(959)	(9,734)
BALANCE AT 31/12/2023	**164,011**	**825**	**147**	**941**	**165,923**

The increase for the year in the item **Land and buildings** is mainly due to the recognition of the right of use on the land of the photovoltaic systems referring to the aforementioned business combinations. The increase also includes some recognitions of other assets and equipment in ERG S.p.A., as well as the recognition of new land in Italy and Europe.

For further details on business combinations, please refer to **Note 44 – Business combinations and asset acquisition** in section **VIII. Other Notes**.

NOTE 19 - PROVISIONS FOR DISMANTLING EXPENSES

Relevant information on the accounting standards adopted and recognition and measurement criteria

The Group is required to dismantle the technical equipment and restore the sites. When the obligation arises, the costs of dismantling are capitalised to increase the carrying amount of the asset to which they refer as a balancing entry to the related provision for dismantling. Capitalised costs are allocated to the income statement via depreciation.

The discount rates used for the financial revaluation of the costs of restoring wind and solar farms, depending on the country of reference, are within the range of 2.8%-6.9%.

(EUR thousand)	31/12/2023	Increases	Decreases	Change in the scope of consolidation	31/12/2022
Provisions for dismantling expenses	78,830	6,997	(24,065)	3,285	92,613
Total	**78,830**	**6,997**	**(24,065)**	**3,285**	**92,613**

The change in the year is mainly related to the restatement of the costs for the restoration of some wind and solar farms, mainly in the United Kingdom, Italy, France and Spain, due to the alignment of inflation and discounting rates for the period. There was also a net decrease due to the utilisation of provisions in connection with the Repowering and Revamping activities on some wind farms in Italy. The **Change in the scope of consolidation** refers to the acquisitions made during the year (approximately EUR 3 million).

NOTE 20 - AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Relevant information on the accounting standards adopted and recognition and measurement criteria

Authorisations and Concessions are amortised on the basis of their residual duration. Other intangible assets are amortised over a maximum period of 5 years.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful life.

(EUR thousand)	2023	2022	Change
Amortisation of Authorisations and Concessions	63,967	55,887	8,080
Amortisation of Other intangible assets	3,812	2,854	958
Total	**67,780**	**58,741**	**9,039**
Depreciation of Property, Plant and Equipment	147,344	168,039	(20,695)
Depreciation of right-of-use assets	9,734	8,650	1,084
Total	**157,079**	**176,689**	**(19,611)**
Impairment losses (reversals of impairment losses) on Authorisations and Concessions	-	8,281	(8,281)
Impairment losses (reversals of impairment losses) on Property, plant and equipment and Right-of-use assets	-	34,904	(34,904)
Total	**-**	**43,185**	**(43,185)**

Amortisation and depreciation refer mainly to wind and solar plants.

It should be noted that during the year, in line with IAS 16 as a change in accounting estimates, as already described in the section "**Use of Estimates – Risks and Uncertainties**", the residual useful life of certain wind power assets not subject to Repowering in Italy was revised, based on technical appraisals, and in Europe, for wind farms with similar technology subject to LTE certification ("Lifetime Extension" programme), resulting in lower depreciation and amortisation in the year of approximately EUR 27 million.

This change is partially offset by the contribution made by wind and solar assets acquired in the second half of 2022 and the entry into operation of the plants developed internally and gradually becoming operational throughout 2022 and 2023.

It should be noted that 2022 included the write-down of the residual carrying amount of the plants following the authorisation of a Repowering project obtained in 2022 (approximately EUR 20 million) in Italy, and the write-down of the residual carrying amount of the property, plant and equipment of photovoltaic systems in the Italy portfolio, following the start of a number of Revamping projects for approximately EUR 23 million.

Below is a breakdown, in millions of euro, of the depreciation, amortisation and impairment losses by geographical segment for the years 2023 and 2022:

	Italy	France	Germany	East Europe	UK & Nordics	Spain	Total
2023	128	40	20	18	14	6	225
2022	178	47	29	16	5	4	279

NOTE 21 - IMPAIRMENT TESTING

Relevant information on the accounting standards adopted and recognition and measurement criteria

This section provides a description of the impairment tests on the Group's main assets, as required by IAS 36.

In particular, it should be noted that for the verification:

- *of Goodwill, a test was conducted on the recoverable amount determined at CGU Group level, and identified in the value in use calculated on the estimated cash flows over the useful life of the assets allocated to the aforesaid Groups,*
- *of property, plant and equipment, intangible assets and right-of-use assets, with finite useful lives allocated to individual CGUs, in accordance with IAS 36, indicators were identified that can provide evidence that an asset may have undergone impairment.*

It should be noted that the recoverable value is also determined by considering the assumptions that a market participant would use in determining the value of the asset being measured. In addition, it should be noted that, since the goodwill has been allocated to Groups of CGUs, impairment testing is carried out in the following phases:

- *The first impairment test is performed at the level of the individual CGU without goodwill (bottom-up test) and any impairment loss is recognised in the income statement;*
- *The second impairment test is performed on the set of CGUs to which the goodwill relates (top-down test).*

The above tests were carried out in accordance with the Impairment Test Procedure approved by the Board of Directors of ERG S.p.A. on 23 February 2024.

Identification of groups of cash-generating units (CGUs)

For the purposes of impairment testing, the operating segments currently identified by the Group coincide with the different geographical areas in which the Group operates, consistent with the two technologies, wind and solar, used for power generation.

The operating results are analysed according to the following matrix, which identifies the different geographical areas in which the Group operates and the two different technologies.

	Wind	Solar
Italy	✔	✔
France	✔	✔
Germany	✔	–
Poland	✔	–
Romania	✔	–
Bulgaria	✔	–
UK	✔	–
Sweden	✔	–
Spain	–	✔

The groups of CGUs were then identified, consistently with the Group's organisational and business structure, as assets that generate independent cash inflows deriving from their continuous use and they follow a dual dimension pertaining, on one hand, to the current reference market, identified in the country where the facilities are located, and, on the other hand, to generating technology, for a total of eleven groups of CGUs.

The recoverable value of the Groups of CGUs to which goodwill is allocated was tested by determining the value in use by discounting operating cash flows on the basis of the following assumptions:

- the groups of CGUs coincide with the set of wind farms in Italy, France and Germany, and the solar plants in Italy, France and Spain;
- to determine the value in use, the present value of the expected operating cash flows associated with the CGU Groups was estimated on the basis of a period which is the lower of the expected duration of the land leases and the estimated duration of the wind farms established by the Longlife Time Extension (LTE) project undertaken by the Group with reference to the plants already in operation. For the new acquisitions made starting from 2021, for the Repowering and Revamping projects and for the new greenfield projects, a time horizon of 40 years from the Commercial Operation Date (COD) of the project was considered, in line with the assumptions for the choice of investment;
- a discount rate equal to the industry WACC (post tax) was used to compute the present value of expected cash flows (6.18% in Italy, 5.34% in France, 5.09% in Germany and 5.82% in Spain).

Goodwill allocated to CGU Groups:

(EUR million)	Italy	France	Germany	Spain
Wind	194	77	32	-
Solar	86	15	-	9
Total	**280**	**92**	**32**	**9**

The Group adopted an after-tax discount rate that reflects the market's current assessment of the cost of money and the specific risk associated with the CGUs. In determining the discount rate, the financial parameters considered were the Beta and Debt/Equity ratios derived from panels of comparable companies, in order to consider both the market risk of companies operating in the same industry and a market-based financial structure. With regard, instead, to the cost of equity (Ke), this includes the rate of return of risk-free assets and it is identified as the rate of return of German ten-year government bonds.

The growth rates used are based on growth forecasts for the Group's industry, taking into account the Group's market share. Changes in sale prices and in direct costs are determined on the basis of past experience and on future market expectations.

	Wind Italy	Solar Italy	Wind France	Solar France	Wind Germany	Solar Spain
Basis of recoverable value	Value in use					
Methodology	Discounted Cash Flow					
Terminal value	Flow subsequent to the end of the useful life of the asset, determined according to the estimated residual duration of the Authorisations/Concessions and the availability of the land on which the plants stand					
WACC (post tax)	6.18%	6.18%	5.34%	5.34%	5.09%	5.82%

In particular, the following were taken into account for the determination of the cash flows:

- the update of the Business Plan examined by the Board of Directors of ERG S.p.A. on 12 March 2024 for subsequent years, the data processed on the basis of models simulating the macroeconomic and energy scenario and assuming a steady production trend.

Taking into account the uncertainty factors related to the current geopolitical and energy context, the Group has conducted its own analyses for each geographical segment, taking into particular consideration the updating of the energy scenario, including in the medium/long term, changes to the discount rate, the risks related to the climate as well as changes in the regulatory scenario.

Specifically, with reference to the requirements of the ESMA Public Statement of 25 October 2023, in 2023 the Group conducted an internal study to quantitatively assess how climate change can affect the annual output of assets, in particular wind power. The analysis shows that in general the risks of a decrease in average wind speed, with particular reference to a medium-term horizon (10-15 years) are relatively low. Based on historical/statistical analyses of the percentage change in wind speed, low fluctuations in energy production can be expected, which can have both a positive (increasing output) and negative (reducing output) impact. However, fluctuations of this magnitude in the wind resource are already factored into the time series underlying the output estimates reflected in the forward-looking projections. With reference to solar assets, the change in irradiation for the group's solar plants during 2024 will be analysed in depth.

Energy scenario

It should be noted that the geopolitical tensions that characterised 2022 had strong bullish impacts on the commodity markets and in particular gas, with a consequent sharp increase in electricity prices. These phenomena led to a sudden rise in inflation, as a result of which central banks intervened with restrictive monetary policies by repeatedly raising interest rates to their highest levels in 15 years. In addition, following the increase in energy costs, governments implemented regulatory and tax measures on the sector through "Clawback measures" aimed at limiting the impacts of these increases for end consumers.

It should be noted, however, that from the end of 2022 there was a reversal of the trend with a reduction in gas prices that continued during 2023 and which, also as a result of a reduction in demand, brought prices down to values close to those before the Ukrainian crisis. This reduction also led to a significant drop in energy prices and a reduction in inflation, which, however, has not yet been followed by an easing of restrictive monetary policies and significant reductions in interest rates.

Finally, it should be noted that the inflationary pressures experienced in 2022 and 2023 led to a significant increase in costs for capital expenditure in renewable plants.

Discount rate

The discount rate estimation method used by the Group provides that:

- specific rates are determined for each Group of CGUs, in line with the configuration of the expected flows;
- the rates are updated twice a year (in the annual and half-yearly financial statements) regardless of the extent of the change compared to the last approved rate;
- the country risk component is included in the discount rate.

If the cash flows used for valuation purposes are not representative of the average expected flows, the WACC must be increased by a premium aimed at considering the greater risk.

In summary, the Group has divided the estimation process into two main phases (i) Definition of the comparable basket for each Group of CGUs; (ii) Calculation on the basis of the baskets identified of the parameters for determining the return on risk capital, the cost of debt and the capital structure for each group of CGUs.

In consideration of the above, the discount rates determined in line with the calculation method used for the impairment test carried out for the 2022 Consolidated Financial Statements were used.

Group management deems the assumptions used to identify the recoverable amount of the goodwill connected with the six Groups of CGUs to be reasonable and, on the basis of the aforementioned assumptions, no impairment has emerged.

The verifications carried out for the purposes of these Consolidated Financial Statements showed, for all the groups of CGUs assessed, a positive difference (headroom) between the recoverable amount[6] and the carrying amount[7]:

(EUR million)

CGU Group	Headroom*
Wind Italy	809
Solar Italy	47
Wind France	212
Solar France	0
Wind Germany	34
Solar Spain	12

* Positive difference (headroom) between the recoverable amount and the carrying amount

6 The recoverable value is considered in line with the definition of the carrying amount defined in the following note.
7 The carrying amount corresponds to the Net Invested Capital and is determined by the algebraic sum of the Non-current assets (including Goodwill), Net operating working capital, Liabilities related to Post-employment benefits, Other assets and Other non-financial liabilities, and the lease payables of all the companies within the group of CGUs, including the consolidation entries consistent with the Group Consolidated Financial Statements but considering the different sub-aggregation of data corresponding with the group of CGUs.

Sensitivity analysis

The result of the impairment test derives from the estimates made by Group management on the basis of the information available to date and the assumptions shown in the previous section. The most uncertain assumptions for which subjective assessments are more usually required regard in particular those relating to:

- the identification of expected energy prices;
- the estimate of the financial parameters used to determine the discount rate;
- the assessment of the availability of renewable resources;
- changes in the reference legislative and regulatory framework, which, due to price control regulations, could constitute a risk factor.

(EUR million)	Changes in Headroom*	
CGU Group	-5% Ricavi	+1% Wacc
Wind Italy	(193)	(340)
Solar Italy	(31)	(29)
France Wind	(76)	(107)
France Solar	(7)	(10)
Germany Wind	(32)	(39)
Spain Solar	(29)	(58)

* Positive difference (headroom) between the recoverable amount and the carrying amount.

The Group took account of the aforesaid uncertainties in developing and defining the basic assumptions used to determine the recoverable amount of the gains allocated to the segments examined, and also carried out a sensitivity analysis on the recoverable amount of the groups of units. This analysis assumed two scenarios:

- that total revenue from sales of energy (i.e. energy remuneration and generation) could undergo upward or downward fluctuations of an estimated 5% compared to the values estimated for the Plan;
- that the discount rate used could be increased by 1 percentage point.

The recoverable amount would be equal to the reference carrying amount (headroom equal to zero) in the following **revenue reduction** assumptions for the respective groups of CGUs.

- Wind Italy: -24.1%
- Solar Italy: -14.3%
- Wind France: -6.3%
- Solar France: 0.0%
- Wind Germany: -12.8%
- Solar Spain: -18.7%

The recoverable amount would be equal to the reference carrying amount (headroom equal to zero) in the following ***WACC increase*** assumptions for the respective groups of CGUs.

- Wind Italy: 10.1%
- Solar Italy: 8.8%
- Wind France: 7.8%
- Solar France: 5.3%
- Wind Germany: 6.0%
- Solar Spain: 5.8%

Finally, it should be noted that with reference to the photovoltaic systems in Spain, the cash flow projection underlying the impairment test assumed the application of the *Impuesto sobre el valor de la producción de la energía eléctrica* until 2028, assuming for that year the elimination of the Spanish tariff deficit, a condition underlying the tax.
In terms of sensitivities, were the tax to cease to apply in 2029 and remain in place until the end of the assets' operation, the headroom indicated by the impairment test would be EUR 12 million lower.

The above analyses confirm the sensitivity of the assessments of the recoverability of non-current assets to changes in the aforesaid variables; in this context, the Directors will systematically monitor changes in the aforesaid external, uncontrollable variables in order to make any necessary adjustments to the estimates of the recoverability of the carrying amounts of goodwill in the Consolidated Financial Statements.

Testing of intangible assets with finite useful lives and of Property, plant and equipment and Right-of-Use Assets

For the purposes of the 2023 Consolidated Financial Statements, the Group verified whether there are any indications that either property, plant and equipment or intangible assets with finite useful lives may have become impaired.
To this end, it is specified that for the ERG Group:

- **property, plant and equipment** are represented by the electricity generation plants of different technologies (wind farms and solar plants in Italy and abroad);
- **intangible assets** are mainly represented by the residual value of the values[8] allocated in the purchase price allocation and recorded as increases in the value of the concessions, authorisations and rights to operate wind farms and solar systems, including any rights to feed-in tariffs for plants in operation.

In line with the previous years, these values are allocated to the individual reference CGU represented by the individual legal entities and/or business combinations that generated them.

In accordance with IAS 36, the group identified a list of indicators, which can indicate that an asset may have become impaired (triggering events):
For this purpose, both internal and external sources of information have been considered.

- With regard to **internal sources**, the following were taken into consideration: (i) obsolescence or physical deterioration of the asset, (ii) significant internal changes with negative effects occurring in the year or expected in the near future, and (iii) evidence from internal reports that the performance is or will be lower than the Budget expectations.
- With regard to **external sources**, on the other hand, the following are considered: the trend in market prices of the assets, any technological, market or regulatory discontinuities, including Clawback measures, market interest rate trends, and the carrying amount of net assets above market capitalisation. To verify this information, a synthetic

8 Values relating to business combinations from previous years.

indicator was also identified ("profitability indicator") calculated by discounting the sum of the operating cash flows (gross operating profit or loss) for the residual observation period, determined on the basis of the same procedures and assumptions already commented in the previous paragraph for Goodwill testing. To also capture the related tax effects, the indicator is net of notional taxes on gross operating profit or loss.

The indicator thus calculated is compared with that of the previous year in order to verify the potential impairment loss, pursuant to the provisions of paragraph 15 of IAS 36.

Lastly, the Group verifies that the carrying amount of the Group's net assets is not higher than the stock market capitalisation.

If the comprehensive analysis of the indicators shows that both property, plant and equipment and intangible assets with finite useful lives may have become impaired, the recoverable amount will be determined and compared with the carrying amount.

The recoverable amount for the individual CGUs is calculated as the value in use with the same procedures and assumptions already commented on in the previous section for Goodwill testing.

If this amount is lower, the carrying amount of the assets would be reduced to the related recoverable amount with the exception of the cases in which fair value net of costs to sell was higher.

The checks described above did not reveal the need to proceed with determining the recoverable value.

Recoverable value of groups of CGUs

Finally, it should be noted that, even if not expressly required by IAS 36, Group Management proceeded to determine the recoverable value, understood as value in use, of the CGU Groups to which no goodwill is allocated, comparing it with the related carrying amount. No impairment emerged as a result of this test.

NOTE 22 - EQUITY INVESTMENTS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Associates

These are companies in which the Group exercises significant influence, but not control or joint control, over financial and operating policies, as defined by IAS 28 – Investments in associates and joint ventures. The Consolidated Financial Statements include the Group's share of the results of the associates, measured under the equity method, starting from the date when significant influence starts until the time when it ceases to exist. If the Group's share of the associate's losses exceeds the carrying value of the equity investment in the Consolidated Financial Statements, the value of the equity investment is written down to zero and the share of additional losses is not recognised, except and to the extent to which the Group is obligated to be liable for them.

(EUR thousand)	Measured at cost	Total
Equity investments:		
- in subsidiaries not consolidated on a line-by-line basis	1,084	1,084
- in associates	1,071	1,071
- in other companies	477	477
Total	**2,633**	**2,633**

	Equity investments				
(EUR thousand)	Subsidiaries not consolidated on a line-by-line basis*	Jointly controlled subsidiaries	Associates	Other companies	Total
31/12/2022	**1,092**	**99**	**-**	**496**	**1,688**
Changes in the year:					
Acquisitions and increases	-	-	1,071	-	1,071
Change in consolidation method	(12)	-	-	(19)	(31)
Disposals and divestments	-	(99)	-	-	(99)
Measurement using the equity method	4	-	-	-	4
31/12/2023	**1,085**	**-**	**1,071**	**477**	**2,633**

* This item includes non-operating companies.

For more details on the changes during the year, please refer to **Note 47 – List of Group companies and transactions during the year**.

The increase in equity investments in associates refers to the 23.68% equity investment in the Toro Renovables 400 KV S.L. electrical substation acquired as part of the Garnacha business combination.

NOTE 23 - NET GAINS (LOSSES) ON EQUITY INVESTMENTS

(EUR thousand)	2023	2022	Change
Price adjustment for sale of equity investment	5,549	2,771	2,778
Allocation to provision for risks on equity investments	(159)	(477)	319
Total	**5,390**	**2,294**	**3,096**

The item **Price adjustment on equity investments** includes the positive effect deriving from the collection of two price adjustments related to the sale of equity investments occurred in previous years (TotalErg S.p.A. and ERG Hydro S.r.l.) for an amount of EUR 3 million and EUR 2 million, respectively.

NOTE 24 - OTHER NON-CURRENT FINANCIAL ASSETS

(EUR thousand)	31/12/2023	31/12/2022	Change
Assets tied up in the Escrow Account – Italian Law no. 488/92 grants	24,240	24,240	-
Security deposits and other financial assets	23,774	14,552	9,222
Total	**48,014**	**38,792**	**9,222**

The **Assets tied up in the Escrow Account** relate to the sums deposited by the Group awaiting the decision of the Naples Court of Appeals and other competent courts, with reference to grants pursuant to Italian Law no. 488/92 relating to wind farms acquired as part of the ERG Wind transaction. With respect to the aforesaid assets, a liability of an equal amount has been allocated and it was recognised in the 2013 Consolidated Financial Statements as part of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (as illustrated in **Note 12 – Other non-current liabilities**).

The change in the item **Security deposits and other financial assets** refers in particular, in addition to the collection of security deposits recorded in previous years, to the recognition of receivables for "special indemnities" determined within the scope of the Garnacha business combination for EUR 12.5 million; for further details, please refer to **Note 44 – Business Combinations and Asset Acquisition**.

Italian Law no. 488/92 grants of ERG Wind

In the period from 2001-2005, prior therefore to the acquisition by ERG Renew S.p.A. (now ERG Power Generation S.p.A.) of the companies belonging to the International Power Group, funds were assigned to these companies pursuant to Italian Law no. 488/1992 totalling EUR 53.6 million in relation to some projects for the construction of wind farms.

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

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

These amounts were then transferred to the Escrow Account.

The first instance proceedings were opened in 2012 before the Criminal Section of the Court of Avellino against the aforementioned companies and other defendants.

These proceedings were concluded in December 2020 with a ruling that ordered (i) the acquittal of/nonsuit against all natural persons; (ii) the acquittal of some companies with reference to 2 projects with immediate repayment of the amounts subject to preventive attachment, equal to approximately EUR 7.4 million and (iii) the conviction of some companies with reference to 7 projects, with confiscation of the amounts relating to the grants pursuant to Italian Law no. 488/92 disbursed to the *same and already deposited with the Escrow Account for a total amount of approximately EUR 24.2 million, with the provision of administrative pecuniary sanctions, for a total amount of approximately EUR 0.5 million, and 1-year interdiction orders. The confiscation and the sanctions indicated above are not immediately enforceable until the judgement becomes final.*

The convicted companies appealed the ruling of the Court of Avellino according to the legal terms and the proceedings are now pending before the Naples Court of Appeal.

By contrast, the Public Prosecutor did not appeal the ruling, which therefore became final in the part which acquits ERG Wind Sicilia 3 S.r.l. and ERG Wind Sicilia 2 S.r.l. (the latter in relation solely to the Camporeale project).

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

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

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

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

The proceedings subsequent to the filing of the extraordinary appeals to the President of the Republic of Italy are also still pending and, despite the reminders filed by the applicants, the decision on the appeal and on the merits did not take place during 2022 with the exception of the extraordinary appeal brought by ERG Wind 6 S.r.l., which was declared inadmissible due to lack of jurisdiction of the administrative judge. This is a partially different judgement from the others in that the contributions pursuant to Italian Law no. 488/92 had never been paid to the company and therefore the revocation decree implies only the definitive loss of the contributions not paid, but has no economic impact on the company. It is plausible that the remaining extraordinary appeals will be decided in the course of the year 2024 and it cannot be excluded that also in these cases there will be a declaration of lack of jurisdiction by the administrative judge, which would give the companies the right to summarise the judgements before the civil judge.

In view of: (i) the guarantees issued by the seller of the companies of the International Power Group to ERG in the contract of transfer of the investments in these companies, (ii) the settlement agreement concluded between said seller and ERG dated 19 December 2016, in which these guarantees were confirmed and further detailed, and (iii) the fact that in the 2013 Consolidated Financial Statements a liability for an amount corresponding to the nominal amount of the incentives for which the Italian Ministry of Economic Development is requesting the return (see definition of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group ***(Note 12 – Other non-current liabilities****) had already been allocated, further provisions are not required.*

IV. PROVISIONS AND CONTINGENT LIABILITIES

Relevant information on the accounting standards adopted and recognition and measurement criteria

The amounts recorded in the Provision for Disposed Businesses for existing obligations or for risks relating to previous industrial activities at the date of these Consolidated Financial Statements are measured on the basis of the best estimate of the financial outlay that will be necessary to fulfil the obligation. Changes in estimates are reflected in the income statement in the year in which the change occurs.

NOTE 25 - PROVISION FOR DISPOSED BUSINESSES

(EUR thousand)	31/12/2023	Increases	Decreases	31/12/2022
Provision for disposed businesses	84,581	975	(1,085)	84,691
Total	**84,581**	**975**	**(1,085)**	**84,691**

The "**Provision for disposed businesses**" includes tax, environmental or legal provisions deriving from the Group's transactions before 2018, the year in which the Group completed its industrial transformation process, initiated in previous years, which led to its definitive exit from **OIL** businesses.

This process comprised two fundamental steps:

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

In addition to this strategic restructuring of the Group, there was the sale of the **hydroelectric** business, with the company ERG Hydro S.r.l., which took place on 3 January 2022, from which some allocations of approximately EUR 6 million were derived.

As regards the sale of the **thermoelectric** business, no further allocations are expected.

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

The main issues underlying the main allocations are summarised below:

- regarding the ongoing **dispute** between ERG Raffinerie Mediterranee (now ERG S.p.A.) and the Italian Tax Authorities over the application of harbour duties for embarkation and disembarkation rights at the Santa Panagia jetty, on 6 April 2011 the Syracuse Provincial Tax Commission partially upheld the Company's appeal and ruled that harbour duties through 2006 are not due, finding them to be due from 2007 onwards. The first level ruling was challenged within the deadline by the Customs Agency and by ERG with appeal relative to the period subsequent to 2006.
- The appeal decision, issued by the Regional Tax Commission and filed on 27 May 2013, amended the first level decision unfavourably for ERG.
- Following a thorough evaluation of the reasons for the appeal decision, the Company decided to appeal before the Court of Cassation, deeming its own arguments to be well grounded (in particular with regard to the notion

of “harbour” in accordance with Italian Law no. 84/94 and to the alleged novating or retroactive validity of Article 1, paragraph 986 of the 2007 Italian Budget Law). On 4 November 2013, the Syracuse Regional Tax Commission allowed the request to suspend the effectiveness of the appeal decision, requiring the issue of a first demand insurance guarantee in favour of the Customs Agency. In the court order issued on 30 September 2019, the Court of Cassation ruled favourably on the appeal filed by the company and, consequently, rejected – overturning – the contested decision by the Regional Tax Commission. The proceedings were therefore continued within the terms prescribed by law before the Regional Tax Commission so that the latter – which has changed in composition since the previous hearing – may once again examine the merits of the case. A date for the hearing is still pending. From 2007, the relevant taxes were recognised in the income statement on an accrual basis.

- with reference to **environmental risk**, with regard to the South Site the likelihood of exposure to contingent liabilities is deemed remote, as the risk has already been limited by the settlement reached with the Italian Ministry of the Environment in August 2011 and registered by the Court of Auditors on 20 December 2011, and by the Settlement Agreement stipulated on 30 December 2013 between ERG S.p.A. and Lukoil. With regard to the North Site, depending on the double guarantee scheme deriving both from the agreement executed with ENI (previous owner of the site), and the agreement executed with Lukoil (new owner), the risk is as follows:
    - (i) for potential environmental damage prior to 1 October 2002, ENI is liable indefinitely;
    - (ii) fwith reference to potential damages relating to the period after 1 October 2002, ERG will be liable – without time limitations – only for potential damages linked to events known at the time of signing the contract with Lukoil and expressly identified therein (“Known Environmental Matters”), it being understood that, up to an amount of EUR 33.4 million, the expenses related to the compensation of such damages will be shared between ERG and Lukoil (51% and 49%), while beyond this amount ERG will be charged in full for any additional charges.

On 9 September 2017, the Italian Ministry for the Environment warned some of the companies of the Priolo site, including ERG Power S.r.l. and ERG Power Generation S.p.A., to clean up the Augusta Harbour. The request is unlawful and has therefore been contested before the Administrative Courts (the hearing for the presentation of the arguments has yet to be set).

On 30 October 2020 and subsequently on 11 June 2021 and 30 May 2022, ERG Power S.r.l. and ERG Power Generation S.p.A. served notice of three further appeals for additional reasons, for the cancellation, respectively of (i) protocol no. 0064419 of 14 August 2020 in which the Italian Ministry of Environment and Protection of Land and the Sea called a preliminary conference of services to evaluate the report prepared in January 2020 by Ispra and IAS-CNR, regarding the “Site of national interest of Priolo Augusta Harbour” and (ii) the decree of the Italian Ministry of Ecological Transition, General Management and Environmental Remediation protocol no. 50 of 15 April 2021, in which the Ministry approved the Ispra and IAS-CNR report, deeming the document a suitable basis on which to draft a remediation plan for the Augusta Harbour; and (iii) protocol no. 42114 of 1 April 2022 with which the Ministry of Ecological Transition – Directorate General for the Sustainable Use of Soil and Water Resources, forwarded the intervention plan for the definition of sediment intervention values in the Augusta Harbour (Priolo SIN), drawn up

by ISPRA. These acts were challenged because the Italian Ministry's initiative was undertaken on the basis of the same (incorrect) assumptions, which formed the basis of the caution of 2017, already challenged by ERG Power S.r.l. and ERG Power Generation S.p.A. In its ruling published on 27 December 2023, the Administrative Judge dismissed the aforesaid appeals, stating that the contested actions are of an intra-procedural nature and, as such, are not capable of producing – in an immediate and direct manner – effects on the legal sphere of the appellants and therefore cannot be independently challenged. The companies will therefore be able to legitimately challenge the final acts of the proceedings that would impose on them obligations to clean up the Augusta Harbour.
ERG S.p.A. is not party to the proceedings, but the environmental issues relating to the Augusta Harbour arise in the context of the environmental guarantees present in the various contracts with ENI and Lukoil;

- with reference to the sale of **TotalErg** and in particular to the guarantees connected to the buyer on prior contingent liabilities (retained matters and other prior contingent liabilities), the best estimate of the expense was computed on the basis of the information available to management and taking into account the large number of underlying elements and all possible outcomes of the related issues.

The increases in the year mainly refer to monetary adjustments to the underlying risk.

NOTE 26 - OTHER PROVISIONS

Relevant information on the accounting standards adopted and recognition and measurement criteria

The amounts recorded under Other provisions against obligations existing at the reporting date are measured on the basis of the best estimate of the financial outlay that will be necessary to fulfil the obligation. Changes in estimates are reflected in the income statement in the year in which the change occurs.

The other categories of provisions reflect the measurement of probable liabilities related to some pending disputes for which it was possible to make a reliable estimate of the corresponding expected obligation. For these provisions, no discounting was applied because of the uncertainty about the utilisation times.

(EUR thousand)	*Non-current portion*	*Current portion*	31/12/2023	Increases	Decreases	Change in the scope of consolidation	31/12/2022
Provisions for tax risks	29,284	2,009	31,294	338	(8,611)	12,500	27,067
Provisions for institutional counterparty risks	4,500	29,218	33,718	10,092	-	-	23,626
Provision for legal risks	-	1,408	1,408	35	(2,188)	-	3,745
Other provisions for risks and charges	2,817	4,299	7,116	1,849	(3,610)	-	8,693
Total other provisions	**36,601**	**36,935**	**73,536**	**12,314**	**(14,409)**	**12,500**	**63,131**

The **Provision for tax risks** includes provisions for risks recognised in connection with acquisitions in previous periods and provisions from previous years for tax risks on foreign companies, and the allowance relating to the existing dispute and to the potential dispute in relation to local taxes brought as a result of the different interpretation provided by the Italian Revenue Agency regarding application of the regulatory provisions introduced by Italian Law no. 208/2015 (in particular, wind towers are considered by the Italian Revenue Agency to be relevant for the purposes of calculating cadastral rent).

The increase in the change in the scope of consolidation refers to the recognition of a provision against tax and legal risks identified in relation to the acquisitions during the year. The decrease in the year mainly refers to the release and use of some provisions recognised as part of the acquisitions made in previous periods and the positive development of the above-mentioned local tax litigation.

The **Provision for institutional counterparty risks** mainly refers to the following risks:

- charges tied to interest and revaluations on the grants under Italian Law no. 488/1992 (EUR 18 million, increased by approximately EUR 5 million in 2023), relating to wind farms acquired as part of the ERG Wind transaction and revoked by the Italian Ministry of Economic Development, as described in more detail in **Note 24 – Other non-current financial assets**. It should be noted that the risks associated with the revocation of the aforementioned grants are covered in the ERG Wind acquisition agreements by specific indemnity obligations issued by the seller and therefore the related receivable was allocated to **Other non-current assets**;
- contingent foreign company charges related to Romania (EUR 9 million), recognised in 2015 upon the dissolution of the LUKERG Renew joint venture, as well as contingent charges related to Poland (EUR 4 million) for the calculation of clawback measures for certain 2023 monthly payments.

The **Provision for legal risks** mainly relates to provisions for risks relating to the wind and solar businesses.
The item **Other provisions for risks and charges** mainly refers to risks on potential higher contractual charges (approximately EUR 3 million) as well as risks relating to disputes involving some foreign companies. The decrease mainly refers to the use or release of provisions for sundry risks and charges in some Italian companies for which the requirements that had originally led to their recognition are no longer met.

NOTE 27 - CONTINGENT LIABILITIES AND DISPUTES

ERG is a party in civil, administrative and tax proceedings and legal actions connected with the normal course of its operations. Where no explicit mention is made of a provision, the Group has assessed the corresponding risk as possible and provides the relevant information.
Significant contingent liabilities, represented by the following, are disclosed in the notes to the Consolidated Financial Statements:

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events not wholly within the Group's control;
- present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that settlement will not be onerous.

For the purposes of these Consolidated Financial Statements, there are no obligations falling within the definition described above.

V. FINANCING ACTIVITIES

OWN FUNDS

NOTE 28 - EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The change in equity during the year is shown below:

(EUR million)

Equity attributable to the owners of the parent	31/12/2022	Share-based payments	Dividends	Share buy-back	Translation differences and actuarial changes	Hedging reserve	Profit	31/12/2023
	2,046	3	(150)	(61)	21	97	179	2,133

(EUR thousand)	31/12/2023	31/12/2022
Share capital	**15,032**	**15,032**
Share premium reserve	74,543	74,543
Revaluation reserves	66,946	66,946
Legal reserve	3,236	3,236
Hedging reserve	41,711	(55,393)
Translation reserve	(8,136)	(28,701)
Reserve for treasury shares in portfolio	(66,740)	(5,378)
Other reserves	1,527,666	1,158,097
Total Reserves	**1,639,225**	**1,213,351**
Retained earnings	300,108	438,028
Profit for the year	178,668	378,939
Equity attributable to the owners of the parent	**2,133,033**	**2,045,350**
Non-controlling interests	6,664	9,332
Equity	**2,139,697**	**2,054,682**

The **Share premium reserve** consists of the share premium paid by the shareholders for the subscription of the shares relating to the share capital increases carried out on 14 October 1997, 2 July and 5 August 2002. In order to better represent the repurchase of treasury shares in the financial statements, the "Share premium reserve" was restated at 31 December 2022, keeping the actual share premium in this reserve and reclassifying the treasury shares in the amount of EUR 5,377,545 under the new line "Reserve for treasury shares in portfolio".

Revaluation reserves refer to the revaluation pursuant to law of property, plant and equipment carried out in previous years.

The **Hedging reserve** at 31 December 2023 reflects the effect of the derivatives hedging ongoing loans. With reference to the impact on the statement of comprehensive income of hedging derivatives in the amount of EUR 97 million, please refer to the **Statement of comprehensive income**.

The **Reserve for treasury shares in portfolio** includes the cost of the Company's shares held by the Group, the increase of which during the year is detailed in the following pages.

Other reserves comprise mainly:

- The goodwill generated by the 2015 merger of ISAB Energy S.r.l. into ERG S.p.A. amounting to EUR 261 million;
- The monetary revaluation reserve, which as from 2015 includes the reconstitution of the monetary realignment reserve of the former ISAB Energy S.r.l. as per Italian Law no. 266/05 for an amount of EUR 29 million;
- The goodwill generated by the 2010 merger of ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. into ERG S.p.A., equal to EUR 446 million, which had been partly allocated in the "2010 merger goodwill" reserve (EUR 251 million) and partly to reconstitute the specific equity reserves (EUR 195 million) subject to tax on distribution;
- The consolidation reserve.

Share capital

The fully paid-in share capital at 31 December 2023 consisted of 150,320,000 shares with a par value of EUR 0.10 each for a total of EUR 15,032,000 (unchanged since 31 December 2022).

At 31 December 2023, the Company's Shareholders' Register, in relation to shareholders holding significant equity investments, shows the company SQ Renewables S.p.A. as the owner of approximately 63% of the share capital, unchanged compared to 31 December 2022.

The shareholding structure of ERG S.p.A. is shown below:

	No. of shares	%
Share capital	**150,320,000**	**100%**
SQ Renewables S.p.A.	94,000,000	63%
ERG S.p.A. (treasury shares)	3,186,360	2%
Others lower than 3%	53,133,640	35%
Total	***150,320,000***	***100%***

Treasury shares

Relevant information on the accounting standards adopted and recognition and measurement criteria

Treasury shares are presented as a reduction in equity.

In case of buy-back of shares recognised in equity, the consideration paid, including the costs that can be directly attributed to the transaction are recognised as a reduction in equity. The shares thus bought back are classified as treasury shares and recognised in the reserve for treasury shares. The consideration received from the subsequent sale or re-issue of treasury shares is recognised as an increase in equity. Any positive or negative difference deriving from the transaction is recognised in the share premium reserve.

On 26 April 2023, pursuant to Article 2357 of the Italian Civil Code, the Ordinary Shareholders' Meeting authorised the Board of Directors, subject to revocation, for the period still remaining, of the previous authorisation to repurchase and sell treasury shares resolved by the Shareholders in the meeting on 26 April 2022, for a period of 18 months effective from 26 April 2023, to purchase treasury shares up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time in the portfolio) of 15,032,000 ordinary ERG shares with a par value of EUR 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the share on the day immediately preceding each individual transaction. This is in order to optimise the capital structure with a view to maximising the creation of value for shareholders, also in relation to the available liquidity and, nonetheless, for any other purposes allowed by the applicable legislative and regulatory provisions in force. The purchase must be carried out through the use of distributable profits and available reserves resulting from the last approved Financial Statements, in compliance with Article 132 of the Consolidated Law on Finance and in the manner set forth in Article 144-bis, paragraph 1, letter b) of the Issuers' Regulation, i.e. "on regulated markets or multilateral trading facilities in accordance with the operating procedures established in the organisational and management regulations of the markets themselves, which do not allow the direct matching of trading proposals for purchase with predetermined trading proposals for sale".

The Shareholders authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, upon annulment, for the period still remaining, of the previous authorisation resolved by the Shareholders' Meeting on 26 April 2023, for 18 months as from 26 April 2023, to also sell, all at once or in several steps, and with any procedures deemed appropriate in relation to the purposes, which the disposal is attempting to achieve, treasury shares at a unit price no lower than 10% below the closing price of the share on the day immediately preceding each individual disposal.

On 12 October 2023, the Board of Directors of ERG S.p.A. resolved to start the share buy-back programme, in compliance with the resolution passed by the Shareholders' Meeting on 26 April 2023.

The maximum quantity of Shares that can be purchased is 3,758,000 (equal to 2.5% of the share capital), with a maximum outlay of EUR 100,000,000, without prejudice to any other limitation possibly deriving from legislative or regulatory provisions.

In the period from 16 October 2023 to 29 December 2023, ERG S.p.A. purchased 2,404,280 ordinary shares (equal to 1.5994% of the share capital of ERG S.p.A.) on the Euronext Milan market at a weighted average price of EUR 25.48, for a total value of EUR 61,362,216, including ancillary charges of EUR 94,927. At 29 December 2023, considering the shares already in the portfolio, ERG S.p.A. holds 3,186,360 treasury shares, equal to 2.1197% of the related share capital.

Information on the purchase of treasury shares is updated weekly on the Company's website (www.erg.eu) in the "Media/Press Releases" section.

Period	Number of shares purchased	Average price per share (Euro)	Aggregate number of shares purchased
2023-2024 Programme			
October 2023	480,000	23.14	480,000
November 2023	947,636	24.85	1,427,636
December 2023	976,644	27.25	2,404,280
Total	**2,404,280**	**25.48**	**2,404,280**

The following table shows the change in the number of treasury shares and shares outstanding:

Number of shares	Treasury shares	Shares outstanding
BALANCE AT 31/12/2022	782,080	149,537,920
Purchase of ordinary shares	2,404,280	(2,404,280)
BALANCE AT 31/12/2023	**3,186,360**	**147,133,640**

The change in the number of treasury shares in 2023 was entirely determined by the carrying out of the Share Buy-back Programme. There is no change in financial year 2022.

Dividends

In 2023, ERG S.p.A. paid dividends totalling EUR 149.5 million, equal to EUR 1.00 for each of the shares entitled to receive dividends at the ex-dividend date. In 2022, dividends amounting to EUR 134.6 million were distributed, equal to EUR 0.90 for each of the shares entitled to receive dividends at the ex-dividend date.

Proposal of the Board of Directors of 12 March 2024

Dear shareholders, in relation to the results achieved, we invite you to resolve upon the following:

- to approve the Financial Statements of your company for the year ended 31 December 2023, which show a profit of EUR 27,764,716.42;
- to resolve to pay to the Shareholders a dividend of EUR 1,0 per share. The dividend will be payable for each share with dividend rights outstanding at the ex-dividend date, excluding the company's treasury shares, in accordance with Article 2357-ter of the Italian Civil Code, through the use of the profit for the year and the residual portion of the reserve made up of retained earnings and, for the remainder, through the use of "Other reserves" of profits;
- to approve the payment of the dividend as from 22 May 2024, with an ex-dividend date as from 20 May 2024 and record date of 21 May 2024.

Supplementary information on capital

The objectives identified by the Group for capital management are to safeguard corporate viability, to create stakeholder value and to support Group development. In particular, the Group pursues the maintenance of an adequate level of capitalisation that allows it to produce a satisfactory economic return for the shareholders and to assure access to external financing sources, also through the achievement of an adequate rating. In this context, the Group manages its own capital structure and makes adjustments to it, if changes in the economic conditions require it. There were no substantial changes to the objectives, to the policies or to the processes as at the date of preparation of this document.

NOTE 29 - NON-CONTROLLING INTERESTS

Non-controlling interests relate to the consolidation on a line-by-line basis of the following companies that have other shareholders:

Company	% non-controlling interest	non-controlling interests	Profit/(Loss)
Andromeda PV S.r.l.	21.50%	6,664	1,829

Note also that dividends of EUR 4,496 thousand were paid to non-controlling interests.

NET FINANCIAL INDEBTEDNESS

Relevant information on the accounting standards adopted and recognition and measurement criteria

For the purposes of defining the net financial position, reference is made to the matters indicated on the subject in CONSOB Warning Notice no. 5/21 of 29 April 2021.

In detail, the net financial position is broken down as follows:

A. Cash
B. Cash equivalents
C. Other current financial assets
D. Liquidity (A) + (B) + (C)
E. Current financial liabilities – instruments measured at fair value
F. Current portion of non-current financial liabilities
G. Current financial indebtedness (E) + (F)
H. Net current financial indebtedness (G) - (D)
I. Non-current financial liabilities. Financial liabilities
J. Debt instruments
K. Trade payables and other current liabilities
L. Non-current financial indebtedness (I) + (J) + (K)
M.Net financial indebtedness (H) + (L)

Financial assets and Financial liabilities

All financial assets and liabilities are initially recognised on the trading date, i.e. when the Group becomes a contractual party to the financial instrument. Financial instruments are initially measured at fair value plus or minus, in the case of financial assets or liabilities not at FVTPL, transaction costs directly attributable to the acquisition or to the issue of the financial instrument. Subsequently, their valuation and classification is based on the analysis of contractual cash flows and on the business model adopted by the Group for the management of these instruments. They can therefore be measured and classified as follows:

- ***Amortised cost****. They mainly include instruments such as financial receivables and other loans granted by the Group. The amortised cost is decreased by impairment loss. Interest, determined using the effective interest method, exchange gains and losses and impairment losses are recognised in profit or loss for the year as are any gains or losses on derecognition.*
- ***Fair value through profit or loss for the year (FVTPL)*** *These instruments are recognised at fair value even after initial recognition and changes in fair value are recognised in profit or loss for the year. They include equity investments and derivative instruments not classified by the Group as hedging instruments.*
- ***Fair value through other comprehensive income (FVOCI)****. These instruments are recognised at fair value even after initial recognition. They mainly include debt securities, equities and derivative instruments classified by the Group as hedging instruments. Interest income calculated in accordance with the effective interest method, exchange gains and losses and impairment losses are recognised in profit or loss for the year; other net gains and losses are recognised in the Statement of Comprehensive Income. When the financial asset is derecognised, the gains or losses previously recognised in the Statement of Comprehensive Income are reclassified to the income statement.*

Financial assets and liabilities are measured at amortised cost using the effective interest method or at FVTPL. Any changes to financial assets and liabilities measured at FVTPL, including interest expense, are recognised in profit/(loss) for the year. In the case of financial liabilities subsequently measured at amortised cost, interest expense and exchange gains/(losses) are recognised in profit/(loss) for the year, as well as any gains or losses deriving from derecognition.

Financial liabilities measured at amortised cost include loans, trade payables and other financial liabilities; those measured at FVTPL include derivative financial instruments. When a financial asset is derecognised, the difference between the carrying amount of the extinguished financial liability and the price paid (including the assets not represented by cash transferred or the assumed liabilities) is recognised in the profit or loss for the year.

