Directors' Report 2022

at and for the year ended 31 December 2022

The Annual Report 2022 constitues non-official version which is not compliant with the proviisons of the Comission Delegated Regulation (EU) 2019/815.

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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
Starting from 2022, following the significant Asset Rotation process launched in 2021 with the sale of the hydroelectric business and which will be completed with the probable sale of the thermoelectric business, the operating results are presented and commented on with reference to the various geographical segments in which ERG 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 focusing on the growth strategy in Wind & Solar by means of a policy of geographical and technological diversification.
It should be noted that the results, presented by geographical area as from this document, reflect the energy sales carried out on the 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 area 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.
Finally, in order to facilitate an understanding of the business segments' performance, the operating results are shown with the exclusion of significant special income components of an extraordinary nature (special items): these results are indicated with the term "Adjusted results".
*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 of the Hydroelectric Business
On 3 January 2022, ERG concluded its transaction with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l., as announced on 2 August 2021, following the approval of the Italian Antitrust Authority and the successful completion of the golden power procedure at the Italian Presidency of the Council of Ministers. The consideration totalled approximately EUR 1.265 billion, including the mark-to-market valuation of some hedging derivatives included in the scope relating to part of the future energy production of the ERG Hydro S.r.l. plants.

Agreement for the sale of the Thermoelectric Business
In the first half of 2021, the ERG Group assessed the possibility of a potential asset rotation of the thermoelectric plants to aid in further accelerating the growth and development of its business model. Following the close of the first half of 2021, bids from interested operators were received in early July 2021. Having read the market indications, the Group continued the process of assessing the potential sale of the thermoelectric plant which, at 31 December 2021 (Reporting Date of the 2021 Financial Statements), was still being finalised. However, the thermoelectric plant was not yet available for immediate sale in its current condition at the said Reporting Date.
During 2022, following the in-depth analysis carried out, Group management began negotiations for the sale of the thermoelectric plant, signing an agreement on 9 February with Enel Produzione S.p.A. for the sale of the entire capital of ERG Power S.r.l.
On 23 September 2022, the Italian Antitrust Authority (AGCM) refused authorisation for the aforementioned transaction.
Specifically, as a result of the preliminary investigation carried out in recent months the AGCM considered that the transaction would have given rise to the establishment and strengthening of a dominant position with regard to the buyer such as to substantially or indefinitely eliminate or reduce competition in the relevant markets. The AGCM's non-approval of the transaction thus rendered invalid the agreements signed by ERG Power Generation S.p.A. and Enel Produzione S.p.A. for the sale of the equity investment in ERG Power S.r.l. due to the non-fulfilment of one of the conditions necessary for closing.
Towards the end of 2022, ERG therefore took the necessary steps to initiate a new competitive process aimed at finding a new buyer, evaluating the most efficient alternative path for pursuing the strategic objective of the 2022-2026 Business Plan of focusing on the core business of generating electricity from renewable sources by divesting ERG Power S.r.l.
In consideration of the above, in this Document the result of the Assets held for sale was therefore recorded in the line "Net profit (loss) from assets held for sale" and the Invested Capital of the Assets held for sale was recorded in the financial statements as the conditions set forth in paragraph 12 of IFRS 5 were met.

2021 income statement amounts adjusted
As a result of the above, the comparison of the results of financial year 2022 with those of the corresponding period of 2021 is significantly affected by the considerable transformation of the Group's portfolio. Therefore, in order to facilitate the understanding of the performance of the two periods and in consideration of the new pure "Wind & Solar" model, the 2021 comparative figures have been restated indicating in the line "Profit (loss) from assets held for sale" the contribution of the hydroelectric and thermoelectric business, in application of IFRS 5.
For further details on the changes made, see the "Alternative Performance Measures" section.

Risks and uncertainties in relation to the business outlook
With reference to the estimates and forecasts contained in this document, and in particular in the section "Business outlook", it should be noted that the actual results may differ from those 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.

HIGLIGHTS

OPERATING DATA

	2022	vs. 2021 adjusted	= Δ
Installed capacity	2,944 MW (Wind 88%, Solar 12%)	2,418 MW (Wind 91%, Solar 9%)	+22%
Energy production	4,956 GWh (Wind 90%, Solar 10%)	4,157 GWh (Wind 94%, Solar 6%)	+19%
Employees at year end	573	553	+4%

Wind   Solar

KEY ESG INDICATORS AND RECOGNITIONS

ESG DATA

		2022	2021 adjusted	= Δ
PLANET	CO_2 avoided	2,710 kt	2,272 kt	+19%
	Circular economy wind	100%	100%	0%
ENGAGEMENT	Contribution to local communities	9,351 k eur	8,805 k eur	+7%
	Students involved in educational activities	16,377	5,832	+181%
PEOPLE	Employees at year end	573 (71% / 29%)	553 (71% / 29%)	+4%
	Training per employee	6.2 days	6.1 days	+2%
GOVERNANCE	Composition of the BoD	12 (58% / 42%)	12 (58% / 42%)	+0%

January 2022
ERG included in the **Bloomberg Gender Equality Index** for the first time

February 2022
ERG included in the **CDP Supplier Engagement Leaderboard** for the first time

June 2022
- Signing of the **Women's Empowerment Principles** and entry into the **United Nations Global Compact**.
- ERG enters the **TOP 10** of the "**Integrated Governance Index 2022**".
- **MSCI** confirms ERG's "AA" rating

September 2022
ERG among the Top **2%** of the **Moody's ESG Solutions** classification, with the "Advanced" rating for the third consecutive year

November 2022
ERG wins the **Oscar di Bilancio** for the 2nd year running

December 2022
ERG enters the **CDP Climate A list 2022**

January 2023
- **Sustainalytics** improves ERG's rating to "Low Risk" (14.6), placing it 5th among Independent Power Producers
- ERG in 54th position in the **"Global 100 most sustainable corporations in the world" (Corporate Knights)**, first among the Italian companies included
- ERG's score in the **Bloomberg Gender Equality Index** improves, putting it into the 1st quartile

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]

Chairman

PAOLO PRANDI [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 Following the resignation of Marco Costaguta from the office of Board Member of ERG S.p.A. and member of the Strategic Committee, on 15 September 2022, the Board of Directors, on the proposal of the Nominations and Remuneration Committee, pursuant to Art. 2386 of the Italian Civil Code and Art. 15 of the Articles of Association, appointed Renato Pizzolla as the new non-executive Director of the Company and member of the Strategic Committee. Director Renato Pizzolla will hold this position until the next ERG S.p.A. Shareholders' Meeting.
5 Board of Statutory Auditors appointed on 26 April 2022.
6 Appointed on 3 October 2022 pursuant to the provisions of Art. 22 of the Articles of Association, in the office of Standing Auditor and Chairman of the Board of Statutory Auditors of ERG S.p.A., until the next Shareholders' Meeting of ERG S.p.A.
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, the Group is also active in solar energy production where it ranks in the top five in Italy.

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. Conversely, the Italian Antitrust Authority (AGCM) refused authorisation of the sale of the thermoelectric business, deeming that the transaction would have given rise to the establishment and strengthening of a dominant position with regard to the buyer such as to substantially and permanently eliminate or reduce competition in the relevant markets. In this regard, ERG is already taking the necessary steps to initiate a new competitive process aimed at finding a new buyer, evaluating the most efficient alternative path for pursuing the strategic objective of the 2022-2026 Business Plan of focusing on the core business of generating electricity from renewable sources by divesting ERG Power S.r.l.

Following the completion of these important operations, the Group, whose industrial strategy integrates the ESG (Environmental, Social and Governance) plan, in line with the United Nations Sustainable Development Goals (SDGs), will become a 100% Renewable operator.

ERG is therefore a leading player in the decarbonisation process underway at a global level, committed to achieving 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 production 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

ERG Power Generation S.p.A., with generation facilities of 2,944 MW of installed renewable capacity (2,599 MW wind, 345 MW solar), operates directly or through its subsidiaries, in the following Geographical Segments:

Italy

In Italy, ERG has a total installed capacity of 1,440 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 1,265 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 1,504 MW.

In wind power, ERG is one of the leading operators in Europe with a significant and growing presence (1,334 MW operational), particularly in France (522 MW), Germany (327 MW), the UK (157 MW), Poland (142 MW), Romania (70 MW), Bulgaria (54 MW) and Sweden (62 MW).

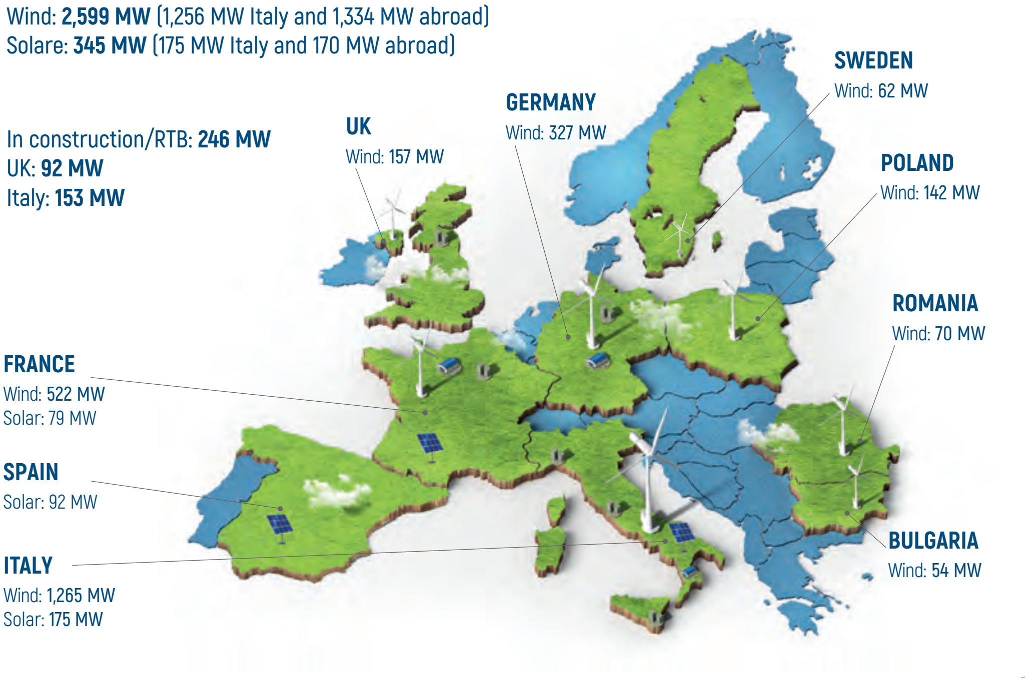
In addition, ERG operates in France and Spain in the generation of electricity from solar sources with 170 MW of installed capacity, of which 79 MW in France and 92 MW in Spain.

9 The total MW does not include the thermoelectric business, held for sale.

GEOGRAPHICAL SEGMENTS AT 31 DECEMBER 2022

TOTAL: 2,944 MW
Wind: **2,599 MW** (1,256 MW Italy and 1,334 MW abroad)
Solare: **345 MW** (175 MW Italy and 170 MW abroad)

In construction/RTB: **246 MW**
UK: **92 MW**
Italy: **153 MW**



SCOPE OF CONSOLIDATION AT 31 DECEMBER 2022

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

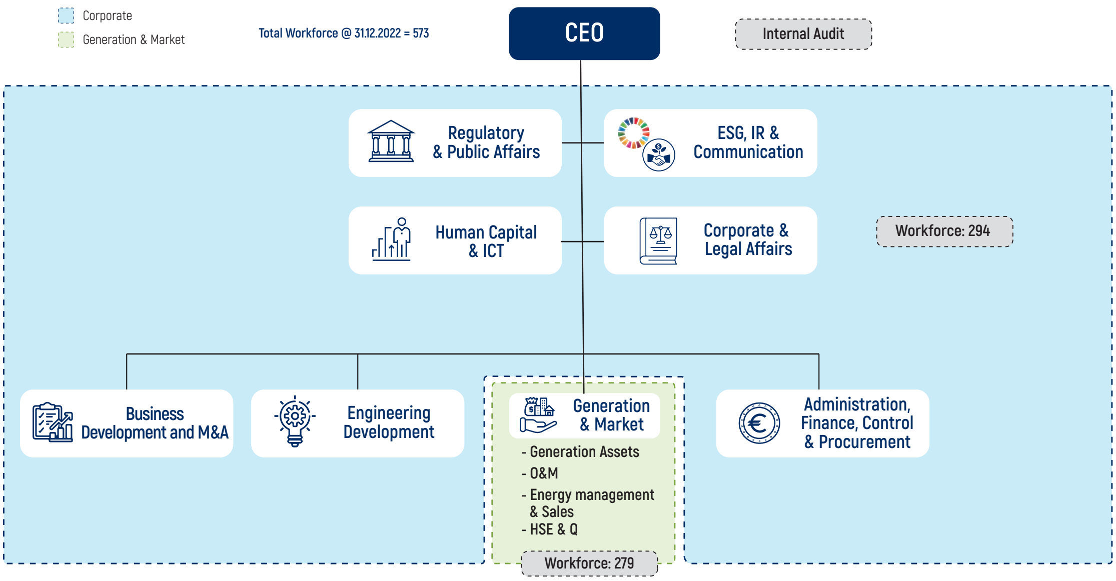
- Generation & Market, which is assigned responsibility for the Group's industrial and commercial processes, organised into:
  - Wind, Solar and Thermo[10], generation technologies, which in turn are organised into production units on a geographical basis;
  - Energy Management & Sales, as a single entry 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.

In order to continue the path of growth started and to achieve the ambitious targets set in the Business Plan, the Group has, since February 2022, implemented a business model that although well-established within the various companies remains flexible. It takes into account both geographical and technological diversification, particularly in the solar business.

Therefore, within the Business Development and M&A Organisational unit, two macro areas have been set up at

10 Thermoelectric Business held for sale.

European level – Central West Europe & Nordics and Central East Europe – bringing together the Country Business Development and M&A organisational structures. These remain responsible for identifying, coordinating and finalising organic development and M&A initiatives at local level. Similarly, two new Administration, Finance, Control & Procurement areas were established in France and Germany from July 2022. These are responsible for the related processes at local level while maintaining a functional relationship with the central Organisational Units.

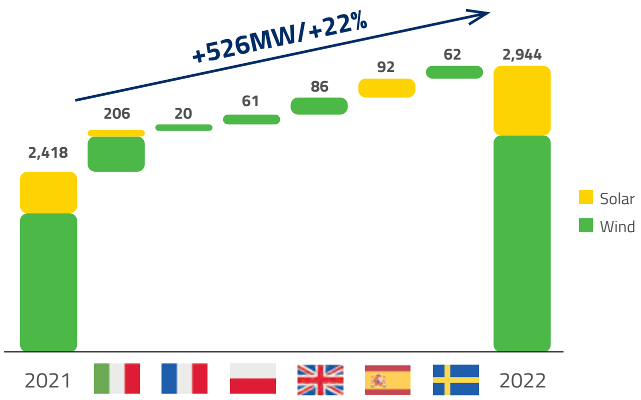


STRATEGY

THE RESULTS ACHIEVED IN 2022

In 2022, ERG made significant strides on its strategic path to decarbonise and grow the RES portfolio.

Evolution of installed capacity (MW)



Growth and securing of the RES portfolio:

In the course of 2022, the Group's installed capacity in Wind and Solar power increased by 526 MW of which:

- **Organic Development**: wind farms built and gradually entered into operation during the year for a total of 228 MW and broken down as follows:
  - 86 MW in the UK;
  - 62 MW in Sweden;
  - 61 MW in Poland;
  - 20 MW in France.
- **M&A** for a total of 298 MW, broken down as follows:
  - 126 MW of solar power in Italy (34 MW) and Spain (92 MW);
  - 172 MW of new wind power in Italy.

In 2022, significant progress was also made in the repowering and green field projects in Italy with approximately 100 MW authorised and awarded at auction. The objective of "securing revenues" has also been implemented through the signing of long-term contracts for around 0.5 TWh in the United Kingdom and in Italy through the agreement with Luxottica, lasting 12 years, for around 0.9 TWh of green energy that will be produced by the Partinico-Monreale wind farm, ERG's first to complete repowering operations.

2022-2026 BP – RESULTS TO DATE

	Objectives of the 2022-2026 BP	Results to date
RES portfolio growth	• **+2.2 GW** through RPW, Greenfield and M&A	• **+ 526 MW** in **2022** • **+ 100 MW** awarded at auction in Italy
Securing of revenue	• **85-90%** regulated	• **PPA** with Engie in Scotland for 0.5 TWh • **PPA** with EssilorLuxottica for a total of 0.9 TWhTWh
Geographical diversification	• **Increased geographical diversification**	• Increased presence in the **UK (+86 MW)**, **Sweden (+62 MW)** and **Poland (+60 MW)**.
Solar as a strategic pillar	• **+ 625 GW of solar power**	• **+125 MW**[11] in solar
Investment in innovation	• **+50 MW in storage**	• progress on some storage projects in Italy
Asset Rotation for Conventional Sources	• **Asset rotation opportunities**	• Completion of the **closing for the sale of the Hydro portfolio to Enel**
Recognition of ESG commitment	• **ESG Plan**	Top Tier in the main ESG ratings

11 34 MW Siena – Italy; 92 MW Valencia – Spain.

CONSOLIDATION OF THE PURE "WIND & SOLAR" MODEL

ERG continues on the path towards transforming its business model into a pure "Wind & Solar" operator, in line with what was presented in the 2022-2026 Business Plan. Thanks to its natural predisposition for change, and the expertise acquired over its 85-year history, the Group has managed to achieve a leading position in renewables by anticipating long-term energy scenarios, consolidating its presence in 9 countries internationally. The Group now wants to confirm itself as a leader in the energy transition, contributing to the achievement of global climate change targets.

Having finalised the sale of the hydroelectric assets to Enel Produzione, ERG is now working on the sale of the Priolo Gargallo CCGT plant. Following these major transactions, the Group aims to become a 100% renewable operator: as of today, ERG has 3,000 MW of installed renewable capacity, and a pipeline that has grown from 3,500 MW to 3,800 MW.

Based on the strategic guidelines set forth in the 2022-2026 Strategic Plan, the growth of the renewable portfolio through geographic and technological diversification continues. To date, ERG has more than 1,500 MW (+320 MW compared to 2021) of installed capacity abroad, with strong growth recorded in the United Kingdom (where from December 2021 to December 2022 ERG installed 156 MW of wind power), consolidation in Poland, and entry into new countries, such as Spain and Sweden. In Italy, ERG has 1,440 MW of installed renewable capacity (+206 MW compared to 2021).

During 2022, the Group increased its installed wind power capacity by 400 MW, and photovoltaic capacity by 126 MW. The focus on solar technology has resulted, in Italy, in the finalisation of the acquisition of 18 photovoltaic plants totalling 34 MW. Also abroad, the Group has increased its presence in the solar energy market in Spain, finalising the acquisition of a 92 MW plant and concluding an agreement for the acquisition of a 25 MWp photovoltaic plant in the commissioning stage.

UPDATE OF THE 2022 - 2026 BUSINESS PLAN

A crisis unprecedented in size and severity hit the energy system in 2022. A number of factors, including the gradual easing of COVID-19 containment measures, the war in Ukraine, the rise in global inflation, and the squeeze on gas supplies from Russia, contributed to the extreme volatility of energy prices.

The energy transition towards renewable energies therefore becomes fundamental, first and foremost to combat climate change, the effects of which are becoming increasingly dramatic, but also to stabilise prices for consumers and increase the security of energy supply. A number of extraordinary and shortsighted government measures, such as the price cap and extra taxes on renewable profits, have, however, created a perception of regulatory risk and unprecedented management complexity in the energy sector, undermining operators' ability to invest in the energy transition.

In the face of this changed context, ERG's Board of Directors approved an update of the plan targets for 2026, confirming the strategic guidelines defined for the period 2022-2026, strengthening the strategy for growth in Wind & Solar through a policy of geographical and technological diversification and the gradual securing of revenues.

ERG reiterates its commitment to the growth of its renewable portfolio through three channels:

1) **Greenfield and co-Development**: ERG intends to continue its growth strategy through the organic development of proprietary pipelines and co-development agreements in Italy and in the main European reference countries.
2) **Repowering of its plants in Italy and abroad**: in view of technological developments in the wind and solar sector, ERG aims to repower assets currently equipped with obsolete technologies, with new latest generation technologies, aimed at increasing energy production, 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 contracts known as PPAs.
3) **M&A**: ERG intends to seize opportunities for growth in renewables in the countries of interest to the Group, leveraging the financial resources deriving from asset rotation, the experience acquired during its transformation process and the synergies resulting from the consolidation with its portfolio.

ERG confirms its 2026 target of reaching an installed capacity of 4.6 GW and the ambition of reaching 5 GW in 2027, with an increase of 2.2 GW in the period 2022-2026, of which 526 MW already reached in 2022 and 1,674 MW to be installed in the period 2023-26, through:

- projects entered into operation in the first quarter of the year or currently under construction in the UK and Repowering in Italy: +0.4 GW;
- repowering projects in wind in Italy and abroad: +0,1 GW (on a differential basis);
- greenfield projects in wind and solar: +0,4 GW;
- M&A transactions for approximately +0.8 GW.

EBITDA in 2026 is expected to be greater than EUR 650 million, 85-90% quasi regulated, thanks to long-term energy sale contracts at pre-established prices (PPAs, Power Purchase Agreements) and government CfD systems.

Capital expenditure allocated for the period 2022-2026 rose from approximately EUR 2.9 billion to EUR 3.5 billion, of which EUR 0.9 billion already made in 2022. The increase with the same total MW is attributable to the acquisitions made in 2022 of high quality assets with a higher cost per MW and with a better expected cash generation, as well as higher construction costs per MW in light of the changed market context (so-called *greeninflation*).

Indebtedness at the end of 2026 will be EUR 2.3 billion, compared to EUR 1.43 billion at the end of 2022.

ERG has a solid financial structure capable of supporting its sustainable growth, always with the goal of maintaining the Investment Grade BBB- rating (Fitch).

In view of the Group's financial strength, and also as a result of the resources deriving from disposals, as well as the positive growth prospects, the Business Plan envisages an increase in the dividend from EUR 0.90 to EUR 1 per share over the period of the plan.

Key to the new Plan's success will be a new organisation, focused on international and technological diversification, and re-skilling activities.

2022-2026 STRATEGIC PLAN OBJECTIVES

	New targets for 2026
RES portfolio growth	• **+ 2,2 GW in 22-26** (+ 526 MW in 2022) • **4,6 GW** of capacity installed in 2026 (5 GW in 2027)
Securing of revenue	• Confirmed objective: **85-90%** secured out of total EBITDA
Geographical diversification	• **9 countries** in2022: **Spain** and **Sweden** started up
Solar as a strategic pillar	• **~860 MW** of solar capacity (out of +2,200 MW) • ~25% solar of total capacity @2026
Investment in innovation	• **Battery Storage: evaluation of opportunity on floating offshore wind**
Asset Rotation for Conventional Sources	• **Relaunch of the CCGT sale**
Incorporation of ESG matters	• **Improved objectives**
Dividend policy	• **EUR 1 per share** (+ 10% vs previous))

THE ESG PLAN

ERG's ESG strategy is based on four "pillars", which are closely integrated into our business model:

1. Planet: fight against climate change;
2. Engagement: commitment to local areas;
3. People: focus on the growth and well-being of people;
4. Governance: principles and management bodies inspired by best practices.

The 2022-2026 Business Plan incorporates the ESG Plan, aligned with the Sustainable Development Goals of the United Nations, which confirms the Group's mission to "keep growing in RES, acting as #SDGsContributor".

The 2022-2026 ESG plan sets out 18 well-defined objectives that are measurable through constantly monitored KPIs, with a view to guaranteeing a tangible contribution to the creation of value over time for all our stakeholders and reaching 14 of the 17 SDGs established by the United Nations, incorporated in the management's short and long-term incentive system.

In the **Planet Pillar** we confirm the goal of becoming Net Zero by 2040, and reaffirm our strong commitment to the circular economy with the objective of recovering materials from the dismantling of all our wind and solar plants. For photovoltaic panels in good condition, this environmental goal is also coupled with social reuse projects.

In the **Engagement Pillar**, we will continue to be committed to supporting our local areas, with a contribution of at least 1% of turnover to the communities where we operate with our plants.

During 2023, we will launch our ERG Academy with education programmes for the Next Generations on sustainability and renewable energy issues and the goal is to reach at least 20,000 students by 2026; the Academy will also include all development and training programmes for our people.

In the **People Pillar** we envisage employee growth programmes with objectives up to 2026 that focus on both defining individual development plans (for at least 80% of ERG People) and internal training activities (for 100% of our people). One pillar of our ESG strategy is Diversity & Inclusion, where we already have solid foundations thanks to the D&I Policy and specific training programmes, but we want to go further for a more international and inclusive ERG. We confirm the objectives for 2026 and in 2027 we intend to increase the percentage of female key leaders to at least 25%, in addition to keeping the percentage of women in the Group between at least 25% and 30%. We also intend to obtain Gender Equality certification (PNRR) in 2023 and Diversity & Inclusion certification by 2025.

In the **Governance Pillar**, our commitment to having best-in-class governance continues with the inclusion of ESG targets in the MBO/LTI remuneration systems. For greater transparency in the Tax area, in 2023 we plan to extend the Tax Control Framework also in Germany. In sustainable procurement, we have objectives regarding measuring the carbon footprint on Diversity & Inclusion programmes in the supply chain. In the cyber security area, we plan to obtain Information Security Management System certification by 2024. In addition, growth is accompanied by a green financial strategy: the goal is to have at least 90% of our loans classified as "Green Funding" by 2026.

In 2022, we made significant progress along the path outlined by the ESG plan and the results achieved are in line with the objectives defined in the ESG Plan and also included in the short-term incentive system. The results achieved are summarised below:

UN SDGs	2026 TARGETS	2022 REPORTING
	PLANET	
	Net Zero	• Target Net Zero under validation by SBTi
	Circular economy	• Wind: 100% Partinico Monreale Repowering wind components recovered • Solar: 92% materiali riciclati Solar Rewamping • Social Purpose: 4 projects authorised (2 in Africa, 2 in Italy)
	Energy efficiency	• Wind: +11.9 GWh • Solar: +3.8 GWh
	Biodiversity	• 100% of RES plants developed internally with assessments on the impact of biodiversity
	ENGAGEMENT	
	ERG Academy for Next Generation	• 16,377 students involved in educational activities
	1% for the Community	• >1% of revenues for local community development in 2022
	Trust & Reputation	• Top performer in the main ESG ratings
	PEOPLE	
	ERG Academy for our People	• 41% of employees with personal development plans • 97.6% of employees involved in training initiatives
	Diversity & Inclusion	• 18.3% women among key leaders (managers and senior managers) • 20% key leaders abroad • 29.5% women in staff
	Employees' well-being	• Assessment on Flexible benefits at Group level • Solidarity Holiday Programme extended in France and Germany • 8 days of remote working per month
	Healt & Safety, always	• No fatalities, Frequency Index = 4.12; Gravity Index = 0.19
	GOVERNANCE	
	Sustainability incentives	• 100% MBO/LTI with ESG targets
	Enhancing governance model	• Complying with gender diversity in the boards of statutory auditors, requiring one person of the least represented gender (ERG Wind Investment S.r.l., ERG Solar Holding and ERG Power Generation)
	Tax Control Framework	• Tax Control Framework implemented in France
	Sustainable procurement	• 61.1 average score of strategic suppliers (+5.6 vs. 2021)
	ESG Finance	• 88% of Green Finance

CHANGE IN BUSINESS SCOPE DURING THE YEAR

• Hydroelectric

On **3 January 2022**, ERG finalised an agreement with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l. The transaction was concluded in line with what was announced on 2 August 2021.

• Solar – Valentia

On **31 January 2022**, ERG acquired from GEI Subasta 1 SA 100% of the capital of two Spanish project companies owning two operational solar plants located in southern Spain in the regions of Castilla de la Mancha and Andalusia, of 50.0 MW and 41.6 MW respectively.

The plants were commissioned in early 2020, having participated in the auctions regulated by Italian Royal Decree No. 359 of 2017 and have an estimated total annual production of 188 GWh, equal to over 2,050 equivalent hours/ year, one of Europe's highest, corresponding to 110 kt of CO2 emissions avoided every year.

The consideration for the transaction amounts to EUR 96 million (asset value).

It should be noted that the newly acquired Spanish companies have been consolidated on a line-by-line basis starting from 1 January 2022.

• Solar – Siena Project

On **7 July 2022**, ERG finalised the acquisition from ABN AMRO Sustainable Impact Fund PE B.V. of 100% of the capital of MP Solar B.V., owner, through seven Italian companies, of eighteen operational photovoltaic plants. The plants, with a total installed capacity of 33.8 MW and a total annual output of 46 GWh, came into operation between the end of 2010 and 2011 and benefit from the tariff regime under the so-called Feed-in Tariff (II, III and IV).

The transaction fee in terms of enterprise value at 31 December 2021 was approximately EUR 128 million, and the 2021 EBITDA was EUR 17 million.

It should be noted that the newly acquired photovoltaic companies have been consolidated on a line-by-line basis starting from 1 July 2022.

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• Wind – Donatello Project

On **9 September 2022**, ERG acquired from EDP Renewables Italia Holding S.r.l. the entire share capital of seven companies, owners of seven wind farms located in Italy. The plants, with a total installed capacity of 172 MW and a total annual output of approximately 400 GWh, benefit from a “CfD” (contract for difference) tariff regime with the GSE for a duration of 20 years starting from their entry into operation, which took place between 2018 and the end of 2021.

The transaction fee in terms of enterprise value at 31 December 2021 was approximately EUR 420 million, and EBITDA for the first half of 2022 was approximately EUR 36 million.

It should be noted that the newly acquired wind companies have been consolidated on a line-by-line basis starting from 1 August 2022.

Furthermore, during 2022, two wind farms entered into operation in the United Kingdom for a total capacity of 86 MW, as did two wind farms in France for a total capacity of 27 MW, two wind farms in Poland for a total of 60 MW and one wind farm in Sweden for 62 MW. All were developed and built internally by the Group.

ERG'S STOCK MARKET PERFORMANCE

At 30 December 2022, the reference price of the ERG stock was EUR 28.95, up slightly (+1.8%) compared to the end of 2021.
The other stock market indices showed negative changes: FTSE All Share (-14.1%), FTSE Mid Cap (-21.0%) and the Euro Stoxx Utilities Index (-11.3%); the only exception was the S&P Global Energy Index (+0.6%).

During the reporting period, the listed price of ERG stock ranged between a minimum of EUR 22.98 (22 February 2022) and a maximum of EUR 36.04 (26 August 2022).
It is noted that on 29 November 2022, ERG entered the FTSE MIB index, the primary benchmark index of Euronext Milan – a regulated market organised and managed by Borsa Italiana S.p.A. – consisting of the 40 largest securities in terms of liquidity and trading volume, representing around 80% of domestic market capitalisation.