Please refer to ***Note 37 – Financial instruments for further details****.*

(EUR thousand)	Notes	31/12/2023	31/12/2022
A. Cash	30	*292,568*	*377,811*
B. Cash equivalents	30	*175,000*	*15,000*
C. Other current financial assets	31 - 32	*241,696*	*244,916*
D. Liquidity (A+B+C)		**709,264**	**637,727**
E. Current financial liabilities	33	*(142,987)*	*(56,680)*
E. Current financial liabilities – instruments measured at Fair Value	35	-	*(0)*
F. Current portion of non-current financial liabilities – loans, borrowings, project financing and leases	33	*(20,998)*	*(320,518)*
F. Current portion of non-current financial liabilities – other liabilities	33	*(22,170)*	*(12,518)*
F. Current portion of non-current financial liabilities – current lease liabilities	34	*(6,353)*	*(6,354)*
G. Current financial indebtedness (E+F)		**(192,507)**	**(396,079)**
H. Net current financial indebtedness (G-D)		**516,757**	**241,648**
I. Non-current financial liabilities	33	(410,308)	(156,282)
I. Non-current financial liabilities – Non-current lease liabilities	34	*(165,687)*	*(165,070)*
J. Bonds issued	33	*(1,594,979)*	*(1,593,007)*
K. Trade payables and other liabilities	33	*(10,807)*	*(1,967)*
K. Trade payables and other liabilities (instruments measured at fair value)	35	-	-
L. Non-current financial indebtedness (I+J+K)		**(2,181,781)**	**(1,902,210)**
M. Net financial indebtedness (H+L)		**(1,665,024)**	**(1,660,562)**

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

(EUR thousand)	31/12/2023	31/12/2022
Net financial indebtedness	**(1,665,024)**	**(1,660,562)**
Exclusion of IFRS 16 impact (lease liabilities)	*172,040*	*157,317*
Net financial indebtedness before IFRS 16	**(1,492,985)**	**(1,503,245)**
Inclusion of positive fair value IRS financial derivatives	*47,976*	*69,041*
Net financial indebtedness from continuing operations	**(1,445,008)**	**(1,434,204)**
Inclusion of liabilities associated with assets held for sale	-	*(98,334)*
Net Financial Indebtedness Directors' Report	**(1,445,008)**	**(1,532,538)**

Indirect and contingent indebtedness

In accordance with ESMA Guidelines, the description and nature of the Group's indirect and contingent indebtedness at 31 December 2023 is provided below.

The Group's indirect and contingent indebtedness at 31 December 2023 mainly refers to commitments to build assets over the next 12 months and amounts to approximately EUR 224 million, mainly attributable to the development of wind farms in France and the United Kingdom (approximately EUR 83 million), repowering and revamping projects on wind farms and photovoltaic systems in Italy for approximately EUR 108 million and the development of greenfield wind projects in Italy for approximately EUR 18 million.

NOTE 30 - CASH AND CASH EQUIVALENTS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Cash and cash equivalents are presented at fair value, which corresponds to their nominal amount. In accordance with IAS 7, the definition of cash equivalents comprises cash on hand and bank/postal deposits repayable on demand, together with short-term investments that are convertible to a known amount of cash. It also includes short-term investments whose reimbursement value is predetermined at the date of initial purchase/recognition.

This item, equal to EUR 468 million at 31 December 2023 (EUR 393 million at 31 December 2022), is made up of cash generated by the Group's assets, deposited with the banks of which the Group is a client, for an amount equal to EUR 459 million, in addition to the balance in the accounts of wind and solar companies owned by ERG Power Generation S.p.A. according to the restrictions on use set forth in the relative Project Financing agreements for an amount of approximately EUR 9 million. For further details on these Project Financings, please refer to **Note 33 – Current and non-current financial liabilities**.

The change in cash and cash equivalents is summarised in the **Statement of Cash Flows**.

NOTE 31 - FINANCIAL ASSETS MEASURED AT FAIR VALUE

(EUR thousand)	31/12/2023	31/12/2022	Impact on Net Financial Indebtedness
Fair value derivatives hedging interest rates	17,207	33,225	
Virtual Power Purchase Agreements	16,907	-	
Total non-current portion	**34,115**	**33,225**	
Fair value derivatives hedging interest rates	30,770	35,755	
Commodity hedging derivatives	15,166	72,033	
Virtual Power Purchase Agreements	861	-	
Non-commodity hedging derivatives	-	33,780	✔
Total current portion	**46,796**	**141,569**	

The non-current portion, equal to approximately EUR 34 million at 31 December 2023 (EUR 33 million at 31 December 2022), consists of:

- the non-current portion of the positive fair value of ERG S.p.A.'s Prehedge equal to approximately EUR 17 million;
- the positive fair value of the VPPA in Italy subscribed during the year, equal to approximately EUR 17 million.

The current portion, amounting to approximately EUR 47 million at 31 December 2023 (EUR 142 million at 31 December 2022), consists mainly of:

- the current portion of the positive fair value of ERG S.p.A.'s Prehedge for approximately EUR 31 million (EUR 36 million at 31 December 2022);
- the positive fair value of commodity price risk hedging instruments, amounting to approximately EUR 15 million (EUR 72 million at 31 December 2022). The decrease in this item compared to 31 December 2022 is attributable to the early termination of certain derivative financial instruments in 2023.

NOTE 32 - OTHER CURRENT FINANCIAL ASSETS

This item, amounting to EUR 242 million at 31 December 2023, entirely included in the net financial indebtedness (EUR 211 million at 31 December 2022), mainly consisted of short-term uses of liquidity of EUR 235 million (EUR 100 million at 31 December 2022) and approximately EUR 4 million of interest income accrued on these uses (EUR 6 million at 31 December 2022).

NOTE 33 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Relevant information on the accounting standards adopted and recognition and measurement criteria

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The costs directly related to obtaining or issuing the liability are deducted from the carrying amount of the liability. These costs are then amortised over the life of the liability, using the effective interest rate method.

The liability for bonds is presented net of commissions and other borrowing costs.

Some financial liabilities measured at amortised cost, mainly loans and borrowings, are hedged. This mainly refers to loans whose future cash flows are exposed to interest rate risk. For the measurement of these hedging instruments, please refer to ***Note 37 – Financial instruments****.*

	31/12/2023				31/12/2022			
	Carrying amount			Nominal amount	Carrying amount			Nominal amount
(EUR thousand)	Current portion (*)	Non-current portion	Total	Total	Current portion (*)	Non-current portion	Total	Total
Bonds issued	6,970	1,594,979	1,601,949	1,600,000	7,006	1,593,007	1,600,013	1,600,000
Loans and borrowings	4,156	329,073	333,229	330,000	249,438	-	249,438	250,000
Project Financing	16,837	81,234	98,071	98,397	55,070	156,282	211,352	215,314
Lease liabilities **	-	-	-	-	16,009	-	16,009	15,285
Total non-current debt	**27,963**	**2,005,286**	**2,033,249**	**2,028,397**	**327,524**	**1,749,288**	**2,076,812**	**2,080,599**
Bank loans and borrowings	136,016	-	136,016	136,016	49,674	-	49,674	49,674
Other liabilities	22,175	10,808	32,983	32,983	12,518	1,967	14,485	14,485
Total Other liabilities	**158,191**	**10,808**	**168,999**	**168,999**	**62,192**	**1,967**	**64,159**	**64,159**
Total Financial liabilities	**186,154**	**2,016,094**	**2,202,248**	**2,197,396**	**389,716**	**1,751,255**	**2,140,971**	**2,144,758**

* The current portion of loans and borrowings includes the reversal of the IFRS 9 gain, if applicable.

** The change refers to the early redemption of lease liabilities in Italian solar companies.

The table below shows the nominal outstanding of the non-current liabilities at 31 December 2023, thus excluding the related amortised costs, the impacts of IFRS 9, the interest accrued, and the breakdown of the repayments envisaged for the years to come, by type of financing source.

(EUR million)	Debt 31/12/2023	2024	2025	2026	2027	2028	>2028
Bonds issued	1,600	-	500	-	600	-	500
Project Financing	98	16	17	16	17	20	11
Loans and borrowings	330	-	-	-	-	330	-
	2,028	**16**	**517**	**16**	**617**	**350**	**511**

The following table shows the composition in percentage terms of the outstanding nominal amount of non-current debt:

Non-current Debt	31/12/2023	%	31/12/2022	%
Project Financing	98,397	5%	215,314	10%
Leases	-	0%	15,285	1%
Loans and borrowings	330,000	16%	250,000	12%
Bonds issued	1,600,000	79%	1,600,000	77%
	2,028,397	**100%**	**2,080,599**	**100%**

Financial Strategy and Sustainable Finance

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

In recent years, ERG has implemented a strategy to gradually evolve the financial structure from Project to Corporate Financing, through significant liability management transactions and the simultaneous issue of three bond loans in April 2019, September 2020 and September 2021 respectively. This made it possible to re-balance the group financial structure in favour of corporate financing and to transform the debt structure from traditional sources of financing towards sustainable sources of financing.

Confirming ERG's strong commitment to sustainable development, the three green issues for a total of EUR 1,600 million were structured as Green Bonds on the basis of the ERG Green Bond Framework, assessed by the independent advisor Vigeo Eiris (member of Moody's ESG Solutions) as compliant with Green Bond Principles 2021 and in line with best market practices.

At 31 December 2023, the sources of Sustainable Finance, equal to EUR 1,930 million out of a total of financial sources equal to a nominal amount of EUR 2,027 million (EUR 1,829 million at 31 December 2022 out of a total of financial sources equal to a nominal amount of EUR 2,081 million), include:

- *Green Bonds*, for a total of EUR 1,600 million (amount unchanged from 31 December 2022), intended for the financing and refinancing of the construction and/or acquisition of wind and solar projects;
- *Medium/long-term senior unsecured Sustainability-Linked loans*, totalling EUR 330 million (nominal amount of EUR 150 million at 31 December 2022), which provide for a bonus mechanism linked to the achievement of a target in terms of installed renewable capacity and in terms of female participation in managerial positions within the Group. At 31 December 2023, these targets had been achieved.

During 2023, EUR 79 million were repaid in full relating to ESG Linked Project Green Financing.

On the other hand, traditional sources of financing, amounting to EUR 98 million (EUR 252 million at 31 December 2022), relate entirely to Project Financing. These are residual from loans already in place on areas subject to acquisition or in any case from loans taken out before 2019, connected to solar and wind farms, respectively in Italy and Germany, relating to green energy production projects.

The composition of funding sources confirms our commitment to keeping at least 90% of the Group's funding sources sustainable as outlined in the 2022-2026 ESG plan.

TRADITIONAL SOURCES OF FINANCING

(EUR million)	31/12/2023	%	31/12/2022	%
Traditional sources of financing	98,397	5%	251,599	12%
Sustainable sources of financing	1,930,000	95%	1,829,000	88%
Total Non-current Debt	**2,028,397**	**100%**	**2,080,599**	**100%**

In addition to the above drawn financial sources, ERG S.p.A. has an ESG-linked Revolving Credit Facility in place since October 2022, with a three-year term and the possibility of extension for a further year. The margin applied to the facility is subject to an adjustment mechanism based on the achievement of a target in terms of installed renewable capacity and in terms of female participation in managerial positions within the Group. At 31 December 2023, these targets have been achieved. This facility, amounting to EUR 600 million, was fully available at 31 December 2023.

At 31 December 2023, the weighted average interest rate on loans, borrowings and project financing, including hedging transactions, was 1.4% (unchanged compared to 31 December 2022).

The **Bonds issued**, amounting to EUR 1,600 million at 31 December 2023 (unchanged compared to 31 December 2022), include:

Type of loan	ISIN	Coupon	Issue date	Expiry date	Issue price	Gross yield to maturity	Rating	Carrying amount	Nominal amount
Green Bond	XS1981060624	1.88%	11/04/2019	11/04/2025	99.67%	1.93%	Fitch: BBB-	505,769	500,000
Green Bond	XS2229434852	0.50%	11/09/2020	11/09/2027	99.21%	0.62%	Fitch: BBB-	497,267	500,000
Green Bond	XS2229434852	0.50%	23/12/2020	11/09/2027	101.10%	0.33%	Fitch: BBB-	100,491	100,000
Green Bond	XS2386650274	0.88%	15/09/2021	15/09/2031	99.75%	0.90%	Fitch: BBB-	498,423	500,000
Total								**1,601,949**	**1,600,000**

The liability for bonds is presented net of commissions and other borrowing costs for an amount of EUR 7.0 million. These costs were recognised in the income statement under financial expenses in 2023 according to the amortised cost method in the amount of EUR 2.0 million, corresponding to the portion accrued for the period.

The carrying amount of the financial liability includes approximately EUR 8.9 million of interest accrued in the year.

Loans and borrowings, amounting to EUR 333 million at 31 December 2023 (EUR 249 million at 31 December 2022) refer to three Sustainable bilateral linked loans subscribed in the first half of 2023, as detailed in the following table.

It should be noted that during the year, the two bilateral corporate loans previously in place for a total amount of EUR 250 million were repaid at their natural maturity.

Disbursement	Type of loan	Maturity	Rate	Carrying amount	Nominal amount
2023	Sustainability bilateral linked loans	28/02/2028	IRS: Euribor 6M + Spread	100,985	100,000
2023	Sustainability bilateral linked loans	31/03/2028	IRS: Euribor 6M + Spread	131,735	130,000
2023	Sustainability bilateral linked loans	02/05/2028	IRS: Euribor 6M + Spread	100,509	100,000
Total				333,229	330,000

The loans shown above are recognised net of ancillary charges recorded in the accounts using the amortised cost method (EUR 1.2 million) and including interest accrued for the period (EUR 4.4 million) calculated without taking into account interest rate hedging transactions.

Project Financing, amounting to EUR 98 million at 31 December 2023 (EUR 211 million at 31 December 2022) refers to:

- loans for EUR 80 million, with final maturity in November 2028, relating to the construction of a solar farm through an Italian company;
- loans amounting to EUR 18 million, with a final maturity of December 2038, granted for the construction of a wind farm through a company incorporated under German law.

The decrease is mainly linked to the early repayment of the project financing relating to the companies ERG Eolica Fossa del Lupo and EW Orneta 2 SP Z.O.O.

These loans are recognised net of ancillary expenses recognised using the amortised cost method (EUR 0.3 million).

Project financing is guaranteed by the underlying asset. Please refer to the following section for a comment on any pertaining covenants and negative pledges.

Bank loans and borrowings equal to EUR 134 million include mainly short-term positions referred to current accounts of credit facilities.

Lease liabilities amounted to zero due to the early redemption of the existing contracts in the photovoltaic companies acquired in Italy in 2022 (balance of EUR 16 million at 31 December 2022).

Other non-current liabilities refer to deferred components of the consideration for the acquisition of companies operating in the wind business abroad for approximately EUR 11 million, and for the current portion refer to deferred components of the consideration for the acquisition of companies operating in the solar business abroad for approximately EUR 21 million.

Covenants and negative pledges

At the reporting date, all the covenants on the Group's loans had been satisfied.

The above-mentioned financial liabilities contain covenants typical of the financial market, which place limits on the financed company in line with the prevailing market practice for similar agreements.

These agreements contain also negative pledges, clauses that generally prohibit assets being used as collateral for any other third-party lenders and protect the creditor's right over the assets pledged by the debtor as a guarantee for repayment of the loan.

As regards commitments and guarantees issued in favour of lenders, the<se mainly refer to:

i) the special lien on movable assets
ii) the mortgage of real estate
iii) the pledge on restricted current accounts
iv) the pledge on 100% of the share capital (including the pledge of 100% of the share capital of any subsidiaries).

The table below provides details on the financial parameters relating to the Group's loans/Project Financing.

2023 Consolidated Financial Statements	2022 Consolidated Financial Statements	Project Financing/Loans	Compliance with covenant(s)	Event of Default	Remedies in case of Event of Default*
●	✔	ERG Eolica Fossa del Lupo S.r.l. Project Financing	n/a	HDSCR less than 1.05x and FDSCR less than 1.05x	n/a
●	✔	EW Orneta 2 SP. Z.O.O. Project Financing	n/a	HDSCR less than 1.10x and LLCR less than 1.10x	n/a
✔	✔	Windpark Linda GmbH Project Financing	✔	HDSCR less than 1.05x	✔
✔	✔	Andromeda PV S.r.l. Project Financing	✔	Historical Annual DSCR and Projected Annual DSCR greater than 1.10x	✔
●	✔	Corporate Loan June 2023 EUR 150,000,000	✔	Net Debt/Equity < 3.75x	✔
●	✔	Corporate Loan March 2023 EUR 100,000,000	n/a		n/a
✔	●	Corporate Loan February 2028 EUR 130,000,000	n/a		n/a
✔	●	Corporate Loan March 2028 EUR 100,000,000	n/a		n/a
✔	●	Corporate Loan May 2028 EUR 100,000,000	n/a		n/a

LLCR: Loan Life Cover Ratio
HDSCR: Historical Debt Service Coverage Ratio
FDSCR: Forecast Debt Service Coverage Ratio
* Contractually established remedies that the Company can take to avoid default.

Key:
✔ Present
● Not present
n/a Not applicable

NOTE 34 - LEASE LIABILITIES

Financial liabilities accounted for in accordance with IFRS 16 equal to EUR 172 million (EUR 157 million at 31 December 2022) of which EUR 166 million (EUR 151 million at 31 December 2022) non-current and EUR 6 million current (EUR 6 million at 31 December 2022).

The liability refers to the present value of payments due and not paid at the start date of the lease plus implicit interest accrued on said liability and less payments made during the year.

The increase mainly refers to the liability recognised for the acquisitions that took place during the year. For further details, please refer to **Note 44 – Business combinations and asset acquisition**.

NOTE 35 - FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

(EUR thousand)	31/12/2023	31/12/2022	Impact on Net Financial Indebtedness
Virtual Power Purchase Agreements	5,830	-	
Total non-current portion	**5,830**	**-**	
Fair value of derivatives hedging exchange rate	2,349	-	
Virtual Power Purchase Agreements	530	-	
Commodity hedging derivatives	3,030	76,644	
Total current portion	**5,908**	**76,644**	

The non-current portion, amounting to EUR 6 million, includes the non-current portion of the negative fair value of the VPPA in Spain.

The current portion of EUR 6 million (EUR 77 million at 31 December 2022) consists of:

- liabilities related to the negative fair value of commodity price risk hedging instruments amounting to approximately EUR 3 million, which do not fall under the classification of financial liabilities and are therefore not included in the net financial indebtedness;
- liabilities related to the negative fair value of EUR/USD exchange rate hedging instruments, amounting to approximately EUR 2 million, subscribed by ERG Power Generation S.p.A. as part of the acquisition in the United States, the closing of which is expected within the first half of 2024;
- the current portion of liabilities related to the negative fair value of the VPPA in Spain acquired as part of the Garnacha business combination during the year, amounting to approximately EUR 0.5 million.

NOTE 36 - NET FINANCIAL INCOME (EXPENSE)

	2023			2022		
(EUR thousand)	Financial income	Financial expense	Net	Financial income	Financial expense	Net
Bank interest income (expense) on current accounts	18,486	(574)	17,912	2,020	(848)	1,172
Financial income (expense) on interest rate derivatives – differential	12,178	(1,717)	10,461	1,040	(3,234)	(2,194)
Interest expense to third parties on loans/borrowings	-	(30,863)	(30,863)	-	(18,126)	(18,126)
Interest expense on project financing	-	(6,948)	(6,948)	-	(10,014)	(10,014)
Liability management transactions	1,851	(6,650)	(4,799)	-	(2,884)	(2,884)
Liquidity management/Cost of debt	**32,515**	**(46,753)**	**(14,238)**	**3,060**	**(35,106)**	**(32,046)**
Other financial income (expense)	9,607	(4,196)	5,411	10,213	(2,606)	7,607
Derivative financial income (expenses) – change in fair value	155,299	(155,173)	126	61,925	(62,072)	(147)
Effect of loan renegotiations – IFRS 9	-	(1,074)	(1,074)	15	(3,379)	(3,364)
Amortised cost on loans, borrowings and project financing	-	(2,478)	(2,478)	-	(3,279)	(3,279)
Interest expense on lease liabilities	-	(7,166)	(7,166)	-	(5,391)	(5,391)
Exchange gains (losses)	362	(380)	(18)	409	(362)	47
Other income (expense)	**165,268**	**(170,468)**	**(5,199)**	**72,562**	**(77,089)**	**(4,527)**
Total	**197,783**	**(217,220)**	**(19,437)**	**75,622**	**(112,195)**	**(36,573)**

The **Interest expenses to third parties on loans/borrowings** and **Interest expense on project financing** included in the cost of debt represent the portion of financial expenses relating to contractual interest, while their adjustment to the effective interest rate is represented by the items **Effect of loan renegotiations – IFRS 9** and **Amortised cost on loans, borrowings and project financing**. The change in interest expense is mainly due to the significant increase in interest rates compared to the comparative year. This change is effectively hedged under the item **Financial income (expenses) on interest rate derivatives – differential**. In addition, the strong growth in interest rates has also made it possible to invest with significant returns and to remunerate the Group's liquidity; the income from these investments is included in the item **Bank interest income (expense) on current accounts**.

The item **Liability management transactions** includes the non-recurring charges linked to the closure of some project financing of some operating wind and solar companies, including related renegotiation effects on loans in application of IFRS 9, as well as the partial extinguishment of the fair value related to derivative financial instruments, where applicable, hedging related interest rates.

The net item **Derivative financial income (expense) – change in fair value** refers to the change in fair value of certain derivative financial instruments on commodities. The gross values of income and expenses represented reflect the technical purchase and sale transactions and are of a significant amount due to the variability of the Energy Scenario. It should be noted that the net result of the aforementioned transactions is not significant, in line with the objectives set in the policy and with previous years.

The item **Effect of loan renegotiations – IFRS 9** refers to the effect of the application of IFRS 9 relating to the renegotiation of existing loans and includes financial income and the related reversals on restructuring transactions. This item is not significant due to the closure during the year of the loans subject to renegotiation.

NOTE 37 - FINANCIAL INSTRUMENTS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Derivative financial instruments

Derivative financial instruments, including embedded derivatives, subject to separation from the main contract, are assets and liabilities recognised at fair value.

Derivative instruments, including forward transactions, are classified as follows:

1) **derivative instruments that can be defined as hedges pursuant to IFRS 9**: *this includes (i) cash flow hedges (CFH) on interest rates, exchange rates and commodities and (ii) fair value hedges (FVH) on commodities (price and exchange rate);*
2) **forward transactions and derivative instruments that cannot be defined as hedges pursuant to IFRS 9,** *meeting the requirements of compliance with the company policies for the management of risk on exchange rates and energy commodities.*

The Group carries out the basis adjustment, reclassifying the effective result of the hedge to adjust the initial recognition value of the hedged item, in the case of cash flow hedges of non-financial elements. For all cash flow hedges, including those of transactions involving the recognition of a non-financial asset or liability, the cumulative gain or loss in the hedging reserve was reclassified to profit or loss for the year in the same year or in the same years in which the hedged expected future cash flows have an effect on profit or loss.

The Group analyses all contracts to buy or sell non-financial assets, with particular attention to forward purchases or sales of electricity and energy commodities, in order to determine whether they should be classified and treated in accordance with IFRS 9 or whether they were entered into for "own use exemption".

Fair value hierarchy according to IFRS 13

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

- *Level 1: quoted prices (unadjusted) for identical assets or liabilities in active markets.*
- *Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) and indirectly (derived from prices).*
- *Level 3: unobservable inputs for the asset or liability.*

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

Estimates and assumptions are revised periodically and the effects of each change are reflected in the Income Statement in the year in which the change took place.

The following table shows, for each financial asset and liability, the carrying amount and the fair value. Information on the fair value of financial assets and liabilities not measured at fair value are excluded, when the carrying amount represents a reasonable approximation of fair value.

31/12/2023

	Fair value – Hedging instruments	FVTPL instruments – other	Financial assets measured at amortised cost	Other financial liabilities	Total Carrying Amount	Fair value	Level 1	Level 2	Level 3
Equity investments	-	1,562	-	-	1,562	1,562	-	1,562	-
Other non-current financial assets	-	-	48,014	-	48,014	48,014	-	48,014	-
Interest rate swap hedging	47,976	-	-	-	47,976	47,976	-	47,976	-
Commodity derivatives*	3,199	11,779	-	-	14,978	14,978	11,779	3,199	-
Virtual Power Purchase Agreements	17,768	-	-	-	17,768	17,768	-	-	17,768
Other current financial assets	-	-	257,722	-	257,722	257,722	-	257,722	-
Trade receivables	-	-	157,895	-	157,895	157,895	-	-	-
Other assets	-	-	117,638	-	117,638	117,638	-	117,638	-
Cash and cash equivalents	-	-	467,568	-	467,568	467,568	-	-	-
Total assets	**68,943**	**13,341**	**1,048,837**	**-**	**1,131,120**	**1,131,120**			
Loans and borrowings	-	-	-	333,229	333,229	337,396	-	337,396	-
Bonds	-	-		1,601,949	1,601,949	1,666,722	-	1,666,722	-
Non-recourse project financing	-	-	-	98,071	98,071	102,306	-	102,306	-
Current bank loans and borrowings	-	-	-	136,016	136,016	136,016	-	136,016	-
Financial liabilities	-	-	-	32,983	32,983	32,983	-	32,983	-
Foreign exchange derivatives	2,349	-	-	-	2,349	2,349	-	2,349	-
Commodity derivatives*	-	11,792	-	-	11,792	11,792	11,792	-	-
Virtual Power Purchase Agreements	6,360	-	-	-	6,360	6,360	-	-	6,360
Trade payables	-	-	122,038	-	122,038	122,038	-	-	-
Other liabilities	-	-	-	70,105	70,105	70,105	-	70,105	-
Total liabilities	**8,709**	**11,792**	**122,038**	**2,272,353**	**2,414,891**	**2,488,066**			

(*) The item does not include the fair value of the futures for which cash settlement of open positions is also envisaged (for which the relative fair value cannot be found in the statement of financial position as it has already been settled) amounting to approximately EUR 1 million.

To determine the market value of these instruments, ERG uses various models for measuring and valuation, as summarised below:

Type	Instrument	Pricing model	Calculation tool	Market data used	Data provider	IFRS 7 hierarchy
Interest Rate derivatives	Interest Rate Swap	Discounted Cash Flow	- MS Excel - FINCAD XL	- Deposit rates (Euribor) - Swap rates	- Refinitiv Eikon	Level 2
	Interest Rate Option (Cap, Floor)	Black & Scholes	- MS Excel - FINCAD XL	- Deposit rates (Euribor) - Swap rates - Implied volatility of rates	- Refinitiv Eikon	Level 2
Commodity derivatives	Commodity Swap	Discounted Cash Flow	- MS Excel - FINCAD XL	- Official spot quotes on reference commodities	- Refinitiv Eikon	Level 2
	Commodity Futures	Listed instrument	- FINCAD XL	- ECB Spot rates	- Refinitiv Eikon	Level 1
	Contract for Difference (CfD)	Discounted Cash Flow	- MS Excel - FINCAD XL	- Forward national single price quoted on the OTC market - Zero coupon curve on the Euro	- EEX via Refinitiv Eikon	Level 2
	Virtual Power Purchase Agreement (VPPA)*	Discounted Cash Flow Monte Carlo method (option valuation)	- MS Excel - FINCAD XL	- Official spot/forward prices of reference commodities - Historical volatility of the reference commodities - Zero coupon curve of the reference currency - ECB spot exchange rates	- EEX via Refinitiv Eikon	Level 3
Foreign exchange derivatives	Forward purchase/ sale (Outright, FX Forward)	Discounted Cash Flow	- MS Excel - FINCAD XL	- Short-term (deposit rates) and medium/long-term interest rates (swap rates) for both reference currencies.. - ECB Spot rates.	- Refinitiv Eikon	Level 2

* Since these are instruments with average delivery terms of more than 10 years, if for long-term maturities there are no easily identifiable price quotations in the active market and therefore the price of the last available maturity date has to be replicated, the fair value at the date of initial recognition is estimated, with no accounting impact in the financial statements, and at each closing date the difference between the fair value at the valuation date and the estimated fair value at the date the contract was signed is recognised.

NOTE 38 - DISCLOSURE ON FINANCIAL RISKS

The main risks identified and actively managed by the ERG Group include the following:

- the **Credit risk**, which highlights the possibility of default of a counterparty or any impairment of the assigned credit rating;
- the **Market risk**, deriving from exposure to interest rate and exchange rate fluctuations, and the change in the prices of the products sold and of the purchases of raw materials (commodity price volatility risk);
- the **Liquidity risk**, the risk of available financial resources being insufficient to fulfil payment commitments.

The ERG Group attaches great importance to identifying and measuring risks and to the related controls, in order to ensure efficient management of the risks it runs. Consistently with this objective, an advanced Risk Management system was adopted that assures, in compliance with the existing policies on the matter, the identification, measurement and central level control for the entire Group of the degree of exposure to individual risks.

The Group Risk Management & Corporate Finance function ensures consistency with the assigned risk limits and provides adequate support with its own analyses, both to individual subsidiaries and to the Risk Committee and Top Management of the Parent, for strategic decisions.

Credit risk

Exposure to credit risk, inherent in the probability that a given counterparty will not be able to fulfil its contractual obligations, is managed by means of appropriate analysis and evaluation, also supported by primary providers on the analysis of the credit risk, assigning each counterparty an internal rating (Internal Based Rating, summary indicator of creditworthiness assessment). The rating classes provide an estimation of the probability of default of a specific counterparty, on which the degree of creditworthiness assigned depends, which is accurately monitored and must not be overrun. The choice of counterparties both for the industrial business and financial negotiations underlies the decisions of the Credit Committee, whose choices are supported by creditworthiness analyses.
Concentration risk, in particular per customer, is also continuously monitored without ever having presented alert situations, also in view of the customer characteristics of the sector in which the Group operates.

At 31 December 2023, maximum exposure to credit risk on trade receivables, broken down by geographical region, is as follows:

(EUR thousand)	31/12/2023	31/12/2022
Italy	80,308	118,490
France	33,002	17,198
Germany	7,726	9,485
Bulgaria	1,944	4,965
Poland	6,541	21,381
Romania	20,310	21,868
UK	4,545	7,694
Sweden	613	-
Spain	2,905	1,383
Total	**157,894**	**202,465**

The following table provides information on the ERG Group's exposure to credit risk at year-end, by classifying receivables (see **Note 6 – Trade receivables**) according to the credit rating corresponding to the ratings assigned by the information provider and assigned internally.

(EUR thousand)	31/12/2023	31/12/2022
AAA Rating	4,924	9,485
AA+/AA- Rating	8,108	24,892
A+/A- Rating	8,008	20,073
BBB+/BBB- Rating	64,803	51,655
BB+/BB- Rating	45,174	76,625
B+/B- Rating	18,226	205
CCC Rating	371	652
CC Rating	3,990	-
Total	**153,605**	**183,587**

In relation to receivables not subject to impairment, the Group assigns each exposure a credit rating class that provides a forecast of the risk of loss and takes into account the proven experience in evaluating receivables. The credit rating classes are defined using qualitative and quantitative factors indicating the risk of default.

The following table shows the exposure to credit risk and the expected losses on trade receivables not past due at 31 December 2023 (with respect to the table above, the carrying amount is recognised net of items included under liabilities as an adjustment to receivables and of receivables already collected at the date of this document).

(EUR thousand)	Carrying amount	Weighted average loss percentage*	Loss allowance
AAA Rating	4,924	0.02%	1
AA+/AA- Rating	8,108	0.04%	3
A+/A- Rating	8,008	0.11%	9
BBB+/BBB- Rating	64,803	0.11%	73
BB+/BB- Rating	45,174	0.15%	70
B+/B- Rating	18,226	0.47%	85
CCC Rating	371	0.97%	4
CC Rating	3,990	1.37%	55
Total	**153,605**		**299**

* Parameter assessed for each country on the basis of the Probability of Default (PD) and the statistically recognised Loss Given Default (LGD).

Finally, it should be noted that the impact of credit risk on liquid bank exposures is estimated at approximately EUR 0.3 million at 31 December 2023 (EUR 0.2 million at 31 December 2022).

Liquidity risk

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. To date, the ERG Group guarantees with the generation of cash flows and with the availability of credit facilities, made available by different counterparties, the adequate coverage of its financial requirements.

The following tables summarise the time profile of the financial liabilities of the Group, inclusive of interest, at 31 December 2023 and at 31 December 2022 on the basis of non-discounted contractual payments and the relative carrying amount.

31/12/2023

			Maturity of liabilities				
(EUR thousand)	Carrying amount	Total	On demand	less than 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years
Bonds issued	1,601,949	1,666,722	-	-	17,029	1,136,385	513,307
Loans and borrowings	333,229	385,130	-	5,913	11,030	368,187	-
Non-recourse project financing	98,071	114,715	-	8,969	12,071	80,420	13,254
Current bank loans and borrowings	136,016	136,016	-	50,690	85,326	-	-
Other liabilities	32,983	32,983	-	-	22,176	10,807	-
Trade payables	122,038	122,038	57,632	64,406	-	-	-
Total non-derivative financial liabilities	**2,324,286**	**2,457,604**	**57,632**	**129,978**	**143,633**	**1,595,800**	**526,561**
Virtual Power Purchase Agreements	6,360	6,360	-	133	398	2,120	3,710
Exchange rate risk derivatives	2,349	2,349	-	-	2,349	-	-
Commodity derivatives	3,030	3,030	-		3,030	-	-
Total derivative financial liabilities	**11,738**	**11,738**	**-**	**133**	**5,776**	**2,120**	**3,710**

31/12/2022

			Maturity of liabilities				
(EUR thousand)	Carrying amount	Total	On demand	less than 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years
Bonds issued	1,600,013	1,683,705	-	-	16,983	1,148,967	517,755
Loans and borrowings	249,438	253,211	-	101,798	151,413	-	-
Non-recourse project financing	211,352	274,751	-	9,598	38,571	170,693	55,889
Lease payables	16,009	16,009	-	-	16,009	-	-
Current bank loans and borrowings	49,674	49,674	-	-	49,674	-	-
Other liabilities	13,802	13,802	-	-	11,835	1,967	-
Trade payables	123,002	123,002	25,830	97,172	-	-	-
Total non-derivative financial liabilities	**2,263,290**	**2,414,154**	**25,830**	**208,568**	**284,485**	**1,321,627**	**573,644**
Commodity derivatives	76,644	76,644	-		76,644	-	-
Total derivative financial liabilities	**76,644**	**76,644**	**-**	**-**	**76,644**	**-**	**-**

Market risk

This comprises exchange rate risk, interest rate risk and commodity price risk. The management of these risks is regulated by the guidelines provided in the Group Policy and by internal procedures in the Finance area.

Moreover, specific risk management policies and procedures have been developed, based on industry best practices, for the continuous measurement of exposure levels with respect to a Risk Capital value allocated by the parent.

Market risk – interest rate

This risk identifies the change in future interest rate trends that may cause higher costs for the Group. Containment of the interest rate risk is pursued by using derivative contracts such as Interest Rate Swaps and Interest Rate Options (plain vanilla).

GROSS FINANCIAL INDEBTEDNESS (NOMINAL) – RATE BREAKDOWN

	December 2023		December 2022	
(EUR million)	Nominal	%	Nominal	%
Fixed rate loans	1,697	84%	1,728	83%
Variable rate loans – hedged	0	0%	231	11%
Variable rate loans	330	16%	122	6%
Total gross indebtedness	**2,027**	**100%**	**2,081**	**100%**

The following table shows the impact on the profit before taxes (because of changes in the fair value of financial assets and liabilities) and on the Equity attributable to the owners of the parent (due to changes in the fair value of cash flow hedge derivatives) of a +/-1% change in the interest rate, all other variables remaining equal.

IMPACT ON PROFIT OR LOSS

(EUR million)	2023	2022
Shock-up (+1% change in interest rate)	1.5	2.6
Shock-down (-1% change in interest rate)	0.4	1.3

IMPACT ON EQUITY

(EUR million)	2023	2022
Shock-up (+1% change in interest rate)	19.3	15.0
Shock-down (-1% change in interest rate)	(20.7)	(16.2)

Market risk – commodity

Commodity price risk consists in unexpected fluctuations in the prices of raw materials, of procurement of services, of finished products and services provided for sale on the open market.

The Group implements all risk management strategies necessary to avoid the economic damages deriving from the volatility of the price for the sale and purchase of Electricity and from fluctuations in the Clean Spark Spread.

	December 2023		
thousands of MWh	Hedge Nominal	Trading Nominal	Total
Future	165		165
CFD	131	1,372	1,504
VPPA	4,314	-	4,314
Total	**4,610**	**1,372**	**5,982**

The following tables show the breakdown of the derivative financial instruments tied to different types of commodities and show in the case of reasonable changes in prices – while holding all other variables constant – the impact on variations in pre-tax profit (due to variations in the fair value of financial assets and liabilities) and equity attributable to the owners of the parent (due to variations in the fair value of cash flow derivatives) of a +/-25% change in the price of commodities.

IMPACT ON PROFIT OR LOSS

(EUR million)	2023	2022
Shock-up (+25% change in commodities price)	(0.0)	(6.9)
Shock-down (-25% change in commodities price)	(0.0)	6.9

IMPACT ON EQUITY

(EUR million)	2023	2022
Shock-up (+25% change in commodities price)	(28.3)	(19.5)
Shock-down (-25% change in commodities price)	32.6	19.5

Market risk – exchange rate

It identifies the unexpected future change in exchange rates that could result in higher costs for the Group (transactional risk), or impacts on the consolidated financial statements due to the conversion of assets and liabilities of companies reporting in other currencies (translational risk). The management of exchange rate risk consists mainly of its acceptance, given the small exposure the Group has as of the date of approval of this policy. Warning levels and the possible use of derivative financial instruments to hedge risk are in place. The Group also adopts a strategy based on pursuing a balance between assets and liabilities in foreign currencies, thus minimising net exposure, and financing M/L-term investments in local currencies, the profitability and cash flows of which are mainly expressed in that currency.

In the case of extraordinary transactions, it may be necessary to hedge against the variability of the exchange rate between the date of the decision to enter into a financial asset (coinciding with the trading of a derivative instrument) and the actual entering into of that financial asset, when deemed highly probable.

	December 2023		
EUR million	Hedge Nominal	Trading Nominal	Total
Forward	246	-	246
Total	**246**	**-**	**246**

The following tables show the breakdown of the derivative financial instruments linked to the EUR/USD exchange rate and show the impact on pre-tax profit (due to changes in the fair value of financial assets and liabilities) and equity attributable to the owners of the parent (due to changes in the fair value of derivative instruments in cash flow hedges) of a +/-10% change in the exchange rate, assuming reasonable changes in prices, with all other variables held constant.

IMPACT ON PROFIT OR LOSS

(EUR million)	2023	2022
Shock-up (+10% change in interest rate)	(0.2)	-
Shock-down (-10% change in interest rate)	0.2	-

IMPACT ON EQUITY

(EUR million)	2023	2022
Shock-up (+10% change in interest rate)	(14.6)	-
Shock-down (-10% change in interest rate)	22.1	-

Derivative instruments used

The main types of derivative instruments adopted in the management of financial risks, solely for hedging purposes, are as follows:

Options: a contract whereby one of the parties, on payment of a sum to the other (premium), acquires the right to buy (call option) or sell (put option), at a future date, a certain quantity of financial instruments (underlying asset) at an established price (exercise or strike price).

Forward contracts: contracts for the purchase or sale between two parties of a certain financial instrument (the underlying asset) at a future date and at a price fixed at the time the contract is stipulated; this category also includes futures contracts, which unlike forward contracts are standardised, negotiated in lots and for predetermined maturity dates within regulated markets.

Swap/CfD (Contract for Difference): contract that determines, between two parties, the swap of flows of payments at certain dates. Payments can be expressed in the same currency or in different currencies and their amount is determined in relation to an underlying asset.

The derivatives entered into by ERG to hedge the exposure to financial risks existing at 31 December 2023 are:

Interest Rate derivatives

- Interest Rate Option instruments that make it possible to set upper limits (cap) and lower limits (floor) to interest rate fluctuations relating to loans indexed to a variable rate;
- Interest Rate Swap instruments, including Prehedge instruments, to bring bank loans with fixed and variable rate to the risk profile deemed most appropriate. IRS contracts provide that the counterparties, with reference to a defined notional value and to pre-set maturities, mutually exchange interest flows calculated in relation to fixed rates or to variable rate parameters agreed previously.

Commodity derivatives

- CfDs are used to hedge the risk of electricity price fluctuations; via this instrument it is possible to buy or sell block quantities of electricity by paying on maturity the difference between the price agreed to in the contract and the market price reported in the reference period;
- Futures instruments used to manage the volatility risk of electricity prices; this instrument makes it possible to

purchase or sell a certain amount of energy at a certain price in a pre-established future period. The futures used have both monthly and cascading maturities (annual, half-yearly, quarterly, etc.);

- electricity contracts with physical delivery are stipulated on the wholesale energy market and measured at fair value as part of sales transactions with derivative financial instruments as a counter-entry;
- financial or “virtual” Power Purchase Agreements (VPPA), entered into in order to stabilise the revenue structure with counterparties whereby on delivery dates a payment based on the price defined in the agreement is exchanged for a variable price, without the physical transfer of the underlying electricity.

Foreign exchange derivatives

- outright forwards, which are used to hedge against exchange rate fluctuations between the date of the decision to enter into a financial asset (coinciding with the negotiation of the derivative that is the subject of this HDR) and the actual entering into that financial asset.

Hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate risks and commodity price risk. Furthermore, any derivative embedded in a hybrid contract is separated and measured at fair value, when the derivative contract meets the definition of a derivative and is not strictly related to the host contract.
At the start of the designated hedging relationship, the Group documents the risk management objectives and the strategy in implementing the hedge, as well as the economic relationship between the hedged item and the hedging instrument and it is expected that changes in cash on hand of the hedged element and in the hedging instrument will mutually offset.
When a derivative financial instrument is designated as an instrument to hedge the exposure to the variability of cash flows, the effective portion of the fair value gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the hedging reserve. The effective portion of the fair value gain or loss on the derivative financial instrument that is recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged instrument (at the present value) from the start of the hedge. The ineffective portion of the fair value gain or loss on the derivative financial instrument is recognised immediately in profit or loss for the year.
In a hedging relationship, the Group designates as a hedging instrument only the fair value change of the spot element of the forward contract as a hedging instrument in a cash flow hedging relationship.
If the hedge ceases to meet the qualifying criteria or the hedging instrument is sold, terminates or is exercised, hedge accounting is discontinued prospectively.

When the cash flow hedge transactions cease being reported, the cumulative gain or loss in the hedging reserve remains in equity until, in the case of a hedge of a transaction that entails the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at initial recognition or, in the case of the other cash flow hedges, it is reclassified to profit or loss for the year in the same period or periods in which the hedged expected future cash flows have an effect on profit or loss for the year.

Where cash flow hedges are no longer expected, the amount must be reclassified immediately from the hedging reserve and from the reserve for hedging costs to profit or loss for the year.

A hedging relationship is effective if and only if it meets the following requirements:

existence of an economic relationship between the hedging instrument and the hedged item;

the credit risk is not dominant with respect to the changes in value; and

the hedge ratio is the same one used for risk management purposes, i.e. the hedged quantity of the hedged element and the quantity of the hedging instrument used to cover the hedged item.

The Group carries out the basis adjustment, reclassifying the effective result of the hedge to adjust the initial recognition value of the hedged item, in the case of cash flow hedges of non-financial elements.

However, for all cash flow hedges, including those of transactions involving the recognition of a non-financial asset or liability, the cumulative gain or loss in the hedging reserve was reclassified to profit or loss for the year in the same period or in the same periods in which the hedged expected future cash flows have an effect on profit or loss.

Summary of derivative instruments used

The derivative instruments entered into by ERG, designed to hedge its exposure to commodity prices and interest rate risks, were as follows at 31 December 2023:

					31 December 2023	
	Notional value				Fair Value	
(EUR million)	Maturity 1 year	Maturity from 1 year to 5 years	Maturity beyond 5 years	Total Nominal	Assets	Liabilities
Management of interest rate risk						
- Cash flow hedge	0	330	0	**330**	**48.0**	**0.0**
thousands of MWh						
Management of commodity price risk						
- Cash flow hedge	425	1,576	2,609	**4,610**	**21.0**	**7.1**
- Trading	724	648	0	**1,372**	**11.8**	**11.8**
(EUR million)						
Management of exchange rate risk						
- Cash flow hedge	246	0	0	**246**	**0.0**	**2.3**
Total derivative instruments					**80.7**	**21.3**
- of which in cash flow hedge					**68.9**	**9.5**
- of which not in cash flow hedge					**11.8**	**11.8**

With reference to the impact of hedging derivatives on the net comprehensive income, please refer to the **Statement of comprehensive income**.

NOTE 39 - GUARANTEES, COMMITMENTS AND RISKS

Sureties given (EUR 812 million)

These are mainly guarantees issued in favour of third parties, also on behalf of Group companies, guaranteed by the parent company ERG S.p.A., for which reference is made to the **Separate Financial Statements**.

Other Guarantees and commitments made (EUR 13 million)

The other guarantees and commitments made refer mainly to commitments related to the Group's information systems.