The figures relating to the prices and exchange volumes of ERG stock at 30 December 2022 are set out below:

Share price	Eur
Reference price at 30.12.2022	28.95
Maximum price (26.08.2022) (1)	36.04
Minimum price (22.02.2022) (1)	22.98
Average price	30.13

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

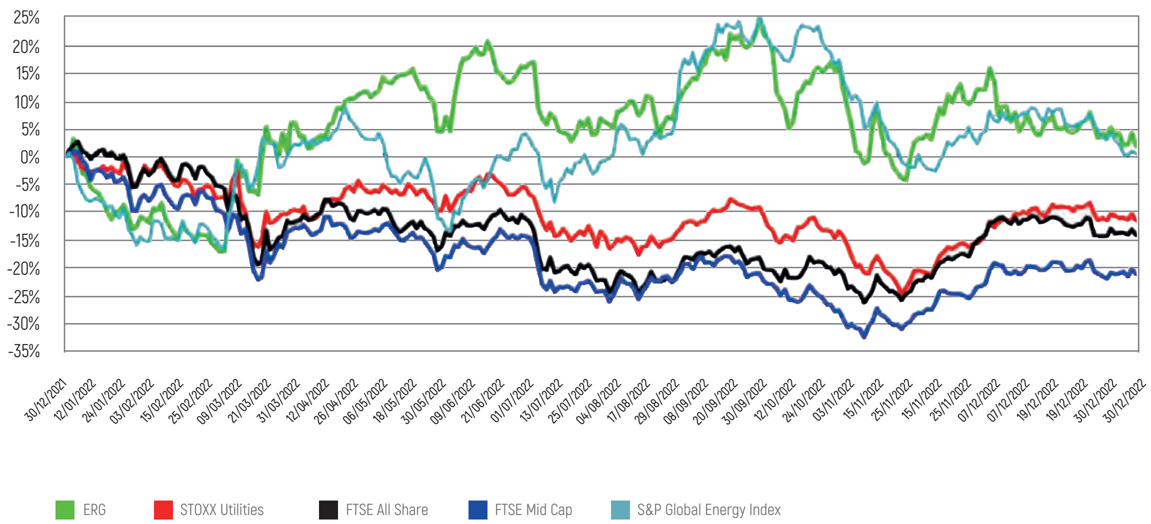
Volumes traded	No. of shares
Maximum volume (28.11.2022)	1,754,478
Minimum volume (03.08.2022)	56,579
Average volume	224,071

Market capitalisation at the end of 2022 was approximately EUR 4,353 million (EUR 4,275 million at the end of 2021).
The average number of shares outstanding in the period was 149,537,920.

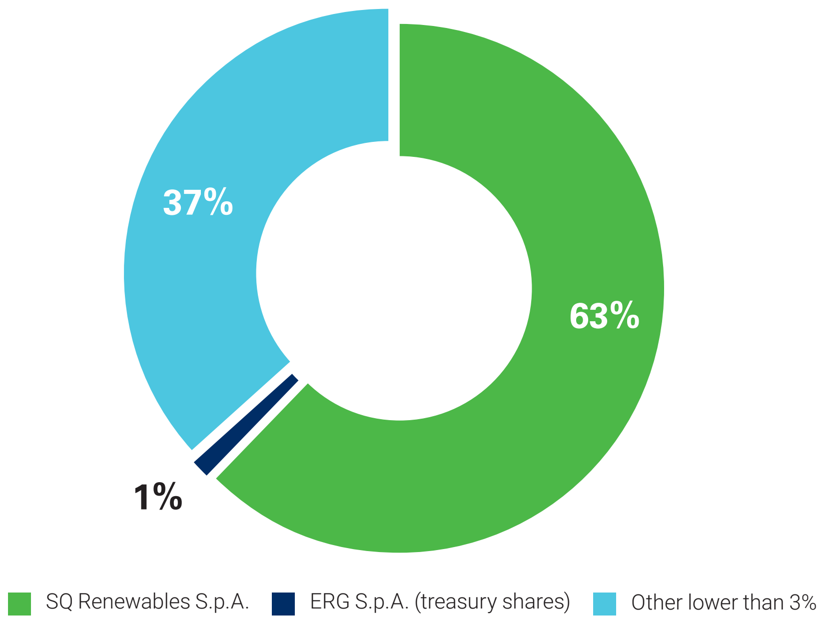
PERFORMANCE OF ERG'S SHARES AND SHAREHOLDING STRUCTURE AT 30 DECEMBER 2022

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

% Change from 30/12/2021 to 30/12/2022



The shareholding structure of ERG S.p.A. following the closing of the transaction aimed at creating the long-term partnership between San Quirico S.p.A. and the investment fund IFM Net Zero Infrastructure Fund SCSp, which took place on 15 September 2022, is shown below. As of that date, ERG S.p.A. is subject to limited management and coordination by SQ Renewables S.p.A., in accordance with the provisions of the relevant Regulations, available to the public on the Company's website (www.erg.eu) in the "Corporate Governance/Governance Documents" section.



SIGNIFICANT EVENTS DURING THE YEAR

ITALY

Date	Sector	Significant event
Press release of 3 January 2022	**Hydroelectric**	ERG has finalised the closing with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l.
Press release of 26 January 2022	**Corporate/ESG**	ERG has been included in Bloomberg's Gender Equality Index (GEI).
Press release of 31 January 2022	**Wind**	ERG has been awarded a tariff for 20 years on 97.2 MW of new wind capacity as part of the seventh auction called by GSE (Gestore dei Servizi Elettrici).
Press release of 9 February 2022	**Thermoelectric**	ERG has signed an agreement with Enel Produzione S.p.A. to sell the entire share capital of ERG Power S.r.l., which owns the Combined Cycle Gas Turbine (CCGT) cogeneration power plant.
Press release of 10 February 2022	**Corporate/ESG**	ERG enters the CDP (Carbon Disclosure Project) "Suppliers Engagement Leaderboard".
Press release of 23 February 2022	**Storage**	ERG enters the storage market with two projects for a total of 22 MW of installed capacity in the Centre-South and Sicily.
Press release of 15 March 2022	**Corporate**	ERG's Board of Directors approves the 2022-2026 Business and ESG Plan.
Press release of 26 April 2022	**Corporate**	The Shareholders of ERG S.p.A. have approved the 2021 Financial Statements, resolved on the payment of a dividend of EUR 0.90 per share and appointed the new Board of Statutory Auditors.
Press release of 13 May 2022	**Corporate**	Fitch ratings agency ("Fitch") has 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 1 June 2022	**Solar**	ERG has entered into an agreement to acquire 100% of the capital of MP Solar B.V., owner of eighteen photovoltaic plants in operation with a total installed capacity of 33.8 MW.
Press release of 15 June 2022	**Corporate/ESG**	ERG strengthens its ESG commitment. Signing of the Women's Empowerment Principles and entry into the United Nations Global Compact. MSCI confirms the Group's "AA" rating The Group also enters the Top 10 of the "Integrated Governance Index 2022".
Press release of 16 June 2022	**Corporate**	San Quirico and IFM Investors announced the establishment of a long-term strategic partnership concerning ERG S.p.A. The family office of the Garrone-Mondini family and IFM NZIF have signed a landmark agreement under which IFM NZIF and its respective affiliated companies will acquire an initial 35% interest in a new holding company to be established, which in turn will hold approximately 62.5% of ERG.

Press release of 7 July 2022	**Solar**	Completion of the acquisition from ABN AMRO Sustainable Impact Fund PE B.V. of 100% of the capital of MP Solar B.V., owner, through seven Italian companies, of eighteen photovoltaic plants in operation with a total installed capacity of 33.8 MW.
Press releases of 29 July 2022 and 9 September 2022	**Wind**	ERG has acquired from EDP Renewables Italia Holding S.r.l. the entire share capital of seven companies, owners of seven wind farms located in Italy with an installed capacity of 172 MW.
Press release of 9 September 2022	**Corporate**	Marco Costaguta, non-executive Director and member of the Strategic Committee, has resigned from the office of Director of ERG S.p.A.
Press release of 15 September 2022	**Corporate**	On the recommendation of the Nominations and Remuneration Committee, pursuant to Art. 2386 of the Italian Civil Code and Art. 15 of the Articles of Incorporation, the Board of Directors of ERG S.p.A. has appointed Renato Pizzolla as the new non-executive Director of the Company and member of the Strategic Committee.
Press release of 15 September 2022	**Corporate**	Closing of the transaction between San Quirico and IFM Investors for the establishment of a long-term strategic partnership regarding ERG S.p.A. (see PR of 16 June 2022).
Press release of 23 September 2022	**Thermoelectric**	Regarding the transaction for the sale to Enel Produzione S.p.A. of ERG Power Generation S.p.A.'s equity investment in ERG Power S.r.l., owner of the cogeneration power plant (CCGT) located in Priolo Gargallo, subject to the approval of the transaction by the competent Antitrust Authorities (see press release of 9 February 2022), we hereby announce that the Italian Antitrust Authority (AGCM), by order dated 23 September 2022, has not authorised the aforesaid transaction.
Press release of 30 September 2022	**Corporate/ESG**	Moody's ESG Solutions (previously Vigeo Eiris), one of the leading international ESG rating agencies, has confirmed ERG's Advanced Rating, the highest on its rating scale, with a score of 65/100, rewarding the Group's continued growth in ESG performance over the last 3 years. ERG thus enters the top 2% of Moody's ESG Solutions global ranking, which includes 4906 companies, obtaining 100th place and recording an increase of two points on the rating scale.
Press release of 3 October 2022	**Corporate**	The Board of Directors sadly acknowledged the untimely death of Elena Spagnol, Standing Auditor and Chairman of the Board of Statutory Auditors of ERG S.p.A. The Board of Directors, the Board of Statutory Auditors and the people of the ERG Group, in remembering Elena Spagnol for her passion, competence and extraordinary professional and human commitment to the Company, expressed their condolences and share the family's grief for such a great loss. Pursuant to the provisions of Art. 22 of the Articles of Association, the Alternate Auditor Paolo Prandi takes over the office of Standing Auditor and Chairman of the Board of Statutory Auditors of ERG S.p.A., until the next Shareholders' Meeting of ERG S.p.A.

Press release of 27 October 2022	**Corporate**	Signing, with a pool of Italian and international banks, of a "Sustainability-Linked" revolving credit line for an amount of EUR 600 million with a three-year duration and an option to extend it for a further two years. The loan, in line with the Sustainability-Linked Loan Principles, provides for an adjustment of margins to achieve specific ESG objectives, included in the Group's 2022-2026 business plan. In particular, the ESG objectives refer to the growth of the renewable portfolio and to Diversity & Inclusion. The transaction, the first of its kind for ERG, strengthens the Group's financial structure, increasing its flexibility and liquidity profile and, at the same time, contributes to the Group's sustainable development.
Press release of 3 November 2022	**Corporate**	ERG confirms its sustainable commitment and strengthens the governance system aimed at developing its inclusive culture with the introduction of the "Policy to combat Violence, Harassment and Bullying in the workplace".
Press release of 26 November 2022	**Corporate**	ERG has won the 2022 Financial Statements Oscar in the "Medium and small listed companies" category. The award is given to companies whose financial statements not only report their operations, but also show their willingness to share results and goals with their stakeholders through timely and transparent communication.
Press release of 29 November 2022	**Corporate**	ERG enters the FTSE MIB index, the primary benchmark index of Euronext Milan – a regulated market organised and managed by Borsa Italiana S.p.A. – consisting of the 40 largest securities in terms of liquidity and trading volume, representing around 80% of domestic market capitalisation.
Press release of 13 December 2022	**Corporate/ESG**	ERG enters the 'A List' of CDP (Carbon Disclosure Project), the global non-profit organisation that, by monitoring performance in the fight against climate change, guides companies and governments towards reducing greenhouse gas emissions.

ABROAD

Date	Geographical segment	Sector	Significant event
Press release of 31 January 2022	**Spain**	**Solar**	ERG acquired from GEI Subasta 1 SA 100% of the capital of two Spanish project companies owning two operational solar plants of 50.0 MW and 41.6 MW respectively.
Press release of 24 March 2022	**UK**	**Wind**	ERG, through its subsidiaries in the United Kingdom, reached an agreement with ENGIE UK Markets Ltd, for the signing of two Power Purchase Agreements (PPAs) with a ten-year duration.
Press release of 9 June 2022	**France**	**Wind**	ERG announced the commissioning of the Les Bouchats wind farm in France, situated in the Grand-Est region, with a total capacity of 19.8 MW.
Press Release of 7 July 2022	**Poland**	**Wind**	Commissioning of the Piotrkòw wind farm, located in the northern part of Poland, for a total of 24.5 MW.

Press release of 13 October 2022	UK	Wind	ERG announces the start-up of the first 50 MW of the Sandy Knowe wind farm at Dumfries & Galloway in the south of Scotland.
Press release of 14 October 2022	UK	Wind	ERG has completed the acquisition of 100% of the shares of the company Corlacky Energy Ltd., wholly owned by RES, which holds the permits for the construction and operation of the Corlacky wind farm in Northern Ireland. The project will consist of 11 turbines for an expected total installed capacity of up to 47 MW.
Press release of 24 October 2022	Poland	Wind	ERG has announced the start-up of the Laszki wind farm in Poland (36 MW). The wind farm was developed and built internally and consists of 18 Vestas V100 2.0 MW turbines with a total installed capacity of 36 MW and overall output of around 90 GWh per year when fully operational, preventing the annual emission of 76 kt of CO_2.
Press release of 25 November 2022	Sweden	Wind	ERG has completed the construction and started the energisation of the wind farm at Furuby (62 MW), in the south of Sweden. The wind farm consists of 10 latest generation Siemens Gamesa turbines of 6.2 MW with estimated annual output of approximately 210 GWh, equal to almost 3,400 equivalent hours and roughly 140 kt of CO_2 emissions avoided each year.
Press release of 16 December 2022	UK	Wind	Sandy Knowe wind farm extension completed (36 MW).
Press release of 23 December 2022	Spain	Solar	ERG has signed an agreement with Renertia Investment Company for the acquisition of 100% of the share capital of a company that owns a photovoltaic solar plant located in Fregenal de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MWp. The plant, built in 2022, is in the testing and commissioning phase and is scheduled to enter into operation in early 2023.

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

During 2022, urgent measures were introduced to contain the effects of price increases in the electricity sector.

Specifically, in Italy reference is made to Art. 37 of Italian Decree Law No. 21 of 21 March 2022[12], the impact of which was estimated at EUR 41 million (of which approximately EUR 4 million relating to the thermoelectric business), and the extraordinary contribution for 2023, introduced by the 2023 Budget Law (Italian Law 197 of 29 December 2022), the impact of which was estimated at EUR 19 million, both recognised in the Taxes line and isolated as special items. With reference to Art. 15-bis of Italian Decree Law No. 4/2022 (Sostegni-Ter)[13], it should be noted that during 2022, the application of the legislation entailed charges of approximately EUR 7 million for the solar companies. These charges were accounted for in EBITDA and recognised as a special item.

12 Converted into law by Italian Law no. 51 of 20 May 2022.
13 Converted into law by Italian Law no. 25 of 28 May 2022.

As regards abroad, note the application of the "Windfall Tax" legislation in Romania and the regulations on the price cap[14] in Europe, which led to higher charges in 2022 for EUR 28 million (EUR 15 million in Romania[15], EUR 7 million in France, EUR 2 million in Germany, EUR 2 million in Bulgaria and EUR 1 million in Poland), accounted for in EBITDA and recognised as a special item.

Overall, the effects of the aforementioned measures had an impact for the Group of approximately EUR 91 million gross of tax (EUR 83 million net of tax).

The table below summarises the different impacts of the aforementioned measures, gross of the tax effect:

(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
Italy*	37	19	7	-	**63**
France	-	-	-	7	**7**
Germany	-	-	-	2	**2**
Romania	-	-	-	15	**15**
Poland	-	-	-	1	**1**
Bulgaria	**-**	**-**	**-**	**2**	**2**
Total	**37**	**19**	**7**	**28**	**91**

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

Conflict in Ukraine

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, security and business continuity.

As regards **credit risk**, there are no open positions directly with Russian and Ukrainian counterparties; however, it should be noted that the main customer of the Group on the Priolo Gargallo site is an Italian company indirectly controlled by a Russian group. In this regard, recent news is that Litasco has finalised the details of the sale of the Priolo plants to the Cypriot private equity and asset management fund G.O.I. Energy. The transaction is subject to the occurrence of certain conditions precedent relating, among other things, to obtaining authorisations from all the competent authorities, including the Italian Government, which has, moreover, by means of Italian Prime Minister's Decree of 4 February 2023 and pursuant to Italian Decree Law no. 207/2012, declared the plants to be of national strategic interest so as to guarantee their business continuity (including the treatment plants). The transaction is expected to close by the end of March 2023 and will involve G.O.I. Energy concluding exclusive long-term supply

14 October 2022 saw the publication of Regulation (EU) 2022/1854 of 6 October 2022, which provided for the establishment of a cap on market revenues from electricity produced with technologies defined as "inframarginal" (including wind and solar power) and a solidarity contribution from the oil, natural gas and coal sectors. In addition, a cap of EUR 180 per MWh was set on market revenues from the generation of electricity from "inframarginal" sources. This cap applies throughout the European Union and entails the return of surplus revenues. The cap shall apply from 1 December 2022 to 30 June 2023, with the possibility of extension or amendment following an assessment by the European Commission.

15 In November 2022, the Romanian Government, with Emergency Act no. 53, introduced further measures to combat high energy prices, establishing the obligation for operators with capacity exceeding 10 MW to sell all available production at a fixed price of 450 lei/MWh, through the signing of PPAs. Consequently, there were no impacts of the Windfall Tax in the fourth quarter.

and off-take agreements with Trafigura, one of the largest independent traders of oil and petroleum products in the world. These agreements should guarantee a safe supply of oil to the refinery and therefore avoid the sanctions that the European Union has established with reference to the blocking of oil imports by sea from Russia that could have resulted in a stoppage of the plants in the Priolo refinery had ISAB not had replaced the crude oil of Russian origin with imports from different geographical areas (the consequences of the stoppage would have been the potential impact on the sales agreements to the site by ERG Power Generation).

In relation to **plant safety**, note the position of some of the Group's wind farms in Eastern 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 although, in the event of an escalation, possible risks of cyber attacks that could indirectly have impacts on ERG Group assets, cannot be excluded.

In relation to **business continuity** with regard to gas procurement, ERG currently procures on the spot market and the criticality is mainly linked to operations that have become more onerous both in terms of procurement prices available on the market and organisational effort.

The geopolitical tensions are significantly impacting the financial and commodities markets, with a sharp increase in rates and gas and electricity prices, in respect of which further regulatory measures in the energy sector cannot be ruled out. Finally, there is a general increase in the prices of raw materials and finished products, aggravated by geopolitical tensions, the effects of which may impact investments of projects under construction in the short/medium term. The uncertainty profiles resulting from the current macroeconomic scenario, with particular reference to interest rate dynamics and possible further regulatory interventions in the energy sector, may impact the assessment on the recoverability values of assets recognised in tangible and intangible fixed assets.

PROFIT FOR THE YEAR AND SCENARIO

		Reported (1)		Adjusted (2)	
(EUR million)		2022	2021 (3)	2022	2021 (3)
ADJUSTED MAIN INCOME STATEMENT FIGURES (2)					
Revenue		714	601	749	601
Gross operating profit (EBITDA)		**499**	**397**	**537**	**399**
Operating profit (EBIT)		**221**	**168**	**308**	**198**
Profit (loss) from continuing operations		**89**	**86**	**216**	**127**
Net profit (loss)		383	174	236	203
of which profit attributable to owners of the parent		379	173	232	202
ADJUSTED MAIN FINANCIAL FIGURES (2)					
Net invested capital of continuing operations (4)		**3,510**	**3,066**	**3,357**	**3,608**
Equity		2,055	1,569	2,059	1,556
Net financial indebtedness of continuing operations (4)		1,592	2,250	1,434	2,051
of which non-recourse Project Financing (5)		212	237	212	237
Financial leverage		44%	59%	41%	57%
EBITDA Margin %		**70%**	**66%**	**72%**	**66%**
OPERATING DATA					
Total installed capacity at the end of the year	MW			**2,944**	**2,418**
Total electricity output	GWh			**4,956**	**4,157**
Installed capacity at the end of the year – Italy	MW			1,440	1,234
Electricity output – Italy	GWh			2,312	2,295
Installed capacity at the end of the year – France	MW			600	581
Electricity output – France	GWh			1,076	889
Installed capacity at the end of the year – Germany	MW			327	327
Electricity output – Germany	GWh			556	428
Installed capacity at the end of the year – UK and Sweden	MW			219	70
Electricity output – UK	GWh			226	-
Installed capacity at the end of the year – Spain	MW			92	-
Electricity output – Spain	GWh			171	-
Installed capacity – East Europe	MW			266	206
Electricity output – East Europe	GWh			615	546
Capital expenditure (6)	EUR million			**946**	**617**
Employees at the end of the year (7)	Unità			**573**	**553**
NET UNIT REVENUE (8)					
Italy – Wind	EUR/MWh			134	149
Italy – Solar	EUR/MWh			346	335
France – Wind	EUR/MWh			98	88
France – Solar	EUR/MWh			96	90
Germany – Wind	EUR/MWh			172	112
UK and Sweden – Wind	EUR/MWh			150	-
Spain – Solar	EUR/MWh			126	-
East Europe – Wind	EUR/MWh			169	119

(1) Reported economic indicators are calculated on the basis of the 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 2021 adjusted values are restated in application of IFRS 5 by reclassifying the contributions of the thermoelectric and hydroelectric businesses under the item "Profit (loss) from assets held for sale".
(4) Net financial indebtedness from continuing operations and Net Invested Capital from continuing operations do not include the 2022 contribution of the thermoelectric business held for sale; the 2021 reported values do not include the contribution of the hydroelectric business, sold in January 2022. The adjusted values are also shown net of the effects deriving from the application of IFRS 16.
(5) Including cash and cash equivalents and excluding the fair value of the derivatives hedging interest rates.
(6) In property, plant and equipment and intangible assets. They also include Merger & Acquisition investments of EUR 638 million in 2022 and EUR 390 million in 2021.
(7) The number of employees in 2022 does not include the 144 people dedicated to ensuring the operation of the CCGT cogeneration plant. Similarly, the number of employees in 2021 does not include the 113 people included in the hydroelectric scope sold to ENEL Produzione S.p.A. and the 142 people dedicated to the thermoelectric business.
(8) Net unit revenue is expressed in EUR/MWh and is calculated by dividing the technology output by the revenue achieved on energy markets, inclusive of the impact of hedges, of any incentives due and the relative variable costs associated to generation/sale including, for example, the cost of fuel and imbalance costs.

COMMENTS ON THE YEAR'S PERFORMANCE

As previously illustrated in the paragraph "Significant events during the year", it should be noted that the adjusted results do not include the effects of the transitional measures (clawback) introduced during the year in various countries that involve returns with a negative impact that can be estimated – awaiting application clarifications – at around EUR 35 million on the gross operating margin and around EUR 83 million on the net profit of continuing operations.

In 2022, **adjusted revenue** amounted to EUR 749 million, an increase of EUR 148 million compared to 2021 adjusted[16] (EUR 601 million), mainly due to the[17] recent acquisitions in Italy and the full contribution of the capacity installed during the previous year, as well as the acquisitions completed abroad and the entry into operation of the farms developed internally and entered into operation gradually throughout the year. Generation amounted to 5.0 TWh, up by 19% (0.8 TWh) compared to 2021, as a result of the volumes deriving from the greater capacity. The higher market prices only partially affected the results as the group adopts a hedging policy that provides for sales through fixed rates, PPAs under pre-established conditions and financial hedging agreements. Higher prices had an effect abroad, especially in Germany and East Europe, depending on their specific incentive mechanisms. In Italy, unit revenues are down slightly compared with 2021, since a large part of generation is sold at pre-set prices through contracts stipulated in previous years, while there is a significant decrease in the unit value of the GRIN incentive.

Adjusted EBITDA[18], net of special items, came to EUR 537 million, up EUR 138 million from the EUR 399 million recorded in 2021 adjusted. In summary:

ITALY

- **Wind (EUR -25 million)**: EBITDA of EUR 218 million, down compared to 2021 adjusted (EUR 243 million) as a result of the lower volumes recorded due to lower wind speeds (2,062 GWh in 2022 of which 145 GWh deriving from new assets compared to 2,078 GWh in 2021) and the lower prices captured, partly offset by the contribution of the newly acquired wind assets, consolidated on a line-by-line basis from 1 August (EUR 34 million). Net of the scope effect, captured sales prices were lower than the previous year since the price scenario effect was offset by the lower value of the incentive (43 EUR/MWh compared to 109 EUR/MWh in 2021) and hedging derivatives.

16 It should be noted that following the significant Asset Rotation process undertaken by the Group, the comparative data for 2021 do not include the contribution of the hydroelectric business, sold in January 2022, and the thermoelectric business, held for sale.
17 It should be noted that the solar plants acquired from ABN Amro Sustainable Impact PE B.V. (for a total of 34 MW) are consolidated on a line-by-line basis as of 1 July 2022, while the wind farms acquired from EDP Renewables Italia Holding S.r.l. (for a total of 172 MW) are consolidated on a line-by-line basis as of 1 August 2022.
18 Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 12 million, as well as other negative effects of special items for approximately EUR 50 million. It should also be noted that the adjusted EBITDA does not include the contribution of the thermoelectric business (EUR 57 million), held for sale and reclassified to the item "Profit (loss) from assets held for sale".

- **Solar (EUR +12 million)**: EBITDA of EUR 77 million, up compared to 2021 adjusted (EUR 65 million) mainly due to the higher installed capacity (34 MW) following the acquisition of 18 photovoltaic plants, consolidated from 1 July and due to the higher volumes recorded (250 GWh in 2022, of which 23 GWh deriving from the consolidation of the new assets compared to 216 GWh in 2021). The price scenario effect, net of hedging derivatives, was essentially neutral.

ABROAD

- **Wind (EUR +129 million)**: EBITDA of EUR 244 million, up on 2021 adjusted (EUR 115 million) due to the full contribution resulting from the scope increase in 2021 in the UK, France and Germany, as well as the better prices captured and the higher wind level experienced in East Europe and Germany. In addition, the results benefit from the gradual contribution of the 229 MW of new installed capacity in 2022.
- **Solar (EUR +22 million)**: EBITDA of EUR 23 million thanks to the contribution across the entire year of the farms consolidated in France (79 MW) in the second half of 2021 and the new farms acquired in Spain (92 MW) in January 2022.

Overall, the scope effect linked to the new operating MW is EUR 118 million due to the full contribution of the new plants that entered into operation or were acquired in 2021, as well as the acquisitions and energisations carried out in 2022.
It should 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 amounts to EUR 308 million (EUR 198 million in 2021 adjusted) after depreciation and amortisation of EUR 229 million, up compared to 2021 (EUR 201 million) mainly as a result of the full contribution of the new internally developed wind farms that have come into operation in the United Kingdom, France and Poland, as well as the significant contribution of wind and photovoltaic assets acquired during 2022 in Italy and abroad, only partly offset by lower depreciation due to the end of the useful life of some components of wind farms in Italy.

The **adjusted net profit (loss) from continuing operations** amounted to EUR 216 million, a significant increase compared to 2021 adjusted (EUR 127 million) in consideration of the aforementioned operating results and lower financial expense, which were reduced as a result of the full contribution of the liability management operations carried out in 2021, only partly offset by a scope effect following the acquisitions in 2022. It should be noted that the item does not include the impact (EUR -23 million, net of the related tax) of the price cap regulations in Europe (clawback), the effects of the application of Article 15-bis of Italian Decree Law no. 4/2022 (Sostegni-Ter) (expense of EUR 5 million, net of the related tax), the impact deriving from Article 37 of Italian Decree Law no. 21/2022 in Italy equal to approximately EUR 37[19] million and the Extraordinary Contribution in Italy for EUR 19 million; these items,

19 This impact is calculated on the basis of a rate equal to 25% for the period between 1 October 2021 and 30 April 2022. The amount shown considers the scope of the continuing operations, therefore not including an additional EUR 4 million related to the thermoelectric business, recognised in discontinued operations, which is in the process of being sold.

of an extraordinary and temporary nature, totalling EUR 83 million, have been isolated as special items.

Adjusted profit attributable to the owners of the parent, also including the contribution of ERG Power S.r.l.[20], owner of the CCGT plant recognised in discontinued operations in accordance with IFRS 5 rules, amounted to EUR 232 million, significantly higher than the 2021 result (EUR 202 million), in view of the already discussed improved operating results and lower financial expenses.

Profit attributable to the owners of the parent is EUR 379 million, an increase compared to EUR 173 million in 2021 adjusted. The result includes primarily the net capital gain recognised following the sale of the Terni hydroelectric complex on 3 January 2022 (equal to approximately EUR 324 million), as well as the impairment of the wind assets subject to repowering (equal to approximately EUR 14 million) and the photovoltaic assets subject to revamping (EUR 16 million), the impairment of the CCGT in the process of being sold (EUR 66 million), the costs related to the liability management operations carried out in 2022 (equal to approximately EUR 2 million), the aforementioned effects linked to the urgent tax measures regarding the containment of energy prices (clawback) (equal to EUR 65 million in Italy[21] and EUR 23 million Abroad) and the contribution of ERG Power S.r.l., owner of the CCGT plant, reclassified under "assets held for sale".

In 2022, **capital expenditure** totalled EUR 946 million (EUR 617 million in 2021 adjusted) and refers mainly to the acquisition of solar farms (EUR 115 million) and wind farms (EUR 396 million) in Italy and solar farms in Spain (EUR 100 million) in January 2022, to the acquisition of a company holding permits for the construction and operation of a wind farm in Northern Ireland (EUR 27 million) and to organic development activities (EUR 282 million compared to EUR 215 million in 2021 adjusted), in particular in relation to the completion of the wind farms in the UK for approximately 179 MW (of which 50 MW became operational at the end of October and 36 MW in mid-December), Poland for 61 MW (of which 24.5 MW became operational in June and 36 MW in October), France for 20 MW (which became operational in June) and Sweden for 62 MW (which became operational at the end of November), and to the start of the construction in Italy for 47 MW Greenfield and Repowering on Italian plants for approximately 193 MW of new wind capacity. In solar Italy, plant revamping activities continue (EUR 15 million), aimed at ensuring greater plant efficiency. In addition, investments continue in the ICT area and in minor maintenance projects.

Adjusted net financial indebtedness of "continuing operations" totalled EUR 1,434 million, down (EUR -617 million) compared to 31 December 2021 (EUR 2,051 million). The change mainly reflects the proceeds from the sale of the Terni hydroelectric complex (EUR 1,265 million) and the positive cash flow for the year (EUR 523 million[22]), partly offset

20 Note that the adjusted results of discontinued operations include the full contribution of the amortisation and depreciation of the thermoelectric business. It should be noted that the EBITDA of the CCGT in 2022 amounted to 56 million (29 million in 2021).
21 The amount indicated includes EUR 4 million relating to the thermoelectric business.
22 The amount indicated includes EUR 4 million relating to the thermoelectric business.

by the acquisitions in Italy, Spain and the UK (EUR 638 million), capital expenditure for the year (EUR 307 million), the dividends distributed to shareholders (EUR 139 million), the payment of taxes (EUR 92 million)[23] and the change of the consolidation scope with the exit of the hydroelectric and thermoelectric businesses, the latter reported under discontinued operations. It should be noted that ERG Power S.r.l., owner of the CCGT plant, has a cash position at 31 December 2022 equal to EUR 98 million.

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 153 million (EUR 344 million at 31 December 2021).

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

REFERENCE MARKET

Price scenario

	2022	2021
Base load price scenario (EUR/MWh)		
Italy		
Single National Price (1)	304	125
Feed-In Premium (FIP) (former Green Certificates) – Italy	43	109
TTF	121	46
CO_2	<80	53
Abroad		
France	276	109
Germany	235	97
Poland	207	129
of which Electricity	*167*	*87*
of which Certificates of Origin	*40*	*42*
Bulgaria	253	109
Romania	295	141
of which Electricity	*265*	*111*
of which Green Certificate	*29*	*29*
Northern Ireland	226	136
Great Britain	241	138
Spain	168	112
Sweden SE4	152	81

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

23 The amount includes the payment of the deposit pursuant to Article 37 of Italian Decree Law no. 21/2022 equal to approximately EUR 39 million, as well as payments of direct taxes.

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 "D grade" coefficient 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 "save Alcoa law") then confirmed the 2010 tariffs of the 2nd Feed-in Premium for all plants able to certify the conclusion of works by 31 December 2010 and become operational by 30 June 2011.
- The Italian Ministerial Decree of 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 05 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.