VI. TAXATION

NOTE 40 - INCOME TAXES

Relevant information on the accounting standards adopted and recognition and measurement criteria

Current taxes

Current taxes are recognised based on the estimated tax burden for the year, also taking into account the effects relating to the participation of most Group companies in the Tax Consolidation Scheme.

The Group has determined that the interest and penalties relating to income taxes, including the accounting treatments to be applied to income taxes of an uncertain nature, are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as they do not meet the definition of income taxes.

The amount of taxes due or to be received, determined on the basis of the tax rates in force or substantially in force at the end of the financial year, also includes the best estimate of any amount to be paid or received which is subject to factors of uncertainty.

The rate used to calculate current taxes for the Italian companies is the same as the nominal IRES (corporate income tax) rate (24%), increased, where so prescribed, by the IRAP (regional income tax) rate (3.90% - 4.82% - 5.57%).

The rates for foreign companies consolidated on a line-by-line basis are as follows:
France 25%;
Germany 26.6% - 32.2%;
UK 19% (25% from 1 April 2023);
Romania 16%;
Poland 19%;
Bulgaria 10% (15% from 1 January 2024 for groups subject to Pillar 2);
Sweden 20.6%;
Spain 25%.

On 22 December 2022, the text of Directive no. 2022/2523/EU was published in the Official Journal of the European Union, which provides for the transposition into EU legislation of the rules on the Global Minimum top-up Tax envisaged by Pillar 2 prepared by OECD as part of Action 1 of the BEPS ("Base Erosion and Profit Shifting") project. The objective of the Directive is to limit harmful tax competition between States, setting the minimum level of effective taxation (Effective Tax Rate – ETR) at 15%, at the aggregate level for each individual State, through the application of a possible supplementary tax (Top-Up-Tax – TUT).

Based on the provisions of the Directive, the new legislation must be transposed into the law of the Member States of the European Union by 31 December 2023 and enters into force from tax year 2024.

In Italy, Directive 2022/2523/EU was transposed into national law with Italian Legislative Decree no. 209 of 27 December 2023, which entered into force on 29 December 2023.

During the financial year, a "Qualified Domestic Minimum Tax" was introduced in Bulgaria, the only country in which the Group operates with an Effective Tax rate below 15%, adjusting the minimum tax level to 15% for groups subject to Pillar 2 from 2024.

The Group adjusted the rate to 15% on deferred taxation related to the "Qualified Domestic Minimum Tax" in Bulgaria as of this financial year, with an overall impact of higher deferred tax liabilities of EUR 0.5 million.

Finally, it should be noted that if in Bulgaria the tax legislation that transposes the effective tax rate at 15% had entered into force from 1 January 2023, the impact for the Group on income taxes for the period would have been approximately EUR 0.5 million.

For details on Deferred taxes, reference is made to the comments in the following Notes.

(EUR thousand)	2023	2022	Change
Current income taxes	45,513	143,837	(99,324)
Previous years taxes	(2,358)	1,458	(3,816)
Deferred tax assets and liabilities	30,908	(47,726)	78,634
Total	**74,063**	**97,569**	**(23,506)**

It should be noted that the comparative figures for financial year 2022 included the effects of the "Surplus profits contribution" introduced by Italian Decree Law no. 21/2022 and the "Temporary Solidarity Contribution" introduced by the 2023 Budget Law, the total impacts of which were estimated at approximately EUR 56 million for continuing operations.

The reconciliation of the theoretical tax charge with the taxes recognised in the Consolidated Financial Statements is shown below:

(EUR thousand)	2023		2022	
Profit before taxes	**290,137**		**186,535**	
Operating profit (loss)	**304,183**		**220,814**	
Theoretical tax charge (IRES)	**69,633**	**24%**	**44,768**	**24%**
Theoretical tax charge (IRAP)	**15,209**	**5%**	**11,041**	**5%**
Total theoretical tax charge	**84,842**		**55,809**	
Impacts:				
Tax effect on permanent changes	*6,189*		*(860)*	
ROL Benefit effect	*(1,935)*		*(4,281)*	
Impact of ACE (Aid to Economic Growth)	*(11,904)*		*(9,036)*	
Different rate effect on foreign companies	*(10,005)*		*(6,970)*	
Negative taxable effect on IRAP	*3,282*		*8,703*	
Tax effects relating to previous years	*(2,302)*		*1,458*	
Effect of Substitute taxes	*2,887*		*6,487*	
Effect of Solidarity contribution and extraordinary contribution It. Decree Law 21/2022	*-*		*55,701*	
Global Minimum top-up Tax (Pillar 2)	*459*		*-*	
Other reasons	*2,548*		*(9,442)*	
Total impacts	*(10,780)*		*41,760*	
Total Income taxes	**74,063**		**97,569**	

NOTE 41 - CURRENT TAX ASSETS AND LIABILITIES

	31/12/2023		31/12/2022	
(EUR thousand)	Current tax assets	Current tax liabilities	Current tax assets	Current tax liabilities
Italy	23,405	(8,087)	23,982	(25,047)
France	3,531	(7,403)	3,628	(2,391)
Germany	2,625	(18,270)	3,129	(21,043)
Spain	3,860	(4,605)	-	-
Poland	715	(334)	36	(223)
Romania	160	(814)	194	-
UK	-	(704)	-	(1,348)
Bulgaria	424	-	2,030	(2,260)
Total	**34,721**	**(40,216)**	**32,999**	**(52,311)**

Current tax assets of EUR 35 million (EUR 33 million at 31 December 2022) mainly refer to advance payments on direct taxes for the year 2023.

Current tax liabilities of EUR 40 million (EUR 52 million at 31 December 2022) mainly refer to tax liabilities on direct taxes for the year 2023.

It should be noted that during 2023, direct taxes were paid to the tax authorities in the amount of approximately EUR 26 million, settling 2022 and as an advance for 2023, in addition to the payment of operating taxes of foreign companies.

NOTE 42 - DEFERRED TAXATION

Relevant information on the accounting standards adopted and recognition and measurement criteria

Pursuant to the accrual basis of accounting, the Consolidated Financial Statements include deferred tax assets and liabilities arising from temporary differences deriving from adjustments made to consolidated companies' financial statements to comply with the Group's accounting policies, as well as from temporary differences between the carrying amounts and related tax bases, and on unused tax losses.

Deferred tax assets are allocated when their future recovery is probable.

The recoverability of the temporary differences and of the tax losses is contextualised within the various expiry dates of the tax consolidation agreements.

The quantitative limit of 80% does not apply for tax losses generated in the first three years from the incorporation of the company, provided that they refer to a new productive activity.

Deferred taxes are calculated on the basis of the tax rates expected to be in force in the periods in which the taxable and deductible temporary differences will be reversed.

Deferred tax assets, amounting to EUR 41 million (EUR 138 million at 31 December 2022), are determined by the carry-forward of tax losses, as well as by temporary differences relating mainly to amortisation, depreciation and impairment losses and provisions for risks and charges.

The decrease was mainly due to the utilisation for Italian companies of past tax losses against the increase in taxable income generated during the year.

The Group considers it reasonably certain that the deferred tax assets recognised at 31 December 2023 will be recovered.

	31/12/2023		31/12/2022	
(EUR thousand)	Temporary differences	Tax effect	Temporary differences	Tax effect
Deferred tax assets				
Provisions for risks and charges	78,098	18,122	129,185	39,916
Tax losses	260,321	61,150	350,035	76,770
Amortisation, depreciation and impairment of non-current assets	268,488	64,430	233,169	56,478
Other impairment losses	12,923	2,933	21,608	4,056
Other	111,738	27,110	294,262	66,496
Total deferred tax assets before offsetting	**731,568**	**173,745**	**1,028,259**	**243,716**
Offsetable deferred taxes		**(132,348)**		**(105,473)**
Total deferred tax assets after offsetting		**41,397**		**138,243**

Deferred tax liabilities, amounting to EUR 192 million (EUR 197 million at 31 December 2022) refer in particular to the temporary differences generated by the Purchase Price Allocations of past acquisitions.

	31/12/2023		31/12/2022	
(EUR thousand)	Temporary differences	Tax effect	Temporary differences	Tax effect
Deferred tax liabilities				
Purchase price allocation	1,043,354	253,638	1,093,207	272,343
Amortisation and depreciation of non-current assets	217,179	45,907	64,453	16,534
IFRS 9 tax effects	1,725	414	3,672	762
Other	105,850	24,350	207,527	13,096
Total deferred tax liabilities before offsetting	**1,368,108**	**324,309**	**1,368,859**	**302,735**
Offsetable deferred taxes		**(132,348)**		**(105,473)**
Total deferred tax liabilities after offsetting		**191,961**		**197,262**

VII. DISCONTINUED OPERATIONS

In 2021, the Group embarked on a major Asset Rotation with the aim of completing its transformation to a pure "Wind&Solar" business model.

On 3 January 2022, ERG finalised the sale of the hydroelectric assets to Enel Produzione, while, on 17 October 2023 it finalised an agreement with Achernar Assets AG, a Swiss investment holding company, for the sale of the entire quota capital of ERG Power S.r.l., owner of the CCGT plant.

The Enterprise Value of the thermoelectric business was EUR 191.5 million, including items related to working capital and tax credits totalling EUR 88.5 million, which were collected by the closing. The agreements also envisage some earn-outs related to the performance of the business in 2024 and 2025 as well as some tax items totalling approximately EUR 14 million, which would bring the valuation of the plant to a total of EUR 205.5 million. The price, which is based on a Locked Box Date of 1 January 2023, was subject to adjustments at the closing based on the mechanisms set forth in the contract. Included in the scope of the sale were 144 people dedicated to ensuring the operation of the thermal power plant.

The aforementioned sale is presented as a Discontinued Operation pursuant to IFRS 5. The item **Net profit (loss) from discontinued operations** in the income statement includes up to the date of loss of control (closing date) and for the year 2022, the economic contribution of the thermoelectric business, including the capital loss, net of the tax effect, arising from the sale.

It should also be noted that the 2022 results also include the capital gain, net of the tax effect, that arose from the sale of the assets of the hydroelectric business.

NOTE 43 - NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

Relevant information on the accounting standards adopted and recognition and measurement criteria

In the income statement, the entity must indicate a single amount referring to the discontinued operations or to the asset held for sale.

This amount will relate to the entire period and not the result from the time the component became a discontinued operation.

An entity must present Income Statement figures for previous periods presented in the Consolidated Financial Statements, so that the disclosure refers to all operations discontinued by the end of the most recent reporting year.

The consolidated income statements are presented in accordance with IFRS 5, which regulates the way in which the results of discontinued operations are presented in the financial statements, thus excluding from the profit or loss from continuing operations the profit or loss of the subsidiary ERG Power S.r.l. in both periods. It should be noted that the 2022 result includes the effects of the sale of ERG Hydro S.r.l on 3 January 2022.

The impact of the aforementioned exclusion is indicated separately under the item "**Net profit (loss) from discontinued operations**".

The income statement up to 17 October 2023 and for 2022 of discontinued operations is shown below:

		17 October 2023			2022		
(EUR thousand)	Notes	Contribution Thermoelectric Business	Thermoelectric Business – capital loss	Net profit (loss) from discontinued operations	ERG Hydro S.r.l. - capital gain	Contribution Thermoelectric Business	Net profit (loss) from discontinued operations
Revenue	a	526,787		526,787	-	1,436,402	1,436,402
Other income	b	37,761		37,761	-	19,893	19,893
Purchases	c	(407,582)		(407,582)	-	(1,338,930)	(1,338,930)
Services and other operating costs	d	(94,885)		(94,885)	-	(47,881)	(47,881)
Personnel expense	e	(9,166)		(9,166)	-	(12,224)	(12,224)
GROSS OPERATING PROFIT (EBITDA)		**52,915**		**52,915**	**-**	**57,260**	**57,260**
Amortisation of Intangible assets		-		-	-	(238)	(238)
Depreciation of property, plant and equipment and right-of-use assets		-		-	-	(2,605)	(2,605)
Reversals of impairment losses (impairment losses)		-		-	-	(80,805)	(80,805)
OPERATING PROFIT (LOSS)		**52,915**		**52,915**	**-**	**(26,387)**	**(26,387)**
Financial income		(2,491)		(2,491)	-	(171,081)	(171,081)
Financial expense		(156)		(156)	-	170,838	170,838
Net financial income (expense)		**(2,647)**		**(2,647)**	**-**	**(242)**	**(242)**
Net gains (losses) on equity-accounted investments		31		31	-	111	111
Other net gains (losses) on equity investments	f	-	(82,009)	(82,009)	323,943	-	323,943
Net gains (losses) on equity investments		**31**	**(82,009)**	**(81,978)**	**323,943**	**111**	**324,054**
PROFIT (LOSS) BEFORE TAXES		**50,299**	**(82,009)**	**(31,710)**	**323,943**	**(26,519)**	**297,424**
Income taxes		(3,867)	-	(3,867)	-	(3,293)	(3,293)
Net profit (loss) from discontinued operations		**46,432**	**(82,009)**	**(35,577)**	**323,943**	**(29,811)**	**294,131**

Notes

a) Revenue for the financial year 2023 pertaining to the Group mainly refer to revenue from the sale of energy and other utilities to third parties of the CCGT plant. The decrease in revenue compared to the comparison year is explained by an extraordinarily negative energy scenario for gas-fired generation margins that was further worsened by the measures to maximise thermoelectric generation from sources other than natural gas provided for in Italian Decree Law no. 14 of 25 February 2022 (Art. 5-bis) and the subsequent Guidelines of the Italian Minister of Ecological Transition, which expired on 1 April 2023, and an extraordinary downtime that occurred in early 2023 and has now been resolved;

b) Other revenue relate to the assignment of a tax credit accrued on natural gas in the second quarter of 2023;

c) Purchases of commodities refer to purchase costs for gas, energy and raw materials referring to the CCGT plant of ERG Power S.r.l.;

d) Services and other operating costs refer to maintenance costs, commercial expenses, costs for utilities and agreements for local authorities, as well as provisions for risks and charges;

e) Personnel expense relating to the employees of ERG Power S.r.l.;

f) Net income (expense) from equity investments include the capital loss recognised on the sale of ERG Power S.r.l.'s CCGT plant, inclusive of ancillary selling costs.

Cash Flows

The following are the cash flows generated by Discontinued operations:

(EUR thousand)	2023	2022
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**-**	**10,000**
CASH FLOWS FROM OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS	*202,534*	*(43,594)*
CASH FLOWS FROM INVESTING ACTIVITIES OF DISCONTINUED OPERATIONS	*(2,749)*	*4,407*
CASH FLOWS FROM FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS	*(199,784)*	*29,189*
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**-**	**-**

VIII. OTHER NOTES

NOTE 44 - BUSINESS COMBINATIONS AND ASSET ACQUISITION

Relevant information on the accounting standards adopted and recognition and measurement criteria

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at fair value and includes all contingent considerations at the acquisition date. Subsequent changes in the fair value of contingent considerations are recognised in the income statement, in compliance with applicable standards.

Goodwill, recognised at the date of acquisition of control, is equal to the difference between:

- *the consideration transferred, the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3 (fair value of the pro-rata share of net assets related to non-controlling interests);*
- *the net of the amounts of the identifiable assets acquired and the liabilities assumed, measured at fair value.*

The costs related to the acquisitions are recognised as expenses in the years in which they are incurred.

In the case of acquisition of operational (wind or photovoltaic) farms, in order to identify whether the object of the acquisition is a business according to the definition provided by IFRS 3, it is necessary to determine whether substantial processes have been acquired.

As part of this consideration, in the view of the Group's management, O&M activities are a critical process for the functioning of the farms, as these could not produce output or maintain the level of production without continuous O&M activities.

In the case of acquisition of projects (e.g. objects that do not yet generate outputs), the Group deems that the conditions for considering these transactions as business combinations are not met.

Consequently, project acquisitions will be accounted for as asset acquisitions.

"Garnacha" business combination

On **23 June 2023** ERG, through its subsidiary ERG Hamburg Holding GmbH, completed the 100% acquisition from IBV Solar Parks, B.V. – a company belonging to the German group ib vogt GmbH, a global platform for the development of industrial solar plants – of **Garnacha Solar S.L.U.**, a company that owns a photovoltaic system located in the region of Castilla and León, in the north-west of Spain. The system has an installed capacity of 149 MWp and entered into commercial operation during the fourth quarter of 2023. The Garnacha photovoltaic farm, equipped with double-sided panels and the latest generation tracker system, is expected to have a load factor of around 22% and an estimated total annual production of around 280 GWh, corresponding to 136 kt of CO2 emissions avoided each year. 70% of the electricity generated by the plant benefits from a 12-year "pay as produced" Power Purchase Agreement (PPA) with a leading corporate counterparty. As per the press release of 23 June 2023, the enterprise value of the transaction was EUR 170 million, with an equity value of EUR 80.5 million.

The transaction is a business combination pursuant to the definition provided by IFRS 3. To this end, it should be noted that the scope of acquisition includes plants, Operation & Maintenance contracts and land lease contracts. In particular, the O&M activities are critical to the Group in terms of the functioning of the wind farms. Such contracts allow access to an organised workforce that carries out processes that are key to the ability of wind farms to continue producing output.

Determination of the total acquisition price

The acquisition price was EUR 53 million for the acquisition of 100% of the share capital of the acquirees. It should also be noted that a net financial indebtedness, including the shareholder loan, of EUR 114 million was assumed. It should be noted that acquisition-related costs incurred by the Group totalled EUR 0.9 million, related to legal fees and due diligence costs, of which EUR 0.8 million were incurred in 2023 and EUR 0.1 million in 2022. These costs were included in the Services and other operating costs item in the respective periods.

Measurement of the assets and liabilities of the business combination at the acquisition date

The acquisition was recognised on a definitive basis; the fair values of the assets acquired were determined on the basis of the best estimate available at the acquisition date and are shown in the table below:

(EUR thousand)	Acquisition figures	Adjustment to the acquisition figures	Assets acquired and liabilities assumed
Authorisations and Concessions	-	67,345	67,345
Property, plant and equipment	104,246	-	104,246
Right-of-use assets	14,995	-	14,995
Equity investments	1,071	-	1,071
Other non-current financial assets	2,367	12,500	14,867
Deferred tax assets	-	825	825
Non-current assets	**122,678**	**80,670**	**203,347**
Other current assets	1,059	-	1,059
Instruments measured at fair value*	-	1,751	1,751
Cash and cash equivalents*	3,836	-	3,836
Current assets	**4,895**	**1,751**	**6,646**
TOTAL ASSETS	**127,572**	**82,421**	**209,993**
Equity attributable to the owners of the parent	1,096	49,326	50,422
Total Equity	**1,096**	**49,326**	**50,422**
Deferred tax liabilities	-	17,294	17,294
Provisions for dismantling expenses	2,704	-	2,704
Other non-current provisions	-	12,500	12,500
Non-current financial liabilities *	75,370	-	75,370
Non-current lease liabilities *	14,995	-	14,995
Other non-current liabilities	-	3,300	3,300
Non-current liabilities	**93,068**	**33,094**	**126,163**
Trade payables	3,692	-	3,692
Current financial liabilities*	28,956	-	28,956
Current tax liabilities	759	-	759
Current liabilities	**33,408**	**-**	**33,408**
TOTAL EQUITY AND LIABILITIES	**127,572**	**82,421**	**209,993**
*** Impact on Net Financial Indebtedness**	**(115,484)**	**1,751**	**(113,734)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (30 June 2023) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: photovoltaic systems under construction recognised at acquisition cost including ancillary costs, costs directly attributable to the asset and adjusted by the related accumulated depreciation and capitalisation of dismantling costs;

- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **other non-current financial assets**: fixed assets relating to a financial commitment related to the electricity substation;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **provision for dismantling charges**: provisions for dismantling charges accounted for as a balancing entry to the increase in the carrying amount of the asset;
- **non-current financial liabilities**: medium-long term portion of bank borrowings for project financing and recording of accrued interest;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- **trade payables**: payables to suppliers in connection with the construction of the plant;
- **current financial liabilities**: Shareholder loan to ERG Hamburg Holding. This financial payable was repaid in full as part of the Liability Management activities carried out by the Group;

the following fair values determined on a provisional basis were included in the column **Adjustment to the acquisition figures**:

- **intangible assets**: gain allocated upon recognition of the acquisition; this gain was posted to the item "Authorisations and Concessions" taking into account a time horizon of future economic benefits of 40 years;
- **instruments measured at fair value**: adjustment to the positive fair value of the derivatives hedging the interest rate of the project financing;
- **Other non-current financial assets**: inclusion of "special indemnities" determined at the time of acquisition;
- **Other non-current liabilities**: referring to the recognition of the estimated fair value at the date of initial recognition of the VPPA signed with Google;
- **Deferred tax liabilities** related to the allocation referred to above;
- **other non-current provisions**: recognition of charges for contingent liabilities recognised at the time of acquisition, offset by the aforementioned "special indemnities".

Determination of goodwill

The difference between the total acquisition price and the fair value of the acquired assets and liabilities was recognised as goodwill, as illustrated in the following table:

(EUR thousand)	
Acquisition price	53,193
Fair value of the acquired net assets	50,422
Goodwill	**2,771**

Garnacha contribution in 2023

In the period between the date of first consolidation (1 July 2023) and the reporting date, the acquired company did not contribute significant revenue, EBITDA and net profit for the period to the Group's income statement, as the farm has been operational since the end of the second half of 2023. It should be noted that for the same reason, if the acquisition had taken place on 1 January 2023, the acquired companies would have made no further contribution to the Group's income statement.

"Fregenal" Business Combination

On **30 June 2023** ERG, through its subsidiary ERG Spain HoldCO S.L.U., finalised the acquisition from RENERTIA GESTION SOLAR II, S.C.R.-PYME, a company linked to Renertia Investment Company – a Spanish venture capital that operates and invests in the development, construction and management of renewable plants – of 100% of INSTALACIÓN FOTOVOLTAICA ARERICSOL VIII, S.L.U., a company that owns a photovoltaic system located in **Fregenal** de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MWp.

The system, built by Aresol during 2022, has been in commercial operation since July 2023. Located in one of the Spanish regions with the largest solar resource at European level, the Fregenal project will have an estimated total annual production of around 50 GWh, equal to over 2,000 equivalent hours corresponding to 24 kt of CO_2 emissions avoided each year.

As per the press release of 30 June 2023, the enterprise value of the transaction is EUR 30.4 million.

The transaction is a business combination pursuant to the definition provided by IFRS 3. To this end, it should be noted that the scope of acquisition includes plants, Operation & Maintenance contracts and land lease contracts. In particular, the O&M activities are critical to the Group in terms of the functioning of the wind farms. Such contracts allow access to an organised workforce that carries out processes that are key to the ability of wind farms to continue producing output.

Determination of the total acquisition price

The acquisition price was EUR 16 million for the acquisition of 100% of the share capital of the acquirees. It should also be noted that liabilities of approximately EUR 18 million were assumed.

It should be specified that the acquisition-related costs incurred by the Group amounted to EUR 0.1 million, concerning legal expense and costs of due diligence. These costs were included in the Services and other operating costs item in the respective periods.

Measurement of the assets and liabilities of the business combination at the acquisition date

The acquisition was recognised on a definitive basis; the fair values of the assets acquired were determined on the basis of the best estimate available at the acquisition date and are shown in the table below:

(EUR thousand)	Acquisition figures	Adjustment to the acquisition figures	Assets acquired and liabilities assumed
Authorisations and Concessions	-	14,683	14,683
Property, plant and equipment	18,994	-	18,994
Right-of-use assets	2,468	-	2,468
Non-current assets	**21,462**	**14,683**	**36,145**
Inventories	100	-	100
Other current assets	404	-	404
Cash and cash equivalents*	3,154	-	3,154
Current assets	**3,658**	**-**	**3,658**
TOTAL ASSETS	25,120	14,683	39,803
Equity attributable to the owners of the parent	2,946	11,013	13,959
Total Equity	**2,946**	**11,013**	**13,959**
Deferred tax liabilities	-	3,671	3,671
Provisions for dismantling expenses	581	-	581
Non-current lease liabilities*	2,468	-	2,468
Other non-current liabilities	54	-	54
Non-current liabilities	**3,103**	**3,671**	**6,774**
Current financial liabilities*	19,071	-	19,071
Current liabilities	**19,071**	**-**	**19,071**
TOTAL EQUITY AND LIABILITIES	25,120	14,683	39,803
*** Impact on Net Financial Indebtedness**	**(18,386)**	**-**	**(18,386)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (30 June 2023) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: photovoltaic systems recognised at acquisition cost including ancillary costs, costs directly attributable to the asset and adjusted by the related accumulated depreciation and capitalisation of dismantling costs;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **provision for dismantling charges**: provisions for dismantling charges accounted for as a balancing entry to the increase in the carrying amount of the asset;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- **current financial liabilities**: bank borrowings for project financing and Shareholder loan to ERG Spain HoldCO S.L.U.;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M;

the following fair values determined on a provisional basis were included in the column **Adjustment to the acquisition figures**:

- **intangible assets**: gain allocated upon recognition of the acquisition; this gain was posted to the item "Authorisations and Concessions" taking into account a time horizon of future economic benefits of 40 years;
- **deferred tax liabilities**: related to the allocation referred to above.

Determination of goodwill

The difference between the total acquisition consideration and the net value of the assets and liabilities acquired was not material and was recognised as goodwill as shown in the table below:

(EUR thousand)	
Acquisition price	15,567
Fair value of the acquired net assets	13,959
Goodwill	**1,608**

"Fregenal" contribution in 2023

In the period between the date of first-time consolidation (1 July 2023) and the reporting date, the acquirees contributed to the Group's income statement with revenue of EUR 1.1 million, a gross operating profit (EBITDA) of EUR 0.8 million and a net profit for the year of EUR 0.1 million. It should be noted that if the acquisition had taken place on 1 January 2023, the acquirees would not have contributed further to the Group's income statement as the fleet became operational in the second half of 2023.

NOTE 45 - NON-RECURRING ITEMS

As required by CONSOB resolution no. 15519 dated 27 July 2006, significant income and expense arising from non-recurring transactions or events that do not occur frequently in the ordinary course of business are presented below. The aforesaid "Non-recurring items" are included among the special items indicated in the **Directors' Report**.

(EUR thousand)		2023		2022
Revenue		-		-
Other income		-		256
Purchases		-		-
Change in inventories		-		-
Services and other operating costs	1)	(5,215)	7)	(9,401)
Personnel expense		-	8)	(5,312)
Amortisation, depreciation and impairment of non-current assets	2)	(2,188)	9)	(43,268)
Net financial income (expense)	3)	(5,831)	10)	(6,522)
Net gains (losses) on equity investments	4)	5,393	11)	2,325
Income taxes	5)	(3,298)	12)	17,795
Profit (loss) from continuing operations of non-recurring items		**(11,139)**		**(44,127)**
Profit (loss) from discontinued operations of non-recurring items	6)	(42,930)	13)	254,027
Profit (loss) of non-recurring items		**(54,096)**		**209,899**
Non-controlling interests		-		-
Profit (loss) of non-recurring items		**(54,096)**		**209,899**

In **2023**:

1) Ancillary expenses related to completed, ongoing or failed extraordinary transactions and reversal of provisions for discontinued operations;

2) Expenses related to certain Repowering and Revamping projects in Italy already impaired in the previous period;

3) Charges related to the early termination of certain project financing of Italian and foreign wind and solar companies, including the related hedging derivatives and the related effects connected with the renegotiation of loans accounted for in accordance with IFRS 9, as part of Liability Management activities;

4) Gains on equity investments mainly refer to price adjustments on sales of equity investments related to discontinued businesses that took place in previous years;

5) The item mainly includes the tax effect of the items commented on above;

6) Profit (loss) from discontinued operations refers to:

   a. the capital loss, net of related charges, from the sale of the CCGT in the amount of EUR 81 million;

   b. positive items linked to working capital and tax receivables for approximately EUR 38 million already envisaged in the Sale Agreement.

In **2022:**

7) Services and other operating costs refer to business combination transactions, unsuccessful acquisition projects, the Special Contribution referred to the Chief Executive Officer (as reported in **Additional Information** in **Note 46 – Related Parties**), and provisions to the fund for Disposed Businesses;

8) extraordinary bonuses, also including the portion of the Special Contribution referring to Group management as reported in the **Additional information** in **Note 46 – Related parties**;

9) Impairment of the net residual value of the property, plant and equipment and intangible assets of wind farms in the Italian portfolio being dismantled, following the authorisation of five Repowering projects and some Revamping projects obtained during the year;

10) Charges related to the early closure of Project Financing, Corporate Loans and related IRSs, as part of Liability Management activities;

11) Gains on equity investments refer mainly to the price adjustment on the sale of equity investments in previous years;

12) The item includes the tax effect of the items commented on above;

13) Profit (loss) from discontinued operations refers to:

a. the capital gain, net of the related charges, deriving from the sale of ERG Hydro S.r.l., amounting to EUR 324 million;

b. the impairment of the CCGT amounting to EUR 66 million.

NOTE 46 - RELATED PARTIES

Relevant information on the accounting standards adopted and recognition and measurement criteria

Related parties are mainly those that share the same parent with ERG S.p.A., the companies that directly or indirectly, through one or more intermediaries, control, are controlled by, or are subjected to joint control by ERG S.p.A. and those in which ERG S.p.A. has an investment.

The definition of related parties also includes key managers and their close relatives, of ERG S.p.A. and of its subsidiaries. Key managers are those who have the power and the direct or indirect responsibility for planning, managing, and controlling the activities of the parent and they include its Directors.

As required by CONSOB resolution no. 15519 dated 27 July 2006, the amounts of related party positions and transactions are indicated below.

The transactions carried out by ERG with related parties pertain mainly to:

- the exchange of goods, the performance of services, the provision and use of financing;
- contributions to non-corporate parties, referred to ERG, that pursue humanitarian, cultural and scientific initiatives. In particular, the Edoardo Garrone Foundation, established as a natural evolution of the engagement of the Garrone and Mondini families in the social and cultural fields, dedicated to the memory of Edoardo Garrone who, in 1938, launched the industrial activity of the ERG Group.

Most of these transactions are exempted from the application of the internal ERG regulation **Related party transactions policy and procedures**, issued to implement the CONSOB regulation, because they are ordinary transactions concluded at market or standard conditions, or because they are below the threshold of materiality prescribed by the procedure itself.

All transactions were carried out in the interest of the Company and, with the exception of the transactions with entities pursuing humanitarian, cultural and scientific initiatives, are included under ordinary operations. The joint ventures, associates and subsidiaries excluded from the consolidation scope are indicated in the **Note 47 – List of Group companies and transactions** for the year in the section dedicated to the list of companies recognised at cost.

Lastly, it should be noted that in 2023, ERG tacitly renewed the national tax consolidation scheme with the subsidiaries (including indirectly) ERG Eolica Campania S.r.l., Green Vicari S.r.l. and ISAB Energy Solare S.r.l. The renewals are valid for the three-year period 2023-2025 and are subject to tacit renewal. It should also be noted that the companies Breva Wind S.r.l., Conza Energia S.r.l., Lucus Power S.r.l., San Mauro S.r.l., SPV Parco Eolico Aria del Vento S.r.l., TACA Wind S.r.l., WinCap S.r.l. (subject to a subsequent merger, as indicated in **Note 47 – List of Group companies and transactions for the year**), Ginestra S.r.l., Photosun S.r.l., PVProject S.r.l., Robinia S.r.l., Sesma S.r.l., Six for Power S.r.l. and SVS 1 S.r.l. (subject to a subsequent merger, as indicated in **Note 47 – List of Group companies and transactions for the year**) were included during the year in the National Tax Consolidation Scheme of ERG S.p.A., valid for the three-year period 2023-2025 (tacitly renewable).

Impact of transactions or positions with related parties on the Statement of Financial Position

The most significant transactions with joint ventures, associates and subsidiaries excluded from the scope of consolidation concern current receivables and assets, for which reference should be made to the Additional Information section of these notes.

For the sake of completeness, the values shown below do not take into account the reclassifications required by IFRS 5 and are therefore also inclusive of the amounts indicated in the lines Discontinued operations.

The impact of transactions or positions with related parties on the items of the Statement of Financial Position is indicated in the following tables:

31/12/2023

(EUR thousand)	ERG Petroleos	Directors and Statutory Auditors	Key Managers	Other non-consolidated companies	Total	% of total item
Trade receivables	-		-	77	77	0%
Other current assets	1,611		-	-	1,611	0%
Trade payables	-		-	(107)	(107)	0%
Other current liabilities	-	(682)	(665)	-	(1,347)	4%

31/12/2022

(EUR thousand)	Priolo Servizi S.C.p.A.	SQ Renewables S.p.A.	ERG Petroleos	Key Managers	Total	% of total item
Trade receivables	2,034	-	-	-	2,034	1%
Other current assets	-	4,119	-	-	4,119	3%
Trade payables	(242)	-	-	-	(242)	0%
Other current liabilities	-	-	(125)	(3,025)	(3,150)	5%

Impact of transactions or positions with related parties on the income statement

The most significant dealings with the joint ventures, associates and subsidiaries excluded from the consolidation scope pertain to:

- revenue from Priolo Servizi S.C.p.A. for sale of energy and steam within the scope of the related supply contract;
- costs for services to Priolo Servizi S.C.p.A. consisting of the remuneration components provided by the Operation & Maintenance service agreement;
- other costs to Edoardo Garrone Foundation relating to the contribution for 2023;
- costs for services related to remuneration for the position of Chairman held in a Group company by a related party of ERG S.p.A.

The impact of transactions or positions with related parties on the items of the Income Statement is indicated in the following tables:

31/12/2023

(EUR thousand)	Priolo Servizi S.C.p.A. (1)	Edoardo Garrone Foundation	Directors and Statutory Auditors	Key Managers	Other	Total	% of total item
Revenue	13,239	-	-	-	-	13,239	1%
Other income	-	-	-	-	105	105	0%
Services and other operating costs	(5,815)	(100)	(6,525)	-	-	(12,440)	2%
Personnel expense	-	-	-	(2,573)	-	(2,573)	4%

(1) up to the date of disposal of the thermoelectric business.

31/12/2022

(EUR thousand)	Priolo Servizi S.C.p.A.	Edoardo Garrone Foundation	Directors and Statutory Auditors	Key Managers	Other	Total	% of total item
Revenue	36,334	-	-	-	-	36,334	1%
Other income	-	-		-	66	66	0%
Services and other operating costs	(7,847)	(100)	(8,909)	-	-	(16,856)	10%
Personnel expense	-	-		(4.,248)	-	(4,248)	4%

Details of the remuneration of figures with strategic responsibilities are provided below[9]:

DIRECTORS

(EUR thousand)	2023	2022
Short-term benefits	4,486	4,590
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,495	1,495
Total	**5,981**	**6,086**

KEY MANAGERS

(EUR thousand)	2023	2022
Short-term benefits	1,931	1,965
Post-employment benefits	135	140
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	643	643
Total	**2,708**	**2,748**

Impact of transactions or positions with related parties on cash flows

The impact of related party cash flows is indicated in the following tables:

	2023		
(EUR thousand)	Total	Related parties	% impact
Cash flows from operating activities	882,524	1,316	0%
Cash flow from investing activities	(316,544)	-	0%
Cash flows from financing activities	(491,223)	-	0%
Cash flows for the year	**74,758**	**1,316**	

[Update in progress]

	2022		
(EUR thousand)	Total	Related parties	% impact
Cash flows from operating activities	502,520	700	0%
Cash flow from investing activities	754,429	-	0%
Cash flows from financing activities	(1,724,490)	(2,520)	0%
Cash flows for the year	**(467,540)**	**(1,820)**	

9 The values do not include the emolument for the office of Chairperson held in a Group company by a related party of ERG S.p.A.

NOTE 47 - LIST OF GROUP COMPANIES AND TRANSACTIONS FOR THE YEAR

The transactions that took place during the year regarding equity investments are reported below:

- On 27 April 2023, ERG Spain Holdco S.L.U. acquired 100% of the share capital, amounting to EUR 25,000, of the German company ERG Hamburg Holding GmbH.
- On 3 May 2023, following the exercise of the put option, ERG UK Holding Ltd sold the entire equity investment held in the English company Rigghill Wind Farm Limited, equal to 50% of the related share capital.
- On 12 June 2023, the deed of cross-border merger by incorporation of MP Solar B.V. into ERG Solar Holding 2 S.r.l. was signed, and subsequently registered on 21 June 2023 with the competent Register of Companies. The merger took effect from 30 June 2023, while accounting and tax effects apply as from 1 January 2023.
- On 16 June 2023, the deed of merger by incorporation of the companies Photosun S.r.l., PVProject S.r.l., Robinia S.r.l., Sesma S.r.l., Six for Power S.r.l., SVS 1 S.r.l. and ERG Solar Holding 2 S.r.l. into GINESTRA S.r.l. was signed, and subsequently registered on 26 June 2023 with the competent Register of Companies. The merger took effect from 30 June 2023, while accounting and tax effects apply as from 1 January 2023.
- On 28 September 2023, the Italian company ERG Sviluppo Italia S.r.l. was incorporated, with registered office at Via De Marini 1, Genoa, and a share capital of EUR 20,000, fully subscribed and paid-in by ERG Power Generation S.p.A.
- On 29 November 2023, the French company Parc Photovoltaique de la Valle de la Doulaye SAS was incorporated, with registered office in Paris and a share capital of EUR 7,500, fully subscribed by ERG Eolienne France SAS.
- Effective as of 30 November 2023, ERG Power Generation S.p.A. transferred to ERG Poland Holding sp. z o.o. the 100% equity interest held in Laszki Wind sp. z o.o. as consideration for the reserved share capital increase resolved by the Shareholders' Meeting of ERG Poland Holding sp. z o.o. As a result of the transfer, the share capital of ERG Poland Holding sp. z o.o. increased from PLN 5,000 to PLN 10,000.
- On 20 December 2023, the deed of merger by incorporation of the companies of Conza Energia S.r.l., Lucus Power S.r.l., San Mauro S.r.l., SPV Parco Eolico Aria del Vento S.r.l., Taca Wind S.r.l., WinCap S.r.l. and ERG Wind Holding S.r.l. into Breva Wind S.r.l. was executed, and ultimately registered on 29 December 2023 with the competent Companies' Register. The mergers took effect from 31 December 2023, while accounting and tax effects apply as from 1 January 2023.

The following tables list the companies consolidated on a line-by-line basis, those measured using the equity method, and those measured at fair value, including the transactions detailed above.

List of companies consolidated **on a line-by-line basis**:

	Registered office	Direct investment	Group's investment	Currency ('000)	Share/quota Capital (1)	Equity (1)
ERG S.p.A.						
ERG Power Generation S.p.A.	Genoa (Italy)	100%	100%	EUR	100,000	3,278,158
ERG Power Generation S.p.A.						
Corni Eolian SA	Constanța (Romania)	100%	100%	RON	95,679	336,676
ERG Eolica Adriatica S.r.l.	Genoa (Italy)	100%	100%	EUR	10	63,424
ERG Eolica Campania S.r.l.	Genoa (Italy)	100%	100%	EUR	120	66,570
ERG Eolica Faeto S.r.l.	Genoa (Italy)	100%	100%	EUR	10	8,997
ERG Eolica Fossa del Lupo S.r.l.	Genoa (Italy)	100%	100%	EUR	50	55,322
ERG Eolica Ginestra S.r.l.	Genoa (Italy)	100%	100%	EUR	10	38,622
ERG Eolica San Vincenzo S.r.l.	Genoa (Italy)	100%	100%	EUR	3,500	21,255
ERG Eolica Tirreno S.r.l.	Genoa (Italy)	100%	100%	EUR	10	201
ERG Eolienne France S.a.s. (3)	Paris (France)	100%	100%	EUR	209,551	223,752
ERG Solar Holding S.r.l. (3)	Genoa (Italy)	100%	100%	EUR	20	119,823
ERG UK Holding Ltd (3)	Edinburgh (UK)	100%	100%	GBP	0	27,392
ERG Wind Bulgaria S.p.A. (3)	Genoa (Italy)	100%	100%	EUR	50	21,198
ERG Wind Investments Srl (3)	Genoa (Italy)	100%	100%	EUR	97,046	433,467
ERG Windpark Beteiligungs GmbH (3)	Hamburg (Germany)	100%	100%	EUR	25	8,626
ERG Wind Neunte GmbH	Hamburg (Germany)	100%	100%	EUR	25	116
EW Orneta 2 sp. Z.O.O. (3)	Warsaw (Poland)	100%	100%	PLN	164,688	183,807
Green Vicari S.r.l.	Genoa (Italy)	100%	100%	EUR	119	15,061
ISAB Energy Solare S.r.l.	Genoa (Italy)	100%	100%	EUR	100	309
Andromeda PV S.r.l.	Genoa (Italy)	100%	79%	EUR	50	83,438
ERG Poland Holding Sp. Z.o.o (3)	Warsaw (Poland)	100%	100%	PLN	10	1,659
ERG Sweden Holding AB (3)	Stockholm (Sweden)	100%	100%	SEK	50	46,513
ERG Spain Holco S.L.U. (3)	Madrid (Spain)	100%	100%	EUR	3,500	33,543
Ginestra S.r.l. (2)	Genoa (Italy)	100%	100%	EUR	20	78,847
Breva Wind S.r.l. (2)	Genoa (Italy)	100%	100%	EUR	7,100	439,755
ERG Sviluppo Italia S.r.l.	Genoa (Italy)	100%	100%	EUR	20	20

(1) Data referring to the latest approved financial statements, unless otherwise indicated.
(2) Provisional accounting figure for Equity at 1 January 2023 following the above mergers.
(3) The companies exercise the right not to prepare consolidated financial statements in accordance with local regulations in force.

	Registered office	Direct investment	Group's investment	Currency ('000)	Share/quota Capital (1)	Equity (1)
ERG Eolienne France S.a.s.						
Eoliennes du Vent Solaire S.a.s.	Paris (France)	100%	100%	EUR	37	1,124
Parc Eolien de Lihus S.a.s.	Paris (France)	100%	100%	EUR	1,114	2,973
Parc Eolien de Hetomesnil S.a.s.	Paris (France)	100%	100%	EUR	1,114	3,071
Parc Eolien de la Bruyère S.a.s.	Paris (France)	100%	100%	EUR	1,060	4,466
Parc Eolien du Carreau S.a.s.	Paris (France)	100%	100%	EUR	861	5,532
Parc Eolien les Mardeaux S.a.s.	Paris (France)	100%	100%	EUR	1,097	2,440
ERG Energies Renouvelables S.a.S.	Paris (France)	100%	100%	EUR	100	(2,049)
Parc Eolien de la valleè de Torfou S.à r.l.	Paris (France)	100%	100%	EUR	8	1,547
Parc Eolien du Melier S.a.r.l.	Paris (France)	100%	100%	EUR	8	(144)
Parc Eolienne de la Voie Sacree S.a.s.	Paris (France)	100%	100%	EUR	74	4,512
Parc Eolienne d'Epense S.a.s.	Paris (France)	100%	100%	EUR	802	993
ERG Wind French Holdings S.a.s.	Paris (France)	100%	100%	EUR	1,410	1,260
ERG Wind France 1 S.a.s.	Paris (France)	100%	100%	EUR	1,097	13,235
WP France 10 S.a.s.	Paris (France)	100%	100%	EUR	6	(410)
WP France 6 S.a.s.	Paris (France)	100%	100%	EUR	6	3,079
ERG France S.à r.l.	Paris (France)	100%	100%	EUR	2,000	(2,611)
Les Moulins de Fruges SAS	Paris (France)	100%	100%	EUR	42,100	22,790
Ferme Eolienne De Saint Pierre De Maillé 1 S.A.S.	Paris (France)	100%	100%	EUR	5,639	1,958
Parc Eolien de St Riquier 3 SAS	Paris (France)	100%	100%	EUR	37	659
Parc Eolien de St Riquier 4 SAS	Paris (France)	100%	100%	EUR	37	(214)
Holding Quesnoy 2 S.A.S.	Paris (France)	100%	100%	EUR	2,810	1,653
Holding Chery S.A.S.	Paris (France)	100%	100%	EUR	2,410	1,112
Omniwatt Sas	Paris (France)	100%	100%	EUR	2,201	(6,369)
Ferme Eolienne de Moquepanier Sas	Paris (France)	100%	100%	EUR	2,519	(4,099)
Ferme Eolienne de Clamecy Sas	Paris (France)	100%	100%	EUR	2,000	2,030
Crampon Puchot Energies Sas	Paris (France)	100%	100%	EUR	1,091	445
Solaires Sisteron S.a.s.	Paris (France)	100%	100%	EUR	334	(1,532)
Solaire Sénezergues S.a.s.	Paris (France)	100%	100%	EUR	0	(1,253)
SolaireArpajon-sur-Cere S.a.s.	Paris (France)	100%	100%	EUR	451	(1,450)
Arsac 1 S.a.s.	Paris (France)	100%	100%	EUR	0	(1,415)
Arsac 3 S.a.s.	Paris (France)	100%	100%	EUR	1	(1,994)
SolaireGreoux S.a.s.	Paris (France)	100%	100%	EUR	0	(1,645)
SolaireSalaunes S.a.s.	Paris (France)	100%	100%	EUR	0	(1,469)
Epuron Energies Renouvelables S.a.s.						
ERG Développement France S.a.s	Paris (France)	100%	100%	EUR	100	(2,049)
Caen Renewables Energy Sas (en liquidation)	Paris (France)	100%	100%	EUR	0	-
Parc Eolien de la Charente Limousine S.à r.l.	Paris (France)	100%	100%	EUR	8	29
Parc Eolien de la Boeme S.à r.l.	Paris (France)	100%	100%	EUR	7.5	(77)
Parc Eolien du Moulin du Bois S.à r.l.	Paris (France)	100%	100%	EUR	7.5	67
Parc Eolien des Bouchats S.à r.l.	Paris (France)	100%	100%	EUR	7.5	(677)
Parc Eolien de Saint Maurice la Clouere S.à r.l.	Paris (France)	100%	100%	EUR	7.5	(94)
Parc Eolien du Pays a Part S.à r.l.	Paris (France)	100%	100%	EUR	7.5	(71)
Parc Eolien de Saint Sulpice S.à r.l.	Paris (France)	100%	100%	EUR	7.5	(72)
Parc Eolien du Plateaux de l'Ajoux S.à r.l.	Paris (France)	100%	100%	EUR	7.5	(37)
Parc Eolien des Terres et Vents de Ravieres S.à r.l.	Paris (France)	100%	100%	EUR	7.5	(43)
Parc Eolien de Porspoder S.à r.l.	Paris (France)	100%	100%	EUR	7.5	(52)
ERG Solar Holding S.r.l.						
Calabria Solar S.r.l.	Genoa (Italy)	100%	100%	EUR	10	21,148
ERG Solar Piemonte 3 S.r.l.	Genoa (Italy)	100%	100%	EUR	10	17,860
ERG UK Holding Ltd.						
Craiggore Energy Ltd	Belfast (UK)	100%	100%	GBP	0	0
Creag Riabhach Wind Farm Ltd	Edinburgh (UK)	100%	100%	GBP	50	(0)
Evishagaran Windfarm Ltd	Belfast (UK)	100%	100%	GBP	0	8,455
Sandy Knowe Wind Farm Ltd	London (UK)	100%	100%	GBP	0	(0)
Corlacky Energy Ltd	Belfast (UK)	100%	100%	GBP	0	0

(1) Data referring to the latest approved financial statements.