FOREIGN INCENTIVES

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 year. • 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 '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 systems up to a capacity of 20 MW can access the auctions. • 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 plants with a capacity of between 250 kW and 17 MW. • From 2018, auctions for photovoltaic plants with a capacity exceeding 500 kW for the assignment of a two-way CfD, of 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 COs recorded the previous year, plus 25%. • From 2018 onwards, a multi-technology Dutch auction system was reintroduced, i.e. wind – photovoltaic. The quotas and the starting auction prices are defined by the Government. The incentive, 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 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*", 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 - New Climate, Energy and Environmental Aid Guidelines.**
  In December 2021, the European Commission approved the new Climate, Energy and Environmental Aid Guidelines (CEEAG).
  The new guidelines will apply to all economic aid decisions taken by Member States starting from January 2022; however, the support instruments must be adapted to the new guidelines, where materially applicable, by 31 December 2023.

Measures related to the energy crisis and the increase in electricity and gas prices

- **REPowerEU package.**
  Following the invasion of Ukraine by Russia and the resulting sharp contraction in imports of Russian natural gas into Europe, in May 2022 the European Commission published the "REPowerEU" communication to make Europe more resilient in terms of energy and independent of Russian fossil fuels well before 2030.
  The main measures and actions proposed for renewable energy include the proposal to raise the European target from 40% to 45% by 2030, and a target to install 320 GW photovoltaic by 2025 and around 600 GW by 2030.
  Above all, European guidelines are envisaged to shorten and simplify authorisation procedures for both renewable energy plants and grid infrastructures within "go-to areas" with low environmental risk and half the authorisation time.
  The Commission's REPowerEU communication was followed by the adoption of several **temporary European Council regulations** relating to different areas of the energy sector. The main measures are summarised below, in chronological order.
- In August 2022, Regulation (EU) 2022/1369 was published to coordinate gas demand reduction in the Member States for the 2022-2023 winter season. There is a voluntary target to reduce gas demand by 15%, which becomes mandatory in each Member State in the event that an EU alert is declared should there be a gas shortage, or exceptionally high demand for gas.
- In October 2022, **Regulation (EU) 2022/1854 of 6 October 2022** was published. Specifically, this envisages:
  - the establishment of a cap on market revenues from electricity produced 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 revenues" 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 revenues.
"Market revenues" refer to income deriving from the sale and supply of electricity, regardless of the contractual form, therefore including PPAs or other financial hedging products.
Member States may, under specific conditions, maintain or introduce additional restrictions on revenues aimed at addressing the energy crisis, or set higher caps (i) for technologies with a higher LCOE or (ii) in the event of a risk of an increase in CO2 and/or decrease in renewable energies. They may also choose not to apply the cap for revenues from services/redispatching and to subject 90% of the surplus revenues to distribution.
The timing of calculation of these surpluses is decided by each Member State on the basis of the timing of settlement of the energy exchange (for example, every hour) or subsequently.
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 Commission was tasked with providing guidance to the Member States for the implementation of this measure.
The cap shall apply from 1 December 2022 to 30 June 2023, with the possibility of extension and/or amendment following an appropriate assessment by the European Commission (see summary table for specific applications in the countries where ERG operates).
In December 2022, **Regulation (EU) 2022/2577** was published, laying down a framework to accelerate the deployment of renewable energy.

The measure remains in force for 18 months from 30 December 2022; if deemed appropriate, the Commission proposes to extend its validity.
The Regulation measures are applicable to new projects, however Member States may choose to apply the Regulation also to ongoing permit-granting processes if not already concluded on the same date.
Subject to certain conditions, Member States may exempt renewable energy projects and the related storage/grid projects from environmental impact assessments (EIA) and from species protection assessments, provided that the project is located in a dedicated area appropriately defined by the Member States ("eligible area") and that the area has undergone a Strategic Environmental Assessment (SEA).
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.
For roof-top photovoltaic or similar on existing structures created for purposes other than solar energy, the entire permit-granting process shall not exceed 3 months. These plants are exempt from EIA screening or from the EIA itself, under certain conditions.
In the same month, **Regulation** no. 2022/2578 was issued, establishing a dynamic limit on the price of natural gas. The mechanism is applicable from 15 February 2023 until 1 February 2024. In summary, there is a dynamic price cap applicable to the trading of TTF derivatives, automatically activated and deactivated when certain conditions are met.
The provisions of the Regulation do not apply to trading and contracts on TTF derivatives concluded before 1 February 2023.

- **Ninth package of sanctions against Russia**
  December 2022 saw the publication of Council Regulations (EU) no. 2022/2474 and no. 2022/2475 and Council Implementing Regulation (EU) no. 2022/2476, constituting the "Ninth sanctions package".
  Specifically, they envisage measures to intensify controls and restrictions on the export of goods, clarifying the methods of liquidation, divestment or withdrawal of assets from Russia. The ban on new investments in the Russian energy sector is also extended and a ban on the mining sector is passed, with the exception of activities involving some essential raw materials. The exceptions already envisaged at the discretion of the competent national authorities, relating, inter alia, to the procurement and transport of natural gas, are amended.

Below is a summary of the specific measures adopted by the Member States in compliance with Regulation (EU) 2022/1854 of 6 October 2022, based on the current understanding of the texts approved to date.

COUNTRY	Ref. Law	Price cap applicable to onshore wind farms and PV plants	Revenues (over the price cap) to be repaid (%)	Calculation method	Period of applicability
ITALY	Law no. 197 of 29 December 2022 (2023 budget law),	180 EUR/MWh (monthly)	100%	monthly	01/12/2022-30/06/2023
FRANCE	Law no. 1726 of 30 December 2022 (finances for 2023)	100 EUR/MWh	90%	to be defined by decree	01/12/2022-31/12/2023
GERMANY	Law of 20 December 2022 on electricity price brake (Strompreisbremsegesetz – StromPBG)	• Incentivised plants: tariff + 30 EUR/MWh + 6% of the price captured specific for the technology in Germany • Merchant plants: 130 EUR/MWh + 6% of the price captured specifically for the technology in Germany • Plants that have ended the incentive period: 100 EUR/MWh + 6% of the specific price captured for the technology in Germany	90%	monthly	01/12/2022-30/06/2023
POLAND	Law of 27 October 2022 on emergency measures to limit electricity prices, subsequently amended by the Law of 15 December 2022 Ordinance of the Council of Ministers of 8 November 2022 on methods for calculating the price cap, subsequently amended by the Ordinance of the Council of Ministers of 15 December 2022	• Plants with CfD incentive assigned through auction: price awarded (specific for plant) • Merchant plants: reference price in the auction system in force at the calculation date + 50 PLN/MWh	100%	daily	01/12/2022-31/12/2023
BULGARIA	Law of 30 December 2022 on the implementation of the provisions of the state budget law for 2022 Order of the Council of Ministers of 11 January 2023	• Plants with FiP incentive: FIP tariff (plant-specific) • Merchant plants: 350 BGN/MWh on an hourly basis (approx. 180 EUR/MWh)	90% for plants with FiP incentive 100% for merchant plants	hourly	01/12/2022-31/12/2023

ITALY

- **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.
  Included in the main provisions is the possibility of support for the production of electricity from renewable sources, which, for plants with a capacity of more than 1 MW, is achieved through downward auctions, aimed at the award of contracts for two-way difference and planned for at least five years. Lagging behind the legal provisions, this provision has not yet been implemented.
  For quotas not awarded through the tenders envisaged by the Italian Ministerial Decree of 4 July 2019 (RES 1 Ministerial Decree), other auction sessions will be held after 2021, until all available capacity has been used.
  The concept of "Suitable areas" for the installation of renewable energy plants is introduced, understood as areas with "high renewable potential", identified by the Regions through regional law on the basis of implementation criteria defined by the Government. Also in this case, the related provisions have not yet been implemented by the central institutions, nor by the Regions.
  Areas for repowering projects qualified as "non-substantial" according to the "Semplificazioni 2021" Decree Law are considered suitable.
  Authorisation simplification for renewable energy projects is implemented in these areas, including the mandatory but non-binding expression of Superintendencies and the Ministry of Culture for the environmental impact assessment.

- **Capacity Market Auctions 2024 – implementing provisions**
  On 21 February 2022, the Capacity Market auction was held for the delivery year starting from 1 January 2024.ERG was awarded 14 MW of the auction capacity ('Likely Available Capacity' or 'LAC' [Capacità Disponibile in Probabilità or CDP in Italian]) relating to two electrochemical storage system projects totalling 22 MW in the Central-Southern Area and Sicily, respectively of 10 MW (6 MW in LAC) and 12 MW (8 MW in LAC), which are currently in the authorisation phase with an auction price of 33.467 k€/MWLAC/year, for a term of 15 years starting in 2024.
  In addition, in continuity with previous years, the Group was awarded an annual contract for the Priolo CCGT plant for a capacity of 290 MW of LAC at an award price of 33 k€/MWLAC/year.

- **Capacity Market 2019 – 2023 delivery period**
  On 1 January 2023, the delivery period for 2023 concerning the Capacity Market auction held on 6 November 2019 began.
  On that occasion, the ERG Group was assigned 340 MW of capacity referred to the Priolo CCGT plant with an auction price of 33 k€/MWLAC/year, similar to 2022.

- **Capacity Market 2019 – 2022 delivery period**
  On 1 January 2022, the delivery period concerning the Capacity Market auction held on 6 November 2019 began.
  On that occasion, the ERG Group was assigned 340 MW of capacity referred to the Priolo CCGT plant with an action price of 33 k€/MWCDP/year.
  In March 2022, ARERA approved the resolution modifying the method for calculating the strike price, which was necessary due to the exceptional volatility of natural gas and CO_2 quotations.

- **Provision for the supply of the service for the transmission, distribution and dispatching of electricity withdrawn to allow subsequent injection into the grid.**
  ARERA has defined the conditions for the supply of the service for the transmission, distribution and dispatching of energy withdrawn and injected into the grid by stock-piling systems and auxiliary services, regardless of the plant configuration. The new regulation will be completed starting from 1 January 2024. It is applied on a voluntary basis; the operator may adhere to the new regulation from 1 October 2022.

- **Approval of the regulations on imbalances.**
  With resolution no. 523/2021, ARERA approved the regulations on imbalances in implementation of the European regulatory framework. The reform came into force on 1 April 2022.
  Among the most significant decisions are the imbalance price areas which continue to coincide with the market area, postponing the determination of "dynamic" areas to a later date.
  A macro-zonal non-arbitrage fee is established for enabled units (UAB), to neutralise any opportunistic behaviour, as well as a fee for non-compliance with dispatching orders.

- **Introduction of a new market session prior to the MGP**
  With resolution no. 517/2021, ARERA approved

Terna's proposal to add a new market session, prior to the Day-Ahead Market, regarding tertiary replacement reserve exchange.
All Dispatching Users authorised to participate in the MSD must submit – every day of the year – offers for this market session.
In the event of participation in the Capacity Market, the quantities offered contribute towards the obligation to offer on the market.

- **Data exchange between TSOs-DSOs-Significant Grid Users.**
With resolution no. 540/2021/R/eel, ARERA established the reference regulation for data exchange between Terna-DSOs-Significant Grid Users, aimed at ensuring greater observability of generation on the MV grid, typically photovoltaic. The reference framework provides for a lump-sum contribution for the retrofitting of existing facilities with a decreasing value depending on the timing of retrofitting.

- **Maximisation of electricity production with fuels other than natural gas**
In order to deal with the exceptional instability of the national natural gas system stemming from the war in Ukraine and to allow the filling of gas stores for the thermal year 2022-2023, with Italian Decree Law no. 14 of 25 February 2022 and the Guidance Act of the Ministry of Ecological Transition of 1 September 2022, a series of measures have been envisaged to contain the consumption of natural gas across the country.
On the basis of these provisions, starting from 19 September 2022, a programme to maximise electricity production with fuels other than natural gas (coal, fuel oil, sustainable bioliquids) has been in force, as part of which ARERA and TERNA have respectively defined criteria and application methods.

- **"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.**
On 27 January, Italian Decree Law no. 4/2022 "sostegni-ter", converted into law in March with Law no. 25/2022, was published. Among other things, this introduced measures to contain the effects of price increases in the electricity sector.
A specific article, later replaced by a similar provision contained in the subsequent Decree no. 13/2022 "Anti-Fraud", provides that from 1 February 2022 and until 31 December 2022, a two-way compensation mechanism on the price of energy shall be applied on electricity produced by certain renewable energy plants.
This mechanism applies exclusively to photovoltaic production incentivised up to the fourth Feed-in Premium, as well as to all non-incentivised production of RES plants (solar, hydroelectric, geothermal and wind), provided that they entered into operation prior to 1 January 2010. These types of production 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 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.
Italian Decree Law no. 176/2022 "aiuti-quater", published in December 2022 and converted into law in January 2023, allocated additional funds against high energy prices. In continuity with the previous measures, the measures concern in particular tax concessions for energy-intensive and gas-intensive companies and funds for the relaunch of national gas production. In order to accelerate the development of renewable energies, provisions are made for the PNRR-PNIEC Technical Committee, with an increase in the number of Committee members from the current 40 to 70.

- **ARERA Resolution no. 266/2022**
Last June ARERA published the resolution defining the operating procedures for the fulfilment of the compensation mechanism provided for by the "Sostegni-ter" Decree.
In short, producers interested in the measure were asked to provide the required information to GSE by 10 August 2022; the first settlement of the economic items by GSE for the February-August period had taken place by October 2022.
By the end of 2022, where there are supply contracts,

producers shall transmit the average electricity transfer price.
The adjustment of the economic items is carried out by May 2023 on the basis of the final figures.
Following a series of legal actions undertaken by multiple operators in the sector against ARERA Resolution 266/2022 (over 1,000), some "pilot" cases were discussed in November 2022 and then decided by the Lombardy Regional Administrative Court at the beginning of December 2022. More specifically, the Lombardy Regional Administrative Court cancelled ARERA Resolution 266/2022, initially however disclosing only the ruling relating to its decision (i.e. the decision, without the reasons). ARERA therefore challenged the ruling and requested the suspension of its enforceability; this request for suspension was accepted by order of the Council of State and, as a result, the Resolution became effective again.
On 9 February 2023, the reasons for the decision of the Regional Administrative Court were published and on 2 March ARERA consequently resolved to supplement its appeal against the aforementioned rulings of the Lombardy Regional Administrative Court.

- **"Energy" Decree providing for further measures to contain the electricity and natural gas costs and develop renewable energy, and related conversion law**
  On 1 March, Italian Decree Law no. 17/2022, dedicated to containing the costs of electricity and natural gas, was published. The Decree was then converted into law with Italian Law no. 34/2022.
  Some of the measures envisaged are aimed at speeding up the development of renewable energies by simplifying, including from a procedural point of view, the installation of such plants.
  The definition of "suitable areas" is broadened pending the enactment of the regional laws that will identify them, while the thresholds for considering the repowering of wind farms as a "non-substantial modification" are increased.

- **"Ukraine-bis" or "Price cut" decree and related conversion law - "Aid" decree-law as well as relevant conversion laws.**
  On 20 May, the law converting Italian Decree Law no. 21 2022 (known as "Ucraina-bis" or "Taglia prezzi") on "Urgent measures to counter the economic and humanitarian effects of the Ukrainian crisis" was published in the Official Journal.
  The law contains 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 "Aid").
  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, initially 10%, 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 additional taxation, just as active transactions not subject to VAT due to not meeting the territorial prerequisite do not contribute to the calculation, if and to the extent that the purchases to be related are not territorially relevant for VAT purposes.
  The law also contains some **provisions in favour of the development of renewable energies**.
  Among the interventions subject to a sworn declaration of commencement of work (DILA), the replacement of the rotor is included for wind power plants if the increase in blade size is limited to 20%.
  In the case of ground-mounted photovoltaic systems, on the other hand, interventions are subject to DILA if they involve the replacement of modules and other components, even if the layout of the system is modified, but entail a change in the maximum height above ground of no more than 50%.
  The threshold above which to carry out the Environmental Impact Assessment (EIA) and EIA screening procedure for certain types of photovoltaic projects is raised to 20 MW.
  With regard to the "suitable" areas, the 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 Ministry of Culture and (ii) do not fall within the "buffer zone" of such assets are considered temporarily eligible;
  The General Directorate of the Ministry of Culture must establish uniform and objective criteria for the evaluation of renewable projects.
  During the meetings of the NRRP PNIEC Technical Commission, the Ministry of Culture participates in the work but without voting rights.
  ARERA has published on its website the Resolution of 21 June 2022, 266/2022/R/eel containing the detailed provisions in compliance with Art. 15-bis of the Italian Decree Law no. 4 of 27 January 2022.

- **Annual law for market and competition.**
  In August 2022, the annual law for market and competition, with which the Government was delegated to simplify renewable energy sources, was published in the Official Journal. The Government is therefore empowered to adopt, within 12 months from the date of entry into force of the law, appropriate legislative decrees on the authorisation of renewable energy sources, in order to reorganise the legal framework.

- **Budget Law 2023 – implementation of Regulation (EU) 2022/1854 on the cap on revenues 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) 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, inter alia, 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 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 shareholders' equity.

- **"Milleproroghe" Decree Law.**
  At the end of December 2022, Italian Decree Law no. 198/2022 was published. Notably, it is expected that by 1 January 2024 decrees will be adopted to recognise contaminated sites classified as of national interest for clean-up purposes. As regards the suspension of unilateral changes to electricity and gas supply contracts, the prohibition on unilateral changes is extended to 30 June 2023, with some exceptions.

- **GME: PPA Notice Board**
  The PPA Bulletin Board, prepared by GME in compliance with the provisions of Italian Legislative Decree no. 199/2021 (Article 28), was launched on 26 April 2022. The platform was set up with the aim of promoting the meeting of parties potentially interested in executing long-term contracts for the purchase and sale of electricity from renewable energy sources, as well as enabling the fulfilment of the obligation to register the aforementioned contracts entered into by operators.

GERMANY

- **EEG 2021**
  The German Renewable Energy Sources Act (EEG), which came into force in 2021, outlines the growth process of the various renewable technologies up to 2028 and establishes climate neutrality by 2050.
  As of 2021, the base price for photovoltaic auctions for non-integrated systems is 59 EUR/MWh. Starting from 2022, it is equal to the average of the highest bids from the last three auctions, plus an 8% markup.
  For onshore wind, the auction base is increased from 2022 by 2%t per year, while the capacity limit for onshore plants participating in PV auctions rises from 10 to 20 MW.
  For the year 2022, the onshore wind quota was increased from 2.9 GW to 4 GW; the photovoltaic quota was up from 1.9 GW to almost 6 GW, of which 3,600

MW on ground-mounted plants and 2,300 MW on roof-top installations. There is also a quota adjustment mechanism to ensure competitiveness in the auctions.

- **EEG Reform 2023**
  The EEG reform approved by the German federal government, known as "EEG2023", was published at the end of July 2022. It entered into force from the date of approval, with some amendments applicable from 1 January 2023.
  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.
  On 15 December 2022, a new amendment 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 production 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).

- **Implementation of Regulation (EU) 2022/1854 on the cap on revenues from electricity**
  In implementation of Regulation (EU) 2022/1854, the German government also adopted a "cap" on unit revenues from the sale of electricity produced with infra-marginal technologies, therefore including renewables such as wind and photovoltaic.
  The cap will be applied to renewable sources from 1 December 2022 to 30 June 2023, extendable until 30 April 2024, subject to approval by the Bundestag/Bundesrat. 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.

UK

- **GB: Measures to mitigate the increase in the price of electricity and gas**
  On 6 October 2022, Ofgem, the British energy authority, approved the introduction of a cap of 40 £/MWh on Balancing Services Use of System (BSUoS) charges, applied until 31 March 2023. Any excess costs will be charged in the period May/December 2023. If the maximum of GBP 250 million is reached before the end of the period of application of the measure, the latter will cease to be applied in advance.

- **GB: decision on the payment of Balancing Services Use of System (BSUoS) charges**
  On 25 April 2022, the British energy authority Ofgem, decided that from 1 April 2023 the tariff relating to grid balancing will be levied solely on demand and therefore this charge (BSUoS) will no longer apply to producers.

- **Island of Ireland: decision on network limitations**
  With decision SEM 22-009, the Island of Ireland Regulator, SEM Committee, has established that grid limitations (curtailments) will only be remunerated as of 2024/2025 for plants that have a TSO-confirmed connection (firm connection). In case of temporary connection (non-firm connection), there is currently no remuneration.

- **Restriction on revenues from the sale of electricity (Electricity Generator Levy)**
  At the end of December, 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. According to the Electricity Generation Levy supplementary note published in December 2022, the measure applies from 1 January 2023 to April 2028 and is 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 £/MWh from 2023 until April 2024, 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.

FRANCE

- **Climate and Resilience Law**
  On 24 August 2022, the "Climate and Resilience" Law was published.
  The main provisions regarding the onshore wind and photovoltaic solar sectors include the regionalisation of renewable energy objectives, to be defined with a specific decree.
  With another specific decree, a regional energy commission was established, responsible for the preparation of regionalisation proposals and monitoring.
  For the photovoltaic sector, the obligation for some buildings to integrate renewable energy production or planting systems on at least 30% of their surface is extended.

- **Participation in auctions of renewable plants on agricultural land**
  In May 2022, the French Energy Regulatory Authority (CRE) published new specifications for the RES auction, applicable from the 3rd auction period (Oct 2022). It is now possible, under certain conditions, to participate in auctions of renewable plants installed on agricultural lands that have been uncultivated for more than five years or used for livestock/grazing purposes. For each auction period, the quota dedicated to this case is limited to 250 MW, not to be understood as a reserved volume.
  During the operation of the plant, an agricultural monitoring report must be drawn up every five years by a scientific or technical organisation independent of the operator.

- **Storage development**
  In May 2022, Decree no. 2022-788 on the development of electricity storage capacities through long-term auctions was published in the French Official Journal. This new system, which aims to speed up the development of storage facilities in order to cover flexibility requirements, must be implemented by the French TSO, RTE.

- **2023 Budget Law – application of a cap on revenues from electricity**
  At the end of December 2022, the 2023 Budget Law was published; as in the Italian case, the Law includes the measure on the "revenue cap" for infra-marginal technologies governed by Regulation (EU) 2022/1854. Specifically, the revenue cap is set at 100 EUR/MWh for wind and photovoltaic technology; the return of revenues exceeding the revenue cap is applied to 90% of the total.
  The measure applies retroactively from 1 July 2022 to 31 December 2023, with three different payment periods for economic items.
  All revenues 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. Conversely, revenues deriving from intragroup/intercompany contracts are included.

- **Guarantee fund for Power Purchase Agreements (PPA) with renewable energy**
  In November 2022, it was announced that a guarantee fund would be implemented to encourage producers of electricity from renewable sources to conclude long-term PPAs.
  Starting from 2023, the guarantee fund will guarantee the revenues of electricity producers in the event of default by the counterparty.
  In the event of default, the operator will sell the electricity on the free market and, if the market prices are higher than the agreement price, the energy producer will reimburse the difference to the fund. Otherwise, the fund will compensate the energy supplier.

POLAND

- **Law for the containment of electricity prices**
  In November 2023, the Polish government adopted Law no. 2697 for the containment of electricity prices. The law defines the maximum sale price of electricity to "eligible customers" (both domestic and small-medium enterprises or associations), regulates the procedures for compensating energy suppliers for the application of the maximum price to these customers and introduces a temporary "cap" on the revenues of electricity producers.
  The revenue cap will be 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.

All revenues from the sale of electricity through centralised platforms or bilateral agreement in the energy and balancing markets, will be returned if higher than the cap values established for each specific technology. Transactions will be settled on a daily basis and revenues will be distributed through payments to a specific fund established by the Government (Price Difference Payment Fund).

On the basis of subsequent regulations issued by the Council of Ministers, the cap for plants that access the auction mechanism is equal to the respective price awarded in the auction (indexed to inflation, as envisaged). For plants that do not access the auction mechanism, the cap is equal to the reference price in the auction system in force at the calculation date.

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 (ed. 357/2022) relating to measures to counter the escalation of gas and electricity prices. The final version envisages an extension until 31 March 2025 of the 100% tax applied on the net profit beyond 450 lei/MWh (already introduced from 1 November 2021 at a rate of 80% and increased to 100% from 1 September 2022) for all plants except for cogeneration plants.

  In July, the law approving the Government's emergency ordinance was also published. This introduced an obligation 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.

  With Emergency Ordinance no. 153, issued in November 2022 and in the process of being converted into law, the Romanian Government has 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.

  Exempted from the scope of application of the standard are renewable plants, cogeneration plants, plants with a capacity of less than 10 MW regardless of the technology, as well as plants that entered into production from 1 April 2022.

- **Transposition of European directive no. 2019/944 for the internal electricity market**

  At the end of 2021, by means of Emergency Ordinance no. 143/2021 (GEO 143), the government approved a series of amendments to Electricity and Natural Gas Law no. 123/2012. These amendments will take effect from 1 January 2022. The ordinance introduces (i) the possibility of stipulating long-term supply agreements (PPAs) outside the OPCOM centralised market, (ii) the partial abolition of the obligation for private producers of electricity to sell energy on OPCOM and (iii) the possibility for other markets, market platforms and brokers to offer their services on the Romanian market.

BULGARIA

- **Introduction of changes pertaining to the balancing market**

  With decision No. Ц-44 of 30 December 2021, the Bulgarian Energy Authority (EWRC) set certain limits for the conclusion of transactions on the energy balancing market in force from 1 January 2022.

  It also introduced an amendment to the Electricity Exchange Regulation, aimed at eliminating the possibility for balancing groups to calculate imbalances on the basis of the entire portfolio.

- **Amendment to the 2023 Budget Law – Implementation of Regulation (EU) 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) 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.

  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.

SPAIN

- **Decree on Mechanisms to contain the cost of electricity**
  In May, 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 provision entered into force on 15 June, after approval by the European Commission and will apply until 31 May 2023.
  The plants affected by the measure are combined-cycle gas, coal-fired thermoelectric and cogeneration plants and those that produce energy from waste.
  The measure provides for a notional 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.
  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.
  Among the main devices on the electricity and gas markets are the suspension of the 7% generation tax extended until 31 31 December 2023 and an update of the incentive system for renewable plants, with the possibility to exit the mechanism to sell energy through bilateral agreements. The measure on surplus profits adopted in 2021, applicable to non-CO2-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.

  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.

PERFORMANCE BY COUNTRY

(EUR million)	FY 2022	FY 2021 (1)	Δ
ADJUSTED REVENUE			
Italy	**372**	**390**	**(19)**
Abroad	**376**	**200**	**176**
France	*105*	*78*	*27*
Germany	*96*	*48*	*49*
UK and Sweden	*34*	*0*	*34*
Spain	*22*	*0*	*22*
East Europe	*119*	*74*	*45*
Corporate	**34**	**49**	**(15)**
Intra-segment revenue	*(33)*	*(38)*	*5*
Total adjusted revenue	**749**	**601**	**148**
ADJUSTED EBITDA			
Italy	**295**	**308**	**(13)**
Abroad	**267**	**116**	**151**
France	*63*	*45*	*17*
Germany	*72*	*28*	*44*
UK and Sweden	*24*	*(2)*	*26*
Spain	*18*	*0*	*18*
East Europe	*90*	*45*	*45*
Corporate	**(25)**	**(25)**	**0**
Adjusted EBITDA	**537**	**399**	**138**
ADJUSTED AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES			
Italy	**(127)**	**(124)**	**(4)**
Abroad	**(98)**	**(74)**	**(24)**
France	*(46)*	*(37)*	*(9)*
Germany	*(28)*	*(22)*	*(6)*
UK and Sweden	*(4)*	*(0)*	*(4)*
Spain	*(4)*	*0*	*(4)*
East Europe	*(15)*	*(15)*	*(1)*
Corporate	**(3)**	**(4)**	**0**
Adjusted amortisation, depreciation and impairment losses	**(229)**	**(201)**	**(27)**

(1) The 2021 values are restated in application of IFRS 5 by reclassifying the contributions of the thermoelectric and hydroelectric businesses under the item "Profit (loss) from assets held for sale".

(EUR million)	Anno 2022	2021 (1)	Δ
ADJUSTED EBIT			
Italy	**167**	**184**	**(17)**
Abroad	**170**	**43**	**127**
France	*16*	*8*	*8*
Germany	*45*	*6*	*38*
UK and Sweden	*19*	*(2)*	*22*
Spain	*14*	*0*	*14*
East Europe	*75*	*31*	*44*
Corporate	**(28)**	**(29)**	**1**
Adjusted EBIT	**308**	**198**	**111**
CAPITAL EXPENDITURE (2)			
Italy	**653**	**18**	**635**
Abroad	**290**	**596**	**(306)**
France	*11*	*220*	*(209)*
Germany	*1*	*151*	*(149)*
UK	*123*	*123*	*0*
Spain	*100*	*0*	*100*
Sweden	*36*	*57*	*(21)*
East Europe	*20*	*47*	*(27)*
Corporate	**3**	**3**	**(0)**
Total capital expenditure	**946**	**617**	**329**

(1) The 2021 values are restated in application of IFRS 5 by reclassifying the contributions of the thermoelectric and hydroelectric businesses under the item "Profit (loss) from assets held for sale".

(2) Includes investments 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 expected from each wind and solar farm is influenced by the wind speed profile or irradiation of the site on which the farm is located, by the sale price of electricity, which can vary in relation to the geographical areas in which the plants are located, the incentive systems for renewable energy sources, the regulation of organised energy markets and internal portfolio hedging policies.

ERG operates in the electricity production sector in Italy, with an installed capacity of 1,265 MW in wind power and 175 MW in solar power, up compared to the previous year by 172 MW and 34 MW, respectively, as a result of the acquisitions made during the third quarter of 2022.

	2022	2021	Δ
OPERATING RESULTS			
Installed capacity (MW) [1]	**1,440**	**1,234**	**206**
Wind	1,265	1,093	172
Solar	175	141	34
Output (GWh)	**2,312**	**2,295**	**17**
Wind	2,062	2,078	(16)
Solar	250	216	33
Load Factor % [2]			
Wind	20%	22%	-1%
Solar	18%	17%	1%
Net unit revenue (EUR/MWh)	**157**	**381**	**(224)**
Wind	134	149	(15)
Solar	346	335	11

(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 2022, **electricity output** in Italy amounted to 2,312 GWh, of which 2,062 GWh from wind power and 250 GWh from photovoltaic plants, an increase compared to 2021 (2,295 GWh, of which 2,078 GWh from wind power and 216 GWh from solar power), due to the scope effect deriving from the assets acquired in the third quarter and the better sunlight conditions (+5%), partly offset by the lower wind speeds experienced (-8%) on the other assets.

(EUR million)	2022	2021	Δ
ECONOMIC RESULTS			
Adjusted revenue	**372**	**390**	**(19)**
Wind	284	317	(33)
Solar	87	73	14
Adjusted EBITDA	**295**	**308**	**(13)**
Wind	218	243	(25)
Solar	77	65	12
Amortisation, depreciation and impairment losses	**(127)**	**(124)**	**(4)**
Wind	(82)	(83)	1
Solar	(45)	(41)	(4)
Adjusted EBIT	**167**	**184**	**(17)**
Wind	136	160	(25)
Solar	32	24	8
Capital expenditure in property, plant and equipment and intangible assets	**653**	**18**	**635**
Wind	522	16	506
Solar	131	1	129
EBITDA Margin % (1)	**79%**	**79%**	**0%**
Wind	77%	77%	0%
Solar	88%	88%	0%

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

Revenue recorded in **2022** is down due to the contribution of the solar and wind companies acquired in the third quarter of 2022, as well as the higher photovoltaic output in Italy, while higher market prices are more than offset by hedges carried out in line with group risk policies and by a lower unit value of the GRIN incentive (from 109.4 to 42.9 EUR/MWh).