	Registered office	Direct investment	Group's investment	Currency ('000)	Share/quota Capital (1)	Equity (1)
ERG Wind Bulgaria S.p.A.						
Globo Energy EOOD	Sofia (Bulgaria)	100%	100%	BGN	4,379	7,761
K&S Energy EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,179	4,391
K&S Energy 1 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,023	6,552
K&S Energy 2 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,051	6,846
Mark 1 EOOD	Sofia (Bulgaria)	100%	100%	BGN	4,113	7,411
Mark 2 EOOD	Sofia (Bulgaria)	100%	100%	BGN	4,113	7,441
VG-1 EOOD	Sofia (Bulgaria)	100%	100%	BGN	1,520	2,772
VG-2 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,034	6,625
VG-3 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,057	5,706
VG-4 EOOD	Sofia (Bulgaria)	100%	100%	BGN	2,955	7,374
VG-5 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,059	5,798
VG-6 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,023	5,559
Wind Park Kavarna East EOOD	Sofia (Bulgaria)	100%	100%	BGN	505	4,017
Wind Park Kavarna West EOOD	Sofia (Bulgaria)	100%	100%	BGN	175	4,104
WP Bulgaria 4 EOOD	Sofia (Bulgaria)	100%	100%	BGN	2,157	3,948
ERG Wind France 1 S.a.s.						
Cepe De Montbeliard S.a.s.	Paris (France)	100%	100%	EUR	365	2,621
Cepe de Murat S.a.s.	Paris (France)	100%	100%	EUR	444	4,265
Cepe de Saint Florentin S.a.s.	Paris (France)	100%	100%	EUR	251	1,022
Ferme Eolienne de Teterchen S.a.s.	Paris (France)	100%	100%	EUR	100	1,335
Parc Eolien du Bois de l'Arche S.a.s.	Paris (France)	100%	100%	EUR	100	3,145
Parc Eolien du Bois de Bigot S.a.s.	Paris (France)	100%	100%	EUR	80	1,943
ERG Wind French Holdings S.a.s.						
Parc Eolien de la Chaude Vallee Sarl	Paris (France)	100%	100%	EUR	8	297
Parc Eolien de Morvilers Sarl	Paris (France)	100%	100%	EUR	8	540
Parc Eolien de Garcelles-Sacqueville SAS	Paris (France)	100%	100%	EUR	1,037	380
Parc Eolien du Patis SAS	Paris (France)	100%	100%	EUR	1,164	1,946
Parc Eolien Hauts Moulins Sarl	Paris (France)	100%	100%	EUR	15	824
Parc Eolien Moulins des Champs Sarl	Paris (France)	100%	100%	EUR	15	936
Parc Eolien de St Riquier 1 SAS	Paris (France)	100%	100%	EUR	37	241
SAS Société d'Exploitation du Parc Eolien de la Souterraine	Paris (France)	100%	100%	EUR	505	(188)
Parc Eolien de Oyre Saint Sauveur Sas	Paris (France)	100%	100%	EUR	37	176
Société d'Exploitation du Parc Eolien Le Nouvion Sas	Paris (France)	100%	100%	EUR	37	(3,453)
ERG Wind Investments S.r.l.						
ERG Wind Holdings (Italy) S.r.l.	Genoa (Italy)	100%	100%	EUR	212	202,088
ERG Wind MEI 2-14-1 LTD	London (UK)	100%	100%	EUR	0	(5,366)
ERG Wind MEI 2-14-2 LTD	London (UK)	100%	100%	EUR	0	(933)
ERG Wind Holdings (Italy) S.r.l.						
ERG Wind Energy S.r.l.	Genoa (Italy)	68%	100%	EUR	1,525	302,102
ERG Wind Sardegna S.r.l.	Genoa (Italy)	100%	100%	EUR	77	81,885
ERG Wind Sicilia 6 S.r.l.	Genoa (Italy)	100%	100%	EUR	77	44,231
ERG Wind Sicilia 6 S.r.l.						
ERG Wind 6 S.r.l.	Genoa (Italy)	100%	100%	EUR	77	43,255
ERG Wind Sicilia 3 S.r.l.	Genoa (Italy)	100%	100%	EUR	77	22,792
ERG Wind MEI 2-14-1 LTD						
ERG Wind MEG 1 LLP (2)	London (UK)	80%	100%	EUR	-	38,575
ERG Wind MEG 2 LLP (2)	London (UK)	80%	100%	EUR	-	32,392
ERG Wind MEG 3 LLP (2)	London (UK)	80%	100%	EUR	-	33,086
ERG Wind MEG 4 LLP (2)	London (UK)	80%	100%	EUR	-	31,844

(1) Data referring to the latest approved financial statements.
(2) The remaining 20% is held by ERG Wind MEI 2-14-2.

	Registered office	Direct investment	Group's investment	Currency ('000)	Share/quota Capital (1)	Equity (1)
ERG Windpark Beteiligungs Gmbh						
ERG Wind 117 GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	1	(2,889)
Voltwerk Energy Park 8 Gmbh & Co. KG	Hamburg (Germany)	100%	100%	EUR	1	(2,992)
Voltwerk Windpark Worbzig Gmbh & Co. KG	Hamburg (Germany)	100%	100%	EUR	0	-
Voltwerk Windpark Beesenstedt Gmbh & Co. KG	Hamburg (Germany)	100%	100%	EUR	1	1
Windpark Cottbuser Halde Gmbh & Co. KG	Hamburg (Germany)	100%	100%	EUR	5	(8,556)
Windpark Achmer Vinte GmbH & Co. KG RENDITEFONDS	Hamburg (Germany)	100%	100%	EUR	7,500	(3,754)
ERG Wind Weselberg GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	9	(2,641)
Windpark Linda GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	2	(527)
ERG Development Germany GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	3	(130)
UGE Barkow GmbH & und Co. KG UMWELTGERECHTE ENERGIE	Hamburg (Germany)	100%	100%	EUR	1	(3,300)
UGE Barkow Zwei GmbH & und Co. KG UMWELTGERECHTE ENERGIE	Hamburg (Germany)	100%	100%	EUR	1	(2,091)
UGE Barkow Drei GmbH & und Co. KG UMWELTGERECHTE ENERGIE	Hamburg (Germany)	100%	100%	EUR	1	(2,441)
ERG Germany Gmbh	Hamburg (Germany)	100%	100%	EUR	210	(969)
ERG Wind Ebersgrun GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	162	(5,276)
ERG Wind Hollige GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	200	(7,891)
ERG Wind Norath GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	185	(5,939)
ERG Wind Offenheim GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	287	(7,753)
ERG Wind Nack GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	228	(6,263)
ERG Windpark Linda GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	5	5
ERG Windpark Reinsdorf GmbH & Co. KG	Hamburg (Germany)	100%	100%	EUR	5	5
EW Orneta 2 Z.O.O.						
Blachy Pruszynsky-Energy SP.Z.O.O.	Warsaw (Poland)	100%	100%	PLN	7,100	78,654
Hydro Inwestycje SP.Z.O.O.	Warsaw (Poland)	100%	100%	PLN	42	55,056
Les Moulins de Fruges SAS						
Société d'exploitation du Parc Eolien de Mont Felix S.a.r.l.	Paris (France)	100%	100%	EUR	1,891	3,030
Société d'exploitation du Parc Eolien de Fond du Moulin S.a.r.l.	Paris (France)	100%	100%	EUR	344	(627)
Société d'exploitation du Parc Eolien Le Chemin Vert S.a.r.l.	Paris (France)	100%	100%	EUR	1,804	(1,133)
Société d'exploitation du Parc Eolien Le Marquay S.a.r.l.	Paris (France)	100%	100%	EUR	679	(687)
Société d'exploitation du Parc Eolien Les Trente S.a.r.l.	Paris (France)	100%	100%	EUR	1,935	295
Société d'exploitation du Parc Eolien de Sole de Bellevue S.a.r.l.	Paris (France)	100%	100%	EUR	1,925	1,581
Holding Chery S.A.S.						
Ferme Eolienne De Chery S.A.S.	Paris (France)	100%	100%	EUR	37	394
Holding Quesnoy 2 S.A.S.						
Ferme Eolienne De Quesnoy-Sur-Airaines 2 S.A.S.	Paris (France)	100%	100%	EUR	37	278
ERG Poland Holding						
EW Piotrków kujawski SP. z.o.o.	Warsaw (Poland)	100%	100%	PLN	5	1,470
Laszki Wind Sp. Z.o.o	Warsaw (Poland)	100%	100%	PLN	5	(7,450)

	Registered office	Direct investment	Group's investment	Currency ('000)	Share/quota Capital (1)	Equity (1)
ERG Sweden Holding AB						
Furukraft AB	Stockholm (Sweden)	100%	100%	SEK	50	65,249
Omniwatt Sas						
Omnigreen Sas	Paris (France)	100%	100%	EUR	25	(29)
Capenergie 3 Wind GmbH	Frankfurt (Germany)	100%	100%	EUR	25	(29)
LES EOLIENNES DE SAINT FRAIGNE S.A.S.	Paris (France)	100%	100%	EUR	3,700	4,024
NEUILLY SAINT FRONT ENERGIES S.A.S.	Paris (France)	100%	100%	EUR	37	(1,320)
MONNES ENERGIES S.à r.l.	Paris (France)	100%	100%	EUR	1	(1,096)
Omnigreen Sas						
SAINTE HELENE ENERGIES S.à r.l.	Paris (France)	100%	100%	EUR	1	(3,058)
IEL EXPLOITATION 12 S.à r.l.	Paris (France)	100%	100%	EUR	1	(1,459)
REUILLY ET DIOU ENERGIES S.à r.l.	Paris (France)	100%	100%	EUR	601	1,270
Capenergie 3 Wind GmbH						
SAINT CONGARD ENERGIES S.A.S.	Paris (France)	100%	100%	EUR	2	(1,332)
Crampon Puchot Energies Sas						
Wkn Picardie Verte II S.a.s	Paris (France)	100%	100%	EUR	1	4,931
ERG Spain Holco S.L.U.						
ERG Solar Almansa S.L.U.	Madrid (Spain)	100%	100%	EUR	0	7
ERG Solar Tabernas S.L.U.	Madrid (Spain)	100%	100%	EUR	0	(0)
ERG Solar Fregenal de la Sierra S.L.U.	Madrid (Spain)	100%	100%	EUR	3,000	13,831
ERG Solar Montiel S.L.U.	Madrid (Spain)	100%	100%	EUR	3	3
ERG Solar El Abuelito S.L.U.	Madrid (Spain)	100%	100%	EUR	3	3
ERG Solar Buenaventura S.L.U.	Madrid (Spain)	100%	100%	EUR	10	46
ERG Hamburg Holding GmbH	Hamburg (Germany)	100%	100%	EUR	25	56,925
ERG Hamburg Holding GmbH						
Garnacha Solar S.L.U.	Madrid (Spain)	100%	100%	EUR	6,000	52,241

(1) Data referring to the latest approved financial statements.

List of companies **measured at cost**:

	Registered office	Direct investment	Group's investment	Currency ('000)	Share/quota Capital (1)	Equity (1)	Carrying amount 31/12/2023
ERG S.p.A.							
ERG Petroleos S.A. (2)	Madrid (Spain)	100%	100%	EUR	3,050	(7,032)	-
Subsidiaries							-
ERG Power Generation S.p.A.							
ERG Germany Verwaltungs GmbH (3)	Paris (France)	100%	100%	EUR	25	25	25
Eolico Troina S.r.l. in liquidation (2)	Palermo (Italy)	99%	99%	EUR	20	232	25
Subsidiaries							50
ERG Eolienne France S.a.s.							
Parc Eolien de Saint-Loup sur Cher SARL (3)	Paris (France)	100%	100%	EUR	8	(3)	8
Parc Eolien du Puits Gergil SARL (3)	Paris (France)	100%	100%	EUR	8	(3)	8
Parc Eolien du Plateau de la Perche SARL (3)	Paris (France)	100%	100%	EUR	8	(3)	8
Parc Eolien des Boules SARL (3)	Paris (France)	100%	100%	EUR	8	(3)	8
Ferme Eolienne de la voie Sacree sud SAS (3)	Paris (France)	100%	100%	EUR	10	(72)	10
Francese Parc Eolien Des Grandes Bornes Sas (3)	Paris (France)	100%	100%	EUR	8	8	8
Parc Eolien Des Jonquilles Sas (3)	Paris (France)	100%	100%	EUR	8	8	8
Parc Eolien De La Pleine De Burel Sas (3)	Paris (France)	100%	100%	EUR	8	8	8
Parc Eolien de Saint Priest en Murat Sas (3)	Paris (France)	100%	100%	EUR	8	8	8
Parc Eolien de Vent Communaux Sas (3)	Paris (France)	100%	100%	EUR	8	8	8
Parc Eolien de la Foye SAS (3)	Paris (France)	100%	100%	EUR	8	8	8
Parc Photovoltaique de la Vallee de la Doulaye SAS (4)	Paris (France)	100%	100%	EUR	8	8	8
Subsidiaries							86
ERG Windpark Beteiligungs Gmbh							
ERG Windpark Bischhausen Gmbh & Co. KG (3)	Hamburg (Germany)	100%	100%	EUR	5	5	5
ERG Windpark Heyen Gmbh & Co. KG (3)	Hamburg (Germany)	100%	100%	EUR	5	5	5
ERG Windpark Bokel Gmbh & Co. KG (3)	Hamburg (Germany)	100%	100%	EUR	5	5	5
ERG Windpark Jeggeleben GmbH & Co. KG (3)	Hamburg (Germany)	100%	100%	EUR	5	5	5
Subsidiaries							30
ERG UK Holding Ltd							
High Cairn Wind Farm Limited (3)	Edinburgh (UK)	100%	100%	GBP	0	-	-
Creggan Wind Farm Limited (3)	Seebeck House (UK)	100%	100%	GBP	0	-	-
Longburn Wind Farm LTD (3)	Seebeck House (UK)	100%	100%	GBP	0	-	-
Subsidiaries							-
ERG Solar Holding S.r.l.							
Fattoria Solare Futurasun S.r.l. (3)	Genoa (Italy)	100%	100%	EUR	10	10	-
Subsidiaries							-
ERG Spain Holco S.L.U.							
ERG Solar Montiel S.L.U. (3)	Madrid (Spain)	100%	100%	EUR	3	(2)	131
ERG Solar El Abuelito S.L.U. (3)	Madrid (Spain)	100%	100%	EUR	3	(2)	166
ERG Solar Buenaventura S.L.U. (3)	Madrid (Spain)	100%	100%	EUR	10	46	422
Subsidiaries							719
Garnacha Solar S.L.U.							
TORO RENOVABLES 400KV S.L. (4)	Madrid (Spain)	23.69%	23.69%	EUR	3	1,899	1,071
Associates							1,071

(1) Data referring to the latest approved financial statements.
(2) Company in liquidation.
(3) Companies measured at cost as they are not yet operational.
(4) The Company is owned by 10 other shareholders, owners of other photovoltaic projects, with shareholdings ranging from 5.0% to 8.3%.

	Registered office	Direct investment	Group's investment	Currency ('000)	Share/quota Capital (1)	Equity (1)	Carrying amount 31/12/2023
ERG S.p.A.							
CAF Interreg. Dipendenti S.r.l.	Vicenza (Italy)	0.04%	0.06%	EUR	276	1,069	-
Meroil S.A.	Barcelona (Spain)	0.87%	0.87%	EUR	19,077	95,569	310
R.U.P.E. S.p.A.	Genoa (Italy)	4.86%	4.86%	EUR	3,058	2,969	155
Other companies							**465**

(1) Data referring to the latest approved financial statements.

NOTE 48 - ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED STARTING ON 1 JANUARY 2023

As from 1 January 2023, the following standards, interpretations and amendments to existing standards, in relation to which no significant effects on the Consolidated Financial Statements are reported, have become applicable:

- Amendments to IAS 1 – Disclosure on accounting standards (IASB publication date February 2021);[10]
- Amendment to IAS 8 – Definition of accounting estimate (IASB publication date February 2021);
- Amendments to IAS 12 – Deferred taxes related to assets and liabilities arising from a single transaction (IASB publication date May 2021);
- IFRS 17 – Insurance Contracts, including amendments issued in June 2020 (IASB publication date May 2017 and June 2020). IFRS 17 is a new accounting standard for the recognition, measurement, presentation and disclosure of insurance contracts issued by an entity and/or reinsurance contracts held by an entity. Based on the accounting analyses carried out by the Group's management, the contracts issued by ERG do not represent transactions that may fall within the definition of an insurance contract.
- Amendments to IFRS 17 – Initial application of IFRS 17 and IFRS 9 – Comparative Information (IASB publication date December 2021);
- Amendments to IAS 12[11] – International Tax Reform – Pillar Two Model Rules (IASB publication date May 2023). For details, please refer to **Note 40 – Income taxes**.

NOTE 49 - IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS, PUBLISHED BUT NOT YET ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2023

Below are the new standards or amendments to the standards, applicable, if approved by the European Union, for annual periods beginning on or after 1 January 2023 and for which earlier application is allowed. However, the Group has decided not to adopt them in advance for the preparation of these Consolidated Financial Statements.

Entry into force	Description	Issue date	Approved
1 January 2024	Amendments to IFRS 16 "Leases" – Lease liabilities in a sale and leaseback	22 September 2022	20 November 2023
	Amendment to IAS 1 "Presentation of financial statements" on the classification of non-current assets and liabilities with covenants	23 January 2020 15 July 2020 31 October 202 2	19 December 2023
	Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" on supplier finance agreements	25 May 2023	No
1 January 2025	Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' on lack of exchangeability	15 August 2023	No

Any impacts of the aforesaid standards are currently being assessed.

10 The document published by the IASB includes amendments to "IFRS Practice Statements 2 – Making Materiality Judgments" which have not been endorsed by the European Union as they do not relate to an accounting standard or an interpretation.
11 Amendment that applies immediately from publication on 23 May 2023, retroactively from 1 January 2023.

NOTE 50 - OTHER INFORMATION

No atypical and/or unusual transactions took place during the year. Atypical and/or unusual transactions are those transactions that due to their significance/relevance, nature of the counterparties, subject of the transaction, procedures for determining the transfer price and timeframe of the event (proximity to the end of the year) can give rise to doubts with regard to: the correctness/completeness of the information in the Consolidated Financial Statements, conflicts of interest, wealth preservation and the protection of non-controlling interests.

No advances were provided and there are no receivables from directors and statutory auditors of the parent for the performance of their duties also in other companies included in the consolidation scope.

Disclosure obligations pertaining to Italian Law no. 124/2017 of 4 August 2017

Article 1, paragraphs 125-129 of Italian Law no. 124 of 4 August 2017 introduced the obligation for companies that receive grants from public administrations to publish the amounts received in their Notes to the Separate Financial Statements and in the Consolidated Financial Statements, if these are drawn up. In view of the interpretation difficulties encountered in applying these provisions (Assonime – circular no. 5 of 22 February 2019) the legislator intervened, amending the said regulations several times. More specifically, the legal provisions of Italian Law no. 124/17 were most recently revised by Italian Decree Law no. 34 of 30 April 2019, which set forth urgent economic growth measures to resolve specific crisis situations, converted with Italian Law no. 58 of 28 June 2019, which provided responses to important issues in order to simplify and rationalise the regulations under consideration. The ERG Group has therefore decided to state in the separate financial statements of the companies belonging to the Group the grants received from public administrations for use by all the companies and that come under the general scheme of the reference system defined by the State (e.g. feed-in premium, energy efficiency certificates, etc.) with the exception of those belonging to the following categories:

- tax relief;
- training grants received from inter-professional funds (such as Fondimpresa), since such funds are a form of partnership governed by private law, financed with the contributions paid by the companies themselves.

(EUR million)	2023 revenue	of which feed-in premium	of which guarantees of origin	of which DD	of which RES
Wind Italy	8	-	6	-	2
Solar Italy	72	72	0.1	0.2	-
Total	**80**	**72**	**6**	**0.2**	**2**

(EUR million)	Receipts 2023	of which feed-in premium	of which guarantees of origin	of which DD	of which RES
Wind Italy	4	-	2	-	2
Solar Italy	71	71	0.1	0.3	-
Total	**75**	**71**	**2**	**0.3**	**2**

The reference amounts indicated in the tables above are also reported in the Financial Statements of the Group companies concerned.
In accordance with the provisions of Article 3-quater of Italian Law no. 12 of 11 February 2019, for any funds received, please refer to the indications contained in the National Register of State Aid under Article 52 of Italian Law no. 234 of 24 December 2012.
Finally it should be noted that with reference to the 2022 financial year, ERG S.p.A. and ERG Power Generation S.p.A. benefited from the contribution relief, recognised by INPS, pursuant to Article 1 paragraphs 161 to 168 of Italian Law no. 178 of 30 December 2020 ("Decontribuzione Sud") for an amount equal to EUR 0.7 million.

2023 consolidated non-financial statement

In compliance with the provisions of Article 5, paragraph 3, letter b, of Italian Legislative Decree no. 254/2016, ERG S.p.A. has prepared the consolidated non-financial statement, which constitutes a separate report.
The 2023 Consolidated Non-Financial Statement, prepared in compliance with the Global Reporting Initiative Sustainability Standards (GRI Standards) defined in 2016 by the Global Reporting Initiative (GRI), subject to limited review by KPMG S.p.A., is available on the Group's website.

Recommendations with regard to information to be provided in the financial reports and in the press releases of the listed companies operating in the field of renewable energies

In accordance with CONSOB Recommendation no. DIE/0061493 of 18 July 2013 with regard to information to be provided in the financial reports and in the press releases of the listed companies operating in the field of renewable energies, the related tables are presented below.

Reconciliation with the carrying amount of Property, Plant and Equipment in the Statement of Financial Position

	Carrying amount at 31 December 2023 (EUR thousand)
Plants in operation	2,454,549
Plants that are still non operational	96,091
Other property, plant and equipment	18,027
	2,568,666
of which Assets held for sale	-
Total Continuing operations	**2,568,666**

Information about the energy generation plants in operation at 31 December 2023

Company	Plant	Associated financial debt	Geographic location	% owned	Installed capacity (MW)	Carrying amount at 31 December 2023 (EUR thousand)
ERG Eolica S. Vincenzo S.r.l.						
ERG Eolica Faeto S.r.l.						
ERG Eolica Ginestra S.r.l.						
Green Vicari S.r.l.	Wind Farm	No	Italy	100%	541	279,878
ERG Eolica Fossa del Lupo S.r.l.						
ERG Eolica Adriatica						
ERG Eolica Campania						
Donatello Group	Wind Farm	No	Italy	100%	172	221,541
ERG Wind Investments					692	352,645
ERG Wind Sardegna						
ERG Wind Sicilia 6						
ERG Wind 4						
ERG Wind 6						
ERG Wind Sicilia 2			Italy	100%		
ERG Wind Sicilia 3						
ERG Wind Sicilia 4	Wind Farm	No				
ERG Wind Sicilia 5						
ERG Wind 2000						
ERG Wind Energy						
ERG Wind MEG 1 LLP						
ERG Wind MEG 2 LLP			Germany	100%		
ERG Wind MEG 3 LLP						
ERG Wind MEG 4 LLP						
Wind Italy+Germany				***100%***	***1,405***	***854,064***
Parc Eolien du Carreau S.a.s.						
Parc Eolien de la Bruyère S.a.s.						
Parc Eolien les Mardeaux S.a.s.	Wind Farm	No	France	100%	64	8,216
Parc Eolien de Lihus S.a.s.						
Parc Eolien de Hetomesnil S.a.s.						
E. Du Vent Solaire						
ERG Wind France 1						
Ferme Eolienne de Teterchen S.a.s.						
Parc Eolien du Bois de l'Arche S.a.s.						
Parc Eolien du Bois de Bigot S.a.s.	Wind Farm	No	France	100%	64	19,737
Cepe Pays De Montbeliard S.n.c.						
Cepe de Saint Florentin S.n.c.						
Cepe de Murat S.n.c.						
Parc Eolien de St Riquier 3 SAS						
Parc Eolien de St Riquier 4 SAS						
Parc Eolien de la Chaude Vallee Sarl						
Parc Eolien de Morvilers Sarl						
SEPE Du Nouvion SAS						
Parc Eolien de Garcelles-Sacqueville SAS						
Parc Eolien du Patis SAS	Wind Farm	No	France	100%	125	82,753
Parc Eolien Hauts Moulins						
Parc Eolien Moulins des Camps (La Chapelle)						
Parc Eolien de St Riquier 1 SAS						
Parc Eolien de la Souterraine						
Parc Eolien de Oyre Saint Sauveur						
Parc Eolienne de la Voie Sacree S.a.s.	Wind Farm	No	France	100%	16	5,131
Parc Eolienne d'Epense S.a.s.						
WP France 6 S.a.s.	Wind Farm	No	France	100%	13	11,187
WP France 10 S.a.s.	Wind Farm	No	France	100%	7	6,997
Parc Eolien de la valleè de Torfou S.a.r.l.	Wind Farm	No	France	100%	26	22,618
Parc Eolien du Melier S.a.r.l.						
Mont Félix						
Fond du Moulin						
Chemin Vert	Wind Farm	No	France	100%	52	24,677
Le Marquay						
Les Trentes						
Sole de Bellevue						
Ferme Eolienne Chery Sas						
Ferme Eolienne de Quesnoy-sur-Airaines 2 Sas	Wind Farm	No	France	100%	38	26,477
Ferme Eolienne de Saint Pierre de Maillè Sas						

Company	Plant	Associated financial debt	Geographic location	% owned	Installed capacity (MW)	Carrying amount at 31 December 2023 (EUR thousand)
Ventoux	Wind Farm	No	France	100%	41	36,155
Joran	Wind Farm	No	France	100%	58	69,922
Le Bouchats	Wind Farm	No	France	100%	18	22,637
Wind France				***100%***	***522***	***336,508***
Globo Energy EOOD						
Mark 1 EOOD						
Mark 2 EOOD						
WP Bulgaria 4 EOOD						
K&S Energy EOOD						
K&S Energy 1 EOOD						
K&S Energy 2 EOOD						
VG-1 EOOD	Wind Farm	No	Bulgaria	100%	54	24,602
VG-2 EOOD						
VG-3 EOOD						
VG-4 EOOD						
VG-5 EOOD						
VG-6 EOOD						
Wind Park Kavana East EOOD						
Wind Park Kavana West EOOD						
Wind Bulgaria				***100%***	***54***	***24,602***
Corni Eolian SA	Wind Farm	No	Romania	100%	70	46,031
Wind Romania				***100%***	***70***	***46,031***
EW Orneta 2 Z.O.O.						
Hydro Inwestycje SP.Z.O.O.	Wind Farm	No	Poland	100%	82	70,228
Blachy Pruszynsky-Energy SP.Z.O.O.						
Lazski	Wind Farm	No	Poland	100%	36	58,154
Piotkrow	Wind Farm	No	Poland	100%	24	39,916
Wind Poland				***100%***	***142***	***168,299***
Furukraft	Wind Farm	No	Sweden	100%	62	71,025
Wind Sweden					***62***	***71,025***
Voltwerk Energy Park 8 Gmbh					130	57,941
Voltwerk Windpark Worbzig Gmbh						
Voltwerk Windpark Beesenstedt Gmbh						
Windpark Cottbuser Halde Gmbh						
WP Achmer Vinte Gmbh						
Epuron Energy Park 117 (Frehne) Gmbh	Wind Farm	No	Germany	100%		
ERG Wind Dobberkau GmbH & Co. KG						
ERG Wind Weselberg GmbH & Co. KG						
UGE Barkow GmbH & Co.KG						
UGE Barkow Zwei GmbH & Co.KG					34	43,595
UGE Barkow Drei GmbH & Co.KG						
Windpark Linda GmbH & Co. KG	Wind Farm	Yes	Germany	100%	22	26,944
Ventoux	Wind Farm	No	Germany	100%	55	54,782
Wind Germany (without MEG)				***100%***	***241***	***183,261***
Evishagaran	Wind Farm	No	UK	100%	47	62,648
Craiggore	Wind Farm	No	UK	100%	25	38,671
Sandy Knowe	Wind Farm	No	UK	100%	50	132,079
Creag Riabhach	Wind Farm	No	UK	100%	127	113,380
Wind UK				***100%***	***249***	***346,778***
Wind				**100%**	**2,745**	**2,030,567**
ForVei Group	Photovoltaic system	No	Italy	100%	89	129,737
Isab Energy Solare (S.r.l.)	Photovoltaic system	No	Italy	100%	1	1,425
Andromeda PV S.r.l.	Photovoltaic system	Yes	Italy	100%	51	19,254
Siena Group	Photovoltaic system	No	Italy	100%	34	22,041
Solar Italy				***100%***	***175***	***172,458***
Ventoux	Photovoltaic system	No	France	100%	57	38,643
Joran	Photovoltaic system	No	France	100%	22	16,653
Solar France				***100%***	***79***	***55,295***
Valencia Group	Photovoltaic system	No	Spain	100%	92	67,083
Fregenal de la Sierra	Photovoltaic system	No	Spain	100%	25	18,798
Garnacha	Photovoltaic system	No	Spain	100%	149	110,348
				100%	***266***	***196,229***
Solar				**100%**	**520**	**423,982**
TOTAL				**100%**	**3,266**	**2,454,550**

		Associated financial debt				
Company	**Plant**	**Carrying amount of financial liability**	**Type**	**Disbursement/ Maturity**		**Hedge**
Windpark Linda GmbH & Co. KG	Wind Farm	18,063	Project Financing	2018	2038	Fixed rate loan
Wind Germany (without MEG)		*18,063*				
Wind		**18,063**				
Andromeda PV S.r.l.	Photovoltaic system	80,108	Project Financing	2010	2028	Fixed rate loan
Solar Italy		**80,108**				
Solar		**80,108**				
TOTAL		98,171				

Information about the energy generation plants not yet in operation at 31 December 2023

Name of plant/ Groups of plants	Geographic location	Owner company	Group	% owned	Maximum installed capacity expected (MW)	Progress of the project	Carrying amount at 31 December 2023 (EUR thousand)
Roccapalumba	Italy	ERG Eolica Tirreno S.r.l.	Renew	100%	47	Authorised and under construction	53,879
Bourgogne I	France	Parc Eolien de Moulin Bois	Epuron	100%	31	Authorised and under construction	13,473
Limousine I	France	St Maurice La Clouere	Epuron	100%	9	Authorised and under construction	4,342
Picardie I	France	Parc Éolien du Pays à Part	Epuron	100%	18	Authorised and under construction	6,674
Reinsdorf	Germany	ERG Windpark Reinsdorf	Impax	100%	6	Authorised and under construction	1,672
Corlacky	UK	Corlacky	n/a	100%	47	Authorised and under construction	16,052
Wind					**158**		**96,091**
Plants that are still non operational					**158**		**96,091**

With regard to the commitments and guarantees provided to the lenders of the plants per the above tables, please refer to the details provided in **Note 38 – Disclosure on financial risks**.

NOTE 51 - AUDIT FEES

Based on Article 149-duodecies of the Issuers' Regulation, the 2021 costs relating to the services performed by the independent auditors KPMG S.p.A., the main auditor of the ERG Group, and by the companies belonging to its related network, are shown below.

The preparation of the table is in line with the "Procedure for audit engagements in the companies of the ERG Group and monitoring of additional services".

Audit services comprise the complete audit of the separate and consolidated financial statements and the audit of the reporting package of the parent for the purposes of the preparation of the Consolidated Financial Statements of the ultimate parent and the limited audit of the Condensed Interim Consolidated Financial Statements.

Non-audit services refer mainly to:

- comfort letter in relation to the updating and subscription of the "Euro Medium Term Note Programme" for EUR 55 thousand;
- verification of the compliance of the separate annual accounts (unbundling) for EUR 16 thousand;
- verification and certification of tax returns for EUR 4 thousand;
- other services for EUR 135 thousand refer to the following activities:
  - agreed-upon procedures requested on the quarterly data of the subsidiaries for EUR 100 thousand;
  - limited assurance engagement on the Consolidated Non-Financial Statement (NFS) for EUR 35 thousand.

Type of service	Party that performed the service	Recipient	2023 fees
(EUR thousand)			
Statutory audit	Auditor of the parent	parent	358
	Auditor of the parent	subsidiaries	793
	Network of the parent's auditor	subsidiaries	477
Total audit services			**1,628**
Non-audit services	Auditor of the parent	parent	210
	Auditor of the parent	subsidiaries	63
Total non-audit services			**273**
Total			**1,901**

NOTE 52 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
Press release of 17 January 2024	Italy	Corporate	ERG is confirmed among the Corporate Knights "Global 100". ERG ranked 28th in the 2024 ranking, a significant improvement compared to the 54th position in 2023
Press release of 24 January 2024	Italy	Corporate	TIM and ERG: kick-off for the "Missione Ambiente – Generazioni a scuola di Sostenibilità" (Mission Environment – Generations at Sustainability School) project, aimed at promoting the spread of a sustainability culture.
Press release of 29 January 2024	France	Wind Solar	Completion of the acquisition of a 73.2-MW wind and solar portfolio in France. The acquisition portfolio consists of two photovoltaic farms in operation (20.4 MW), one in an advanced state of construction (28.8 MW) and a wind farm in the commissioning phase (24 MW).
Press release of 1 February 2024	Italy	Wind	ERG and Google announce that they have finalised a 20-year agreement for the supply of 2 TWh of renewable energy.
Press release of 6 February 2024	Italy	Corporate	ERG is confirmed as being on the Carbon Disclosure Project's "A list" for the second year
Press release of 19 February 2024	Italy	Corporate	ERG concludes the share buy-back programme. Since the start of the programme, 3,758,000 ordinary shares – the maximum number of shares that can be purchased – have been repurchased at a weighted average price of EUR 26.0 per share. Considering the shares already in its portfolio prior to the start of the programme, ERG holds 4,540,080 treasury shares, equal to 3.0203% of the related share capital.
Press release of 23 February 2024	Italy	Wind	ERG continues to grow in Italy with the completion of the construction and start-up of the greenfield plant at Roccapalumba in Sicily (47 MW).

There are no significant events to report that may have an impact on the statement of financial position at 31 December 2023.

NOTE 53 - PUBLICATION DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 12 March 2024, the Board of Directors of ERG S.p.A. authorised the publication of the Financial Statements together with the reports of the Supervisory Bodies in compliance with the deadlines prescribed by current laws and regulations.

Genoa, 12 March 2024

on behalf of the Board of Directors
The Chairman
Edoardo Garrone

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 DATED 14 MAY 1999, AS AMENDED

1. The undersigned Paolo Luigi Merli, Chief Executive Officer of ERG S.p.A., and Michele Pedemonte, Manager responsible for preparing the financial reports of ERG S.p.A., taking into account the provisions set out in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, state that the administrative and accounting procedures for the preparation of the Consolidated Financial Statements:
   - were adequate given the ERG Group's characteristics and
   - were effectively applied in the period between 1 January 2023 and 31 December 2023.
2. In this regard, the following is pointed out:
   - the suitability of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements of the ERG Group at 31 December 2023 was verified by the assessment of the system of internal control over Financial Reporting. This assessment was carried out with reference to the criteria established in the "Internal Control – Integrated Framework" model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
   - the assessment of the System of Internal Control over Financial Reporting did not uncover any significant aspects.
3. It is furthermore stated that:
   - the Consolidated Financial Statements of the ERG Group:
     - were prepared in accordance with the applicable International Accounting Standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;
     - match the underlying accounting books and records;
     - are suitable to give a true and fair view of the financial position and results of operations of the issuer and of the group of companies included in its consolidation scope;
   - the Directors' Report comprises a reliable analysis of the performance and of the result of operations, as well as of the situation of the issuer and of the group of companies included in its consolidation scope, together with a description of the main risks and uncertainties to which they are exposed.

Genoa, 12 March 2024

Chief Executive Officer	The Manager responsible for preparing the the Company's financial reports
Paolo Luigi Merli	**Michele Pedemonte**

INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
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(The accompanying translated consolidated financial statements of the ERG Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
ERG S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the ERG Group (the "group"), which comprise the statement of financial position as at 31 December 2023, the income statement and statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the ERG Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of ERG S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill, authorisations and concessions, property, plant and equipment and right-of-use assets

Notes to the consolidated financial statements: Use of estimates - Risks and uncertainties and Note 21 - Impairment testing

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2023 include goodwill of €413 million, authorisations and concessions of €975 million, property, plant and equipment of €2,403 million and right-of-use assets of €166 million. Goodwill is allocated to the various groups of cash-generating units ("CGUs") in line with the group's organisational and operating structure, i.e., according to the country/technology matrix. Specifically, goodwill is allocated to the Wind Italy, Solar Italy, Wind France, Wind Germany, Solar France and Solar Spain (€194 million, €86 million, €77 million, €32 million, €15 million and €9 million, respectively). Under the procedure approved by the parent's board of directors on 23 February 2024, the recoverable amount of authorisations and concessions, property, plant and equipment and right-of-use assets is estimated whenever there is an indicator of impairment (a triggering event). Moreover, based on the above procedure, the group tests goodwill for impairment annually and, in any case, whenever there are triggering events, by comparing the carrying amounts of the groups of CGUs, including goodwill, to the related recoverable amounts. The recoverable amount is estimated based on the asset's value in use, calculated using the discounted cash flow model by discounting the groups of CGUs' expected cash flows. Operating cash flows are estimated on the basis of the following: • the forecasts set out in the update to the 2024-2028 business plan that the parent's directors examined and approved on 12 March 2024; • for the period subsequent to 2028, the projections prepared on the basis of macroeconomic and energy scenario simulations, assuming a steady production trend. As a result of its impairment tests, the group has not recognised any impairment losses. Impairment testing is complex and entails a high level of judgement, especially in relation to: • the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for past years and the projected growth rates. In this	Our audit procedures, which also involved our own specialists, included: • updating our understanding of the process adopted to prepare the impairment test and the forecasts set out in the 2024-2028 business plan and assessing the design and implementation of relevant controls; • checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; • analysing the reasonableness of i) the key assumptions used by the directors to determine the operating cash flows and related discount rates and ii) the valuation models adopted; • checking the sensitivity analysis prepared by group management in relation to the key assumptions used for impairment testing; • assessing the appropriateness of the disclosures provided in the notes about impairment testing.

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Key audit matter	Audit procedures addressing the key audit matter
context, the key assumptions are those about the expected energy prices, the availability of renewable resources and the evolution of the regulatory framework; • the financial parameters used to calculate the discount rate. For the above reasons and due to the materiality of the relevant captions, we believe that the recoverability of the carrying amount of goodwill, authorisations and concessions, property plant and equipment and right-of-use assets is a key audit matter.	

Measurement of the provision for disposed business and other current and non-current provisions

Notes to the consolidated financial statements: Use of estimates - Risks and uncertainties, Note 25 - Provision for disposed business and Note 26 - Other provisions

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2023 include the provision for disposed business and other current and non-current provisions of €84.6 million, €36.9 million and €36.6 million, respectively. With the support of the relevant internal departments and their legal and tax advisors, the directors estimated provision for disposed businesses, which chiefly relates to the estimated environmental, legal and tax liabilities relating to the "Oil" coastal refining and integrated downstream businesses, whose disposal was completed on 10 January 2018 with the sale of the investment in TotalErg S.p.A.. Again with the support of the relevant internal departments and their legal and tax advisors, the directors also estimated the other current and non-current provisions, which mainly relate to the estimated liabilities on existing and potential disputes in relation to local taxes and of the liabilities on legal disputes with institutional counterparties. Measuring these provisions is a complex activity, with a high degree of subjectivity, and entails directors' estimates about the outcome of the disputes and litigation of an environmental, legal and tax nature, in some cases dating back in time, the risk of losing, the timing for their settlement and the related effects on the consolidated financial statements. For the above reasons, we believe that the measurement of the provision for disposed business and other current and non-current provisions is a key audit matter.	Our audit procedures, which also involved our own tax specialists, included: • updating our understanding of the process for the measurement of the effect of legal disputes and assessing the design and implementation of controls and procedures; • analysing the discrepancies between past years' estimates of the effect of legal disputes and actual figures resulting from their subsequent settlement, in order to check the accuracy of the estimation process; • sending written requests for information to the advisors assisting the group and to the internal legal department about the assessment of the risk of losing pending disputes and the quantification of the related liability; • for the main disputes subject to estimate, updating the analysis of the assumptions used to determine their effect through discussions with the relevant internal departments and analysis of the supporting documentation; • for the main disputes subject to estimate, discussing assumptions or scenarios alternative to those used to calculate the effect of legal disputes and the reasons for their rejection with the relevant internal departments; • analysing the events after the reporting date that provide information useful for an assessment of the provisions;

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Key audit matter	Audit procedures addressing the key audit matter
	• assessing the appropriateness of the disclosures provided in the notes about the provision for disposed business and other current and non-current provisions.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the carve-out consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 23 April 2018, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2018 to 31 December 2026.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

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Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of ERG S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Genoa, 26 March 2024

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit

3

Separate Financial Statements

STATEMENT OF FINANCIAL POSITION (1)

(EUR)	Notes	31/12/2023	of which with related parties	31/12/2022	of which with related parties
Intangible assets	1	2,528,606		2,370,631	
Property, plant and equipment	2	8,096,611		8,496,258	
Right-of-use assets	3	2,016,962		1,952,176	
Equity investments	4	2,633,735,644		2,603,551,103	
Non-current financial assets measured at fair value	16	17,046,313		27,788,662	
Deferred tax assets	5	8,407,380		8,757,936	
Other non-current assets	6	1,997,108		2,311,129	
Non-current assets		**2,673,828,623**		**2,655,227,895**	
Trade receivables	7	3,461,045	2,131,315	10,695,031	10,376,364
Other current assets	8	27,545,985	59,565	31,483,918	4,281,925
Current tax assets	9	25,076,817	21,334,356	27,843,685	23,823,929
Current financial assets measured at fair value	16	30,769,579	-	35,755,328	-
Other current financial assets	16	240,959,047	1,625,458	140,777,519	40,442,702
Cash and cash equivalents	16	415,897,305		282,096,999	
Current assets		**743,709,780**		**528,652,480**	
TOTAL ASSETS		**3,417,538,403**		**3,183,880,375**	
Share capital	10	15,032,000		15,032,000	
Other reserves	10	842,146,521		919,547,461	
Retained earnings	10	41,910,428		179,830,359	
Profit for the year	10	27,764,716		11,617,989	
Equity		**926,853,665**		**1,126,027,809**	
Employee benefits	11	1,593,185		1,592,567	
Deferred tax liabilities	5	9,339,507		15,252,728	
Provision for disposed businesses	12	76,574,988		76,243,686	
Other non-current provisions	13	753,879		888,647	
Other non-current financial liabilities	16	1,924,052,285		1,593,006,640	
Non-current lease liabilities	16	1,355,885		1,330,971	
Non-current liabilities		**2,013,669,728**		**1,688,315,238**	
Other current provisions	13	499,292		1,218,634	
Trade payables	15	12,526,837	24,400	8,814,836	510,184
Other current financial liabilities	16	442,508,887	294,829,894	325,013,221	18,224,231
Current lease liabilities	16	673,160		621,830	
Other current liabilities	17	7,367,236	1,336,000	14,303,848	5,454,000
Current tax liabilities	18	13,439,597	13,439,597	19,564,959	19,564,959
Current liabilities		**477,015,010**		**369,537,327**	
TOTAL EQUITY AND LIABILITIES		**3,417,538,403**		**3,183,880,375**	

(1) The notes commenting on individual items are an integral part of these separate financial statements.