In light of the above, for ERG the net unit revenue from wind power in Italy, considering the sale value of energy, including the value of incentives (former green certificates) and hedges as well as other minor components, was equal to 134 EUR/MWh, down compared with 2021 (149 EUR/MWh in 2021), as a result of the aforementioned lower value of the GRIN incentive and hedging. It should be noted that a significant portion of the volumes in 2021 were recorded in the fourth quarter, and therefore characterised by very high market prices in addition to the aforementioned higher GRIN incentive price.

Net unit revenues relating to photovoltaic plants amounted to 346 EUR/MWh (335 EUR/MWh in 2021), up due to the newly acquired solar farms not subject to hedging.

Adjusted EBITDA in Italy in **2022** amounted to EUR 295 million, a decrease compared to 2021 (EUR 308 million), for the same reasons relating to revenue.

Depreciation and amortisation for the year was up compared to 2021 adjusted due to the contribution of the newly acquired wind farms and photovoltaic plants in 2022, only partly offset by the lower depreciation and amortisation due to the end of the useful life of some components of the wind farms.

Capital expenditure

Capital expenditure **in 2022 (EUR 653 million)** refers mainly to the acquisitions of wind and solar farms in the third quarter of 2022, to the start of construction of the Roccapalumba plant (47 MW) and to the repowering activities (193 MW) on the Camporeale, Partinico-Monreale, Mineo-Militello and Vizzini plants in addition to the usual maintenance aimed at further increasing the efficiency of the plants. In Solar, the revamping of the plants has begun, aimed at ensuring greater efficiency of the same.

Relevant legislative and regulatory updates during the year

See also the "Significant regulatory and institutional updates during the year" chapter.

Wind

- **ARERA – Average annual value of electricity for incentive calculation**
  In January 2022, ARERA published resolution no. 26/2022 for the determination of the average price for the sale of electricity for 2021, equal to 125.06 EUR/MWh, for the purpose of calculating the incentive in lieu of Green Certificates. The incentive for 2022 is therefore reduced to 42.85 EUR/MWh, compared to 109.36 EUR/MWh the previous year.
  With the subsequent resolution no. 27/2023, the energy sale price for the calculation of the incentive for the following year was then updated to 298.05 EUR/MWh. This price brings the value of the FIP feed-in tariff (former green certificates) to zero for 2023.

- **Onshore wind power – photovoltaic auctions (Group A): publication of the rankings of the eighth auction session**
  In May 2022, GSE published the ranking list of the eighth call of the RES auctions pursuant to the Ministerial Decree of 4 July 2019, launched to allocate the power not allocated in the previous auctions and until the quota is exhausted, as provided for by Italian Legislative Decree no. 199/2021.
  The participating capacity was significantly lower than the available quota, with photovoltaic plants dominating (87% of the allocated capacity).
  Out of a quota of 2,338 MW available for the auctions of Group A (wind plus photovoltaic), 307 MW of capacity was awarded – divided into 32 photovoltaic and 3 wind projects – with 87% unused.
  Given the large remaining unallocated quota, the opening of the ninth tender took place on 31 May with a reserved quota for Group A auctions of about 1,905 MW unallocated in previous tenders, and a base auction price set at 66.5 EUR/MWh. The outcome was published by GSE at the end of September 2022.
  The ninth auction was also heavily under-participated, with the awarding of approximately 413 GW out of more than 1,904 GW available. Just under two-thirds of the total projects awarded were photovoltaic, while the remainder was awarded to onshore wind power.
  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**
  On 10 March, 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. At present, the proceedings are pending before the Council of State following the appeal filed in December 2022.
  The Council of Ministers held at the end of July 2022 also approved the environmental impact assessment of several wind farms – for a total capacity of approximately 452 MW – which had not obtained the EIA Decree in agreement between the Ministry of Ecological Transition (MiTE) and the Ministry of Culture (MIC).
  The projects approved include the repowering project owned by ERG in Motta Volturara in the province of Foggia.

Solar

- **Guidelines for Agrivoltaic**
  In June 2022, the Ministry of Ecological Transition (MiTE) published its “Guidelines on Agrivoltaic Plants”. With this document, the Ministry clarifies which characteristics and requirements a photovoltaic system should possess to be defined as agri-voltaic and under which circumstances it is possible to access the incentives provided by the National Recovery and Resilience Plan (NRRP).
  For the latter case, the MiTE has launched a public consultation on the measure for the granting of benefits under the specific chapter for "Agrovoltaic Development" provided for in the NRRP, aimed at providing incentives of up to 40% in non-repayable contributions for the construction of agrovoltaic plants.

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, with capacity at the end of the year of 1,504 MW operational, mainly in France (522 MW), Germany (327 MW), Poland (142 MW), the UK (157 MW), Romania (70 MW), Bulgaria (54 MW) and Sweden (62 MW).

Furthermore, ERG operates in France and Spain in the generation of electricity from solar sources with 170 MW of installed capacity, of which 79 MW in France with 9 plants acquired between June and October 2021, and 92 MW in Spain with 2 plants acquired in January.

Compared to 2021, the installed capacity has increased by 320 MW.

France

	2022	2021	Δ
Operating Results			
Installed capacity (MW) (1)	**600**	**581**	**20**
Wind	522	502	20
Solar	79	79	0
Output (GWh)	**1,076**	**889**	**187**
Wind	982	865	117
Solar	94	24	70
Load Factor % (2)			
Wind	22%	22%	0
Solar	14%	11%	n.a.
Net unit revenue (EUR/MWh)	**98**	**78**	**20**
Wind	98	88	10
Solar	96	90	n.a.

(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 **2022**, **electricity output** in France amounted to 1,076 GWh, of which 982 GWh from wind sources and 94 GWh from photovoltaic plants, an increase compared to 2021 (889 GWh) due to the scope effect (+221 GWh) deriving from the acquisition of wind and solar plants consolidated between June and October 2021 and from the entry into operation of two internally developed farms. This scope effect is partially offset by the lower wind speeds encountered in the year.

(EUR million)	2022	2021	Δ
Economic results			
Adjusted revenue	**105**	**78**	**27**
Wind	96	76	20
Solar	9	2	7
Adjusted EBITDA	**63**	**45**	**17**
Wind	58	44	14
Solar	5	1	4
Amortisation, depreciation and impairment losses	**(46)**	**(37)**	**(9)**
Wind	(42)	(36)	(6)
Solar	(4)	(1)	(3)
Adjusted EBIT	**16**	**8**	**8**
Wind	16	8	8
Solar	1	(0)	1
Capital expenditure in property, plant and equipment and intangible assets	**11**	**220**	**(209)**
Wind	11	145	(135)
Solar	0	74	(74)
EBITDA Margin % (1)	**59%**	**58%**	**2%**
Wind	60%	58%	2%
Solar	55%	0%	55%

(1) Rapporto del margine operativo lordo adjusted sui ricavi della gestione caratteristica.

The **revenue** recorded **in 2022** was up due to the change in the scope of consolidation mentioned above, partly offset by the lower output recorded.

Net unit revenue from wind power in France for 98 EUR/MWh is up compared to 2021 (88 EUR/MWh) due to market installations following the exit from the incentive period, while net unit revenue from photovoltaic installations totalled 96 EUR/MWh, up compared to 2021 due to a different mix of generation with different tariffs.

Adjusted EBITDA in France in 2022 amounted to EUR 63 million, an increase compared to 2021 (EUR 45 million), for the same reasons linked to revenue.

Depreciation and amortisation for the year increased compared to 2021 adjusted due to the contribution of the wind and solar farms acquired during the second half of 2021.

Capital expenditure

Capital expenditure in **2022 (EUR 11 million)** mainly refers to the development and construction of a new wind farm that came into operation in June (20 MW).

Relevant legislative and regulatory updates during the year

See also the "Significant regulatory and institutional updates during the year" chapter.

- **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.

- **Change in 2016 FIP, 2017 FIP and CfD tariff scheme**
  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, 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).
- At the end of December 2022, a further decree established the price levels applicable as the threshold for reimbursement: in cases where the market price is higher than the tariff (negative premium), the tariff contribution will be reimbursed up to the threshold price. For the years 2022-2042, the threshold prices are increasing from 44.78 EUR/MWh in 2022 to 66.55 EUR/MWh in 2042.

Wind

- **Amendments to the regulations for onshore wind auctions for the period 2021-2026**
  Following approval by the European Commission at the end of July, in August 2021 the Energy Regulatory Commission published the new regulations for onshore wind auctions for the period 2021-2026. Ten auction sessions are scheduled starting from November 2021 until 2026 for a total of more than 9 GW, for the assignment of a two-way CfD contract with a twenty-year duration, with a base price (cap) unchanged at 70 EUR/MWh. The criterion for forming the rankings is no longer based solely on the discount offered but also on whether or not there is local participation in the project (Financement collectif or Gouvernance partagé). Projects for the renovation of wind farms are admitted to auctions if certain conditions on the start of works and on the components used are met. A clause on the carbon footprint along the life cycle of the turbine has also been introduced.
  The first auction session according to the new procedures was in November 2021 with a quota of 700 MW, which could have been increased up to 925 MW in the event of subscriptions exceeding this quota. A quota modulation mechanism is envisaged to foster the competitiveness of the prices awarded in the event that applications do not meet the available total.
  The rules for the auctions carried out starting from December 2022 were then amended by a subsequent Cahier des Charges, published in November 2022 (see related paragraph).

- **Publication of results of ninth onshore wind farm auction 2021**
  In February 2022, the Ministry of Ecological Transition published the outcome of the ninth auction for onshore wind farm. Against a contingent of 700 MW, projects for a total capacity of 510 MW were awarded. These include the ERG "Moulin du Bois" project for an allotted price of 65 EUR/MWh.

- **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 be reserved for new wind farms with a maximum number of 6 turbines with a nominal capacity not exceeding 3 MW each, provided that (i) the maximum height is limited to 137 m 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.

- **Decree on land and marine areas for "greater protection"**
  In April 2022, Decree NO. 2022/527 was published, establishing the conditions for the recognition of "higher protection zones" (ZPFs) for land and sea areas where the development of wind and solar photovoltaic projects could be prevented.
  ZPF recognition is automatic for a number of land and maritime areas, such as national parks and reserves, protection zones, biological reserves
  In the other cases, the qualification of ZPF is defined case by case on the basis of objective criteria, through a coordinated procedure at regional level and according to decision made by the competent ministers.
  The list of ZPF recognized areas will be updated periodically to monitor the achievement of the objectives of the national strategy for protected areas.

- **Cahiers des Charges for onshore wind power**
  In November 2022, CRE published the new Cahier des Charges for onshore wind power 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.

Solar

- **Amendments to the regulations for PV auctions for the period 2021-2026**
  Following approval by the European Commission at the end of July 2021, on 6 August of the same year the Energy Regulatory Commission published the new regulations for PV auctions for the period 2021-2026. Ten auction sessions are scheduled starting from November 2021 until 2026 for a total of more than 9 GW, for the assignment of a two-way CfD contract with a twenty-year duration, with a base price (cap) at 90 EUR/MWh for all types of ground-mounted PV systems. The first auction session according to the new procedures was set for December 2021 with a quota of 700 MW, which can be increased up to 925 MW should participating projects exceed these quotas. A quota modulation mechanism is envisaged to foster the competitiveness of the prices awarded in the event that applications do not meet the available total.
  At the end of March 2022, CRE introduced further changes to the PV auction procedure, concerning the definition of the dates for the second and third 2022 auction sessions, the introduction of additional capacity reserved for projects smaller than 5 MW, and above all the reduction of the cap price from the third session (October 2022) from EUR 90/MWh to EUR 85/MWh.

- **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

	2022	2021	Δ
Operating Results			
Installed capacity (MW) (1)	327	327	-
Output (GWh)	556	428	129
Load Factor % (2)	19%	17%	2%
Net unit revenue (EUR/MWh)	172	112	60

(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 **2022**, **electricity output** in Germany amounted to 556 GWh, an increase compared to 2021 (428 GWh) due to the better wind conditions encountered in the year and the scope of the first nine months arising from the acquisition of consolidated wind farms in October 2021 (+80 GWh), as well as higher prices captured as a result of market prices above the incentivised tariffs.

(EUR million)	2022	2021	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 **2022** was up compared to 2021, due to the aforementioned better wind conditions, the increase in energy sale prices and the scope of the farms acquired in 2021.

Net unit revenue from wind power in Germany, equal to 172 EUR/MWh, was significantly higher than in 2021 (112 EUR/MWh), as the incentive mechanism benefited from the increase in the market price scenario above the contractual minimum threshold.

Adjusted EBITDA in Germany in **2022** amounted to EUR 72 million, a significant increase compared to 2021 (EUR 28 million), for the same reasons linked to revenue.

Depreciation and amortisation for the year increased compared to 2022 due to the contribution of the wind farms acquired during the second half of 2021.

Capital expenditure

Capital expenditure in **2022** relates to maintenance activities aimed at ensuring the continued high efficiency of the plants.

UK and Sweden – Wind

	2022	2021	Δ
Operating Results			
Installed capacity (MW) (1)	219	70	149
Output (GWh)	226	-	226
Load Factor % (2)	33%	n.a.	n.a
Net unit revenue (EUR/MWh)	150	n.a.	n.a

(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 **2022**, **electricity output** in the UK and Sweden amounted to 226 GWh and mainly refers to the wind farms developed internally and entered into operation at the end of 2021 in Northern Ireland (70 MW), in addition to the first contributions deriving from the plants that entered into operation between the end of October and December in Scotland (86 MW) and Sweden (62 MW).

(EUR million)	2022	2021	Δ
Economic results			
Adjusted revenue	34	-	34
Adjusted EBITDA	24	(2)	26
Amortisation, depreciation and impairment losses	(4)	(0)	(4)
Adjusted EBIT	19	(2)	22
Capital expenditure in property, plant and equipment and intangible assets	159	179	(21)
EBITDA Margin % (1)	70%	n.a	n.a

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

Revenues recorded in **2022** amounted to EUR 34 million with net unit revenues amounting to 150 EUR/MWh in 2022, mainly attributable to sales in Northern Ireland made through a PPA. Furthermore, starting from the end of the year, revenues begin to include the first sales in Scotland and Sweden.

Adjusted EBITDA in the UK and Sweden in **2022** stood at EUR 24 million, for the same reasons linked to revenue.

Capital expenditure

Capital expenditure in **2022** relates to the construction activities of wind farms in Scotland, for approximately 179 MW, which are expected to come into operation between late 2022 and early 2023, and in Sweden, for 62 MW, which came into operation at the end of 2022.

Relevant legislative and regulatory updates during the year

See also the "Significant regulatory and institutional updates during the year" chapter.

Spain – Solar

	2022	2021	Δ
Operating Results			
Installed capacity (MW) (1)	92	-	92
Output (GWh)	171	-	171
Load Factor % (2)	21%	-	21%
Net unit revenue (EUR/MWh)	126	-	126

(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 **2022**, **electricity output** in Spain amounted to 171 GWh and related to the solar plants acquired in January 2022 (92 MW).

(EUR million)	2022	2021	Δ
Economic results			
Adjusted revenue	22	-	22
Adjusted EBITDA	18	-	18
Amortisation, depreciation and impairment losses	(4)	-	(4)
Adjusted EBIT	14	-	14
Capital expenditure in property, plant and equipment and intangible assets	100	-	100
EBITDA Margin % (1)	84%	-	84%

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

Revenue recorded in **2022** amounted to EUR 22 million, with unit net revenue amounting to 126 EUR/MWh as production is actually exposed to market prices.

Adjusted EBITDA in Spain in **2022** amounted to EUR 18 million, for the same reasons linked to revenue.

Capital expenditure

Capital expenditure in **2022** refers to the acquisition of the two solar farms in January.

Relevant legislative and regulatory updates during the year

See also the "Significant regulatory and institutional updates during the year" chapter.

- **2023 auction base price increase**
  In December, the energy authority updated the auction base price for 2023, providing for an increase of up to 25% for onshore wind and photovoltaic, to take into account the increase in the overall cost of capital expenditure.
  On this basis, the base price for onshore wind for the 2023 auctions increased from 58.8 EUR/MWh to 73.5 EUR/MWh.