INCOME STATEMENT (1)

(EUR)	Notes	2023	of which with related parties	2022	of which with related parties
Revenue	20	35,404,186	35,104,528	34,272,096	33,172,849
Other income	21	2,085,205	453,579	1,219,063	384,290
Purchases	22	(172,521)		(149,905)	
Services and other operating costs	23	(28,749,144)	(6,331,200)	(32,848,701)	(8,709,280)
Personnel expense	24	(23,600,513)	(2,573,177)	(28,077,647)	(4,248,000)
GROSS OPERATING PROFIT (EBITDA)		**(15,032,787)**		**(25,585,094)**	
Amortisation of Intangible assets	25	(1,801,383)		(1,579,366)	
Depreciation of property, plant and equipment and right-of-use assets	25	(1,470,991)		(1,826,601)	
OPERATING PROFIT (EBIT)		**(18,305,161)**		**(28,991,061)**	
Financial income		30,827,455	495,231	28,197,885	21,110,595
Financial expense		(43,338,480)	(4,625,429)	(47,198,285)	(3,344,165)
NET FINANCIAL INCOME (EXPENSE)	26	**(12,511,025)**		**(19,000,400)**	
Net gains (losses) on equity investments		53,017,703		52,482,054	
NET GAINS (LOSSES) ON EQUITY INVESTMENTS	27	**53,017,703**		**52,482,054**	
PROFIT (LOSS) BEFORE TAXES		**22,201,517**		**4,490,593**	
Income taxes	28	5,563,199		7,127,396	
NET PROFIT FOR THE YEAR		**27,764,716**		**11,617,989**	

(1) The notes commenting on individual items are an integral part of these separate financial statements.

STATEMENT OF COMPREHENSIVE INCOME (1)

(EUR)	Notes	2023	2022
PROFIT FOR THE YEAR		**27,764,716**	**11,617,989**
Changes that will not be reclassified to profit or loss			
Actuarial gains (losses)	11	(7,747)	84,217
Related tax	11	1,859	(20,212)
Total		**(5,888)**	**64,005**
Changes that will be reclassified to profit or loss			
Cash flow hedges – effective portion of the fair value change	10	(24,619,960)	69,498,043
Related tax	10	5,908,790	(16,679,530)
Total		**(18,711,170)**	**52,818,513**
Other comprehensive income (expense) net of the tax effect		**(18,717,057)**	**52,882,518**
Comprehensive income for the year		**9,047,659**	**64,500,507**

(1) The notes commenting on individual items are an integral part of these separate financial statements.

STATEMENT OF CASH FLOWS [1]

(EUR)	Notes	2023	of which with related parties	2022	of which with related parties
CASH FLOWS FROM OPERATING ACTIVITIES (A):					
Profit for the year		27,764,716		11,617,989	
Adjustments for:					
- Income taxes		(5,564,252)		(7,127,396)	
- Amortisation, depreciation and impairment of non-current assets	25	3,272,374		3,405,967	
- Accruals to provisions	12 13	1,123,291		2,796,311	
- Capital gains/losses from realisation of non-current assets		(5,092)		(52,428)	
- Capital gain on exercise of put option in ISAB S.r.l.					
- Dividend income		(50,000,000)	(50,000,000)	(50,079,906)	(50,079,906)
- Interest income		(26,055,962)	(494,953)	(18,392,204)	(5,564,514)
- Interest expense		39,392,926	4,625,429	31,167,068	431,576
- Changes in stock option plan and allocation of treasury shares to employees		2,678,333	2,678,333	2,678,333	2,678,333
- Contribution		-	-	4,119,000	4,119,000
- Changes in fair value of financial assets measured at FVTPL		-		-	
- Changes in fair value of hedging derivatives (ineffective portion)		(9,024,886)		-	
- Changes to post-employment benefits	11	(5,270)		245,791	
Other non-monetary changes		2,774,922		1,517,145	
		(13,648,899)		**(18,104,329)**	
Change in other current assets and liabilities:					
- Change in trade receivables	7	7,233,986	8,245,049	(9,551,923)	(9,890,285)
- Change in trade payables	15	3,712,001	(485,784)	185,406	430,142
- Net change in other assets/liabilities	6,8,14,17	(2,684,658)	4,168,497	2,701,320	345,955
Dividends received		50,000,000	50,000,000	50,079,906	50,079,906
Use of provisions		(1,497,808)		(2,685,780)	
Taxes collected from national tax consolidation scheme		2,553,742		5,073,182	
		59,317,264		45,802,110	
CASH FLOWS FROM OPERATING ACTIVITIES (A)		**45,668,364**		**27,697,781**	
CASH FLOWS FROM INVESTING ACTIVITIES (B):					
Acquisition of intangible assets	1	(1,967,858)		(1,662,867)	
Acquisition of property, plant and equipment and right-of-use assets	2, 3	(1,175,532)		(1,795,808)	
Acquisition of equity investments	4	(184,541)		(184,541)	
Disposals of property, plant and equipment and right-of-use assets	2	58,285		260,254	
Price adjustment from disposal of equity investment		3,173,961		2,645,571	
Capital injection ERG Power Generation	4	-	-	-	
Investment in securities	16	(235,000,000)		(100,000,000)	
Securities collection		100,000,000		299,999,424	
Change in loans to subsidiaries			-		-
		-		-	
Repayment of loans from subsidiaries		-	-	707,441,031	707,441,031
Interest collected		27,450,003	5,617,243	27,515,038	1,287,472
Other changes in current financial assets		-		-	
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B):		**(107,645,682)**		**934,218,100**	
CASH FLOWS FROM FINANCING ACTIVITIES (C):					
New loans	16	330,000,000		17,792,653	
Green Bond Issue	16	-		-	
Repayment of loans	16	(250,000,000)		(1,209,999,424)	
Changes in other current financial liabilities	16	358,690,324	269,986,991	(49,850,515)	
Interest paid		(29,339,818)	4,193,854	(28,026,777)	
Fees on revolving		(1,891,058)		(1,729,197)	
Decrease in lease liabilities	16	(781,688)		(1,000,141)	
Dividends paid		(149,537,920)	(94,000,000)	(134,584,128)	(84,600,000)
Share buy-back	10	(61,362,216)		-	
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C):		**195,777,624**		**-1,407,397,529**	
NET CASH FLOWS FOR THE YEAR (A+B+C)		**133,800,306**		**-445,481,648**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	16	**282,096,999**		**727,578,646**	
NET CASH FLOWS FOR THE YEAR		133,800,306		-445,481,648	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	415,897,305		282,096,999	
RECLASSIFICATION OF ASSETS/LIABILITIES HELD FOR SALE					
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	**415,897,305**		**282,096,999**	

(1) The notes commenting on individual items are an integral part of these separate financial statements.

STATEMENT OF CHANGES IN EQUITY [1]

(EUR)	Notes	Share capital	Reserve for other comprehensive income: Hedging reserve	Reserve for other comprehensive income: Actuarial reserve	Treasury shares in portfolio	Reserves	Profit (loss) for the year	Total Equity
Balance at 31/12/2021		**15,032,000**	**(4,626,163)**	**(285,094)**	**(5,377,545)**	**1,163,444,419**	**21,126,479**	**1,189,314,097**
Allocation of 2021 profit		**-**				**21,126,479**	**(21,126,479)**	**-**
Share-based payments with equity-linked instruments	**10**					**6,797,333**		**6,797,333**
Distribution of dividends	**10**	**-**				**(134,584,128)**	**-**	**(134,584,128)**
Other changes								**-**
Profit for the year 2022	**10**	-				-	11,617,989	11,617,989
Change in comprehensive income	**10**	-	52,818,513	64,005		-	-	52,882,518
Comprehensive income		**-**	**52,818,513**	**64,005**		**-**	**11,617,989**	**64,500,507**
Balance at 31/12/2022		**15,032,000**	**48,192,350**	**(221,089)**	**(5,377,545)**	**1,056,784,104**	**11,617,989**	**1,126,027,809**

(EUR)	Notes	Share capital	Reserve for other comprehensive income: Hedging reserve	Reserve for other comprehensive income: Actuarial reserve	Treasury shares in portfolio	Reserves	Profit (loss) for the year	Total Equity
Balance at 31/12/2022		**15,032,000**	**48,192,350**	**(221,089)**	**(5,377,545)**	**1,056,784,104**	**11,617,989**	**1,126,027,809**
Allocation of 2022 profit		**-**				**11,617,989**	**(11,617,989)**	**-**
Share-based payments with equity-linked instruments	**10**					**2,678,333**		**2,678,333**
Share buy-back	**10**				**(61,362,216)**			**(61,362,216)**
Distribution of dividends	**10**	**-**				**(149,537,920)**	**-**	**(149,537,920)**
Other changes								**-**
Profit for the year 2023	**10**	-				-	27,764,716	27,764,716
Change in comprehensive income (expenses)	**10**	-	(18,711,170)	(5,888)		-	-	(18,717,058)
Comprehensive income (expense)		**-**	**(18,711,170)**	**(5,888)**		**-**	**27,764,716**	**9,047,659**
Balance at 31/12/2023		**15,032,000**	**29,481,181**	**(226,977)**	**(66,739,761)**	**921,542,506**	**27,764,716**	**926,853,665**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INTRODUCTION

ERG S.p.A. is the entity that prepares the financial statements and has its registered office in via De Marini 1, Genoa (WTC Tower).

ERG S.p.A., a company listed on the Stock Exchange since 1997, operates, also through its investees, as a major independent operator in the generation of electricity from renewable sources, wind and solar in Italy, France, Germany, Spain, the United Kingdom, Poland, Romania, Bulgaria and Sweden.

On 12 March 2024, the Board of Directors of ERG S.p.A. authorised the publication of the separate financial statements together with the reports of the Supervisory Bodies in compliance with the deadlines prescribed by current laws and regulations.

ERG S.p.A. provides strategic guidance to the Group, is directly responsible for business development processes and ensures the management of all business support processes.

The Shareholders' Meeting called to approve the Separate Financial Statements is entitled to request changes to them.

BASIS OF PREPARATION

These Separate Financial Statements, expressed in Euro (functional currency of the parent ERG S.p.A. and reporting currency), were prepared:

- in compliance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union ("EU-IFRS") as well as in compliance with the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38 of 28 February 2005;
- on a going concern basis and therefore assuming that the Company will be able to meet the mandatory repayment conditions of the credit facilities granted by the banks and the bond issues as indicated in **Note 31 – Financial instruments**.

The Separate Financial Statements at 31 December 2023 were audited by the independent auditors KPMG S.p.A. in accordance with the statutory audit engagement for the years from 2018 to 2026, conferred upon it pursuant to Italian Legislative Decree no. 39/2010 by the Shareholders in their meeting of 23 April 2018.

The values shown in the accompanying notes to the separate financial statements, unless otherwise specified, are expressed in thousands of Euro.

The accounting standards and measurement criteria are presented in each note to which they refer.

The changes in the application of the accounting standards, where relevant, are described in the following paragraphs.

BASIS OF PRESENTATION

These Separate Financial Statements consist of:

- the **primary financial statements**, with the following characteristics:
  - the **Statement of Financial Position** shows the assets and liabilities according to their maturity, separating current and non-current items. Current assets are those held to be realised, sold or consumed in the normal operating cycle of the Company or in the 12 months after year end; current liabilities are those expected to be extinguished within the normal operating cycle of the Company or in the 12 months after year end. Assets classified as held for sale and liabilities included in a disposal group classified as held for sale are clearly distinguished;
  - the **Income Statement** includes an analysis of items by nature, which is deemed more representative than presenting them by function, with separate presentation of the profit or loss from discontinued operations. The form chosen is in fact consistent with internal reporting and management procedures;
  - the **Statement of Comprehensive Income** shows the revenue and cost components (including reclassification adjustments) that are not recognised in profit (loss) for the year in application of the EU-IFRS standards;
  - the structure of the **Statement of Cash Flows** is based on the indirect method, with the indication of the cash flows from operating, investing and financing activities;
  - the Statement of **Changes in Equity**, with separate disclosure of the result for the year and any revenue, income, cost and expense not transferred to the income statement, but charged directly to consolidated equity on the basis of the EU-IFRS standards.
- the **Notes**.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Preparation of financial statements and notes pursuant to the EU-IFRS requires ERG S.p.A. directors to make estimates and assumptions that affect the carrying amounts of the assets and liabilities recognised in the financial statements and disclosures relating to contingent assets and liabilities. Available information and subjective evaluations were used to obtain these estimates.

By their very nature, estimates and assumptions used may vary from year to year, and it therefore cannot be excluded that in subsequent years the current carrying amounts may differ as a result of the change in the subjective assessments used.

The main estimates requiring the use of subjective valuations, aside from those pertaining to fair value measurements as outlined in the specific paragraph, were used, among other things, for:

- impairment testing on the equity investment in ERG Power Generation S.p.A., with particular reference to the process of identifying and monitoring trigger events and the main assumptions for determining the recoverable value, including the identification of macroeconomic variables such as inflation and discount rates, also considering the current climate of geopolitical uncertainty and the energy scenario;
- the measurement of provisions and contingent liabilities related to civil, administrative and fiscal disputes; in particular, the valuation processes are based on complex elements that by their nature imply reliance on the

Directors' judgement, also taking into account the elements acquired by external consultants, and involve both determining the degree of likelihood of the occurrence of conditions that may entail a cash outlay and hence classification among liabilities or among contingent liabilities, and quantifying the related amount (**Note 12 – Provision for Disposed Businesses**, **Note 13 – Other provisions**). In particular, with reference to the Provision for Disposed Businesses the most complex elements are connected with the measurement process and procedures related to the risks tied mainly to events dating back in time and pertaining to environmental, legal and tax matters tied to the divested "Oil" Coastal Refining and of integrated Downstream businesses;

- loss allowances and impairment of assets (**Note 7 – Trade receivables**);
- deferred tax assets, recognised on the basis of the Group's future taxability of profits as forecast by business plans as well as of the expected settlement and renewal of tax consolidation schemes (**Note 5 – Deferred taxation**).

Fair value measurements

Some standards and disclosure obligations require the Company to measure the fair value of financial and non-financial assets and liabilities.

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

Non-observable input data and valuation adjustments are regularly subjected to reappraisal.

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

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

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

- Level 1: quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (prices) and indirectly (derived from prices).
- Level 3: unobservable inputs for the asset or liability.

If the input data used to measure the fair value of an asset or of a liability are categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises the transfers between the various levels of the fair value hierarchy given the event or the change in the circumstances that determined the transfer in which the transfer took place.

Additional information on the assumptions to determine fair value is provided in the following notes:

– **Note 23 – Services and other costs** and **Note 24 – Personnel expense**;

– **Note 31 – Financial Instruments**.

Estimates and assumptions are revised periodically and the effects of each change are reflected in the Income Statement in the period in which the change took place.

IMPAIRMENT TESTS ON EQUITY INVESTMENTS

Relevant information on the accounting standards adopted and ecognition and measurement criteria

Impairment of non-financial assets (impairment test)

At least once a year, the Company measures the recoverable amount of non-financial assets, including equity investments, to determine whether there are indications that they may be impaired (examination of triggering events). If such an indication exists, the Company estimates the recoverable amount of the asset to determine the amount of the impairment loss.

The recoverable amount of an asset is the higher of its fair value less costs to sell, and its value in use, determined as the present value of expected future cash flows.

An asset is impaired when its carrying amount exceeds its recoverable amount. When an impairment loss recognised in prior periods for an asset other than goodwill subsequently no longer exists or may have decreased, the carrying amount of the asset or the cash-generating unit is increased up to the new estimated recoverable amount without exceeding the amount that would have been determined had no impairment loss been recognised.

ERG Power Generation S.p.A.

In these Separate Financial Statements, the carrying amount of the equity investment in ERG Power Generation S.p.A. is equal to EUR 2,633 million (EUR 2,603 million at 31 December 2022). Please see **Note 4 – Equity investments** for further details.

For the purposes of the 2017 Separate Financial Statements the Company had tested the carrying amount of the equity investment that showed that the recoverable amount is significantly higher than its carrying amount.

For the purposes of the 2018 and 2022 Separate Financial Statements, the Group checked the presence of impairment indicators, and did not identify the need to perform the impairment test.

For the purposes of the 2023 Separate Financial Statements, the Group checked the presence of impairment indicators.

In particular, the following were examined:

- changes in the enterprise value of the CGU Groups belonging, directly and indirectly, to ERG Power Generation S.p.A.;
- the distribution of dividends during 2023, amounting to EUR 50 million, by ERG Power Generation S.p.A. to ERG S.p.A.;
- the stock market capitalisation of ERG S.p.A. at 31 December 2023 amounting to EUR 4.3 billion (EUR 4.4 billion at 31 December 2022). It is noted in this regard that the fair market value of ERG Power Generation S.p.A. can be derived from that of ERG S.p.A. net of the costs of the corporate structure and of net cash and cash equivalents of ERG S.p.A.

Company management deems the assumptions used to identify and verify the indicators to be reasonable and, on the basis of the aforementioned assumptions, no need to determine the recoverable amount has emerged.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NOTE 1 – INTANGIBLE ASSETS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Other intangible assets refer mainly to software licences. Intangible assets are recognised at purchase cost, including all related ancillary charges.

Other intangible assets are amortised over a maximum period of 5 years.

(EUR thousand)	Other intangible assets	Assets under development	Total
Historical cost	42,721	847	43,568
Amortisation and impairment losses	(41,176)	-	(41,176)
Balance at 31/12/2021	**1,545**	**847**	**2,392**
Changes for the year:			
Acquisitions	951	712	1,663
Capitalisations/reclassifications	730	(835)	(105)
Disposals and divestments	-	-	-
Amortisation and depreciation	(1,579)	-	(1,579)
Other changes	-	-	-
Historical cost	**44,402**	**724**	**45,126**
Amortisation and impairment losses	(42,755)	-	(42,755)
Balance at 31/12/2022	**1,646**	**724**	**2,371**
Changes for the year:			
Acquisitions	1,513	454	1,968
Capitalisations/reclassifications	633	(642)	(8)
Disposals and divestments	-	-	-
Amortisation	(1,801)	-	(1,801)
Other changes	-	-	-
Historical cost	**46,549**	**537**	**47,085**
Amortisation and impairment losses	(44,557)	-	(44,557)
Balance at 31/12/2023	**1,992**	**537**	**2,529**

"**Other intangible assets**" consist mainly of software applications and advisory services provided in the implementation phase thereof.

The increase is due mainly to the investments for the year related to new software and improvements on existing ones.

NOTE 2 – PROPERTY, PLANT AND EQUIPMENT

Relevant information on the accounting standards adopted and recognition and measurement criteria

Property, plant and equipment are recognised at acquisition, inclusive of capitalised financial expense, or production cost less accumulated depreciation and impairment losses.
If an item of property, plant and equipment comprises various parts having different useful lives, these parts are recognised separately (significant components).
The profit or loss generated by the sale of an item of property, plant and equipment is recognised in profit or loss for the year. Expansion, modernisation and transformation costs and maintenance costs are capitalised only if they increase the future economic benefits of the asset to which they refer.
Capitalised costs are allocated to the income statement via depreciation.
Depreciation is calculated on a straight-line basis over the asset's estimated useful life. When the asset consists of several significant parts having different useful lives, each part is depreciated separately. The depreciable amount is the asset's historical cost less the expected residual value, if material and reliably measurable.
Land is not depreciated, even if acquired together with a building.
Freely transferable assets are depreciated over the estimated life of the asset or the concession term, whichever is shorter.

The depreciation rates applied are as follows:
Industrial buildings – 2.75%-5.5%
Commercial buildings – 25%
General plant – 10%
Furniture and furnishings – 12%
Electronic machines – 20%
Equipment – 25%
Vehicles – 25%
Incremental expenses – 8-25%

(EUR thousand)	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
Historical cost	**17,315**	**951**	**12,635**	**20**	**30,922**
Depreciation and impairment losses	(11,093)	(583)	(9,971)	-	(21,647)
Balance at 31/12/2021	**6,222**	**368**	**2,665**	**20**	**9,275**
Changes in the year					
Acquisitions	-	-	147	15	161
Capitalisations	-	-	125	(20)	105
Reclassifications	-	-	-	-	-
Disposals and divestments (cost)	-	(25)	(1,058)	-	(1,083)
Disposals and divestments (provision)	-	4	963	-	967
Other changes	-	-	-	-	-
Depreciation	(421)	(62)	(446)	-	(929)
Historical cost	**17,315**	**926**	**11,849**	**15**	**30,105**
Depreciation and impairment losses	(11,513)	(642)	(9,454)	-	(21,609)
Balance at 31/12/2022	**5,802**	**285**	**2,395**	**15**	**8,496**
Changes in the year					
Acquisitions	-	13	229	76	318
Capitalisations	-	-	-	-	-
Reclassifications	-	-	23	(15)	9
Disposals and divestments (cost)	-	(60)	(1,045)	-	(1,105)
Disposals and divestments (provision)	-	55	1,045	-	1,099
Other changes	-	-			-
Depreciation	(296)	(58)	(367)	-	(720)
Historical cost	**17,315**	**879**	**11,056**	**76**	**29,326**
Depreciation and impairment losses	(11,809)	(644)	(8,776)	-	(21,230)
Balance at 31/12/2023	**5,506**	**235**	**2,280**	**76**	**8,097**

The item "Land and buildings" includes land on the Priolo Gargallo site. "Other assets" consist mainly of equipment, furniture and furnishings and works of art.

NOTE 3 – RIGHT-OF-USE ASSETS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Leases

The Company's leases, as per the IFRS 16 definition, relate to property, equipment and vehicle fleet. Leased assets are recorded in the Separate Financial Statements with the recognition of an asset representing the right to use the underlying asset and a liability representing the obligation to make lease payments.

Financial liabilities are discounted using the interest rate implicit in the lease. Where this rate cannot readily be determined, the Company uses the incremental borrowing rate (determined as the sum of the Group's credit spread and the forward curve based on Eurozone swap rates).

Main assumptions – lease evaluation

The group uses subjective assessments to determine whether a contract contains a lease. The Company analysed all lease agreements, defining the lease term, which is the non-cancellable period of the lease.

The Company's leases have an average term of 4 years, with the inclusion for some leases of a renewable option exercisable at the end of the binding period.

In relation to the renewal options, the Company estimated the term of the related lease agreement taking into account the reasonable certainty that the option will be exercised.

Specifically, for land and buildings, this assessment considered the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly corporate cars and equipment, the Company generally deemed it improbable that extension or early termination clauses would be exercised in view of the practices usually followed by the Group.

(EUR thousand)	Land and buildings	Other assets	Total
Historical cost	**2,068**	**2,048**	**4,116**
Depreciation and impairment losses	(1,743)	(1,066)	(2,808)
Balance at 31/12/2021	**325**	**982**	**1,307**
Changes in the year			
Acquisitions of right-of-use assets	1,047	587	1,634
Capitalisations	-	-	-
Reclassifications	-	-	-
Disposals and divestments of right-of-use assets (cost)	-	(347)	(347)
Disposals and divestments of right-of-use assets (provision)	-	256	256
Other changes	-	-	-
Depreciation of right-of-use assets	(371)	(527)	(898)
Historical cost	**3,115**	**2,288**	**5,403**
Amortisation and impairment losses	(2,114)	(1,337)	(3,451)
Balance at 31/12/2022	**1,001**	**951**	**1,952**
Changes in the year			
Acquisitions of right-of-use assets	46	812	858
Capitalisations	-	-	-
Reclassifications	-	-	-
Disposals and divestments of right-of-use assets (cost)	-	(368)	(368)
Disposals and divestments of right-of-use assets (provision)	-	326	326
Other changes	-	-	-
Depreciation of right-of-use assets	(187)	(564)	(751)
Historical cost	**3,161**	**2,732**	**5,892**
Depreciation and impairment losses	(2,301)	(1,574)	(3,875)
Balance at 31/12/2023	**860**	**1,157**	**2,017**

NOTE 4 – EQUITY INVESTMENTS

Relevant information on the accounting standards adopted and recognition and measurement criteria

"Subsidiaries" are all the companies over which ERG S.p.A. has control. Control is obtained when the company is exposed or is entitled to the variable returns deriving from its relationship with the investee and has the capability, by exercising its power over the investee, to influence its returns. Such power is defined as the current capability to direct the significant activities of the investee by virtue of existing substantive rights.

Equity investments in companies are initially measured at acquisition cost. The cost is subsequently adjusted for any impairment losses, which are subsequently reversed if the assumptions that caused them no longer hold true; the reversal may not exceed the original cost. Additional information on the impairment test is provided in the section Impairment test on equity investments.

If the portion of the loss pertaining to ERG S.p.A. exceeds the carrying amount of the equity investments and it is obligated to fulfil legal or constructive obligations of the investee or otherwise to cover its losses, any amount above the carrying amount is recognised in a liability provision within the provisions for risks and charges. In case of transfer, without economic substance, of an equity investment in a company under joint control, any difference between the price received and the carrying amount of the equity investment is recognised under equity.

	Equity investments		
(EUR thousand)	Subsidiaries	Other companies	Total
Balance at 31/12/2021	**2,085,901**	**465**	**2,086,367**
Changes in the year:			
Acquisitions/share capital increases/revaluations	517,000	-	517,000
Disposals and divestments	-	-	-
Other changes	185	-	185
Balance at 31/12/2022	**2,603,086**	**465**	**2,603,551**
Changes in the year:			
Acquisitions/share capital increases/revaluations	30,000	-	30,000
Disposals and divestments	-	-	-
Other changes	185	-	185
Balance at 31/12/2023	**2,633,270**	**465**	**2,633,736**

In order to further strengthen the equity/financial structure of the subsidiary ERG Power Generation S.p.A., the company decided to waive part of the receivable deriving from the existing line of credit, amounting to EUR 30 million, and to convert it into a capital injection in favour of ERG Power Generation S.p.A.

"Other changes" relate to the effect, on subsidiaries, of the introduction of the 2021-2023 Long-Term Incentive Plan in accordance with **IFRS 2 – Share-Based Payment** as described more in detail in the "Treasury shares" section.

The list of equity investments is below with the data provided in compliance with Article 126 of CONSOB Resolution no. 11971 as amended.

(EUR thousand)	Registered office	Share capital	%	Equity [1]	Investment[1]	Carrying amount
Subsidiaries						
ERG Power Generation S.p.A.	Genoa	100,000	100%	3,535,123	3,535,123	2,633,271
ERG Petroleos S.A.	Madrid (Spain)	3,050	100%	(7,180)	(7,180)	-
Total Subsidiaries						**2,633,271**
Other companies						
CAF Interregionale Dipendenti S.r.l.[2]	Vicenza	276	0%	1,069	0	0
Meroil S.A.[2]	Barcelona (Spain)	19,077	1%	95,569	831	310
R.U.P.E. S.p.A.[2]	Genoa	3,058	5%	2,969	144	155
Total Other companies						**465**
TOTAL EQUITY INVESTMENTS						**2,633,736**

(1) Data referring to the last financial statements approved at the date of the Board of Directors meeting for other companies and associates.
(2) Data referring to the financial statements at 31/12/2022.

It should also be recalled that in view of the deficit of ERG Petroleos S.A. in liquidation, a provision for risks on equity investments of approximately EUR 7.2 million has been recognised, of which EUR 148 thousand allocated in 2023. During the year, this provision was used to hedge the loan asset due from the subsidiary in order to reflect its recoverable amount at the end of the liquidation. The provision is therefore zero at 31 December 2023.

For the measurement of the equity investment in ERG Power Generation S.p.A., please refer to the **Impairment test on equity investments section**.

NOTE 5 – DEFERRED TAXATION

Deferred tax assets

Relevant information on the accounting standards adopted and recognition and measurement criteria

Pursuant to the accruals basis of accounting, the Separate Financial Statements include deferred tax assets and liabilities on the temporary differences arising between the carrying amounts and related tax bases, and on unused tax losses.

Deferred tax assets are allocated when their future recovery is probable.

The recoverability of the temporary differences and of the tax losses is contextualised within the various expiry dates of the tax consolidation agreements. The quantitative limit of 80% does not apply for tax losses generated in the first three years from the incorporation of the company, provided that they refer to a new productive activity.

Deferred taxes are calculated on the basis of the tax rates that are expected to apply to the years in which the taxable temporary differences will reverse.

The Company considers it reasonably certain that the deferred tax assets recognised at 31 December 2023 will be recovered.

	31/12/2023		31/12/2022	
(EUR thousand)	Temporary differences	Tax effect	Temporary differences	Tax effect
Provisions for risk and charges	32,462	7,791	31,446	7,547
Loss allowance	1,610	386	1,610	386
Other temporary differences	958	230	3,435	824
Total Deferred tax assets		**8,407**		**8,758**

Deferred tax assets express the IRES related to income components that will become deductible in the coming years. Maintenance of the deferred tax assets in the financial statements for the year ended on 31 December 2023 is supported by reasonable elements of certainty regarding their recoverability in the years in which they are expected to be repaid. This assumption is based on the Group's expected taxable income, by virtue of ERG's adoption of the tax consolidation scheme.

The rate used to calculate deferred tax assets is the same as the nominal IRES rate of 24%.

Deferred tax assets at 31 December 2023, amounting to EUR 8.4 million (EUR 8.8 million at 31 December 2022), are mainly allocated to provisions for risks and charges. The reduction in deferred tax assets compared to the balances of the previous year is attributable to the change in other temporary differences.

Deferred tax liabilities

	31/12/2023		31/12/2022	
(EUR thousand)	Temporary differences	Tax effect	Temporary differences	Tax effect
Derivatives	38,791	9,310	63,411	15,219
Other deferred tax liabilities	87	21	95	23
Unrealised exchange gains	36	9	47	11
Total deferred tax liabilities		**9,340**		**15,253**

"Deferred tax liabilities" are recognised on taxable temporary differences between the carrying amount of recognised assets and liabilities and their corresponding tax base.

The rate used to calculate deferred taxes is the same as the nominal IRES rate (24%).

Deferred tax liabilities at 31 December 2023 amounted to EUR 9.3 million (EUR 15.3 million at 31 December 2022). The decrease compared to the previous year is essentially due to the decrease in the fair value of interest rate hedging derivatives (EUR -5.9 million). The remaining deferred tax liabilities are attributable to unrealised exchange rate differences and unpaid interest income.

NOTE 6 – OTHER NON-CURRENT ASSETS

Other non-current assets amount to EUR 1,997 thousand and include EUR 1,423 thousand referring to bank fees paid in advance in 2022 on the revolving credit line and EUR 406 thousand which mainly refer to VAT assets and remain unchanged compared to 31 December 2022.

The item also includes medium-/long-term assets due from others in the amount of EUR 168 thousand, which mainly include security deposits on lease agreements and remain unchanged compared to 31 December 2022.

NOTE 7 – TRADE RECEIVABLES

Initial recognition takes place at fair value, subsequently they are measured using the amortised cost criterion.
Trade receivables and other receivables and assets deriving from contracts with customers are subject to impairment testing in accordance with the provisions of IFRS 9 on expected credit losses. Expected credit losses (ECL) are an estimate of losses weighted on the basis of the probability of default of the counterparty.
For customers, the Company individually assesses the time frame and the amount of the impairment on the basis of the actual expectation of recovery.

Receivables can be summarised as follows:

(EUR thousand)	31/12/2023	31/12/2022
Receivables from customers	2,780	1,768
Receivables from Group companies	2,131	10,376
Loss allowance	(1,450)	(1,450)
Total	**3,461**	**10,695**

"Receivables from customers" essentially include trade receivables amounting to EUR 2,744 thousand and invoices to be issued amounting to EUR 36 thousand.

The item includes in particular prior trade receivables that derive mainly from dealings with customers in the energy, thermoelectric and petroleum sectors originally due to the companies merged into ERG S.p.A. in previous years. There are receivables related to prior Refining items (EUR 305 thousand) and receivables relating to the retail electricity selling business sold in 2012 (EUR 1,463 thousand), covered by the loss allowance. The increase in the balance is related to the sale of CIC certificates during 2023.

"Receivables from Group companies" includes all receivables from subsidiaries. More specifically, receivables from subsidiaries mainly include chargebacks to subsidiaries for around EUR 2,391 thousand and the adjustment of the service contract with ERG Power Generation S.p.A. for EUR -260 thousand.

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

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

The loss allowance changed as follows:

(EUR thousand)	31/12/2023	Provisions	Utilisations	Other changes	31/12/2022
Loss allowance	1,450	-	-	-	1,450
Total	**1,450**	**-**	**-**	**-**	**1,450**

There were no provisions or utilisations of the allowance in 2023.

(EUR thousand)	31/12/2023	31/12/2022
Receivables from third parties not past due and intragroup receivables	**4,564**	**10,376**
Past due receivables from third parties:		
within 30 days	-	-
within 60 days	-	-
within 90 days	-	-
after 90 days	348	319
Total	**4,911**	**10,695**

NOTE 8 – OTHER CURRENT ASSETS

(EUR thousand)	31/12/2023	31/12/2022
Tax assets	15,550	14,515
Other assets	11,936	12,687
Other receivables from Group companies	60	4,282
Total	**27,546**	**31,484**

Tax assets relate mainly to other receivables from the tax authorities (EUR 13,094 thousand) referred to requests for IRES and IRAP reimbursement and payments of taxes made provisionally, pending final adjudication, and advances on energy excise duties for electricity and gas (EUR 1,289 thousand).

Other receivables from Group companies in 2022 included the receivable of ERG S.p.A. from the parent company SQ Renewables S.p.A. concerning the special contribution of approximately EUR 4 million disbursed in 2023.

The item "Other assets" includes approximately EUR 2 million relating to "Certificati di Immissione in Consumo" (CIC), certificates for the release for consumption of biofuels. These certificates, held for resale, were assigned to ERG S.p.A. as a result of the settlement made between the company, EOS S.r.l. and the Italian Ministry for the Environment and Energy Security in October 2022.

NOTE 9 – CURRENT TAX ASSETS

(EUR thousand)	31/12/2023	31/12/2022
Current tax assets	25,077	27,844
Total	**25,077**	**27,844**

The item "Current tax assets" essentially includes IRES receivables due from subsidiaries as a result of their participation in the tax consolidation scheme.

For further details, please refer to **Note 28 – Income taxes**.

NOTE 10 – EQUITY

Share capital

The fully paid-in share capital at 31 December 2023 consisted of 150,320,000 shares with a par value of EUR 0.10 each for a total of EUR 15,032,000 (unchanged since 31 December 2022).

At 31 December 2023, SQ Renewables S.p.A. owns 94,000,000 shares, equal to 62.533%, unchanged compared to 31 December 2022. The shareholding structure of ERG S.p.A. is shown below:

	No. of shares	%
Share capital	**150,320,000**	**100%**
SQ Renewables S.p.A.	94,000,000	63%
ERG S.p.A. (treasury shares)	3,186,360	2%
Others lower than 3%	53,133,640	35%
Total	**150,320,000**	**100%**

Treasury shares

Relevant information on the accounting standards adopted and recognition and measurement criteria

Treasury shares are presented as a reduction in equity.

In case of buy-back of shares recognised in equity, the consideration paid, including the costs that can be directly attributed to the transaction are recognised as a reduction in equity. The shares thus bought back are classified as treasury shares and recognised in the reserve for treasury shares. The consideration received from the subsequent sale or re-issue of treasury shares is recognised as an increase in equity. Any positive or negative difference deriving from the transaction is recognised in the share premium reserve. In accordance with IAS 32, treasury shares were presented as a reduction in equity, through the use of the share premium reserve.

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

On 26 April 2023, pursuant to Article 2357 of the Italian Civil Code, the Ordinary Shareholders' Meeting authorised the Board of Directors, subject to revocation, for the period still remaining, of the previous authorisation to repurchase and sell treasury shares resolved by the Shareholders in the meeting on 26 April 2022, for a period of 18 months effective from 26 April 2023, to purchase treasury shares up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time in the portfolio) of 15,032,000 ordinary ERG shares with a par value of EUR 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the share on the day immediately preceding each individual transaction. This is in order to optimise the capital structure with a view to maximising the creation of value for shareholders, also in relation to the available liquidity and, nonetheless, for any other purposes allowed by the applicable legislative and regulatory provisions in force. The purchase must be carried out through the use of distributable profits and available reserves resulting from the last approved Financial Statements, in compliance with Article 132 of the Consolidated Law on Finance and in the manner set forth in Article 144-bis, paragraph 1, letter b) of the Issuers' Regulation, i.e. "on regulated markets or multilateral trading facilities in accordance with the operating procedures established in the organisational and management regulations of the markets themselves, which do not allow the direct matching of trading proposals for purchase with predetermined trading proposals for sale". The Shareholders authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, upon annulment, for the period still remaining, of the previous authorisation resolved by the Shareholders' Meeting on 26 April 2022, for 18 months as from 26 April 2023, to also sell, all at once or in several steps, and with any procedures deemed appropriate in relation to the purposes, which the disposal is attempting to achieve, treasury shares at a unit price no lower than 10% below the closing price of the share on the day immediately preceding each individual disposal.

On 12 October 2023, the Board of Directors of ERG S.p.A. resolved to start the share buy-back programme, in compliance with the resolution passed by the Shareholders' Meeting on 26 April 2023.

The maximum quantity of Shares that can be purchased is 3,758,000 (equal to 2.5% of the share capital), with a maximum outlay of EUR 100,000,000, without prejudice to any other limitation possibly deriving from legislative or regulatory provisions.

In the period from 16 October 2023 to 29 December 2023, ERG S.p.A. purchased 2,404,280 ordinary shares on the Euronext Milan market at a weighted average price of EUR 25.48, for a total value of EUR 61,362,216. At 29 December 2023, considering the shares already in the portfolio, ERG S.p.A. holds 3,186,360 treasury shares, equal to 2.1197% of the related share capital.

Information on the purchase of treasury shares is updated weekly on the Company's website (www.erg.eu) in the "Media/Press Releases" section.

Period	**Number of shares repurchased**	**Average price per share (Euro)**	**Aggregate number of shares repurchased**
2023-2024 Programme			
October 2023	480,000	23.14	480,000
November 2023	947,636	24.85	1,427,636
December 2023	976,644	27.25	2,404,280
Total	**2,404,280**	**25.48**	**2,404,280**

The following table shows the change in the number of treasury shares and shares outstanding:

Number of shares	Treasury shares	Shares outstanding
BALANCE AT 31/12/2022	**782,080**	**149,537,920**
Repurchase of ordinary shares	2,404,280	(2,404,280)
BALANCE AT 31/12/2023	**3,186,360**	**147,133,640**

The change in the number of treasury shares in 2023 was entirely determined by the carrying out of the Share Buy-back Programme.

Treasury shares in portfolio are shown in Equity under the item "treasury shares in portfolio" with a negative sign for an amount at 31 December 2023 equal to 66,739,761 (5,377,545 at 31 December 2022).

For the record, changes prior to 31 December 2022 are provided below:

- repurchase of treasury shares in 2006 for EUR 11,210 thousand;
- repurchase of treasury shares in 2008 for EUR 14,779 thousand;
- repurchase of treasury shares in 2012 for EUR 25,672 thousand;
- sale of treasury shares in 2016 for EUR 41,343 thousand as part of an exchange of ERG Renew S.p.A. shares held by the non-controlling investor for ordinary ERG S.p.A. shares;
- free allocation of 80 ERG treasury shares to each employee of the Italian companies of the ERG Group, finalised on 14 January 2019 for the figure of EUR 365 thousand;
- allocation of 668 thousand ERG treasury shares to the beneficiaries of the long-term incentive plan (2018-2021 LTI System) for a value of EUR 4,593 thousand at the average purchase price of EUR 6.88 with transfer settlement date on 6 May 2021.

Reserves

(EUR thousand)	31/12/2023	31/12/2022
Share premium reserve	74,543	74,543
Legal reserve	3,236	3,236
IFRS transition reserve and retained earnings	41,910	179,830
Hedging reserve	29,481	48,192
Treasury shares in portfolio	(66,740)	(5,378)
Other reserves	801,626	798,954
Total	**884,057**	**1,099,378**

- The "**Share premium reserve**" consists of the share premium paid by the shareholders for the subscription of the shares relating to the share capital increases carried out on 14 October 1997, 2 July and 5 August 2002. In order to better represent the repurchase of treasury shares in the financial statements, the "Share premium reserve" was restated at 31 December 2022, keeping the actual share premium in this reserve and reclassifying the treasury shares in the amount of EUR 5,377,545 under the new line "Treasury shares in portfolio".

- The "**IFRS transition reserve and retained earnings**" consists of the adjustments made to the ERG S.p.A. Separate Financial Statements at the translation date (mainly because of the reversal of dividends recognised on an accruals basis at the end of the year) and of retained earnings. In 2018, the effects deriving from transition to IFRS 9 were recorded for a total amount of EUR 3,317 thousand, net of the tax effect;
- The "**Hedging reserve**" at 31 December 2023 is positive by EUR 29,481 thousand and reflects the effect of hedging derivatives on current financing;
- "**Other reserves**" comprise mainly:
  - **The goodwill generated by the 2015 merger of ISAB Energy into ERG S.p.A.** amounting to EUR 261,132 thousand;
  - The **monetary revaluation reserve**, which as from 2015 includes the reconstitution of the monetary realignment reserve of the former ISAB Energy S.r.l. as per Italian Law no. 266/05 for an amount of EUR 28,709 thousand. This reserve may be distributed to the Shareholders, in which case it will contribute to form the taxable profit of the Company, or it may be used to cover losses, in which case the Company may not distribute dividends, without first having reconstituted its amount. The Company did not recognise deferred tax liabilities on these reserves because it does not expect any utilisations that may generate taxation;
  - **The goodwill generated by the 2010 merger of ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. into ERG S.p.A.**, equal to EUR 446 million, had been partly allocated in the "2010 merger goodwill" reserve (EUR 251 million) and partly to reconstitute the specific equity reserves (EUR 195 million) subject to tax on distribution.

The main changes to "Other Reserves" in the year are listed below:

- increase of the reserve related to the 2021-2023 Long-Term Incentive Plan in accordance with **IFRS 2 – Share-Based Payment** as described more in detail in **Note 23 – Services and other costs** for a total amount of EUR 2,678 thousand;
- change in the actuarial reserve for an amount of EUR 6 thousand.

The following table lists the equity items and indicates for each the possible destination and any tax constraints.

(EUR thousand)	Amount	Possibile utilisation	Portion available and distributable	Portion subject to tax on distribution
Share capital	15,032	-	-	15,032
Share premium reserve	74,543	A B C	74,543	
Legal reserve	3,236	B	-	
FTA reserve and retained earnings	41,910	A B C	41,910	
Hedging reserve	29,481	-	-	
Treasury shares in portfolio	(66,740)	-	-	
Other reserves	801,626	A B C	801,626	254,851
Profit (loss) for the year	27,765		27,765	
Total	**926,854**		**945,845**	**269,883**
non-distributable portion, cancellation of treasury shares			**(66,740)**	
Total	**926,854**		**879,105**	**269,883**

Legenda
A – for share capital increase. B – for loss coverage. C – for distribution to shareholders.

As a result of the off-balance sheet deductions already made in accordance with the previously applicable Article 109, paragraph 4 subsection b) of the Italian Consolidated Income Tax Act, subject to transitional application (including those carried out by the merged companies) in the case of distribution of profits for the year and/or reserves, the amount of equity reserves and of the retained earnings for the year must not decrease below the total residual amount of the negative components deducted off the statement of financial position, which, net of the provisions for deferred tax liabilities, is estimated at EUR 10.4 million. In this case, the amount of the reserves and/or profit for the year that impacts on the minimum level will contribute to form the taxable profit of the company.

Dividends

The dividends paid by ERG S.p.A. in 2023 (EUR 149.5 million) and in 2022 (EUR 134.6 million), as resolved upon approval of the Financial Statements for the previous years, amounted respectively to EUR 1 and EUR 0.90 per share.

Proposal of the Board of Directors of 12 March 2024

Dear shareholders, in relation to the results achieved, we invite you to resolve upon the following:

- to approve the Financial Statements of your company for the year ended 31 December 2023, which show a profit of EUR 27,764,716.42;
- to resolve to pay to the Shareholders a dividend of EUR 1,0 per share. The dividend will be payable for each share with dividend rights outstanding at the ex-dividend date, excluding the treasury shares, in accordance with Article 2357-ter of the Italian Civil Code, through the use of the profit for the year and the residual portion of the reserve made up of retained earnings and, for the remainder, through the use of "Other reserves" of profits;
- to approve the payment of the dividend as from 22 May 2024, with an ex-dividend date as from 20 May 2024 and record date of 21 May 2024.

Supplementary information on capital

The objectives identified by the Company for capital management are to safeguard corporate viability, to create stakeholder value and to support Company development. In particular, the Company pursues the maintenance of an adequate level of capitalisation that allows it to produce a satisfactory economic return for the shareholders and to assure access to external financing sources, also through the achievement of an adequate rating. In this context, the Company manages its own capital structure and makes adjustments to it, if changes in the economic conditions so require. There were no substantial changes to the objectives, to the policies or to the processes in 2023.

NOTE 11 – EMPLOYEE BENEFITS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Employee benefits include the estimated liability relating to the benefits payable to employees when they terminate their employment.

Short-term benefits for employees

Short-term benefits for employees are recognised as a cost at the time at which the service that gives rise to such benefits is performed. The Group recognises a liability for the amount expected to be paid when there is a present, legal or constructive obligation to make these payments as a consequence of past events and it is possible to make a reliable estimate of the obligation.

Post-employment benefits

These are provided through:

defined contribution plans: contributions paid to independent institutions that deal with their administrative and financial management are recognised as a cost in profit/(loss) over the period in which the employees work;

defined benefit plans: the sum of future obligations under these plans is based on actuarial assumptions using the projected unit credit method. The calculation is carried out by an independent actuary. This calculation is based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as specific economic conditions. The discount rates are determined, at the measurement date, with reference to the yield of investment grade corporate bonds in the relevant geographical area (or of government bonds in countries where there is no representative market for these corporate bonds).

Below is a schematic representation of the cases pertaining to the classification of post-employment benefits for IAS 19 purposes based on the main types of post-employment benefits in the light of the introduction of Italian Law no. 296 of 27 December 2006.

Types of Post-employment benefits	Personnel employed in 2006*	IAS 19 classification
Post-employment benefits vested up to 31 December 2006**	>50 employees	Defined benefit plan
	<50 employees	Defined benefit plan
Post-employment benefits accrued since 1 January 2007**	>50 employees	Defined contribution plan
	<50 employees	Defined benefit plan

* For newly incorporated companies, the number taken as a reference relates to the first year of business.

** Without prejudice to the options to allocate the post-employment benefits to supplemental pension plans.

Termination benefits

The termination benefits are recognised as a cost when the Group has committed without possibility of withdrawal to offer said benefits or, if prior, when the Group recognises the restructuring costs. Benefits entirely due beyond twelve months from the reporting date are discounted. Please refer to note 24 for further information on employee benefits.

(EUR thousand)	31/12/2023	31/12/2022
Opening balance	1,593	1,411
Increases	55	269
Actuarial revaluation	8	(84)
Other changes	(62)	(3)
Closing balance	**1,593**	**1,593**

The item includes the estimate of the liabilities, determined on the basis of actuarial techniques, relating to the post-employment benefits to be paid to employees upon termination of their employment.

The change shown in the table does not include the portion of post-employment benefits accrued and transferred to the INPS Treasury fund.

The main assumptions used in determining the actuarial value of the liability relating to post-employment benefits are shown below. The discount rate was determined on the basis of a panel of AA-rated corporate securities with at least 10-year maturity.

	2023	2022
Discount rate	3.2%	3.8%
Inflation rate	2.5%	3.0%
Average turnover rate	3.0%	3.0%
Average rate of salary increase	1.5%	1.5%
Average age	46	47

The following table shows the impact on the liability as a result of a +/-0.5% change in the discount rate.

EUR thousand	2023	2022
+0.5% change in discount rate: lower liability	(19)	(17)
-0.5% change in discount rate: higher liability	21	18

There are no particular risks to which the plan exposes the entity, nor any other significant risk concentration.
There are no significant contributions to the Plan because they relate almost exclusively to the revaluation of the residual value of the post-employment benefits allocated until 31 December 2006 (the defined benefit plans relate almost exclusively to the post-employment benefits provided by Article 2120 of the Italian Civil Code).

NOTE 12 – PROVISION FOR DISPOSED BUSINESSES

Relevant information on the accounting standards adopted and recognition and measurement criteria
The amounts recorded in the Provision for Disposed Businesses for existing obligations or for risks relating to previous industrial activities at the date of the Separate Financial Statements are measured on the basis of the best estimate of the financial outlay that will be necessary to fulfil the obligation. Changes in estimates are reflected in the income statement in the period in which the change occurs.

(EUR thousand)	31/12/2023	Increases	Decreases	Reclassifications	31/12/2022
Provision for disposed businesses	76,575	975	(644)	-	76,244
Total	**76,575**	**975**	**(644)**	**-**	**76,244**

The "**Provision for disposed businesses**" includes tax, environmental or legal provisions mainly deriving from the Group's transactions before 2018, the year in which the Group completed its industrial transformation process, initiated in previous years, which led to its definitive exit from **OIL** businesses.

This process comprised two fundamental steps:

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

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

The main issues underlying the main allocations are summarised below:

- regarding the ongoing dispute between ERG Raffinerie Mediterranee (now ERG S.p.A.) and the Italian Tax Authorities over the application of harbour duties for embarkation and disembarkation rights at the Santa Panagia jetty, on 6 April 2011 the Syracuse Provincial Tax Commission partially upheld the Company's appeal and ruled that **harbour duties** through 2006 are not due, finding them to be due from 2007 onwards. The first level ruling was challenged within the deadline by the Customs Agency and by ERG with appeal relative to the period subsequent to 2006.
  The appeal decision, issued by the Regional Tax Commission and filed on 27 May 2013, amended the first level decision unfavourably for ERG.
  Following a thorough evaluation of the reasons for the appeal decision, the Company decided to appeal before the Court of Cassation, deeming its own arguments to be well grounded (in particular with regard to the notion of "harbour" in accordance with Italian Law no. 84/94 and to the alleged novating or retroactive validity of Article 1, paragraph 986 of the 2007 Italian Budget Law). On 4 November 2013, the Syracuse Regional Tax Commission allowed the request to suspend the effectiveness of the appeal decision, requiring the issue of a first demand insurance guarantee in favour of the Customs Agency. In the court order issued on 30 September 2019, the Court of Cassation ruled favourably on the appeal filed by the company and, consequently, rejected – overturning – the contested decision by the Regional Tax Commission. The proceedings were therefore continued within the terms prescribed by law before the Regional Tax Commission so that the latter – which has changed in composition since the previous hearing – may once again examine the merits of the case. A date for the hearing is still pending. From 2007, the relevant taxes were recognised in the income statement on an accrual basis;
- with reference to **environmental risk**, with regard to the South Site the likelihood of exposure to contingent liabilities is deemed remote, as the risk has already been limited by the settlement reached with the Italian Ministry of the Environment in August 2011 and registered by the Court of Auditors on 20 December 2011, and by the Settlement Agreement stipulated on 30 December 2013 between ERG S.p.A. and Lukoil. With regard to the North Site, depending on the double guarantee scheme deriving both from the agreement executed with ENI (previous owner of the site), and the agreement executed with Lukoil (new owner), the risk is as follows:
  (i) for potential environmental damage prior to 1 October 2002, ENI is liable indefinitely;
  (ii) with reference to potential damages relating to the period after 1 October 2002, ERG will only be liable – without time limitations – for potential damages linked to events known at the time of signing the contract with Lukoil

and expressly identified therein ("*Known Environmental Matters*"), it being understood that, up to an amount of EUR 33.4 million, the expenses related to the compensation of such damages will be shared between ERG and Lukoil (51% and 49%), while beyond this amount ERG will bear the entire amount of the any additional charges.

On 9 September 2017, the Italian Ministry for the Environment warned some of the companies of the Priolo site, including ERG Power S.r.l. and ERG Power Generation S.p.A., to clean up the Augusta Harbour. The request is unlawful and has therefore been contested before the Administrative Courts (the hearing for the presentation of the arguments has yet to be set).

On 30 October 2020 and thereafter on 11 June 2021 and on 30 May 2022, ERG Power S.r.l. and ERG Power Generation S.p.A. served notice of three further appeals for additional reasons, for the cancellation, respectively of (i) protocol no. 0064419 of 14 August 2020 in which the Italian Ministry of Environment and Protection of Land and the Sea called a preliminary conference of services to evaluate the report prepared in January 2020 by Ispra and IAS-CNR, regarding the "Site of national interest of Priolo Rada di Augusta", (ii) the decree of the Italian Ministry of Ecological Transition, General Management and Environmental Remediation protocol no. 50 of 15 April 2021, in which the Ministry approved the Ispra and IAS-CNR report, deeming the document a suitable basis on which to draft a remediation plan in the Augusta Harbour; and (iii) protocol no. 42114 of 1 April 2022 with which the Ministry of Ecological Transition – Directorate General for the Sustainable Use of Soil and Water Resources, forwarded the intervention plan for the definition of sediment intervention values in the Augusta Harbour (Priolo SIN), drawn up by ISPRA. These actions were challenged because the Ministry's new initiative was undertaken on the basis of the same (erroneous) assumptions that were underlying the 2017 warning notice, which had already been challenged by ERG Power S.r.l. and ERG Power Generation S.p.A. In its ruling published on 27 December 2023, the Administrative Judge dismissed the aforesaid appeals, stating that the contested actions are of an intra-procedural nature and, as such, are not capable of producing – in an immediate and direct manner – effects on the legal sphere of the appellants and are therefore not independently contestable. The companies will therefore be able to legitimately challenge the final acts of the proceedings that would impose on them obligations to clean up the Augusta Harbour. The appellants are currently assessing any appeal against the aforementioned ruling.

ERG S.p.A. is not party to the proceedings, but the environmental issues relating to the Augusta Harbour arise in the context of the environmental guarantees present in the various contracts with ENI and Lukoil;

- with reference to the sale of **TotalErg** and in particular to the guarantees connected to the buyer on prior contingent liabilities (retained matters and other prior contingent liabilities), the best estimate of the expense was computed on the basis of the information available to management and taking into account the large number of underlying elements and all possible outcomes of the related issues.

The increases in the year mainly refer to monetary adjustments to the underlying risk.

NOTE 13 – OTHER PROVISIONS

Relevant information on the accounting standards adopted and recognition and measurement criteria
The amounts recorded under Other provisions against obligations existing at the reporting date are measured on the basis of the best estimate of the financial outlay that will be necessary to fulfil the obligation. Changes in estimates are reflected in the income statement in the period in which the change occurs.

The other categories of provisions reflect the measurement of probable liabilities related to some pending disputes for which it was possible to make a reliable estimate of the corresponding expected obligation. For these provisions, no discounting was applied because of the uncertainty about the utilisation times.

Other non-current provisions

(EUR thousand)	31/12/2023	Increases	Decreases	Reclassifications	31/12/2022
Other non-current provisions	754	-	(135)	-	889
Total	**754**	**-**	**(135)**	**-**	**889**

The value of the provisions for non-current liabilities and charges is equal to EUR 754 thousand (EUR 889 at 31 December 2022). The item mainly refers for EUR 681 thousand to the Reorganisation Provision and for EUR 73 thousand to the provision for previous taxes. Uses for the period refer to the Reorganisation Provision.

Other current provisions

(EUR thousand)	31/12/2023	Increases	Decreases	Reclassifications	31/12/2022
Provision for legal risks	44	-	-	-	44
Other current provisions	455	-	(719)	-	1,175
Total	**499**	**-**	**(719)**	**-**	**1,219**

The value of the provisions for current liabilities and charges at 31 December 2023 is deemed sufficient to address any future risks and charges.

The increase in "Other provisions" refers mainly to:

- Commitments for donations. Specifically, these include:
  - Provision for donations due to the emergency in Ukraine: EUR 208 thousand was used to support interventions in favour of the Ukrainian population.
- Provision for guarantees in application of IFRS 9 relating to the commitments made to the subsidiaries of the Group.

It should be noted that in 2023 the residual amount of EUR 500 thousand of the provision related to the charges in support of Valpolcevera was utilised.

Finally, it should be noted that the "provision to cover losses of investees" referring to the equity investment in ERG Petroleos S.A. was increased at the end of 2023 by EUR 148 thousand to cover the losses for the deficit of that company. The provision was therefore reclassified to hedge the loan asset from the subsidiary in order to disclose its receivable recoverable amount at the end of the liquidation.

NOTE 14 – CONTINGENT LIABILITIES AND DISPUTES

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

Significant contingent liabilities, represented by the following, are disclosed in the notes to the separate financial statements:

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events not wholly within the company's control;
- present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that settlement will not be onerous.

For the purposes of these Separate Financial Statements, there are no obligations falling within the definition described above.

NOTE 15 – TRADE PAYABLES

Relevant information on the accounting standards adopted and recognition and measurement criteria

These are liabilities deriving from commercial transactions and are payable within the next year.
These mainly refer to payables for services and investments.
Initial recognition takes place at fair value, subsequently they are measured using the amortised cost criterion.

The Company proceeds with the derecognition when the obligation has been fulfilled, cancelled or expired; for further details, see the comments on financial assets and liabilities in ***Note 16 – Net Financial Position****.*

(EUR thousand)	31/12/2023	31/12/2022
Payables to suppliers	12,502	8,305
Payables to Group companies	24	510
Total	**12,527**	**8,815**

Payables to suppliers derive from commercial dealings with national and foreign suppliers payable within the next year.

Trade payables include payables pertaining to OIL supplies from previous years and to other payables for third party services and consultancy work.

Payables to Group companies include mainly payables for services and consultancy work.

NOTE 16 – NET FINANCIAL POSITION

Relevant information on the accounting standards adopted and recognition and measurement criteria

For the purposes of defining the net financial position from the Financial Statements at 31 December 2021, reference is made to the matters indicated on the subject in CONSOB Warning Notice no. 5/21 of 29 April 2021. The comparative data at 31 December 2020 have been restated to provide a better representation in accordance with the provisions of the above-mentioned CONSOB Warning Notice.

In detail, the net financial position is broken down as follows:

A. Cash
B. Cash equivalents
C. Other current financial assets
D. Liquidity (A) + (B) + (C)
E. Current financial liabilities
F. Current portion of non-current financial liabilities
G. Current financial indebtedness (E) + (F)
H. Net current financial indebtedness (G) - (D)
I. Non-current financial liabilities
J. Debt instruments
K. Trade payables and other current liabilities
L. Non-current financial indebtedness (I) + (J) + (K)
M. Net financial indebtedness (H) + (L)

Financial assets and Financial liabilities

All financial assets and liabilities are initially recognised on the trading date, i.e. when the Group becomes a contractual party to the financial instrument. Financial instruments are initially measured at fair value plus or minus, in the case of financial assets or liabilities not at FVTPL, transaction costs directly attributable to the acquisition or to the issue of the financial instrument. Subsequently, their valuation and classification is based on the analysis of contractual cash flows and on the business model adopted by the Group for the management of these instruments. They can therefore be measured and classified as follows:

- ***Amortised cost.*** *They mainly include instruments such as financial receivables and other loans granted by the Group. The amortised cost is decreased by impairment loss. Interest, determined using the effective interest method, exchange gains and losses and impairment losses are recognised in profit or loss for the year as are any gains or losses on derecognition.*
- ***Fair value through profit or loss for the year (FVTPL)*** *These instruments are recognised at fair value even after initial recognition and changes in fair value are recognised in profit or loss for the year. They include equity investments and derivative instruments not classified by the Group as hedging instruments.*
- ***Fair value through other comprehensive income (FVOCI)****. These instruments are recognised at fair value even after initial recognition. They mainly include debt securities, equities and derivative instruments classified by the Group as hedging instruments. Interest income calculated in accordance with the effective interest method, exchange gains and losses and impairment losses are recognised in profit or loss for the year; other net gains and losses are recognised in the Statement of Comprehensive Income. When the financial asset is derecognised, the gains or losses previously recognised in the Statement of Comprehensive Income are reclassified to the income statement.*

Financial assets and liabilities measured at amortised cost using the effective interest method or at FVTPL. Any changes to financial liabilities measured at FVTPL, including interest expense, are recognised in profit/(loss) for the year. In the case of financial liabilities subsequently measured at amortised cost, interest expense and exchange gains/(losses) are recognised in profit/(loss) for the year, as well as any gains or losses deriving from derecognition.

Financial assets and liabilities measured at amortised cost include loans, trade payables and other financial liabilities; those measured at FVTPL include derivative financial instruments. When a financial liability is derecognised, the difference between the carrying amount of the extinguished financial liability and the price paid (including the assets not represented by cash transferred or the assumed liabilities) is recognised in the profit or loss for the year.

Please refer to ***Note 31 – Financial instruments*** *for further details.*

(EUR thousand)	31/12/2023	31/12/2022	Δ
A. Cash	*240,897*	*267,097*	(26,200)
B. Cash equivalents	*175,000*	*15,000*	160,000
C. Other current financial assets	*240,959*	*140,778*	100,182
D. Liquidity (A+B+C)	**656,856**	**422,875**	**233,982**
E. Current financial liabilities	*(135,690)*	*(49,589)*	(86,101)
E. Current financial liabilities – Instruments measured at fair value	-	-	
F. Current portion of non-current financial liabilities – loans, borrowings	*(306,819)*	*(275,425)*	(31,394)
F. Current portion of non-current financial liabilities – current lease liabilities	*(673)*	*(622)*	(51)
G. Current financial indebtedness (E+F)	**(443,182)**	**(325,635)**	**(117,547)**
			-
H. Net current financial indebtedness (G-D)	**213,674**	**97,239**	**116,435**
I. Non-current financial liabilities	*(329,073)*	-	(329,073)
I. Non-current financial liabilities – Non-current lease liabilities	*(1,356)*	*(1,331)*	(25)
J. Bonds issued	*(1,594,979)*	*(1,593,007)*	(1,972)
K. Trade payables and other liabilities (instruments measured at fair value)	-	-	-
K. Trade payables and other liabilities	-	-	-
L. Non-current financial indebtedness (I+J+K)	**(1,925,408)**	**(1,594,338)**	**(331,071)**
M. Net financial indebtedness (H+L)	**(1,711,734)**	**(1,497,098)**	**(214,636)**

The net financial indebtedness, in line with the details provided on the matter in CONSOB Warning Notice no. 5/21 of 29 April 2021 and in the recent ESMA guidelines, is equal to EUR 1,712 million, up EUR 215 million compared to 31 December 2022.

Financial Strategy and Sustainable Finance

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

In the last three years, ERG S.p.A. has implemented a strategy to gradually evolve the financial structure from Project to Corporate Financing, through significant liability management transactions and the simultaneous issue of three bond loans in April 2019, September 2020 and September 2021 respectively. This made it possible to re-balance the Group financial structure in favour of corporate financing and to transform the debt structure from traditional sources of financing towards sustainable sources of financing.

Confirming ERG S.p.A.'s strong commitment to sustainable development, the three green issues for a total of EUR 1,600 million were structured as Green Bonds on the basis of the ERG Green Bond Framework, assessed by the independent advisor Vigeo Eiris (member of Moody's ESG Solutions) as compliant with Green Bond Principles 2021 and in line with best market practices.

At 31 December 2023, the sources of Sustainable Finance, equal to EUR 1,930 million out of a total of financial sources equal to a nominal amount of EUR 1,930 million (EUR 1,600 million at 31 December 2022 out of a total of financial sources equal to a nominal amount of EUR 1,850 million), include:

- ***Green Bonds***, for a total of EUR 1,600 million (EUR 1,600 million at 31 December 2022), intended for the financing and refinancing of the construction and/or acquisition of wind and solar projects;
- ***Medium/long-term senior unsecured Sustainability-Linked loans***, totalling EUR 330 million (nominal amount of EUR 150 million at 31 December 2022), which provide for a bonus mechanism linked to the achievement of a target in terms of installed renewable capacity and in terms of female participation in managerial positions within the Group. At 31 December 2023, these targets had been achieved.

Cash and cash equivalents

Relevant information on the accounting standards adopted and recognition and measurement criteria

Cash and cash equivalents are presented at their nominal amount. In accordance with IAS 7, the definition of cash equivalents comprises cash on hand and bank/postal deposits repayable on demand, together with short-term investments that are convertible to a known amount of cash. It also includes short-term investments whose reimbursement value is predetermined at the date of initial purchase/recognition.

The item, equal to EUR 415,897 thousand at 31 December 2023 (EUR 282,097 thousand at 31 December 2022) consists of cash generated by Company activities, deposited on a short-term basis at the banks with which the Group works.

In line with CONSOB provisions, in the Net Financial Position table this item is included in the item "A Cash" and "B Cash equivalents".

For an analysis of the increase in cash and cash equivalents, please refer to the **Statement of Cash Flows**.

Current and non-current financial assets measured at fair value

Current financial assets measured at fair value

This item, equal to EUR 30,770 thousand at 31 December 2023 (EUR 35,755 thousand at 31 December 2022), includes receivables for derivatives with a positive fair value of the Prehedge hedging interest rate risk.

In line with CONSOB provisions, this item is not included in the Net Financial Position table.

Non-current financial assets measured at fair value

This item, amounting to EUR 17,046 million at 31 December 2023 (EUR 27,789 thousand at 31 December 2022) includes derivatives with positive fair value of the Prehedge hedging interest rate risk.

The following is an overall breakdown of current and non-current financial assets measured at fair value at 31 December 2023.

Issuing bank	Contract	Maturity	Fair value
(EUR thousand)			**31/12/2023**
Unicredit	IRS	23/03/2028	3,217
Unicredit	IRS	30/04/2028	4,726
Unicredit	IRS	30/09/2029	6,871
UBI	IRS	30/09/2029	6,760
Barclays	IRS	15/02/2028	607
Barclays	IRS	15/02/2028	8,390
Commerzbank	IRS	30/09/2029	6,381
Credit Agricole	IRS	15/02/2028	1,659
Credit Agricole	IRS	23/03/2028	6,604
Credit Agricole	IRS	30/04/2028	911
Credit Agricole	IRS	29/03/2029	1,690
Total			**47,816**

In line with CONSOB provisions, this item is not included in the Net Financial Position table.

Other current financial assets

Other current financial assets

This item, equal to EUR 240,959 thousand at 31 December 2023 (EUR 140,778 thousand at 31 December 2022), mainly consists of the current portion relating to the use of liquidity (EUR 235 million). The significant increase in 2023 was mainly due to accrued bank interest income of approximately EUR 3,951 thousand and increased short-term cash investments of EUR 135,000 thousand.

The item also includes financial accrued income relating to the share of interest income on liquidity.

In line with CONSOB provisions, in the Net Financial Position table this item is included in the item "C Other current financial assets".

Other current and non-current financial liabilities

Relevant information on the accounting standards adopted and recognition and measurement criteria

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The costs directly related to obtaining or issuing the liability are deducted from the carrying amount of the liability. These costs are then amortised over the life of the liability, using the effective interest rate method. The liability for bonds is presented net of commissions and other borrowing costs.

Some financial liabilities measured at amortised cost, mainly loans and borrowings, are hedged. This mainly refers to loans whose future cash flows are exposed to interest rate risk. For the measurement of these hedging instruments, please refer to ***Note 31 – Financial instruments****.*

Other current financial liabilities

This item amounted to EUR 442,509 thousand at 31 December 2023 (EUR 325,013 thousand at 31 December 2022).

The item mainly includes:

- current positions referred to current accounts of credit lines for EUR 134.000 thousand;
- the current portion of payables for bonds issued, which includes the accrued interest on outstanding bonds and the current portion of the relative amortised cost for an amount equal to EUR 6,970 thousand;
- payables to the subsidiary ERG Power Generation S.p.A. for the cash pooling relationship for EUR 286,898 thousand;
- payables to ERG Eolienne France S.a.S. for the cash pooling relationship in the amount of EUR 3,306 thousand.

In line with CONSOB provisions, in the Net Financial Position table this item is under the item "E Current financial liabilities" for short-term credit lines (EUR 135,690 thousand) and under the item "F Current portion of non-current financial liabilities – loans and borrowings" for the residual amount of EUR 306,819 thousand.

Other non-current financial liabilities

This item amounted to EUR 1,924,052 thousand at 31 December 2023 (EUR 1,593,007 thousand at 31 December 2022).

In line with CONSOB provisions, in the Net Financial Position table this item is included in the item "J Bonds issued" for the part relating to bonds (EUR 1,594,979 thousand) and the item "I Non-current financial liabilities" for the part relating to corporate loans (EUR 329,073 thousand).

Bonds

The bonds issued, amounting to EUR 1,600 million at 31 December 2023 (EUR 1,600 million at 31 December 2022), include:

EUR

Type of loan	ISIN	Coupon	Issue date	Expiry date	Issue price	Gross return at maturity	Rating	Nominal amount	Carrying amount
Green Bond	XS1981060624	1.875%	11-Apr-19	11-Apr-25	99.67%	1.93%	Fitch: BBB-	500,000,000	505,768,541
Green Bond	XS2229434852	0.500%	11-Sep-20	11-Sep-27	99.21%	0.62%	Fitch: BBB-	500,000,000	497,267,125
Green Bond	XS2229434852	0.500%	23-Dec-20	11-Sep-27	101.10%	0.33%	Fitch: BBB-	100,000,000	100,491,042
Green Bond	XS2386650274	0.875%	15-Sep-21	15-Sep-31	99.75	0.90%	Fitch: BBB-	500,000,000	498,422,568
								1,600,000,000	**1,601,949,276**

The liability for bonds is presented net of commissions and other borrowing costs for an amount of EUR 6.9 million. These costs were recognised in the 2023 financial expense using the amortised cost method in the amount of EUR 2 million.

The carrying amount of the financial liability includes approximately EUR 8.9 million of interest accrued in the year.

Loans and borrowings

The carrying amount of this item is EUR 333 million and refers to three Sustainable bilateral linked loans signed in the first half of 2023, as detailed in the table below.

It should be noted that during the period, the two bilateral corporate loans previously in place for a total amount of EUR 250 million were repaid at their natural maturity.

(EUR)

Disbursement	Type of loan	Maturity	Rate	Carrying amount	Nominal amount
2023	Sustainability bilateral linked loans	31/03/2028	IRS: Euribor 6M + Spread	131,735,229	130,000,000
2023	Sustainability bilateral linked loans	28/02/2028	IRS: Euribor 6M + Spread	100,984,759	100,000,000
2023	Sustainability bilateral linked loans	02/05/2028	IRS: Euribor 6M + Spread	100,508,976	100,000,000
				333,228,964	**330,000,000**

The payables shown above are recognised net of ancillary costs recognised using the amortised cost method (EUR 1.2 million).

In addition to the above drawn financial sources, ERG S.p.A. has an ESG-linked Revolving Credit Facility in place since October 2022, with a three-year term and the possibility of extension for a further year. The margin applied to the facility is subject to an adjustment mechanism based on the achievement of a target in terms of installed renewable capacity and in terms of female participation in managerial positions within the Group. At 31 December 2023, these targets have been achieved. This facility, amounting to EUR 600 million, was fully available at 31 December 2023.

Current and non-current lease liabilities

Financial liabilities arising as a result of the application of IFRS 16 totalled EUR 2,029 thousand, of which EUR 1,356 thousand non-current and EUR 673 thousand current.

These liabilities refer to the present value of payments due and not paid at the lease inception date plus implicit interest accrued on these liabilities and less payments made during the period.

In line with CONSOB provisions, in the Net Financial Position table these items are included in the item "F. Current portion of non-current financial liabilities – current lease liabilities" and in the item "I. Non-current financial liabilities – Non-current lease liabilities".

NOTE 17 – OTHER CURRENT LIABILITIES

(EUR thousand)	31/12/2023	31/12/2022
Employees	3,422	6,701
Pension and social security institutions	1,966	2,839
Other current liabilities	1,158	3,437
Tax liabilities	821	1,328
Total	**7,367**	**14,304**

"Tax liabilities" relate mainly to employee IRPEF deductions for approximately EUR 745 thousand.

"Employees" refer to the accruals for the year not yet paid and include holidays, unused time off "in lieu", productivity bonus and bonuses tied to the Management Compensation Plan. "Pension and social security institutions" pertain to accrued contributions on wages and salaries for the month of December 2023.
The difference compared to 2022 is mainly due to the absence of the San Quirico special contribution.

NOTE 18 – CURRENT TAX LIABILITIES

(EUR thousand)	31/12/2023	31/12/2022
Current tax liabilities	13,440	19,565
Total	**13,440**	**19,565**

"Current tax liabilities" include other current liabilities to subsidiaries for IRES (EUR 13,440 thousand) that have generated deductible amounts within the scope of the "Tax Consolidation Scheme".

NOTE 19 – GUARANTEES, COMMITMENTS AND RISKS

(EUR thousand)	31/12/2023	31/12/2022
Sureties provided by ERG for group companies in favour of third parties	416,539	308,028
Sureties provided by banks/insurance companies for group companies in favour of third parties	352,128	408,408
Sureties provided by ERG in favour of third parties	37,460	2
Commitment to third parties	10,539	11,275
Total	**816,666**	**727,713**

It should be noted that ERG S.p.A. issued Parent Company Guarantees for Group companies in favour of third parties relating mainly to power purchase and sale agreements, Group VAT and to guarantee VAT refunds requested by certain subsidiaries for approximately EUR 417 million. Sureties provided by banks/insurance companies for group companies amount to approximately EUR 352 million.
Sureties provided in favour of third parties relate to B2G Sicily S.r.l (formerly Erg Power S.r.l.) sold by the ERG Group in 2023, for which mainly sureties for Group VAT are still outstanding.

Commitments to third parties consist mainly of commitments for the management of information systems, in particular pertaining to software, hardware and support.

INCOME STATEMENT ANALYSIS

NOTE 20 – REVENUE

Relevant information on the accounting standards adopted and recognition and measurement criteria

The Company recognises the sale of a good or the performance of a service based on the value that exactly reflects the portion of the price attributable to each revenue component, with reference to the price paid by the customer who expects to receive that good produced or that service rendered.

The most innovative aspect of IFRS 15 pertains to the fact that an entity must recognise the sale of a good or the performance of a service based on a value that exactly reflects the part of a price attributable to each revenue component, with reference to the price paid by the customer who expects to receive that good produced or that service rendered.

The methodological approach that should entail this type of recognition comprises five fundamental steps:

1) *Identifying the contract with a customer: in general, a contract exists when the agreements reached with a customer are such as to generate obligations that must be fulfilled by the parties involved;*
2) *Identifying the performance obligations in the contract: an entity shall recognise revenue individually for each good or service as a separate obligation if these assets or services are distinct from each other. The criteria to define whether a good or service can be considered distinct are i) the customer can benefit from the good or service both individually and in combination with other resources and the goods are available and ii) the good or service can be separated from other obligations or promises that are not dependent or connected to other contractual elements;*
3) *Determining the transaction price: understood as the amount, which the entity expects to receive as a result of the sale of the goods or of the services rendered to customers;*
4) *Allocating the transaction price to the performance obligation(s): the price must be allocated to each distinct good or service. This allocation is based on the stand-alone selling price;*
5) *Recognising the revenue only when the performance obligation is satisfied.*

Gross operating profit (loss) and Operating profit (loss)

Gross operating profit (loss) and operating profit (loss) are determined by the operating activities of the Company that generate continuing revenue and by the other income and costs related to the operating activities. The gross operating profit (loss) does not include net financial expense, the company's share of the profit of equity-accounted investees, income taxes and depreciation, amortisation and impairment losses on intangible assets, property, plant and equipment and right-of-use assets.

The operating profit (loss) is equal to the gross operating profit (loss) less amortisation, depreciation and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets.

Revenue from services amounting to EUR 35.4 million (EUR 34.3 million in 2022) refers mainly to charges for services provided to subsidiaries.

The structure of the service agreements is based on the allocation of a part of the costs incurred by the Company and on the application of a single weighted driver for the allocation of all the costs identified. The margin of the company is ensured by the application of a mark-up deemed suitable to ensure adequate profitability.

NOTE 21 – OTHER INCOME

(EUR thousand)	2023	2022
Other income	1,484	726
Other income from Group companies	454	324
Reimbursement of expenses	147	168
Total	**2,085**	**1,219**

"Other income from Group companies" pertains essentially to other reimbursements and charges to Group companies, tied to various consultancy services and special projects.

The item "Other income" includes the positive effect of approximately EUR 1 million of the sales of CIC certificates in 2023.

NOTE 22 – PURCHASES

(EUR thousand)	2023	2022
Purchases	173	150
Total	**173**	**150**

NOTE 23 – SERVICES AND OTHER OPERATING COSTS

(EUR thousand)	2023	2022
Services	21,648	24,499
Rental, lease and hire expenses	3,197	2,855
Other operating costs	1,847	1,636
Taxes and duties	1,082	1,346
Accruals for risks and charges	975	2,513
Total	**28,749**	**32,849**

Costs for services are broken down as follows:

(EUR thousand)	2023	2022
Directors' and Statutory Auditors' remuneration	6,151	8,505
IT services	4,622	4,264
Consultancy	2,973	3,973
Other services	2,649	2,208
Personnel services	2,457	2,322
Utilities and consumption	1,481	1,867
Insurance	980	940
Advertising and promotions	335	420
Total	**21,648**	**24,499**

The item includes mainly costs for consultancy, remuneration to Directors and Statutory Auditors.

"Other services" include the services performed by other Group companies, EDP services from third parties, services for personnel, and other services performed.

The item "Directors' and Statutory Auditors' remuneration" includes also the portion of the cost pertaining to the 2021-2023 Long-Term Incentive Plan. In accordance with IFRS 2 – Share-Based Payment following the implementation of the aforementioned Incentive Plan with reference to the Directors, the portion of the cost accrued was recognised under costs for services. For further details, please refer to **Note 24 – Personnel expense**.

NOTE 24 – PERSONNEL EXPENSE

(EUR thousand)	2023	2022
Wages and salaries	17,788	20,569
Social security expenses	4,059	5,468
Post-employment benefits	1,108	1,377
Other costs	646	664
Total	**23,601**	**28,078**

It should be noted that, in accordance with **IFRS 2 – Share-Based Payment** following implementation of the 2021-2023 Long-Term Incentive Plan, with reference to employees, the cost of these instruments accruing in 2023 was recognised under "Personnel expense". Costs in 2022 include charges of EUR 4.2 million relating to an extraordinary bonus paid to some Group employees.

Share-based payment transactions

It should be noted that, in accordance with the provisions of ***IFRS 2 – Share-based Payment****, following the implementation of the 2021-2023 Long-Term Incentive Plan with reference to employees, the cost accrued in 2023 was recognised in the item "Personnel expense" on the basis of the fair value defined at the inception of these instruments (as an "equity-settled" plan in accordance with IFRS 2).*

On 26 April 2021, the Shareholders' Meeting of ERG S.p.A. approved the 2021-2023 Long-Term Incentive Plan, according to the conditions provided for in the relevant Information Document.

The Plan calls for the assignment of a predefined number of ERG S.p.A. Shares, free of charge (hereafter, "Performance shares"), at the end of a three-year vesting period, subject to the attainment of a minimum predetermined economic performance (non-market condition). The performance parameter approved by the Board of Directors refers to the cumulative 2021-2023 Group EBITDA of the Business Plan. According to the Regulation, this operating condition may be changed in light of changes in the consolidation scope or other significant events.

At the end of the vesting period, 25% of the Shares assigned will be subject to an additional lock-up period of eight months, which will conclude in 2025, during which said shares are subject to the non-transferability constraint.

The shares assigned represent the conditional rights that are the subject of the Plan, free of charge and non-transferable inter vivos, each of which gives the Beneficiaries the right to be assigned free of charge 1 (one) share according to the terms and conditions contained in the Regulations.

The Plan provides also that if, in addition to the achievement of the economic performance objective, the ERG Share attains a predetermined market performance (market condition) on the stock market (i.e. the outstanding Price), the number of Shares to be assigned will increase up to a predetermined maximum: the shares assigned shall be equal to the allocated shares if the price of the ERG shares is equal to or less than the "Target Price"; or shall be equal to 200% of the shares allocated if the price is higher than the "Cap Price". If the price is between the Target Price and the Cap Price, shares will be assigned by linear interpolation.

The number of shares that can be assigned, determined according to the rules described above, may be increased or decrease by ±10% depending on the level of attainment of the Sustainability Objective. This objective is composed of specific indicators, determined in floor, target and cap scenarios approved by the Board of Directors at the meeting on 13 May 2021.

In application of the incentive strategy adjustment clause set forth in the 2021-2023 LTI system regulations, following the change in the dividend policy envisaged for the 2021-2023 period, set at EUR 2.25 per share and finalised over the three-year period at EUR 2.65 per share, the Board of Directors resolved in its meeting of 12 March 2024 to change the value of (i) the "Target Price" to EUR 22.08 (ii) the "Cap Price" to EUR 27.08 (iii) the number of shares assigned to 327,100.

The estimate of the fair value, which is independent of the non-market activation conditions (achievement of the Target EBITDA and the sustainability parameter) as defined by IFRS 2, was carried out by applying the Monte Carlo method, thus identifying a range of values and taking their average value into consideration.

The assessment exercise was carried out formulating the following assumptions:

- *Volatility (20%): median of historical volatility at 180 days of the panel of ERG share comparables;*
- *Dividend Yield: estimated on the basis of the dividends forecast in the plan for the three-year time period 2021-2023, i.e. EUR 0.75 per share, as a percentage of share price;*
- *Time to maturity: in accordance with the provisions of the regulation of the financial instrument, the derivative was assumed to have a duration of three years.*

In application of the above, a range of fair values of the incentive plan was identified between EUR 7.7 million and EUR 8.4 million with the average value of EUR 8.0 million recognised on an accruals basis in the years of the vesting period. This amount refers, for 56%, to the Directors, and for the remainder to Group employees.

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

"Other personnel expenses" include additional post-employment benefits.

The following table shows the breakdown of the ERG S.p.A. personnel (average headcount during the year).

	2023	2022
Executives	24	24
Middle managers	105	99
White-collar workers	87	81
Total	**215**	**203**

At 31 December 2023, the company had a total of 223 employees.

NOTE 25 – AMORTISATION AND DEPRECIATION OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Other intangible assets are amortised over a maximum period of 5 years.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful life.

(EUR thousand)	2023	2022
Amortisation of intangible assets	1,801	1,579
Depreciation of property, plant and equipment	720	929
Depreciation of right-of-use assets	751	898
Total	**3,272**	**3,406**

Note that the effect deriving from the application of IFRS 16 on the amortisation and depreciation for the year on leased assets amounts to approximately EUR 0.8 million.

NOTE 26 – NET FINANCIAL INCOME (EXPENSE)

(EUR thousand)	2023			2022		
	Financial income	Financial expense	Net	Financial income	Financial expense	Net
Bank interest income (expense) on current accounts	18,045	-	18,045	1,943	(0)	1,943
Interest rate derivatives financial income (expense) – differential	7,516	(1,450)	6,066	10,806	(11,892)	(1,086)
Interest expense on loans/bond issues to third parties	-	(31,423)	(31,423)	78	(18,874)	(18,796)
RCF – fees	-	(1,891)	(1,891)	-	(339)	(339)
Liability management transactions	-	-	-	-	(2,897)	(2,897)
Liquidity management/Cost of debt	**25,561**	**(34,764)**	**(9,203)**	**12,828**	**(34,003)**	**(21,175)**
Other interest income (expense)	495	(4,629)	(4,134)	5,565	(440)	5,125
Change in fair value	4,615	(615)	4,000	8,247	(8,118)	130
Amortised cost on loans and bond issues	91	(2,437)	(2,346)	91	(2,535)	(2,444)
IFRS 9 Income (expense)	60	(861)	(801)	1,469	(2,060)	(591)
Interest income (expense) on lease liabilities	0	(29)	(29)	1	(8)	(6)
Exchange gains (losses)	5	(2)	3	(3)	(36)	(39)
Other income/(expense)	**5,266**	**(8,574)**	**(3,308)**	**15,370**	**(13,196)**	**2,175**
Total	**30,827**	**(43,338)**	**(12,511)**	**28,198**	**(47,198)**	**(19,000)**

Bank interest income pertains to the use of liquidity available in deposit accounts and current accounts and, to a lesser extent, the payment of current debt. The increase is essentially attributable to a rise in interest rates on liquidity compared to 31 December 2022.

With reference to **interest expense on bank borrowings and bond issues**, the higher bank interest expense compared to 2022 is mainly due to the opening of new corporate loans in 2023 in the amount of EUR 330 million.

The item **Liability management transactions** was not recognised at 31 December 2023, as no extraordinary transactions were carried out to close loans during the year.

With reference to **RCF – fees**, these refer to the cost for maintaining the line during 2023.

Other interest income mainly includes interest from subsidiaries. The increase in other interest expense refers to the debt position relating to the cash pooling relationship with the subsidiary Erg Power Generation S.p.A.

The **change in fair value** includes the effects of derivative instruments hedging the current interest rate fluctuation risk.

The item **Amortised cost on loans and bond issues** includes the adjustment to the effective interest rate of loans and bond issues.

The item **IFRS 9 Income (expense)** refers to the effect of the application of IFRS 9 relating to the renegotiation of existing loans and mainly includes financial income and the related reversals on restructuring transactions. The item also includes the adjustment of expected losses on liquidity and guarantees.

NOTE 27 – NET GAINS (LOSSES) ON EQUITY INVESTMENTS

(EUR thousand)	2023	2022
Dividends and other income from subsidiaries	50,000	50,000
Dividends and other income from other companies	-	80
Price adjustments on equity investments	3,174	2,646
Impairment and capital losses from equity investments	(156)	(243)
Total	**53,018**	**52,482**

"Dividends and other income from subsidiaries" refers to the dividends distributed by ERG Power Generation S.p.A.

The item "Price adjustments on equity investments" includes the positive effect deriving from the collection of a price adjustment relating to the sale of an equity investment in previous years for an amount of EUR 3,174 thousand.

"Impairment and capital losses from equity investments" includes mainly the adjustment of the provisions for charges on equity investments for EUR 148 thousand relating to ERG Petroleos S.A., in view of its deficit, as discussed in more detail in the note on Equity Investments.

NOTE 28 – INCOME TAXES

Relevant information on the accounting standards adopted and recognition and measurement criteria

The tax expense for the year comprises deferred tax assets and liabilities recognised in the profit or loss for the year, with the exception of items recognised directly in equity or other comprehensive income.

The Company determined that the interest and the penalties relating to income taxes, including the accounting treatments to be applied to income taxes of an uncertain nature, are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets because they do not match the definition of income taxes.

Current taxes

Current taxes are accrued based on the estimated tax expense for the year, also taking into account the effects relating to the participation of most Group companies in the tax consolidation scheme.

On 22 December 2022, the text of Directive no. 2022/2523/EU was published in the Official Journal of the European Union, which provides for the transposition into EU legislation of the rules on the Global Minimum Tax envisaged by Pillar 2 prepared by OECD as part of Action 1 of the BEPS ("Base Erosion and Profit Shifting") project. This Directive was transposed into Italian law by Legislative Decree no. 209 of 27 December 2023, which entered into force on 29 December 2023. The objective is to limit harmful tax competition between countries, setting the minimum level of effective tax at the aggregate level for each individual country at 15% as from 2024. The ERG Group falls within the scope of application of the regulation, but it should be noted that the average effective tax rate of ERG S.p.A. would not have changed if the legislation relating to global minimum tax had already been in force with reference to financial year 2023.

(EUR thousand)	2023	2022
Benefit from tax consolidation and deferred tax assets	(5,745)	(7,307)
Previous year taxes	(168)	108
Changes in deferred tax assets	349	72
Total	**(5,563)**	**(7,127)**

Income taxes, positive in the amount of EUR 5,563 thousand, express the net effect between the remuneration of the tax loss and non-deductible interest expense transferred to the tax consolidation scheme for the 2023 tax year (EUR 5,745 thousand) and the change in the deferred tax assets and liabilities recognised for IRES purposes.

The change in deferred tax assets is mostly determined by uses in the year and relates solely to IRES. IRAP deferred tax assets have not been allocated since no positive IRAP taxable bases are expected in the coming years.

The statement of financial position entries deriving from the tax consolidation scheme are summarised below:

(EUR thousand)	31/12/2023	31/12/2022
Receivables from Group companies (to tax liabilities)	21,334	23,824
Payables to Group companies (to tax assets)	(13,440)	(19,565)
Credit (debt) position of ERG SPA	(11,637)	(8,279)
Total	**(3,743)**	**(4,020)**

Reconciliation between effective and theoretical tax expense

The reconciliation between effective and theoretical tax expense is provided below.

(EUR thousand)	Taxable amount	Tax
IRES		
Profit before taxes	22,202	
Theoretical tax charge (24%)		5,328
Permanent tax changes	(40,774)	
Taxable amount	**(18,572)**	
IRES rate (24%)		(4,457)
Derecognition of deferred IRES tax assets/other changes		4
Previous year taxes IRES		(167)
Gain on transfer of interest expense to tax consolidation scheme		(943)
IRAP		
Difference between product costs and revenue	(18,305)	
Costs and revenue without relevance for IRAP purposes	23,601	
Theoretical basis of taxation for IRAP purposes	5,296	
Theoretical tax charge (5.57% rate)		295
Permanent tax changes	(24,896)	
Theoretical IRAP taxable amount	**(19,600)**	
Theoretical IRAP in the financial statements		**(1,092)**
Negative IRAP		1,092
Derecognition of deferred tax assets		
TOTAL TAXES IN THE FINANCIAL STATEMENTS		**(5,563)**

The difference between the value of the permanent tax changes recorded in 2023 (EUR 40,774 thousand) and those of 2022 (EUR 27,339 thousand) is mainly due to the decrease in the amount of non-deductible interest expense recognised for taxation.

NOTE 29 – NON-RECURRING ITEMS

As required by CONSOB resolution no. 15519 dated 27 July 2006, significant income and expense arising from non-recurring transactions or events that do not occur frequently in the ordinary course of business are presented below. Also pursuant to the aforementioned CONSOB resolution, the amounts related to the positions and transactions with related parties are indicated separately in **Note 30 – Related parties**.

(EUR thousand)		2023	of which related parties		2022	of which related parties
Revenue from sales and services		-			-	
Other income		-		1)	(256)	
Total revenue – *special items*		**-**			**(256)**	
Purchases		-			-	
Change in inventories		-			-	
Services and other costs	1)	4,359	-	2)	9,381	*2,250*
Personnel expense		-	-	3)	4,241	*1,641*
Gross operating profit – *special items*		**4,359**			**13,366**	
Amortisation, depreciation and impairment of non-current assets						
Operating profit – *special items*		**4,359**			**13,366**	
Net financial income (expense)	2)	861		4)	5,277	
Net gains (losses) on equity investments	3)	3,212	*156*	5)	(2,403)	
Profit (loss) from ordinary operations		**8,432**			**16,241**	
Income taxes	4)	(1,048)		6)	(3,468)	
Profit (loss) from continuing operations of special items		**7,384**			**12,772**	
Profit (loss) from discontinued operations of special items		**-**			**-**	
Profit (loss) of special items		**7,384**			**12,772**	
Non-controlling interests		**-**			**-**	
Profit (loss) of special items attributable to the owners of the parent		**7,384**			**12,772**	

In **2023**

1) services and other operating costs refer to costs related to the provision for disposed businesses, charges relating to unsuccessful projects and costs relating to M&A;

2) net financial income (expense) includes the impacts of IFRS 9 deriving from past refinancing;

3) net gains (losses) on equity investments relate to the increase in the loss allowance relative to Petroleos, in liquidation, and to the earnout on the sale of the shareholding in Total Erg;

4) income taxes refer to the tax effect of the items discussed above.

In **2022**

1) other income refer to insurance indemnities relating to issues in connection with discontinued businesses;

2) Services and other costs refer to costs related to the provision for disposed businesses, expenses relating to unsuccessful projects and the special contribution relating to the Chief Executive Officer (discussed in the comment in the Related Parties paragraph);

3) personnel expenses refer to an extraordinary bonus paid to some Group employees for the special contribution made in 2022 for the purpose of implementing the Group's Business Plan, including the portion of the special contribution referring to Group management discussed in the Related Parties paragraph;

4) net financial income (expense) includes financial charges deriving from prepayments on loans and liability management carried out during the year;

5) net gains (losses) on equity investments relate to the increase in the loss allowance relative to Petroleos, in liquidation, and to the earnout on the sale of the shareholding in Erg Oil Sicilia;

6) income taxes refer to the tax effect of the items commented on above.

NOTE 30 – RELATED PARTIES

Relevant information on the accounting standards adopted and recognition and measurement criteria

Related parties are mainly those that share the same parent with ERG S.p.A., the companies that directly or indirectly, through one or more intermediaries, control, are controlled by, or are subjected to joint control by ERG S.p.A. and those in which ERG S.p.A. has an investment.

The definition of related parties also includes key managers and their close relatives, of ERG S.p.A. and of its subsidiaries. Key managers are those who have the power and the direct or indirect responsibility for planning, managing, and controlling the activities of the parent and they include its Directors.

As required by CONSOB resolution 15519 dated 27 July 2006, the amounts of related party positions and transactions are indicated below.

The transactions carried out by ERG S.p.A. with related parties pertain mainly to:

- the performance of services, the provision and use of financing;
- contributions to non-corporate parties, referred to ERG, that pursue humanitarian, cultural and scientific initiatives. In particular, the Edoardo Garrone Foundation, established as a natural evolution of the engagement of the Garrone and Mondini families in the social and cultural fields, dedicated to the memory of Edoardo Garrone who, in 1938, launched the industrial activity of the ERG Group.

Most of these transactions are exempted from the application of the internal ERG regulation **Related party transactions policy and procedures**, issued to implement the CONSOB regulation, because they are ordinary transactions concluded at market or standard conditions, or because they are below the threshold of materiality prescribed by the procedure itself.

All transactions were carried out in the interest of the Company and, with the exception of the transactions with entities pursuing humanitarian, cultural and scientific initiatives, are included under ordinary operations. The amount paid to the **Edoardo Garrone Foundation** as a contribution for 2023 amounted to EUR 100 thousand.

Lastly, it should be noted that during 2023 the following companies were included in ERG S.p.A.'s Tax Consolidation Scheme: Breva Wind, Conza Energia, Lucus Power, San Mauro, SPV Parco Eolico Aria del Vento, Taca Wind, Wincap, Ginestra, Photosun, PVProject, Robinia, Sesma, Six For Power, SVS 1, Fattoria Solare Futurasun and ERG Sviluppo Italia.

It should also be noted that in 2023 Breva Wind incorporated the companies Conza Energia, Lucus Power, San Mauro, SPV Parco Eolico Aria del Vento, Taca Wind and Wincap, and Ginestra incorporated the companies Photosun, PVProject, Robinia, Sesma, Six For Power and SVS 1.

The companies ERG Eolica Adriatica, ERG Eolica Ginestra and Andromeda PV tacitly renewed the consolidation agreement. During 2023, the option for group taxation with the company ERG Power was terminated early following the loss of the control requirement during the year.

With regard to the terms of the contractual arrangements that could provide for the parent or its subsidiaries to provide financial support to a consolidated structured entity, please refer to **Note 19 – Guarantees, commitments and risks**.

Impact of transactions or positions with related parties on the Statement of Financial Position

The most significant dealings with joint ventures, associates and subsidiaries pertain to:

- loan assets with ERG Petroleos S.A. within the scope of the related loan agreement.

The impact of transactions or positions with related parties on the statement of financial position is indicated in the following table (amounts in EUR thousand):

2023 – STATEMENT OF FINANCIAL POSITION – ASSETS

(EUR thousand)	Trade receivables	Other current assets	Current tax assets	Current financial assets/ Current financial assets measured at fair value
ERG Power Generation S.p.A.	911			14
ERG Eolica San Vincenzo S.r.l.			1,991	
ERG Eolica Faeto S.r.l.			256	
ERG Eolica Ginestra S.r.l.			297	
Parc Eolien de la Bruyére S.a.s.	0			
Parc Eolien les Mardeaux S.a.s.	0			
Parc Eolien de Lihus S.a.s.	0			
Green Vicari S.r.l.			726	
ERG Eolica Fossa del Lupo S.r.l.			3,766	
ERG Eolica Adriatica S.r.l.			3,813	
ERG Eolica Campania S.p.A.			4,817	
ERG Germany GMBH	21			
ERG France Sarl	41	25		
Brockaghboy (UK)	0			
Corni Eolian	30			
ERG Petroleos				1,611
Epuron Sas	2			
ERG UK Holding (GBP)	15	34		
ERG Poland Holding	10			
ERG Spain HoldCo	5			
Ginestra Srl	1,092			
Breva			5,667	
ERG Sviluppo Italia	3			
Total	**2,131**	**60**	**21,334**	**1,625**
% of total	*61.58%*	*0.22%*	*85.08%*	*0.60%*

2023 – STATEMENT OF FINANCIAL POSITION – LIABILITIES

(EUR thousand)	Trade payables	Current financial liabilities	Current tax liabilities	Other current liabilities
ERG Power Generation S.p.A.	24	291,511	-	-
ERG France Sarl		3,319	-	-
Ginestra Srl			28	
ERG Sviluppo Italia S.r.l.			29	
Fattoria Solare Futurasun Srl			6	
ERG Wind Bulgaria S.p.a.			28	
ERG POWER GENERATION SPA			11,408	
ERG EOLICA TIRRENO SRL			8	
ISAB ENERGY SOLARE SRL			37	
ANDROMEDA PV S.r.l.			1,896	
Directors and statutory auditors				654
Key Managers				682
Total	**24**	**294,830**	**13,440**	**1,336**
% of total	*0.19%*	*66.63%*	*100.00%*	*18.13%*

Impact of transactions or positions with related parties on the income statement

The impact of related party transactions on income statement items is indicated in the following table (amounts in EUR thousand):

2023 – INCOME STATEMENT – INCOME

(EUR thousand)	Revenue from sales and services	Other revenue and income	Financial income
ERG Power Generation S.p.A.	35,061	52	441
ERG Power S.r.l.	34	2	
ERG Petroleos S.A.U en liquidacion			54
ERG Germany GMBH		18	
ERG France Sarl		177	
ISAB Energy Solare		36	
Andromeda S.r.l.	8		
ERG UK Holding (GBP)		170	
ERG Sviluppo Italia	3		
Total	**35,105**	**454**	**495**
% of total	*99.15%*	*21.75%*	*1.61%*

2023 – INCOME STATEMENT – EXPENSES

(EUR thousand)	Purchases	Services and other operating costs	Personnel expense	Financial expense
ERG Power Generation S.p.A.		80		4.613
ERG Eolienne France				12
Edoardo Garrone Foundation		100		
Directors and statutory auditors		6.151		
Key Managers			2.573	
Total	**-**	**6.331**	**2.573**	**4.625**
% of total	*0,00%*	*22,02%*	*10,90%*	*10,67%*

Details of the remuneration of figures with strategic responsibilities are provided below (amounts in EUR thousand):

DIRECTORS

(EUR thousand)	2023	2022
Short-term benefits	4,486	4,590
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,495	1,495
Total	**5,981**	**6,086**

KEY MANAGERS

(EUR thousand)	2023	2022
Short-term benefits	1,931	1,965
Post-employment benefits	135	140
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	643	643
Total	**2,708**	**2,748**

NOTE 31 – FINANCIAL INSTRUMENTS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Derivative financial instruments

Derivative financial instruments, including embedded derivatives, subject to separation from the main contract, are assets and liabilities recognised at fair value.

Existing forward transactions and derivative instruments are classified as follows:

1) ***derivative instruments that can be defined as hedges pursuant to IFRS 9****: this includes (i) cash flow hedges (CFH) on interest rates, exchange rates and commodities and (ii) fair value hedges (FVH) on commodities (price and exchange rate);*
2) *f****orward transactions and derivative instruments that cannot be defined as hedges pursuant to IFRS 9****, meeting the requirements of compliance with the company policies for the management of risk on exchange rates and energy commodities.*

The Group carries out the basis adjustment, reclassifying the effective result of the hedge to adjust the initial recognition value of the hedged item, in the case of cash flow hedges of non-financial elements. For all cash flow hedges, including those of transactions involving the recognition of a non-financial asset or liability, the cumulative gain or loss in the hedging reserve was reclassified to profit or loss for the year in the same year or in the same years in which the hedged expected future cash flows have an effect on profit or loss.

Fair value hierarchy according to IFRS 13

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

- *Level 1: quoted prices (unadjusted) for identical assets or liabilities in active markets.*
- *Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) and indirectly (derived from prices).*
- *Level 3: unobservable inputs for the asset or liability.*

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

Estimates and assumptions are revised periodically and the effects of each change are reflected in the Income Statement in the period in which the change took place.

The following table shows, for each financial asset and liability, the carrying amount and the fair value. Information on the fair value of financial assets and liabilities not measured at fair value are excluded, when the carrying amount represents a reasonable approximation of fair value.

31/12/2023

(EUR thousand)	Fair value – Hedging instruments	FVTPL instruments	FVOCI instruments	Financial assets measured at amortised cost	Financial liabilities	Total Carrying Amount	Fair value
Equity investments	-	465	-	-	-	465	465
Derivative instruments	47,816	-	-	-	-	47,816	47,816
Current financial assets	-	-	-	240,959	-	240,959	240,959
Trade receivables	-	-	-	3,461	-	3,461	3,461
Financial securities under current financial assets	-	-	-	-	-	-	-
Other assets	-	-	-	29,543	-	29,543	29,543
Cash and cash equivalents	-	-	-	415,897	-	415,897	415,897
Total assets	**47,816**	**465**	**-**	**689,860**	**-**	**738,142**	
Loans and borrowings	-	-	-	-	333,229	333,229	385,130
Bonds	-	-	-	-	1,601,949	1,601,949	1,666,722
Centralised treasury payables	-	-	-	-	294,830	294,830	294,830
Current bank loans and borrowings	-	-	-	-	136,551	136,551	136,551
Lease liabilities	-	-	-	-	2,029	2,029	2,029
Trade payables	-	-	-	-	12,527	12,527	12,527
Other liabilities	-	-	-	-	7,369	7,369	7,369
Total liabilities	**-**	**-**	**-**	**-**	**2,388,484**	**2,388,484**	

31/12/2022

(EUR thousand)	Fair value – Hedging instruments	FVTPL instruments	FVOCI instruments	Financial assets measured at amortised cost	Financial liabilities	Total Carrying Amount	Fair value
Equity investments	-	465	-	-	-	465	465
Derivative instruments	63,544	-	-	-	-	63,544	63,544
Current and non-current loan assets	-	-	-	140,778	-	140,778	140,778
Trade receivables	-	-	-	10,695	-	10,695	10,695
Financial securities under current financial assets	-	-	-	-	-	-	-
Other assets	-	-	-	33,795	-	33,795	33,795
Cash and cash equivalents	-	-	-	282,097	-	282,097	282,097
Total assets	**63,544**	**465**	**-**	**467,365**	**-**	**531,374**	
Loans and borrowings	-	-	-	-	249,438	249,438	253,211
Bonds	-	-	-	-	1,600,013	1,600,013	1,683,705
Current bank loans and borrowings	-	-	-	-	68,568	68,568	68,568
Lease liabilities	-	-	-	-	1,953	1,953	1,953
Derivative instruments	-	-	-	-	0	-	-
Trade payables	-	-	-	-	8,815	8,815	8,815
Other liabilities	-	-	-	-	14,304	14,304	14,304
Total liabilities	**-**	**-**	**-**	**-**	**1,943,091**	**1,943,091**	

The following table provides an analysis of the derivative financial instruments measured at fair value, grouped in levels from 1 to 3 based on the degree to which their fair value can be observed:

- level 1, the fair value is determined from prices quoted on active markets;
- level 2, the fair value is determined using measurement techniques based on variables which are directly (or indirectly) observable on the market;
- level 3, the fair value is determined using measurement techniques based on significant variables that cannot be observed on the market.

(EUR thousand)	Level 1	Level 2	Level 3
Financial assets			
- FVTPL instruments	-	-	-
- FVOCI instruments	-	-	-
- Fair value – Hedging instruments	-	47,816	-
- Financial assets measured at fair value	-	-	-
Total	**-**	**47,816**	**-**
Financial liabilities			
- Fair value – FVTPL instruments		-	
- Fair value – Hedging instruments	-	-	-
- Other financial liabilities	1,666,722	385,130	-
Total	**1,666,722**	**385,130**	**-**

NOTE 32 – DISCLOSURE ON RISKS

The main risks identified and actively managed by ERG S.p.A. are the following:

- the credit risk, which highlights the possibility of default of a counterparty or any impairment of the assigned credit rating;
- the liquidity risk, which expresses the risk that available financial resources are insufficient to maintain payment commitments.

ERG S.p.A. attributes great importance to the identification and measurement of the risks and to the connected control systems, in order to ensure an efficient management of the assumed risks. Consistently with this objective, an advanced Risk Management system was adopted that assures, in compliance with the existing policies on the matter, the identification, measurement and central level control for the entire Group of the degree of exposure to individual risks.

The Group Risk Management & Corporate Finance function ensures consistency with the assigned limits and provides adequate support with its own analyses, both to individual subsidiaries and to the Risk Committee and Top Management of the Parent, for strategic decisions.

Credit risk

Exposure to credit risk, inherent in the probability that a counterparty will not be able to meet its contractual obligations, is managed through appropriate analyses and assessments attributing to each counterparty an internal rating (Internal Rating Based, summary indicator of creditworthiness assessment). The rating classes provide an estimation of the probability of default of a specific counterparty, on which the degree of creditworthiness assigned depends, which is accurately monitored and must not be overrun. The choice of counterparties both for the industrial business and financial negotiations underlies the decisions of the Credit Committee, whose choices are supported by creditworthiness analyses.

Concentration risk, both by customer and by segment, is continuously monitored, though no warning situations have ever occurred.

The table below provides information about the exposure of ERG S.p.A. to credit risk at year end by the classification of receivables not past due (see **Note 7 – Trade receivables**) according to the credit rating corresponding to the internal ratings assigned.

(EUR thousand)	2023
AAA Rating	-
AA+/AA- Rating	-
A+/A- Rating	-
BBB+/BBB- Rating	986
BB+/BB- Rating	-
B+/B- Rating	-
CCC- Rating	-
Receivables from Group companies and other unassigned receivables	3,606
Total	**4,592**

The risk position at 31 December 2023 is extremely limited as it is represented primarily by intragroup positions.

Liquidity risk

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. To date, ERG S.p.A. guarantees the adequate coverage of its financial requirements through the generation of flows and the availability of credit facilities, provided by different counterparties.

The following tables summarise the time profile of the financial liabilities of ERG S.p.A., including interest, at 31 December 2023 and at 31 December 2022 on the basis of non-discounted contractual payments and the relative carrying amount.

31/12/2023

(EUR thousand)	Carrying amount	Payable maturity	Maturity of liabilities				
			On demand	less than 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years
Bonds issued	1,601,949	1,666,722	-	-	17,029	1,136,385	513,307
Loans and borrowings	333,229	385,130	-	5,913	11,030	368,187	-
Current bank loans and borrowings	136,551	136,551	-	50,690	85,861	-	-
Other financial liabilities	2	2	-	-	2	-	-
Trade payables	12,527	12,527	3,747	8,780	-	-	-
Total non-derivative financial liabilities	**2,084,258**	**2,200,931**	**3,747**	**65,383**	**113,921**	**1,504,573**	**513,307**

31/12/2022

(EUR thousand)	Carrying amount	Payable maturity	Maturity of liabilities				
			On demand	less than 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years
Bonds issued	1,600,013	1,683,705	-	-	16,983	1,148,967	517,755
Loans and borrowings	249,438	253,211	-	101,798	151,413	-	-
Current bank loans and borrowings	68,568	68,568	-	68,568	-	-	-
Other financial liabilities	-	-	-	-	-	-	-
Trade payables	8,815	8,815	4,194	4,621	-	-	-
Total non-derivative financial liabilities	**1,926,835**	**2,014,299**	**4,194**	**174,988**	**168,396**	**1,148,967**	**517,755**

Liquidity Risk and Expected Liquidity Losses

ERG S.p.A. implements a risk mitigation strategy aimed at preventing the emergence of liquidity crisis situations that involves pursuing a balanced financial structure in terms of duration and composition, continuous monitoring of financial balances and systematic generation of cash by its business activities, guaranteeing an adequate distribution of credit lines, cash deposits and the relative financial assets among the major Italian and international banks.

In order to guarantee efficient liquidity management, the Company's Treasury activities are centralised. The Company provides for the Group's liquidity requirement primarily with the cash flows generated by ordinary operations and with credit facilities, when necessary, assuring appropriate liquidity management.

To pursue its risk mitigation objectives, the Company's stock of financial assets is invested in short-term, highly liquid financial instruments, favouring a very low risk profile. Short selling is not permitted under any circumstances.

Even in the current reference context, liquidity risk remains limited.

Interest rate risk

This is the risk that changes in the future trends of interest rates could determine higher costs for ERG S.p.A. Containment of the interest rate risk is pursued by using derivative contracts such as Interest Rate Swaps and Interest Rate Options (plain vanilla).

The following table shows the impact on the profit (due to changes in the fair value of financial assets and liabilities) and equity of ERG S.p.A. (due to changes to the fair value of the cash flow derivatives) of a +/-1% change in the interest rate, keeping all other variables fixed.

IMPACT ON PROFIT OR LOSS

(EUR million)	2023
Shock-up (+1% change in interest rate)	1
Shock-down (-1% change in interest rate)	0

IMPACT ON EQUITY

(EUR million)	2023
Shock-up (+1% change in interest rate)	19
Shock-down (-1% change in interest rate)	(20)

Derivative instruments used

The main types of derivative instruments adopted in the management of financial risks, solely for hedging purposes, are as follows:

- **Options**: a contract whereby one of the parties, on payment of a sum to the other (premium), acquires the right to buy (call option) or sell (put option), at a future date, a certain quantity of financial instruments (underlying asset) at an established price (exercise or strike price).
- **Forward contracts**: contracts for the purchase or sale between two parties of a certain financial instrument (the underlying asset) at a future date and at a price fixed at the time the contract is stipulated; this category also includes futures contracts, which unlike forward contracts are standardised, negotiated in lots and for predetermined maturity dates within regulated markets;
- **Swap**: contract that determines, between two parties, the swap of flows of payments at certain dates. Payments can be expressed in the same currency or in different currencies and their amount is determined in relation to an underlying asset.

The underlying asset can be of various kinds and significantly influences the characteristics of the contract that can assume various forms in practice.

The derivatives entered into by ERG S.p.A. to hedge the exposure to financial risks existing at 31 December 2023 are:

- **Interest Rate derivatives**
  - Interest Rate Option instruments that make it possible to set upper limits (cap) and lower limits (floor) to interest rate fluctuations relating to loans indexed to a variable rate;
  - Interest Rate Swap instruments to bring bank loans with fixed and variable rate to the risk profile deemed most appropriate. IRS contracts provide that the counterparties, with reference to a defined notional value and to pre-set maturities, mutually exchange interest flows calculated in relation to fixed rates or to variable rate parameters agreed previously.

Hedge Accounting

The Company uses derivative financial instruments to hedge its own exposure to interest rate risks and to the price risk. Embedded derivatives are separated from the host contract and recognised separately when the host contract does not constitute a financial asset and when determined criteria are met. At the start of the designated hedging relationship, the Company documents the risk management objectives and the strategy in implementing the hedge, as well as the economic relationship between the hedged item and the hedging instrument and whether it is expected that the changes in the cash flows of the hedged item and the hedging instrument will offset each other. When a derivative financial instrument is designated as an instrument to hedge the exposure to the variability of cash flows, the effective portion of the fair value gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the hedging reserve. The effective portion of the fair value gain or loss on the derivative financial instrument that is recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged instrument (at the present value) from the start of the hedge. The ineffective portion of the changes in fair value gain or loss on the derivative financial instrument is recognised immediately in profit or loss for the year. In a hedging relationship, the Company designates only the change in fair value of the spot element of the forward contract as a hedging instrument.

If the hedge ceases to meet the qualifying criteria or the hedging instrument is sold, terminates or is exercised, hedge accounting is discontinued prospectively. When the cash flow hedge transactions cease being reported, the cumulative gain or loss in the hedging reserve remains in equity until, in the case of a hedge of a transaction that entails the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at initial recognition or, in the case of the other cash flow hedges, it is reclassified to profit or loss for the year in the same year or years in which the hedged expected future cash flows have an effect on profit or loss for the year.

Where cash flow hedges are no longer expected, the amount must be reclassified immediately from the hedging reserve and from the reserve for hedging costs to profit or loss for the year.

A hedging relationship is effective if and only if it meets the following requirements:

- *existence of an economic relationship between the hedging instrument and the hedged item;*
- *the credit risk is not dominant with respect to the changes in value; and*
- *the hedge ratio is the same one used for risk management purposes, i.e. the hedged quantity of the hedged element and the quantity of the hedging instrument used to cover the hedged item.*

The Company carries out the basis adjustment, reclassifying the effective result of the hedge to adjust the value at initial recognition of the hedged item, in case of cash flow hedges of non-financial elements.

However, for all cash flow hedges, including those of transactions involving the recognition of a non-financial asset or liability, the cumulative gain or loss in the hedging reserve was reclassified to profit or loss for the year in the same year or in the same years in which the hedged expected future cash flows have an effect on profit or loss.

Summary of derivative instruments used

The derivative instruments entered into by ERG to hedge the exposure to interest rate risk at 31 December 2023 are as follows:

Type	Hedged risk	Reference notional (EUR thousand)	Fair value at 31/12/2023 (EUR thousand)
Cash Flow Hedging instruments			
Interest Rate Swaps and Interest Rate Caps	Economic interest rate risk	669,800	47,816
Total Cash Flow Hedging instruments			**47,816**

Cash Flow Hedging instruments

Interest Rate Swaps and Interest Rate Caps and Collars.

Transactions for hedging the "interest rate" economic risk tied to fluctuations in interest rates on loans.

At 31 December 2023, the total fair value was a positive EUR 47,816 thousand. The change is recognised in the cash flow hedging reserve.

NOTE 33 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
Press release of 17 January 2024	Italy	Corporate	ERG is confirmed among the Corporate Knights “Global 100”. ERG ranked 28th in the 2024 ranking, a significant improvement compared to the 54th position in 2023
Press release of 24 January 2024	Italy	Corporate	TIM and ERG: kick-off for the “Missione Ambiente – Generazioni a scuola di Sostenibilità” (Mission Environment – Generations at Sustainability School) project, aimed at promoting the spread of a sustainability culture.
Press release of 29 January 2024	Italy	Wind Solar	Completion of the acquisition of a 73.2 MW wind and solar portfolio in France. The acquisition portfolio consists of two photovoltaic farms in operation (20.4 MW), one in an advanced state of construction (28.8 MW) and a wind farm in the commissioning phase (24 MW).
Press release of 1 February 2024	Italy	Wind	ERG and Google announce that they have finalised a 20-year agreement for the supply of 2 TWh of renewable energy.
Press release of 6 February 2024	Italy	Corporate	ERG is confirmed as being on the Carbon Disclosure Project's “A list” for the second year
Press release of 19 February 2024	Italy	Corporate	ERG concludes the share buy-back programme. Since the start of the programme, 3,758,000 ordinary shares – the maximum number of shares that can be purchased – have been repurchased at a weighted average price of EUR 26.0 per share. Considering the shares already in its portfolio prior to the start of the programme, ERG holds 4,540,080 treasury shares, equal to 3.0203% of the related share capital.
Press release of 23 February 2024	Italy	Wind	ERG continues to grow in Italy with the completion of the construction and start-up of the greenfield plant at Roccapalumba in Sicily (47 MW).

NOTE 34 – AUDIT FEES

Based on Article 149-duodecies of the Issuers' Regulation, the 2023 costs relating to the services performed by the independent auditors KPMG S.p.A., auditor of the ERG Group, and by the companies belonging to its related network are set out below.

(EUR thousand)	2023	2022
Audit services	358	331
Non-audit services	210	179
Total	**568**	**510**

Non-audit services refer to:

- certification services for EUR 55 thousand relating to the Green Bond Report on the issues carried out on the Euro Medium Term Note Programme, unbundling for EUR 16 thousand and tax returns for EUR 4 thousand;
- other services for EUR 135 thousand refer to the following activities:
  - agreed-upon procedures requested on the quarterly data of the subsidiaries for EUR 100 thousand;
  - limited assurance engagement on the Consolidated Non-Financial Statement (NFS) for EUR 35 thousand.

NOTE 35 – OTHER INFORMATION

- Article 1, paragraphs 125-129 of Italian Law no. 124 of 4 August 2017 introduced the obligation for companies that receive grants from public administrations to publish the amounts received in their Notes to the Separate Financial Statements and in the Consolidated Financial Statements, if these are drawn up. In view of the interpretation difficulties encountered in applying these provisions (Assonime – circular no. 5 of 22 February 2019) the legislator intervened, amending the said regulations several times. More specifically, the legal provisions of Italian Law no. 124/17 were most recently revised by Italian Law Decree no. 34 of 30 April 2019, which set forth urgent economic growth measures to resolve specific crisis situations, converted with Italian Law no. 58 of 28 June 2019, which provided responses to important issues in order to simplify and rationalise the regulations under consideration. The Company has therefore decided to state in its financial statements any financial contributions received from public administrations for use by all the companies and that come under the general scheme of the reference system defined by the State (e.g. feed-in premium, energy efficiency certificates, etc.) with the exception of those belonging to the following categories:
  - tax relief;
  - training grants received from inter-professional funds (such as Fondimpresa), since such funds are a form of partnership governed by private law, financed with the contributions paid by the companies themselves.

  It should be noted that with reference to the 2023 financial year, ERG S.p.A. benefited from the contribution relief, recognised by INPS, pursuant to Article 1 paragraphs 161 to 168 of Italian Law no. 178 of 30 December 2020 ("Decontribuzione Sud") for an amount equal to EUR 47,523. No additional contributions are reported for the year 2023 in relation to ERG S.p.A. In accordance with the provisions of Article 3-quater of Italian Law Decree no. 135/2018, for the funds received please refer to the indications contained in the National Register of State Aid under Article 52 of Italian Law no. 234 of 24 December 2012.

- During the year, no atypical and/or unusual transactions took place. Atypical and/or unusual transactions are those transactions that due to their significance/relevance, nature of the counterparties, subject of the transaction, procedures for determining the transfer price and timeframe of the event (proximity to the end of the year) can give rise to doubts with regard to: the correctness/completeness of the information in the financial statements, conflicts of interest, wealth preservation and the protection of non-controlling interests.
- No advances were provided and there are no receivables from directors and statutory auditors of ERG S.p.A. for the performance of these functions.

NOTE 36 – IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED STARTING ON 1 JANUARY 2023

From 1 January 2023, the following standards, interpretations and amendments to existing standards, in relation to which there are no significant effects on the Separate Financial Statements, became applicable:

- Amendments to IAS 1 – Presentation of liabilities as current or non-current and subsequent deferral of first date of application (IASB publication dates January 2020, July 2020);
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure on accounting standards (IASB publication date February 2021);
- Amendment to IAS 8 – Definition of accounting estimate (IASB publication date February 2021);
- Amendments to IAS 12 – Deferred taxes linked to assets and liabilities deriving from a single transaction (IASB publication date May 2021);
- IFRS 17 – Insurance Contracts, including amendments issued in June 2020 (IASB publication date May 2018). IFRS 17 is a new accounting standard for the recognition, measurement, presentation and disclosure of insurance contracts issued by an entity and/or reinsurance contracts held by an entity. Based on the accounting analyses carried out by the Group's management, the contracts issued by ERG do not represent transactions that may fall within the definition of an insurance contract.
- Amendments to IFRS 17 and IFRS 9 – Comparative information as part of the initial application of IFRS 17 and IFRS 9 (IASB publication date December 2021);
- International tax reform – Pillar 2 rules (Amendments to IAS 12). For further information please see Note 28 – Income taxes.

NOTE 37 – IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS, PUBLISHED BUT NOT YET ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2023

Below are the new standards or amendments to the standards, applicable for annual periods beginning on or after 1 January 2023 and for which earlier application is allowed. However, the Company has decided not to adopt them in advance for the preparation of these Separate Financial Statements.

Entry into force	Description	Issue date	Approved
1 January 2024	Amendments to IFRS 16 "Leases" – Lease liabilities in a sale and leaseback	22 September 2022	20 November 2023
	Amendment to IAS 1 "Presentation of financial statements" on the classification of non-current assets and liabilities with covenants	23 January 2020 15 July 2020 31 October 2022	19 December 2023
	Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" on supplier finance agreements	25 May 2023	No
1 January 2025	Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" on lack of exchangeability	15 August 2023	No

Any impacts of the aforesaid standards are currently being assessed.

NOTE 38 – MANAGEMENT AND COORDINATION

Following the closing of the transaction aimed at the creation of a long-term partnership between San Quirico S.p.A. and the IFM Net Zero Infrastructure Fund SCSP investment fund, which occurred on 15 September 2022, ERG S.p.A. is a subsidiary of SQ Renewables S.p.A. (a full subsidiary of San Quirico S.p.A. and NZF Bidco Luxembourg 2 S.à r.l., with holdings of 65% and 35%, respectively). SQ Renewables S.p.A. exercises limited management and coordination in respect of ERG S.p.A., in accordance with the provisions of the relative Regulation approved on 15 September 2022 by the Board of Directors, with the prior opinion of the Control, Risk and Sustainability Committee (hereinafter also the "Limited Management and Coordination Regulation").

The resolution approving the Regulations for Limited Management and Coordination by the Board of Directors of ERG S.p.A. was made within the scope of the aforementioned management and coordination activities carried out by SQ Renewables S.p.A.

Pursuant to the provisions of **Article 16 of the Market Regulation adopted by CONSOB with resolution no. 20249 of 28 December 2017 as amended and supplemented, the following is specified:**

- the company has fulfilled the disclosure obligations set forth in Article 2497-bis of the Italian Civil Code;
- it has autonomous negotiating ability in relations with customers and suppliers;
- it has no centralised treasury relationship with SQ Renewables S.p.A.:
- the committees recommended by the Corporate Governance Code (i.e. the Control, Risk and Sustainability

Committee and the Nominations and Remuneration Committee) are entirely composed of independent directors both with reference to the provisions of Article 148, third paragraph, of the Consolidated Law on Finance and with reference to the contents of the Corporate Governance Code.

With reference to the disclosure requirements pursuant to paragraph 4 of Section 2497-bis of the Italian Civil Code, the key figures of the latest financial statements of SQ Renewables S.p.A., which exercises management and coordination activities over ERG S.p.A., are summarised below.

(EUR thousand)	2022
Value of production	**0**
Costs for raw, ancillary and consumable materials and goods	(0)
Services	(70)
Costs for leased goods	(1)
Amortisation, depreciation and impairment losses	(1)
Sundry operating costs	(6)
Costs of production	**(77)**
Difference between value and costs of production	**(77)**
Financial income and expense	(1)
Profit before taxes	**(78)**
Income taxes	18
Profit (loss) for the year	**(60)**

(EUR thousand)	2022
Intangible assets	3
Financial assets	1,347,713
Total non-current assets	**1,347,716**
Receivables	4,137
Cash and cash equivalents	5
Total current assets	**4,142**
Total Assets	**1,351,858**
Equity	1,347,480
Payables	4,377
Total Liabilities	**1,351,858**

NOTE 39 – PUBLICATION DATE OF THE FINANCIAL STATEMENTS

On 12 March 2024, the Board of Directors of ERG S.p.A. authorised the publication of the separate financial statements together with the reports of the Supervisory Bodies in compliance with the deadlines prescribed by current laws and regulations.

Genoa, 12 March 2024

on behalf of the Board of Directors
The Chairman
Edoardo Garrone

STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS

IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 DATED 14 MAY 1999, AS AMENDED

1. The undersigned Paolo Luigi Merli, Chief Executive Officer of ERG S.p.A., and Michele Pedemonte, Manager responsible for preparing the financial reports of ERG S.p.A., taking into account the provisions set out in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, state that the administrative and accounting procedures for the preparation of the Separate Financial Statements:
    - were adequate given the company's characteristics and
    - were effectively applied in the period between 1 January 2023 and 31 December 2023.
2. In this regard, the following is pointed out:
    - the suitability of the administrative and accounting procedures for the preparation of the Separate Financial Statements of ERG S.p.A. at 31 December 2023 was verified by the assessment of the system of internal control over Financial Reporting. This assessment was carried out with reference to the criteria established in the "Internal Control – Integrated Framework" model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
    - the assessment of the System of Internal Control over Financial Reporting did not uncover any significant aspects.
3. It is furthermore stated that:
    - the Separate Financial Statements of ERG S.p.A.:
        - were prepared in accordance with the applicable International Accounting Standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;
        - match the underlying accounting books and records;
        - are suitable to give a true and fair view of the financial position and results of operations of the issuer and of the group of companies included in its consolidation scope;
    - the Directors' Report comprises a reliable analysis of the performance and of the result of operations, as well as of the situation of the issuer and of the group of companies included in the consolidation scope, together with a description of the main risks and uncertainties to which they are exposed.

Genoa, 12 March 2024

The Chief Executive Officer	The Manager responsible for preparing the financial reports
Paolo Luigi Merli	**Michele Pedemonte**

REPORT OF THE BOARD OF STATUTORY AUDITORS ON FINANCIAL YEAR 2023

TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998

Dear Shareholders,

This Report was prepared by the Board of Statutory Auditors (hereinafter also "Board") appointed by the Shareholders' Meeting of ERG S.p.A. (hereinafter also "ERG" or "Company") by resolution of 26 April 2022 for the three-year period 2022-2024 and restored to the required number of members by resolution of the meeting of 26 April 2023, as will be discussed in more detail below (see Board of Statutory Auditors – Appointment, term of office and operation).
The appointment and subsequent return to the required number of members took place in accordance with the law and the Articles of Association, on the basis of the lists submitted by the shareholders, also taking into account the provisions on gender balance.
Pursuant to Article 153 of Italian Legislative Decree no. 58/98, the Board of Statutory Auditors of ERG is called upon to report to the Shareholders' Meeting convened to approve the Financial Statements on the supervisory activity carried out during the year regarding, among other things, the fulfilment of its duties, any omissions and reprehensible facts discovered and the results for the year, as well as, where necessary, to formulate proposals on the Financial Statements, the related approval and any matters falling under its scope of responsibility.
The Board of Statutory Auditors is currently composed of: Monica Mannino (Chair), Giulia De Martino (Standing Auditor) and Fabrizio Cavalli (Standing Auditor).
The legal auditing of the Company's accounts is carried out by the auditing firm KPMG S.p.A. (hereinafter: the "Independent Auditors" or "KPMG") for the duration of 9 financial years (2018-2026) as resolved by the Shareholders' Meeting of 23 April 2018.

During the financial year ended 31 December 2023, the Board of Statutory Auditors of ERG, in compliance with the provisions of Article 149 of Italian Legislative Decree no. 58/98 (TUF), carried out its supervisory activities, in accordance with the law, observing the CONSOB communications on corporate controls and the activities of the Board of Statutory Auditors (in particular, communication no. DAC/RM 97001574 of 20 February 1997 and communication no. DEM 1025564 of 6 April 2001, subsequently integrated with communication no. DEM/3021582 of 4 April 2003 and communication no. DEM/6031329 of 7 April 2006), also taking into account the principles of conduct recommended by the Italian National Board of Chartered Accountants and Accounting Experts and the indications contained in the Corporate Governance Code, to which ERG adheres, approved in January 2020, promoted by the Corporate Governance Committee.

In addition, as the Company has adopted the traditional governance model, the Board of Statutory Auditors is the "*Internal Control and Audit Committee*" (hereinafter also referred to as "*ICAC*"), which is responsible for additional specific control and monitoring functions with regard to financial reporting and statutory audit, pursuant to Article 19 of Italian Legislative Decree no. 39 of 27 January 2010, as amended by Italian Legislative Decree no. 135 of 17 July 2016. The Board of Statutory Auditors also supervised, to the extent of its competence, the fulfilment of the obligations relating to Non-Financial Disclosures pursuant to Italian Legislative Decree no. 254/2016.
The Board of Statutory Auditors obtained the essential and necessary information for the performance of the supervisory tasks assigned to it by, among other things, attending the meetings of the Board of Directors and the internal board committees recommended by the Corporate Governance Code, analysing the Information Flows acquired from the relevant corporate structures, holding interviews with the management of the Company and the Group, holding meetings with the statutory auditor, the Supervisory Board and the corresponding supervisory bodies of the Group companies, and performing additional control activities.

Board of Statutory Auditors – Appointment, term of office and operation

The Board of Statutory Auditors was appointed by ERG's Shareholders' Meeting with resolution dated 26 April 2022 for the three-year period 2022-2024 and restored to the required number of members on 26 April 2023, pursuant to Article 22, paragraph 15, of the Articles of Association, with the appointment of the current Chair Monica Mannino. Following the aforementioned appointment, Paolo Prandi returned to the role of alternate auditor. The Board's term will expire on the date of the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2024.
In order to acquire the information required to perform its supervisory duties, the Board of Statutory Auditors met a total of 21 times during the 2023 financial year, 11 of which in its current composition.
It is hereby acknowledged that the composition of the Board of Statutory Auditors in office complies with the provisions on gender diversity set forth in Article 148, paragraph 1bis, of Italian Legislative Decree No. 58/1998, as amended by Article 1, paragraph 303, of Law No. 160 of 27 December 2019, and applied pursuant to Article 1, paragraph 304, of the same law as well as in accordance with the provisions of Article 144-*undecies*,paragraph 1, of the Issuers' Regulation.
The Board of Statutory Auditors periodically verified the compliance of its members with the criteria of independence, professionalism and integrity, as required by law (Article 148, paragraphs 3 and 4, of the Consolidated Law on Finance [TUF]), and by the principles set forth in the *Rules of Conduct for Boards of Statutory Auditors* recommended by the Italian National Board of Chartered Accountants and Accounting Experts, as well as the *Corporate Governance Code* (January 2020 edition – recommendations 9 and 7), acknowledging that its members:

- are not in any of the situations of ineligibility, incompatibility or forfeiture envisaged in relation to the office of Statutory Auditor by law, regulations and the Articles of Association;
- meet the integrity and professionalism requirements prescribed by the applicable legislation and, specifically, the requirements established for members of the control bodies with the Regulation issued pursuant to Article 148, paragraph 4 of Italian Legislative Decree no. 58/1998;

- comply with the provisions relating to the limits on the maximum number of offices envisaged by current legislation.

For the incoming Chair, this verification was carried out on 26 April 2023 and on 11 May 2023, as part of the annual periodic verification, together with the other members of the Board of Statutory Auditors.

In its Report on Corporate Governance and Ownership, the Company lists the main offices held by the members of the Board of Statutory Auditors.

With regard to its operation, the Board: a) verified the regular attendance of its members both at the meetings of the Control Body and at all meetings of the Board of Directors and the Internal Board Committees recommended by the Corporate Governance Code; b) assessed the relevance of the issues under review on the basis of a plan aimed at identifying the main risk profiles (risk-based approach) and acquiring the availability of the Information Flows made available by the various owners, as well as on the basis of an adequate schedule of periodic meetings with the management of the Company and the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001.

The specific control and monitoring functions assigned to the Board of Statutory Auditors in its capacity as ICAC in terms of financial reporting and statutory audit, envisaged by Article 19 of Italian Legislative Decree no. 39 of 27 January 2010, as amended by Italian Legislative Decree no. 135 of 17 July 2016, resulted in, among other things, a constant and mutual exchange of information with the Independent Auditors and with the Manager in charge of preparing the company's financial reports.

In conclusion – and also in view of the examination of the results of the self-assessment process conducted in February 2024 which resulted, among other things, in an excellent assessment of both the professional and personal characteristics of the current Statutory Auditors and most of the technical skills relating to the role – the Control Body considers the composition of the current Board of Statutory Auditors to be substantially in line with the Policy adopted by the Company.

Management Body – Appointment, term of office and operation

The Board of Directors of ERG in office at the date of this Report is composed of 12 Directors and was appointed by the Shareholders' Meeting of 26 April 2021. The mandate expires on the date of the Meeting called to approve the Financial Statements as at 31 December 2023 and, to this end, the Board has provided its guidelines on the qualitative and quantitative composition of the new body, approving on 23 February 2024 the "*Guidelines of the Board of Directors of ERG S.p.A. to the Shareholders on the size and composition of the new Board of Directors*".

Two lists of candidates were presented for the appointment of the current Board of Directors, one by the then shareholder San Quirico S.p.A. and the other by a number of institutional investors, pursuant to the provisions of the TUF, the regulations implementing the TUF and the Company's Articles of Association. Eleven Directors were elected from the majority list and one from the minority list.

The following Directors were found to be independent (pursuant to Article 148, paragraph 3, of the TUF, the Corporate Governance Code and the Regulations for the operations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee): Emanuela Bonadiman, Mara Anna Rita Caverni, Elena Grifoni Winters, Federica Lolli, Elisabetta Oliveri and Mario Paterlini, i.e. half of the Directors, six Directors out of twelve.

The results of the above-mentioned assessments were communicated to the market on 26 April 2021 and 30 July 2021 and outlined in the Reports on Corporate Governance and Ownership presented to the Shareholders' Meetings on 26 April 2022 and 26 April 2023.

Within the Board of Directors, the role of Chairman is held by Edoardo Garrone, that of Executive Deputy Chairman as well as Director in charge of the Internal Control and Risk Management System by Alessandro Garrone, that of Deputy Chairman by Giovanni Mondini, that of Chief Executive Officer by Paolo Luigi Merli, that of Lead Independent Director by Mara Anna Rita Caverni.

On 12 October 2023, the Board of Directors confirmed that the Independent Directors meet the requirements of the law, the Corporate Governance Code and the Regulations for the operations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, and the Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Directors.

In addition, the Board of Statutory Auditors agreed with the positive assessment expressed by the Nominations and Remuneration Committee and endorsed by the Board of Directors, as envisaged by recommendations 21, 22 and 23 of the Corporate Governance Code, on the size and composition of the Board of Directors and its operation as well as on the size, composition and operation of the internal Board committees.

With regard to the procedure followed by the Board of Directors for the purposes of verifying the independence of its directors, the Board of Statutory Auditors carried out the assessments within its remit, noting the correct application of the criteria and procedures for ascertaining the independence requirements pursuant to the law and the Corporate Governance Code and compliance with the composition requirements of the administrative body as a whole. However, it is hereby acknowledged that the composition of the Board of Directors in office complies with the provisions on gender diversity set forth in Article 148, paragraph 1bis, of Italian Legislative Decree No. 58/1998, as amended by Article 1, paragraph 303, of Law No. 160 of 27 December 2019, and applied pursuant to Article 1, paragraph 304, of the same law as well as in accordance with the provisions of Article 144-*undecies*,paragraph 1, of the Issuers' Regulation.

The Board of Directors has set up the following internal committees:

- **Control, Risk and Sustainability Committee**, with advisory and proposal-making functions, performs the role and tasks envisaged by the Corporate Governance Code for the Control and Risk Committee as well in relation to Sustainability and in particular supports the Board of Directors' evaluations and decisions relating to the ICRM System, as well as those relating to the approval of the periodic financial reports, the Consolidated Non-Financial Statement, the ESG Plan, those relating to Group Governance, the obligations pursuant to Italian Legislative Decree no. 231/01, anti-corruption, Finance and Risk Management. This Committee is made up of three non-executive directors, all independent pursuant to the TUF and the Corporate Governance Code, and met 11 times in 2023, addressing issues relating to the following areas:
  - Group governance;
  - Internal Control and Risk Management System;
  - Obligations as per Italian Legislative Decree no. 231/01 and the Anti-Corruption System;

- Administrative and accounting processes;
- Sustainability issues;
- Related parties;
- Whistleblowing system.

The activities are detailed in the 2023 Report on Corporate Governance and Ownership.

- **Nominations and Remuneration Committee**, composed of three non-executive directors, all independent pursuant to the TUF and the Corporate Governance Code, and which met 12 times during 2023: it carries out the role and tasks envisaged by the Corporate Governance Code for the Nominations Committee and the Remuneration Committee. It makes recommendations for the remuneration of Directors with powers or specific duties and for the definition of remuneration policies and Group's management incentive schemes. It provides an assessment opinion on the size, composition and functioning of the Board of Directors and Board Committees. During 2023, the Committee, in particular:
  - defined, in relation to the MBO System, for the 2022 financial year, the proposal relative to (i) the corporate objective result (Group consolidated EBT); (ii) the results of the sustainability objective and (iii) the result of the individual objective for the Chief Executive Officer;
  - defined, in relation to the MBO System, for the 2023 financial year, the proposal relative to (i) the corporate objective target value (Group consolidated EBT) and the threshold conditions; (ii) the target values of the sustainability objective and the threshold conditions and (iii) the target value of the individual objective for the Chief Executive Officer and the threshold conditions;
  - analysed the benchmarks established, in relation to the 2022 financial year, in order to assess the adequacy of the fixed annual fee paid to all the members of the Board of Directors and to the Directors who are members of committees taking as reference both FTSE MIB and MID CAP companies;
  - examined and shared the update of the Report on the remuneration policy;
  - periodically analysed and shared some benchmarks on the various levels of disclosure and on the practices adopted by listed companies in terms of remuneration as well as the main issues relevant to ERG;
  - examined and shared some reflections on the revision of the 2021-2023 LTI System;
  - examined and shared, in particular, the favourable outcome of the vote of the Shareholders' Meeting of 26 April 2023 on the first and on the second section of the Remuneration Policy and the fees paid;
  - examined and shared the objectives relevant to diversity & inclusion contained in the ESG Plan 2022-2026@2023 as well as a report on the main activities carried out during 2023;
  - examined and shared the monitoring of the progress made in implementing the MBO System as well as the IQ incentive plan (short-term incentive plan for some managers and professionals of the ERG Group);
  - examined and shared some preliminary reflections on the new 2024-2026 LTI System;
  - pursuant to the provisions of the Related-Party Transaction Manual, it examined the information received, on a half-yearly basis, on the application of the exemption cases indicated by the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010 as amended and updated, with reference to the transactions approved or

executed in the reference period, in order to carry out an ex-post examination of the application of the exemption cases;

– issued two opinions pursuant to Article 4.1 of the Procedure for Transactions with Related Parties as part of the definition process, in relation to the MBO System, for the 2023 financial year, of the proposal relative (i) to the corporate objective target value (Group consolidated EBT) and the threshold conditions; (ii) to the target values of the sustainability objective and the threshold conditions and (iii) to the target value of the individual objective for the Chief Executive Officer and the threshold conditions;
– issued two opinions pursuant to Article 4.1 of the Procedure for Transactions with Related Parties (i) as part of the process for the definition of the proposals relative to the remuneration of executive Directors or Directors assigned particular mandates or called to be part of the Strategic Committee and (ii) as part of the process to define the remuneration of the Chair of an ERG Group company, a related party of ERG S.p.A.

- **Strategic Committee**: composed of six directors, one of whom independent pursuant to the TUF and the Corporate Governance Code, and which met 10 times during 2023. *It plays a supporting role towards the Executive Vice Chairperson and the Chief Executive Officer in the performance of their role and office as part of the Board of Directors and in terms of the strategy and policies approved by the Board of Directors, by way of the prior examination of the multi-year Business Plans, in compliance with what is established in the Corporate Governance Code and the Group Investment budget, as well as Group investments and operations*.

Adherence by the Company to the Corporate Governance Code

The Company has adhered to the Italian Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. since its first edition in 1999.

On 15 October 2020, the Board of Directors resolved to adhere to the Corporate Governance Code, published on 31 January 2020, and applicable from 1 January 2021, incorporating over time the relevant updates and recommendations contained, most recently, in the 2022 Report on the evolution of corporate governance of listed companies – 10th report on the application of the Corporate Governance Code.

Following the adherence to the updated Corporate Governance Code, on 13 May 2021 the Board of Directors adopted the Regulations for the operation of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee and approved the Policy for the management of dialogue with shareholders and investors in general, also taking into account the engagement policies adopted by institutional investors and by asset managers.

Pursuant to Article 149, paragraph 1, letter c-bis of Italian Legislative Decree no. 58/1998, the Board of Statutory Auditors supervised the manner in which the Code was implemented in practice.

The Board also acknowledges that the letter of the Chairman of the Corporate Governance Committee of 14 December 2023 and the related Recommendations of the Committee for the year 2024 have been discussed by the independent directors at their annual meeting pursuant to the Corporate Governance Code, by the Board of Statutory Auditors and by the Board of Directors.

It should be noted that, in view of the change in the control structure commented on below, in its meeting on 15 September 2022 the Board of Directors resolved to adopt the Regulations for limited management and coordination of ERG by SQ Renewables S.p.A.

Finally, the Board acknowledges that the ERG Board of Directors approved the 2023 Report on Corporate Governance and Ownership published on the Company's website, after assessing the consistency of the Report with the principles and recommendations of the Corporate Governance Code and having consulted the Control, Risk and Sustainability Committee with particular reference to the essential elements of the Internal Control and Risk Management System (hereinafter also "ICRMS") and the methods of coordination between the Entities involved, also in light of the 2023 Report on the evolution of corporate governance of listed companies (11th Report on the application of the Corporate Governance Code, cited above).

With reference to the ICRMS, although the Corporate Governance Code suggests attributing this role to the Chief Executive Officer, the Board of Directors has conferred this power on the Executive Deputy Chairman, deeming it more effective, for the purposes of the operation of the System, and consistent with the principle of segregation of duties, for the Chief Executive Officer to be responsible for identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and for the Executive Deputy Chairman to be responsible for ensuring, through the aforementioned supervisory, management and control powers, the maintenance of the functionality and overall adequacy of the ICRMS.

Management and coordination

It is recalled that during 2022, direct control of ERG was transferred from San Quirico S.p.A. to SQ Renewables S.p.A., a newly established company with a majority stake held by San Quirico S.p.A. and, indirectly, a minority stake held by the investment fund IFM Net Zero Infrastructure Fund, managed by IFM Investors Pty Ltd.

Since 15 September 2022, SQ Renewables S.p.A. has exercised limited management and coordination pursuant to Articles 2497 et seq. of the Italian Civil Code with respect to ERG.

ERG exercises management and coordination over its direct and indirect subsidiaries, while respecting their management and operational autonomy.

* * * * *

Supervisory and control activities

The supervisory duties of the Board of Statutory Auditors are governed by Italian Legislative Decree no. 58/1998 and Italian Legislative Decree no. 39/2010. The Board of Statutory Auditors took into account the amendments made to Italian Legislative Decree no. 39/2010 with Italian Legislative Decree no. 135/2016 in implementation of Directive 2014/56/EU, and of European Regulation 537/2014.

On the supervisory activities carried out during the year, considering the indications provided by CONSOB with communication no. DEM 1025564 of 6 April 2001, modified and integrated with communication DEM/3021582 of 4

April 2003, and subsequently with communication no. DEM/6031329 of 7 April 2006, the Board declares that it:

- participated in the Shareholders' Meeting of 26 April 2023 and in the meetings of the Board of Directors, ensuring compliance with the statutory, legislative and regulatory provisions that govern the functioning of the Company's bodies as well as compliance with the principles of correct administration and obtaining from the directors, at least quarterly, adequate information on the general performance of the management and on the outlook, as well as on the most important transactions, in terms of size and characteristics, carried out by the Company and its subsidiaries;
- met with the Supervisory Body, including during the meetings of the Control, Risk and Sustainability Committee;
- acquired the elements of knowledge necessary to carry out the activity of verifying compliance with the law, the Articles of Association, the principles of correct administration and the adequacy and functioning of the organisational structure of the Company, through the acquisition of documents and information from the managers of the functions involved and company top management, and periodic exchanges of information with KPMG;
- participated in the meetings of the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee;
- supervised the functioning and effectiveness of the internal control system and the adequacy of the administrative and accounting system, in particular with regard to the latter's reliability in representing operating events by, among other things: (i) examining the positive assessment expressed by the Board of Directors on the adequacy of the organisational, administrative and accounting structure of the Company, with particular reference to the internal control and risk management system, pursuant to Article 2381, paragraph 3, of the Italian Civil Code, also pursuant to Italian Legislative Decree no. 14 of 12 January 2019; (ii) using the information made available by the managers of the various company functions; (iii) examining company documents; (iv) analysing reports, including the Reports issued by the Internal Audit function and monitoring the mitigation processes introduced; (v) analysing the results of the work carried out by the independent auditors with particular regard to the content of the Additional Report, issued on 26 March 2024 pursuant to Article 11 of European Regulation no. 537 of 16 April 2014; (vi) examining the Report of the Control, Risk and Sustainability Committee, regularly taking part in its work and, in line with previous years, holding regular discussions and exchanges of information with it; (vii) examining the Reports prepared by the Finance & Group Risk Management Function, aimed at representing the main risks of the Group, and monitoring the related treatment and mitigation plans; (viii) using the information obtained, as part of a continuous exchange of information with the Company's General Counsel to monitor ongoing litigation, which benefited from constant updates at Board meetings and, lastly, (ix) exchanging information with the control bodies of the subsidiaries, pursuant to paragraphs 1 and 2 of Article 151 of Italian Legislative Decree no. 58/1998;
- exchanged in a timely manner with the managers of the independent auditors, entrusted with the legal audit pursuant to Italian Legislative Decree 58/1998 and Italian Legislative Decree 39/2010, the data and information relevant to the performance of their respective duties pursuant to Article 150 of the TUF, including through the examination of the results of the work performed and the receipt of the reports provided for by Article 14 of Italian Legislative Decree 39/2010 and Article 11 of EU Reg. 537/2014;

- monitored the functionality of the control system over the Group companies and the adequacy of the instructions given to them, also pursuant to Article 114, paragraph 2, of the TUF;
- acknowledged the preparation of the Remuneration Report pursuant to Article 123-*ter* of the TUF and pursuant to Article 84-quater of the Issuers' Regulation, with no observations to report;
- monitored the practical implementation of the corporate governance rules adopted by the Company in accordance with the Corporate Governance Code;
- verified, in relation to the periodic assessment to be carried out pursuant to Article 2 of the new Corporate Governance Code (recommendations 6 and 7), as part of the supervision of the practical implementation of the corporate governance rules, the correct application of the criteria and assessment procedures adopted by the Board of Directors, concerning the positive assessment of the independence of the Directors;
- monitored the compliance of the internal procedure regarding Related Party Transactions with the principles indicated in the Regulation approved by CONSOB with resolution no. 17221 of 12 March 2010 and subsequent amendments, as well as its compliance, pursuant to Article 4, paragraph 6, of the same Regulation;
- monitored the fulfilment of obligations related to the European legislation on market abuse (MAR) and the processing of privileged information and the procedures adopted in this regard by the Company.

Financial and non-financial reporting process

In view of the fact that the responsibility for the statutory audit of the accounts is entrusted to the Independent Auditors, the Board of Statutory Auditors monitored the overall process of preparation of the Separate Financial Statements and the Consolidated Financial Statements as required by Article 19 of Italian Legislative Decree no. 39/2010.

Specifically, the Board supervised the existence of regulations and procedures concerning the process for compiling and disclosing financial and non-financial information. In this regard, the Board highlights that the Report on Corporate Governance and Ownership approved by the Board of Directors on 12 March 2024 illustrates the methods used by the Group to define its own Internal Control and Risk Management System in relation to the financial and non-financial reporting process at Consolidated level, with the aim of significantly mitigating risks and terms regarding the reliability and integrity of reporting.

The Board acknowledges that it:

- monitored the corporate disclosure process, verifying the directors' compliance with the procedural rules relating to the preparation, approval and publication of the annual financial statements and consolidated financial statements;
- verified the adequacy, from a methodological point of view, of the impairment process implemented in order to ascertain the possible existence of losses in value of the goodwill and/or of the assets recorded in the financial statements. The Board of Statutory Auditors also reports that pursuant to the joint Bank of Italy/CONSOB/ISVAP Document no. 4 of 3 March 2010, on 23 February 2024 the Board of Directors of ERG approved the arrangements for the impairment test procedure that meet the provisions of IAS 36, autonomously and before the time of the approval of the financial reports. The results of the impairment tests are adequately detailed in the Notes to the Financial Statements, to which reference is made;

- examined, with the assistance of the Manager responsible for preparing the Company's financial reports, the administrative and accounting procedures relating to the preparation of the Company's financial statements, the consolidated financial statements and the half-yearly financial report, as well as the other periodic accounting documents. The Manager responsible preparing Company's financial reports relies on the support of the 262 & TCF Compliance Organisational Unit to verify the operation of the administrative and accounting procedures by testing controls;
- had evidence of the process that allows the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports and the Director delegated to do so, to issue the certifications envisaged by Article 154-*bis* of the TUF, in order to control the financial reporting process, as well as the effectiveness of the company's internal control and risk management systems, with regard to financial reporting, without thereby violating the independence (pursuant to Article 19 of Italian Legislative Decree no. 39/2010, as updated by Italian Legislative Decree no. 135/2016);
- received adequate information on the monitoring activity performed on corporate processes with administrative-accounting impact within the Internal Control and Risk Management System, carried out both during the year in relation to the periodic management reports and when closing the accounts for the preparation of the Separate and Consolidated Financial Statements;
- verified that the Directors' Report on Operations was compliant with current legislation, as well as consistent with the resolutions adopted by the Board of Directors and with the facts represented in the separate financial statements and the consolidated financial statements;
- acknowledged the contents of the Consolidated Half-Yearly Report as at 30 June 2023, without it being necessary to express observations, and ascertained that the latter had been made public in the manner required by the applicable laws and regulations;
- with reference to the additional periodic information, pursuant to Article 82-*ter* of the Issuers' Regulation, acknowledged that the Company has continued to provide, on a voluntary basis and by means of a press release, the main consolidated economic-financial data and updates on operations on a quarterly basis;
- carried out, in the role of the Internal Control and Audit Committee, pursuant to Article 19, paragraph 1, of Italian Legislative Decree 39/10, as amended by Italian Legislative Decree 135/16, the specific functions of information, monitoring, control and verification provided for therein, fulfilling the duties and tasks indicated in the aforementioned legislation;
- monitored compliance with the provisions established by Italian Legislative Decree 254/2016, examining, among other things, the Consolidated Non-Financial Statement, included in the Annual Financial Report, also ascertaining compliance with the provisions that regulate its drafting pursuant to the aforementioned decree, including in light of the indications provided to ESMA in the supervisory priorities document of 25 October 2023;
- examined the draft separate financial statements and the draft consolidated financial statements as well as the most significant economic, asset or financial transactions, including transactions with related parties or involving a potential conflict of interest;

- monitored on a half-yearly basis, by acquiring information from the functions concerned, the civil, administrative and tax disputes in which the Company is involved.

To this end, the Board also obtained information during the meetings of the Board of Directors of the Committees recommended by the Corporate Governance Code and the Supervisory Body.

In the section "Significant events occurring after the end of the financial year and business outlook" the Board of Directors has analytically listed all further information in the Annual Financial Report, to which reference should be made.

In the course of the supervisory activity, carried out by the Board of Statutory Auditors in the manner described above, no facts emerged that might suggest non-compliance with the law and the articles of association or such as to warrant reporting to the Supervisory Authorities or mention in this report.

* * * * *

The additional information required by CONSOB Communication No. DEM/1025564 of 6 April 2001, as amended, is provided below.

I. Adequate information was acquired on the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries. The main initiatives undertaken during the year are comprehensively discussed in the Annual Financial Report to which reference should be made. The Board of Statutory Auditors hereby reports the finalisation of the closing that saw the sale of the entire capital of ERG Power S.r.l., the company that owns and operates the Combined Cycle Gas Turbine (CCGT) cogeneration plant in Priolo Gargallo (Syracuse), thus completing the transformation path towards a pure Wind & Solar business model.

II. On the basis of the information provided by the Company and the data acquired in relation to the aforementioned transactions, the Board of Statutory Auditors ascertained their compliance with the law, the articles of association and the principles of proper administration, ensuring that they were not manifestly imprudent or risky, in potential conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

III. During its checks, the Board did not identify any atypical and/or unusual transactions, either with third parties or with Group companies or related parties. It is acknowledged that the information provided in the Financial Report regarding significant events and transactions and any atypical and/or unusual transactions, including those within the group and with related parties, is adequate and complies with regulatory provisions.

IV. The characteristics of the intragroup and related party transactions implemented by the Company and its subsidiaries during 2023, the parties involved and the related economic effects are indicated in Note 46 to the consolidated financial statements and in Note 30 to the separate financial statements, to which reference should be made. It should be noted that the Company has had regular commercial and financial transactions with its subsidiaries, consisting of ordinary transactions concluded at market or standard conditions, i.e., since they are below the low threshold provided for by the procedure itself. All transactions were carried out in the interest of the Company and, with the exception of the transactions with entities pursuing humanitarian, cultural and scientific initiatives, are included under ordinary operations. The Board of Statutory Auditors considers the information provided on the aforementioned transactions to be adequate on the whole, and deems these transactions to be congruous and in line with the company's interest, based on the data acquired.

Transactions with Related Parties, identified on the basis of international accounting standards and the provisions issued by CONSOB, are regulated by an internal procedure; the Board of Statutory Auditors acknowledges that no changes were made during 2023.

The Board of Statutory Auditors examined the Procedure, ascertaining its compliance with CONSOB Regulation No. 17221 of 12 March 2010 and CONSOB Market Regulation 20249/2017.

The Board of Statutory Auditors verified the correct application of the Procedure for the aforementioned transactions.

V. On 26 March 2024, the independent auditors issued the reports pursuant to Articles 14 and 16 of Italian Legislative Decree No. 39/2010 and Article 10 of EU Reg. No. 537/2014 in which they certified that:

- the separate financial statements of the Company and the consolidated financial statements of the Group as at 31 December 2023 give a true and fair view of the balance sheet, profit and loss and cash flows for the year then ended in accordance with IAS/IFRS and the measures issued in implementation of Article 9 of Italian Legislative Decree 38/05;
- the Report on Operations and the information pursuant to Article 123-bis of the TUF contained in the Report on Corporate Governance and Ownership are consistent with the Company's separate financial statements and the Group's consolidated financial statements and have been prepared in accordance with the law;
- the opinion on the separate financial statements and the consolidated financial statements expressed in the aforesaid Reports is consistent with that indicated in the Additional Report prepared pursuant to Article 11 of EU Reg. no. 537/2014;
- the Company's separate financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation (EU) No. 2019/815;
- the Group's consolidated financial statements have been prepared in XHTML format and marked up, together with the notes to the financial statements, in all significant aspects, in accordance with the provisions of Delegated Regulation (EU) No. 2019/815.

Due to certain technical limitations, some information contained in the notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, may not be reproduced identically to the corresponding information displayed in the consolidated financial statements in XHTML format.

In the Report on the audit of the consolidated financial statements, the independent auditors also declared that they had audited, to the extent of their responsibility, the Non-Financial Statement for the year 2023. The Independent Auditors also issued a Report certifying compliance, in all significant aspects, with the requirements of Italian Legislative Decree 254/2016 and Article 5 of CONSOB Regulation 20267/2018 and with the principles and methodologies set forth in the GRI Standards selected by the Company. In that Report, the independent auditors stated that no evidence had come to their attention to suggest that the Consolidated Non-Financial Statement had not been prepared in accordance with the requirements of the law.

The aforementioned Independent Auditors' Reports do not contain any remarks or requests for information pursuant to Article 14, paragraph 2, letter d), or statements issued pursuant to Article 14, paragraph 2, letters e) and f) of Italian Legislative Decree 39/10.

On 26 March 2024, the same auditing firm sent to the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, the Additional Report to illustrate the results of the statutory audit, the elements inherent in the process of planning and conducting the audit and the related methodological choices and compliance with ethical principles, pursuant to Article 11 of EU Regulation No. 537/2014: as reported in the opinion on the Financial Statements, this report does not contradict the same opinions, but reports on specific matters. It is worth mentioning here that, in addition to the so-called significant matters reported as "key audit matters", in the reports on separate and consolidated financial statements, no significant deficiencies in the internal control system in relation to the financial reporting process emerged that were worthy of being brought to the attention of those responsible for "governance".

On 26 March 2024, the independent auditors issued the annual confirmation of their independence pursuant to Article 6, paragraph 2, letter a of EU Regulation No. 537/2014, which was sent on the same date to the Board of Statutory Auditors.

The Board of Statutory Auditors, also during the meetings with the independent auditors, did not receive any information from the latter on facts deemed objectionable and relevant to the performance of the statutory audit on the separate and consolidated financial statements.

During the year, on the basis of what was reported by the independent auditors, the Company and some of its subsidiaries appointed the independent auditors, and parties belonging to its network (KPMG network), for services other than the statutory audit of the accounts.

The details of the fees paid during the year and the relevant cost of the tasks carried out, including those assigned in 2023, by the independent auditors and by subjects belonging to their network in favour of the Company and its subsidiaries, are indicated in the consolidated financial statements of the company, as required by Article 149-duodecies of the Issuers' Regulation, in Annex II of the Report to the consolidated financial statements and in Annex III of the Report to the separate financial statements.

Audit-related fees include activities related to the audit of the ESEF financial statements.

Non-audit services refer to the following activities:

1. Agreed upon procedures of the first and third quarter;
2. Comfort letter on the bond;
3. Activities related to the verification of the Non-Financial Statement;
4. Activities related to the verification of the covenants of the subsidiary Andromeda S.r.l.

For the purposes of the independence of the auditing firm, a cap is envisaged for the provision of permitted non-audit services, i.e. services other than those prohibited by Article 5 of EU Regulation 537/2014, a cap equal to 70% of the average fee paid in the last three consecutive financial years for the statutory audit.

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, monitored the non-audit services during the financial year and notes that the threshold was not exceeded. It should be noted that, for the purposes of calculating the cap, the activities under 2) and 3) were not taken into account as, although subject to prior approval, they must be performed by law and mandatorily assigned to an auditor.

The auditing company only performs the tax activities related to the statutory audit assignment and therefore related to the signing of forms, VAT declaration and visa for use of credits in compensation, but does not perform any tax advisory activities as required by Article 5 of Regulation 537/2014.

The Board of Statutory Auditors, in its role as Internal Control and Audit Committee, has fulfilled the duties required by Article 19, paragraph 1, letter e) of Italian Legislative Decree 39/2010 (as amended by Italian Legislative Decree 135/2016) and Article 5, paragraph 4 of EU Reg. 537/2014 concerning the prior approval of the aforesaid appointments, verifying their compatibility with the regulations in force and, specifically, with the provisions of Article 17 of Italian Legislative Decree No. 39/2010 and subsequent amendments, as well as with the prohibitions set forth in Article 5 of the Regulation referred to therein.

The Board of Statutory Auditors notes that the assessment process, when the Company and its subsidiaries entrust certain types of services to the independent auditors and their Network, is regulated by a "Procedure for the assignment of audit engagements in ERG Group companies and the monitoring of additional services", which is aimed at ensuring that the independence requirement of the independent auditors is met and at regulating the aforementioned assessment process. In 2023, the Board of Statutory Auditors updated the *Operating Note - Approval of the services to be assigned to the Independent Auditors and their Network*, which defines the general principles and operating procedures relating to the assignment of certain types of services to the main auditor by ERG Group Companies and is aimed at establishing an internal supervisory system to monitor, at Group level, engagements for Statutory Audit Services and Non-Audit Services, also verifying compliance with the application of the regulations for Public Interest Entities, protecting the independence of the entity engaged to perform the statutory audit.

With reference to the issue of independence, the Board of Statutory Auditors has:

a) verified and monitored the independence of the audit firm, pursuant to Articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Italian Legislative Decree No. 39/2010 and Article 6 of EU Reg. No. 537/2014, ascertaining that the independence of the audit firm was in compliance with the relevant regulatory provisions and that the engagements for non-audit services conferred to the audit firm did not appear to be such as to give rise to potential threats to the auditor's independence and to the safeguards set forth in Article 22-ter of Dir. 2006/43/EC;
b) examined the transparency report and the additional report prepared by the independent auditors in compliance with the criteria set forth in EU Regulation 537/2014, noting that, on the basis of the information

acquired, no critical aspects emerged in relation to the auditor's independence;

c) received confirmation in writing, pursuant to Article 6, paragraph 2, letter a) of EU Regulation 537/2014, that the independent auditors, during the period from 1 January 2023 to the time of issue of the declaration, did not encounter any situations that may compromise its independence within the meaning of Articles 10 and 17 of Italian Legislative Decree 39/2010, as well as 4 and 5 of EU Regulation 537/2014;

d) discussed with the Independent Auditors the risks to its independence and any measures taken to mitigate them, pursuant to Article 6, paragraph 2, letter b) of EU Regulation 537/2014.

VI. During the financial year, the Board received no complaints pursuant to Article 2408 of the Italian Civil Code, nor complaints from shareholders or third parties.

VII. During the 2023 financial year, the Board of Statutory Auditors expressed its opinion in all those cases in which it was requested to do so by the Board of Directors, also in compliance with the regulatory provisions requiring prior consultation with the Board of Statutory Auditors.

During the year, the Board of Statutory Auditors, to the extent of its responsibilities, examined the proposals put forward – after evaluation by the Nominations and Remuneration Committee – regarding the remuneration policy and its implementation.

The remuneration system, implemented on the proposal of the Nominations and Remuneration Committee, envisages the allocation of compensation divided into a fixed component and a variable component linked to the economic results achieved at Group level and correlated to specific pre-established objectives, together with participation in the Company's Long-Term Incentive (Performance share) Plans, in favour of certain executives in key positions, including Key Managers, as illustrated in the Remuneration Report, which will be published pursuant to Article 123-ter of the TUF on the Company's website.

The Committee also verified that the ERG Group's remuneration infrastructure was aligned with the strategic plan and with the sustainability, innovation and motivation objectives of the new corporate scope.

In accordance with the provisions of the Related Parties Regulation, as implemented in ERG's Procedure for Related-Party Transactions, the approval of the Policy by the Shareholders' Meeting, defined on the proposal of the Nominations and Remuneration Committee, exempts the Company from applying the aforesaid procedure in the resolutions of the Board of Directors concerning the remuneration of Directors and Other Key Managers provided that the relevant remuneration is quantified on the basis of criteria that do not involve discretionary assessments.

The Nominations and Remuneration Committee verified that the remuneration awarded was in line with market values, also with the support of benchmark analyses commissioned from third parties.

VIII. The Board of Statutory Auditors monitored compliance with the law and the Articles of Association, and with the principles of proper administration, ensuring that the transactions resolved and implemented by the directors were compliant with the aforementioned rules and principles, as well as inspired by principles of economic rationality and not manifestly imprudent or risky, in conflict of interest with the Company, in contrast with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets. The Board believes that the governance tools and institutions adopted by the Company represent a valid safeguard for compliance with the principles of proper administration.

IX. Supervision of the adequacy of the organisational structure of the Company and the Group was carried out through knowledge of the Company's administrative structure and the exchange of data and information with the heads of the various corporate functions, the Internal Audit function and the independent auditors.

The organisational structure of the Company and the Group is overseen by the Chief Executive Officer and implemented through a system of internal delegations which have identified the managers in charge of the various departments and Business Units and granted powers of attorney consistent with the responsibilities assigned.

X. With reference to the supervision of the adequacy and effectiveness of the internal control system, also pursuant to the current Article 19 of Italian Legislative Decree No. 39/2010, the Board held periodic meetings with the head of the Internal Audit function and other corporate functions and the related meetings with the Control, Risk and Sustainability Committee and with the Supervisory Board, envisaged pursuant to the organisational model provided for by Italian Legislative Decree No. 231/2001 adopted by the Company (the "231 Model").

The Board found that the Company's internal control and risk management system is based on a structured and organic set of rules, procedures and organisational structures aimed at preventing or limiting the consequences of unexpected results and enabling the achievement of strategic and operational objectives (i.e. consistency of activities with objectives, effectiveness and efficiency of activities and safeguarding of corporate assets), compliance with applicable laws and regulations (compliance) and correct and transparent internal and market information (reporting).

The guidelines of the Company's internal control and risk management system are defined by the Board of Directors, with the assistance of the Control, Risk and Sustainability Committee. The Board of Directors also assesses, at least annually, its adequacy and proper functioning, with the support of the Internal Audit function and the Control, Risk and Sustainability Committee. The Company's Internal Audit function operates on the basis of an annual plan that defines which activities and processes are to be audited in a risk-based approach.

The Plan is approved annually by the Board of Directors after receiving the favourable opinion of the Control, Risk and Sustainability Committee and the Board of Statutory Auditors, and was last reviewed and approved at the Board of Directors' meeting of 13 November 2023.

On the basis of the activities carried out, the information acquired, and the content of the Report of the Audit Function, the Board of Statutory Auditors considers that there are no critical elements that could affect the structure of the control and risk management system.

In relation to the effectiveness of the internal control and risk management system - aimed at guaranteeing the safeguarding of the company's assets, the efficiency of company processes, the reliability of financial information and, more generally, compliance with the law, the Articles of Association and internal procedures - we certify that we have assessed the appropriateness of the Management Control System, finding that the related planning process is supported by adequate information systems and procedures that allow for the reliable reconciliation of the main economic and financial information with the results of the information systems used within the individual subsidiaries.

The Company, also at group level, makes use of additional tools to safeguard its operational and compliance objectives, including a structured and periodic planning, management control and reporting system, a corporate risk management system in accordance with the principles of Enterprise Risk Management (ERM) adopted as well as the Accounting Control Model in accordance with Law 262/2005 on financial information, to guarantee a satisfactory level of effectiveness in terms of preventing the main risks on financial reporting.

The Company has a 231 Model and an Anti-Corruption Policy, which, together with the Group's Code of Ethics, are aimed at preventing the commission of offences relevant to the decree and, consequently, the extension to the Company of the relevant administrative liability.

The Supervisory Board supervised the operation and compliance of the Organisational Model - the suitability of which it has assessed pursuant to Italian Legislative Decree No. 231/2001 - by monitoring any changes in the relevant legislation, the implementation of staff training initiatives, and compliance with the Protocols by their addressees, including through checks carried out with the support of the Internal Audit function.

On the subject of internal dealing, without prejudice to the obligations relating to market abuse regulations, the Code of Conduct on Internal Dealing was last updated by the Board on 11 May 2017 in order to incorporate the amendments made by CONSOB to the Issuers' Regulations with Resolution No. 19925 of 22 March 2017: the Company regulated the obligation to abstain from carrying out transactions in financial instruments issued by the Company and listed on regulated markets in accordance with the pro-tempore regulations in force.

The Procedure for the internal management of Relevant Information and Inside Information and the Public Disclosure of Inside Information was last amended by the Board of Directors *on 20 July 2021* in order to establish, pursuant to the recommendations contained in the CONSOB Guidelines, a "Relevant Information List", with the aim of tracing the preliminary stages to the publication of inside information, identifying and monitoring those types of information that the issuer deems relevant, as they relate to data, events, projects or circumstances that may, at a later date, assume a privileged nature.

In relation to the 2023 financial year, in accordance with the provisions of Article 6, Recommendation 33, letter a), of the Corporate Governance Code, the Board of Directors carried out an overall assessment of the adequacy of the internal control and risk management system, including the coordination procedures between the various parties involved in the system, based on the information and evidence gathered, with the support of the investigative activity of the Control, Risk and Sustainability Committee, and considered that the system as a whole is suitable to allow, with reasonable certainty, an adequate management of the main risks identified.

The Board supervised the compliance with information disclosures regarding mandatory and privileged information or information requested by the Supervisory Authorities.

Specifically, therefore, the Board monitored the fulfilment of obligations related to "Market abuse" and "Protection of savings" regulations, on "Internal Dealing", with particular reference to the handling of material and privileged information and the procedure for disseminating statements and information to the public.

The Board of Statutory Auditors supervised also compliance with the Policies, Guidelines and Procedures in force within the Group, as well as compliance with the processes, the outcome of which is brought to the attention of the directors to pass the related resolutions.

In the opinion of the Board of Statutory Auditors, in light of the information acquired, the Company's internal control and risk management system appears to be adequate, effective and effectively operational.

XI. The Board also supervised the adequacy and reliability of the administrative and accounting system in correctly representing management events, obtaining information from the heads of the respective functions, examining company documents and analysing the results of the work performed by the independent auditors. The Manager responsible for preparing the company's financial reports has been jointly assigned the functions established by law and provided with adequate powers and means to perform the related tasks. In addition, the Chief Executive Officer, through the Manager responsible for preparing the company's financial reports, is responsible for implementing the "Accounting Control Model pursuant to Law 262/2005" with the objective of defining the lines that must be applied within the ERG Group with reference to the obligations deriving from Article 154-*bis* of the TUF concerning the preparation of corporate accounting documents and the related certification obligations. The preparation of accounting and financial reporting, both statutory and consolidated, is governed by the Group accounting principles manual and other administrative-accounting procedures that are part of the Model pursuant to Law 262/2005.

The procedures concerning the impairment process in compliance with IAS 36 are also formalised within the framework of the Model pursuant to Law 262/2005.

ERG's Board of Directors approved the setting up of the impairment test procedure in compliance with the requirements of IAS 36, autonomously and in advance of the approval of the financial reports.

The Board of Statutory Auditors analysed and discussed the supporting documentation and, having verified the consistency with the previously adopted arrangements, deemed the method used by the Company to be correct.

Taking into account the recommendations formulated by the European Securities and Markets Authority ("ESMA") aimed at ensuring greater transparency of the methodologies adopted by listed companies within the scope of the impairment test procedures on goodwill and intangible assets, as well as in line with the recommendations of the joint Bank of Italy-CONSOB-ISVAP document no. 4 of 3 March 2010 and in light of the indications provided by CONSOB itself, on 23 February 2024, following the favourable opinion issued in this regard by the Control, Risk and Sustainability Committee, the Company's Board of Directors expressly approved the compliance of the impairment test procedure with the requirements of IAS 36.

The results of the impairments tests are adequately detailed in the Notes to the Financial Statements, to which reference is made.

The Board monitored compliance with the disclosure requirements of ESMA32-193237008 1793 (25 October 2023) with reference to the consideration of climate-related matters in the financial statements, and in particular for the purpose of impairment testing of assets. For a more complete description of the methodologies and assumptions applied, please refer to the relevant note in the Consolidated Financial Statements.

The Board of Statutory Auditors monitored the financial reporting process, also by obtaining information from the Company's management and obtained from the Directors, at least quarterly, adequate information on the activities carried out and on the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries pursuant to Article 150, paragraph 1 of the TUF.

The Board of Statutory Auditors considers the Company's administrative and accounting system to be adequate overall and reliable in correctly representing management events.

XII. The Board of Statutory Auditors monitored the adequacy of the instructions issued by the Company to its subsidiaries pursuant to Article 114, paragraph 2, of the TUF, ascertaining, on the basis of the information provided by the Company, their suitability to provide the information necessary to fulfil the disclosure obligations required by law, without exceptions.

XIII. With regard to the verification of the procedures for the practical implementation of the corporate governance rules set forth in the current edition of the Corporate Governance Code, the Board performed this verification activity with the assistance of the Company's Legal and Corporate Affairs Department.

At its meeting held on 12 March 2024, which approved the Report on Corporate Governance and Ownership, the Board of Directors verified that the Company was generally in line with the recommendations issued by the Corporate Governance Committee in its letter of 14 December 2023. The aforementioned recommendations immediately brought to the attention of the Chair of the Board of Directors to the Chair of the Company's Board of Statutory Auditors were shared at the Board meeting held on 23 February 2024.

The Report on Corporate Governance and Ownership reports that ERG's governance structure is aligned with the provisions of the Corporate Governance Code applicable to the Company, except for the sole case of non-application with reference to the assignment of the role of Director in charge of the Internal Control and Risk Management System to the Executive Deputy Chairman, as explained in detail in the Report itself.

In turn, the Board of Statutory Auditors examined the letter dated 14 December 2023 from the Chairman of the Corporate Governance Committee as well as the assessments made and the decisions taken by the Company with respect to the recommendations contained therein, without making any particular observations in this regard. The Board of Directors, in the interest of the Company and its Shareholders, promoted dialogue with Investors and, in accordance with the provisions of the Corporate Governance Code, approved the "Policy for managing dialogue with institutional investors and shareholders in general" (hereinafter, the "Engagement Policy").

The Engagement Policy was drawn up with the aim of ensuring that dialogue with Investors and, in general, with the entire community of shareholders takes place in compliance with current legislation, including that concerning the handling of inside information, and good corporate practice, and is marked by principles of fairness, transparency, timeliness and symmetry of information.

The Chair of the Board of Directors, assisted by the Chief Executive Officer, ensures that the Board of Directors is promptly informed on the development and significant contents of the dialogue with Institutional Investors and, in particular, with Shareholders, based on the provisions of the Engagement Policy.

As shown previously, following the adoption of the Corporate Governance Code, on 13 May 2021 the Board of Directors adopted the Regulations for the operation of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee and approved the policy for the management of dialogue with shareholders and investors in general, also taking into account the engagement policies adopted by institutional investors and by asset managers, updated on 23 February 2024 in order to extend its application to all stakeholders of the Company. The Board supervised the adoption and implementation of the Regulations during 2023.

Finally, on 13 October 2022, the Board approved the adoption of the Policy for Combating Violence, Harassment and Bullying in the Workplace and also updated, on the same date, the Sustainability Policy and, on 11 November 2022, the Anti-Corruption System and Policy; the Chief Executive Officer updated, on 10 November 2023, the Due Diligence procedure for Significant Third Parties.

XIV. The ERG Board of Directors in office on the date of this Report was made up of 12 Directors whose term of office will expire on the date of the next Shareholders' Meeting convened to approve the Financial Statements as at 31 December 2023. Please refer to the previous section "*Management Body – Appointment, term of office and operation*".

Please refer to the Report on Corporate Governance and Ownership for further information on the corporate governance of the Company regarding which the Board has no findings to make.

XV. The Board of Statutory Auditors examined the Remuneration Report approved by the Board of Directors on 12 March 2024 at the proposal of the Nominations and Remuneration Committee and verified its compliance with legal and regulatory requirements, and the clarity and completeness of information with regard to the remuneration policy adopted by the Company.

XVI. The Board of Statutory Auditors also examined the proposals that the Board of Directors resolved to submit to the Shareholders' Meeting on 12 March 2024, and declares that it has no observations to make in this regard, including the proposal to distribute a dividend.

XVII. Lastly, the Board of Statutory Auditors carried out its own checks on compliance with the legal provisions concerning the preparation of the draft financial statements and consolidated financial statements of the Group as at 31 December 2023, the respective explanatory notes and the accompanying Report on Operations, directly and with the assistance of the department heads and through the information obtained from the Independent Auditors. In particular, the Board of Statutory Auditors, based on the controls exercised and the information provided by the Company, within the limits of its competence pursuant to Article 149 of the TUF, acknowledges that the financial statements and the consolidated financial statements of ERG as at 31 December 2023 have been prepared in accordance with the legal provisions governing their formation and layout and with the International Financial Reporting Standards, issued by the International Accounting Standards Board, based on the text published in the Official Journal of the European Communities.

The financial statements and the consolidated financial statements are accompanied by the prescribed certifications, signed by the Chief Executive Officer and the Manager Responsible for preparing the Company's Financial Reports.

Pursuant to Italian Legislative Decree no. 254/2016 as subsequently amended, as well as the related implementing regulation issued by CONSOB with resolution no. 20267 of 18 January 2018, as a Public Interest Entity (hereinafter also "PIE") and parent company of a large group, ERG is required to prepare and publish a Consolidated Non-Financial Statement (hereinafter also "CNFS").

In compliance with the aforementioned regulations, the ERG Group's CNFS contains a description of issues concerning: business, corporate governance, contribution to climate change mitigation, initiatives and results achieved by the Company with regard to significant issues in relation to environment, social aspects, human capital and business ethics.

The CNFS makes reference to the Report on Operations and the Report on Corporate Governance and Ownership for the relevant content covered by the aforementioned documents and contains, in turn, information that fulfils the requirements of the first and second paragraphs of Article 2428 of the Italian Civil Code, limited to the analysis of non-financial information.

As required by Article 3, paragraph 7, of Italian Legislative Decree no. 245/2016, the Board of Statutory Auditors, in line with its functions and the tasks assigned to it by law, supervised compliance with the rules governing the preparation and publication of the CNFS.

In particular, the Board monitored the adequacy of the organisational structures adopted by the Group in relation to the strategic objectives pursued in the social and environmental field, and the existence of adequate rules and processes to monitor the process of gathering, assembling and presenting results and information of a non-financial nature and, with reference to this last aspect, also compliance with the provisions of Regulation 2020/852 (so-called EU Taxonomy Regulation).

ERG has given KPMG a specific mandate to: a) verify the issue of the CNFS and the correctness of the information reported and b) certify the compliance of the information requested with the reference regulations and the reporting standards used.

The conclusions of the independent auditors do not extend to the information contained in the "Taxonomy" paragraph of the CNFS required by Article 8 of European Regulation 852/2020.

During the 2023 financial year, the Board examined the documentation made available by the Company and met, in several meetings, with the independent auditors, the internal function of ERG that presides over the reporting process and the Internal Audit function, which the Board requested monitor the processes that feed into the CNFS and the related KPIs.

The Board also participated in the meetings of the Control, Risk and Sustainability Committee that dealt with the issue.

Based on the information received from management and the preliminary activities carried out by the Control, Risk and Sustainability Committee (called upon to assess the suitability of the periodic non-financial information to fairly represent the business model, the Company's strategies, the impact of its activities and the performances achieved for subsequent review and sharing by the Board of Directors), the Board of Directors approved the CNFS. The document was prepared as a separate Report from the Report on Operations.

The Board notes that, with regard to the controls carried out, as described in more detail above, no elements of non-compliance of the CNFS with respect to the regulatory provisions governing its preparation and publication came to its attention.
The independent auditors, in their report issued on 26 March 2024 note that no evidence has come to their attention such as to suggest that the Group's NFS for the financial year ending 31 December 2023 has not been prepared, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of Italian Legislative Decree 254/2016 and the "Global Reporting Initiative Sustainability Reporting Standards", with reference to the selection of GRI Standards identified by them as reporting standards.
On the basis of the foregoing, in summary of the supervisory activity carried out in the 2023 financial year, and also taking into account the results of the activity carried out by the independent auditing firm, contained in the specific report accompanying the financial statements, the Board of Statutory Auditors did not find any specific critical aspects, omissions, reprehensible facts or irregularities and has no observations or recommendations to make to the Shareholders' Meeting pursuant to Article 153 of Italian Legislative Decree 58/1998, to the extent of its competence, on the resolution proposals formulated by the Board of Directors to the Shareholders' Meeting.

Genoa, 26 March 2024

The Board of Statutory Auditors

Monica Mannino Chair

Giulia De Martino Standing Auditor

Fabrizio Cavalli Standing Auditor

INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
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16121 GENOVA GE
Telefono +39 010 564992
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying translated separate financial statements of ERG S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
ERG S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of ERG S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of ERG S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ERG S.p.A.
Independent auditors' report
31 December 2023

Measurement of the provision for disposed business

Notes to the separate financial statements: Use of estimates - Risks and uncertainties, Note 12 - Provision for disposed business

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2023 include the provision for disposed business of €76.6 million. With the support of the relevant internal departments and their legal and tax advisors, the directors estimated provision for disposed businesses, which chiefly relates to the estimated environmental, legal and tax liabilities relating to the "Oil" coastal refining and integrated downstream businesses, whose disposal was completed on 10 January 2018 with the sale of the investment in TotalErg S.p.A.. Measuring this provision is a complex activity, with a high degree of subjectivity, and entails directors' estimates about the outcome of the disputes and litigation of an environmental, legal and tax nature, in some cases dating back in time, the risk of losing, the timing for their settlement and the related effects on the separate financial statements. For the above reasons, we believe that the measurement of the provision for disposed business is a key audit matter.	Our audit included: • updating our understanding of the process for the measurement of the effect of legal disputes and assessing the design and implementation of controls and procedures; • analysing the discrepancies between past years' estimates of the effect of legal disputes and actual figures resulting from their subsequent settlement, in order to check the accuracy of the estimation process; • sending written requests for information to the advisors assisting the company and to the internal legal department about the assessment of the risk of losing pending disputes and the quantification of the related liability; • for the main disputes subject to estimate, updating the analysis of the assumptions used to determine their effect through discussions with the relevant internal departments and analysis of the supporting documentation; • for the main disputes subject to estimate, discussing assumptions or scenarios alternative to those used to calculate the effect of legal disputes and the reasons for their rejection with the relevant internal departments; • analysing the events after the reporting date that provide information useful for an assessment of the provision for disposed business; • assessing the appropriateness of the disclosures provided in the notes about this provision.

Other matters - Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of ERG S.p.A. does not extend to such data.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 23 April 2018, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2018 to 31 December 2026.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

ERG S.p.A.
Independent auditors' report
31 December 2023

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 26 March 2024

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit

ERG S.P.A.

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Share Capital EUR 15.032.000,00 fully paid

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Company Register Genoa

and Fiscal Code 94040720107

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Company subject to limited management

and coordination by SQ Renewables S.p.A.

ERG S.p.A. - March 2024
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