The prices assigned must then be adjusted according to the formula (Referenzertrag), which makes it possible to increase the tariffs up to 42% (up compared to the previous 35%) for sites with low wind speeds.
On 25 January 2023, the auction base price for 2023 for photovoltaic plants >1MW was also adjusted to 73.7 EUR/MWh , incorporating a 25% increase compared to the 2022 auction base price (59 EUR/MWh).

East Europe – Wind

	2022	2021	Δ
Operating Results			
Installed capacity (MW) (1)	266	206	61
Output (GWh)	615	546	69
Load Factor % (2)	31%	30%	1%
Net unit revenue (EUR/MWh)	169	65	104

(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 2022, electricity output in East Europe amounted to 615 GWh, an increase compared to 2021 (546 GWh) due to the better wind conditions encountered in the first nine months of the year, as well as the commissioning of two internally developed wind farms in Poland (24.5 MW in June and 36 MW at the end of October).

(EUR million)	2022	2021	Δ
Economic results			
Adjusted revenue	119	74	45
Adjusted EBITDA	90	45	45
Amortisation, depreciation and impairment losses	(15)	(15)	(1)
Adjusted EBIT	75	31	44
Capital expenditure in property, plant and equipment and intangible assets	20	47	(27)
EBITDA Margin % (1)	76%	62%	15%

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

Revenue recorded in **2022** was up compared to 2021, due to the aforementioned better wind conditions and the increase in energy sale prices.

Average net unit revenues in East Europe, which include the certificate that is added to the price of energy, amounted to 169 EUR/MWh, up sharply compared to 2021 (119 EUR/MWh), following the increase in the scenario particularly in the first nine months of the year. Indeed, it should be noted that starting from 1 October, the measures introduced by the Romanian government to combat high energy prices (windfall tax) require our plants to sell at 450 lei/MWh (approximately 90 EUR/MWh).

Adjusted EBITDA in East Europe in **2022** amounted to EUR 90 million, a sharp increase compared to 2021 (EUR 45 million), for the same reasons linked to revenue.

Capital expenditure

Capital expenditure in **2022** refers to the construction of two wind farms in Poland for approximately 61 MW, of which 24.5 MW came into operation in July and the remainder in October.

Relevant legislative and regulatory updates during the year

See also the "Significant regulatory and institutional updates during the year" 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 program.
  In July 2022, the Polish Council of Ministers presented a draft regulation, currently in consultation, 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 1MW, the government's estimate is a total of 3,000 MW for wind power and 4,500 MW for photovoltaics.

Romania

- **Definition of the mandatory quota for the purchase of GCs for 2022**
  With Order no. 131/2021, the Regulatory Agency for the Energy Sector (ANRE) defined the 2022 mandatory quota, equal to 0.5014313 GC/MWh.

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

- **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 1MW 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 BGN 440.21/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.

- **Definition of the value of incentives for the regulatory period 1 July 2021 - 30 June 2022**
  On 30 June 2021, for the regulatory period 1 July 2021 - 30 June 2022, the Bulgarian National Authority made provision for an increase of more than 35% in the values of the FMP market prices, which resulted in a reduction of almost 30% in the value of the incentive for the onshore wind farms of the ERG Group. In light of the increase in energy prices (which deviated by more than 15% compared to the June estimate), the Bulgarian National Authority decided to redetermine the estimate of the FMP market price with decision №Ц-2 of 1 January 2022, thus eliminating the value of the incentive for the remaining 6 months of the year (January - June 2022).

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, security and business continuity.

As regards credit risk, there are no open positions directly with Russian and Ukrainian counterparties; however, it should be noted that the main customer of the Group on the Priolo Gargallo site is an Italian company indirectly controlled by a Russian group. In this regard, recent news is that Litasco has finalised the details of the sale of the Priolo plants to the Cypriot private equity and asset management fund G.O.I. Energy. Based on public informations the transaction is subject to the occurrence of certain conditions precedent relating, among other things, to obtaining authorisations from all the competent authorities, including the Italian Government, which, moreover, has decreed the plants to be of national strategic interest so as to guarantee their business continuity (including the treatment plants). The closing of the transaction is expected by the end of March 2023 and will involve G.O.I. Energy concluding exclusive long-term supply and off-take agreements with Trafigura (one of the largest independent traders of oil and petroleum products in the world). These agreements should guarantee a safe supply of oil to the refinery and therefore avoid the sanctions that the European Union has established with reference to the blocking of oil imports by sea from Russia that could have resulted in a stoppage of the plants in the Priolo refinery had ISAB not had replaced the crude oil of Russian origin with imports from different geographical areas (the consequences of the stoppage would have been the potential impact on the sales agreements to the site by ERG Power Generation S.p.A. and ERG Power S.r.l.).

In relation to plant safety, note the position of some of the Group's wind farms in Eastern 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 although, in the event of an escalation, possible risks of cyber attacks that could indirectly have impacts on ERG Group assets, cannot be excluded.
In relation to business continuity with regard to gas procurement, ERG currently procures on the spot market and the criticality is mainly linked to operations that have become more onerous both in terms of procurement prices available on the market and organisational effort.
The geopolitical tensions are significantly impacting the financial and commodities markets, with a sharp increase in rates and gas and electricity prices, in respect of which further regulatory measures in the energy sector cannot be ruled out. Finally, there is a general increase in the prices of raw materials and finished products, aggravated by geopolitical tensions, the effects of which may impact investments of projects under construction in the short/medium term. The uncertainty profiles resulting from the current macroeconomic scenario, with particular reference to interest rate dynamics and possible further regulatory interventions in the energy sector, may impact the assessment on the recoverability values of assets recognised in tangible and intangible fixed assets.

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 in order 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. It should be noted that, following the divestment of the Hydro business, the Group will no longer be subject to the volatility of the availability of water resources which, in the past, has proved to be more volatile than that of wind and solar resources.

Evolution of the regulatory framework

The change in the operating rules as well as the requirements and obligations that govern the markets and the countries in which ERG operates, could have a negative effect on the Group's results and/or on business performance, and have significant economic impacts on the value of the assets. This category includes, for example, the possibility of measures (market change and/or windfall taxes) being taken in the countries where ERG operates to reduce the price obtained by renewables and consequently lower the supply costs for the system (interventions involving refunds of the price obtained 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 in which it operates, in order to prevent and/or mitigate the effects on the various business areas. Monitoring is structured over several levels, local, national and European, and involves collaborative dialogue with the institutions and government and regulatory bodies in the sector through active participation in business associations and work groups set up at those entities, as well as by examining changes to regulations and the measures of the sector authority and drawing up specific position papers to communicate its position on these issues.

To this end, the ERG Group has established specific Organisational Units dedicated to continuous monitoring of developments in key national and international regulations, that monitor 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 costs, 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 has expressed observations regarding the main risks associated with climate change as well as the related possible impacts on the various corporate business areas.

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 consequences from an economic-financial point of view 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. It should be noted that, following the sale of the Hydro business, the Group is no longer subject to the volatility of the availability of water resources, which, in the past, have been more volatile than wind and solar power.
- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural events that could cause damage to production 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 renewables, 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) 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 as a consequence of inflationary pressures and/or tensions on the financial and commodities markets.

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 "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 production 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 equilibrium. 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;
- 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;
- To guarantee 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) to ensure that the risk profile is aligned with the requirements of the Group;
- 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 or 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.

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, 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 (FA) 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 Companies of the Group (Code of Ethics, 231 Model and Anti-corruption Policy) has been defined, which all employees are required to respect 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 (eg. 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 has continued to pursue the objective of "zero accidents", implementing a whole series of preventive measures with the aim of minimising the number of accidents.

The efforts made in 2022 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. In particular, there were two accidents for the Group's internal staff in Italy in the Wind & Solar sector, and six accidents to employees of third-party companies as part of the activities contracted out at the various sites of the group, one of which in France, two in the UK, two in Germany and one in Poland. It should be noted that one of the two events that occurred in Italy was potentially particularly serious, as it was an electrocution during extraordinary maintenance activities in one of our substations. It should be noted that there were no fatal accidents in 2022, in line with previous years.

With regard to the COVID emergency, we have seen a relaxation of prevention measures in general externally to our group, both in Italy and in the other countries of interest to the group; however, it should be borne in mind that in Italy regulations are still in force that suggest that employers maintain prevention protocols, therefore some prevention measures are still maintained in the ERG Group.
As in other years, the ERG Group offered the flu vaccine to all staff, something that is always of particular importance given the concomitance of symptoms between the annual seasonal flu and COVID-19 disease.

Also in 2022, the "Leadership in Safety" project continued to be rolled out across the Group, aimed at promoting the adoption of behavioural leadership models in relation to safety matters by those in charge of operations and their collaborators, starting from top management and down to the local supervisors who directly manage the workers' operating activities. In 2022, the focus was on internal operating personnel, both in Italy and abroad (France and Germany); during the workshops, the Health & Safety leadership models were re-proposed, reaffirming the basic concept of the project, i.e. the importance of individual behaviour as a tool for preventing accidents from occurring.

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.

Management Systems and Certifications

As a consolidated practice, the ERG Group has adopted as continuous improvement instruments management systems for safety, the environment and quality, consistent with international standards. Specifically:

- In 2019, ERG S.p.A. transitioned its certification of the safety management system from the OHSAS 18001 standard to the ISO 45001 standard; in 2022, the certification was confirmed following a supervisory audit;
- In July 2020, ERG Power Generation S.p.A., including all its subsidiaries, transitioned in Italy to the standard ISO 45001 for the management of health and safety aspects. In 2022, a three-year renewal audit of its integrated safety, environment and quality system was carried out with a positive outcome;
- ERG France S.a.r.l. obtained certification of the integrated safety, environment and quality management system in February 2022;
- ERG Germany Gmbh successfully underwent a surveillance audit of its safety and environmental system in 2022;
- ERG UK Holding Ltd obtained certification of the integrated safety and environmental management system in March 2022.

Another important objective achieved by ERG Power S.r.l. group companies in 2022 was confirmation of adherence to the EMAS regulation, in accordance with EC Regulation no. 1221/2009 and EU Regulation no. 2017/1505. The EMAS (Eco-Management and Audit Scheme), together with the adoption of an Environmental Management System consistent with the ISO 14001 international standard, allows for the consolidation of an effective and efficient management of environmental aspects, based on trust and transparency in dealing with the institutions and with the public and on the active participation of the employees and of the Third Parties that operate in the operating sites.

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 "New Code").

The elements that constitute Corporate Governance are the **statutory bodies**, the **board committees** and the **corporate governance documents** that regulate their operation[24].

The **Board of Directors**, appointed by the Shareholders' Meeting of 26 April 2021, comprises 12 members – 6 of whom are independent[25] (one elected by the non-controlling investors) – in compliance with the gender balance criterion[26]; 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.

In relation to the resignation of Marco Costaguta on 9 September 2022 from the office of Board Member of ERG S.p.A. and member of the Strategic Committee, on 15 September 2022, the Board of Directors, on the proposal of the Nominations and Remuneration Committee, pursuant to Art. 2386 of the Italian Civil Code and Art. 15 of the Articles of Association, appointed Renato Pizzolla as the new non-executive Director of the Company and member of the Strategic Committee.

In compliance with the provisions of the New 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 management personnel and the top management of the Group.

ERG has adopted a **Remuneration Policy** for the members of the Board of Directors and key management personnel in line with the provisions of the New Code, aimed at encouraging the pursuit of sustainable success through

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24 For detailed information, please refer to the section "Report on corporate governance and ownership" and to the "Consolidated non-financial statement" relating to 2022 available on the Company's website (www.erg.eu).

25 Both with reference to the provisions of Art. 148, third paragraph, of the TUF, and the provisions of Art. 2, recommendation 7, of the New Code. At its meeting on 13 October 2022, the Board of Directors confirmed its positive assessment of the independence of the aforementioned Directors, also in light of the "quantitative" and "qualitative" criteria defined in the Regulations for the operations of the Board of Directors, of the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee pursuant to the provisions of Art. 2, recommendation 7, second paragraph, of the New Code.

26 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.

the creation of long-term value for the benefit of shareholders, taking into account the interests of other relevant stakeholders [27].

The **Control and Risk Committee** comprises, in accordance with the New 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, the General Management 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 non-executive Deputy Chairman, the Chief Executive Officer, two Directors (an independent one[28] and two non-executive ones) and the General Manager with the task, inter alia, of providing support to the Chief Executive Officer and to the Board of Directors for the definition of strategic guidelines for business, for the portfolio, for strategic finance and in the decisions relating to multi-year strategic plans and with reference to relevant investments and acquisitions. Moreover, pursuant to the provisions of Art. 1, lett. a) of the New 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.

27 For more detailed information, please refer to the Report on the Remuneration Policy and on the amounts paid out.
28 Both with reference to the provisions of Art. 148, third paragraph, of the TUF, and the provisions of Art. 2, recommendation 7, of the New Code.

HUMAN CAPITAL

In line with the objectives of our Business Plan, again in 2022 ERG's commitment was strongly oriented in three directions:

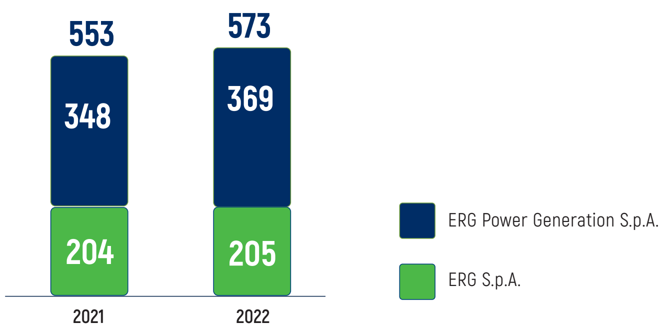
- the strengthening of the organisational structure through the addition of resources, particularly abroad;
- the continuous improvement and adaptation of the organisational model;
- the optimisation of the Human Capital development model.

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 2022 ERG had 573 employees[29] (+20 compared to 31 December 2021), divided as follows:

- ERG S.p.A.: 204 people in line with 205 in 2021;
- ERG Power Generation S.p.A. and its subsidiaries: 369 employees (+21 compared to 2021), with 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.

29 In line with IFRS 5, the workforce figures at 31 December 2022 are pro forma without taking into consideration the contribution of the thermoelectric business (144 FTE) since it is an asset held for sale. Similarly, the figures for 31 December 2021 do not take into consideration the contributions of the hydroelectric business (113 FTE) sold in January 2022 and the thermoelectric business (142 FTE).

The average age of the Group's personnel is approximately 41.9 years, in line with the 2021 figure, and the level of education shows a percentage of high school and university graduates of approximately 96.5% with respect to the entire population, up 0.5% on the 2021 figure.

HUMAN CAPITAL DEVELOPMENT

Diffused leadership is ERG's managerial development model. This means that the management team is highly involved in optimising the Human Capital as a corporate competitiveness lever.

For this reason, in 2022 the Human Capital Committee retained its fundamental role in defining and monitoring the main human resources development programmes and activities, supporting the Executive Deputy Chairman and the Chief Executive Officer in the main decisions pertaining to personnel management.

The Committee confirmed its role of guidance and control with regard to the dissemination and strengthening of the managerial culture and the implementation of strategies and tools to carry these out; in 2022 it focused its attention in particular on consolidating managerial growth paths towards the appointment of Managers and Senior Managers with a particular focus on personnel abroad, on programmes aimed at spreading a more inclusive culture capable of enhancing diversity, as well as on the monitoring of ERG's internal reputation and people engagement.

Moreover, in line with its own mission, in 2022 the Committee was a central driver in the development of the following processes:

- succession planning;
- career planning;
- managerial feedback;
- reskilling and upskilling plans in line with organisational developments supporting business growth, both in Italy and abroad.

The newly confirmed objective is to provide the Group with an integrated Human Capital management system able to ensure that the skills and knowledge capital is continuously adapted to the ever-changing business conditions, so that the capital of resources available is always capable of rising to the challenges dictated by ever-growing competition and by a complex, shifting scenario.

In 2022, ERG saw a gradual resumption of in-person training activities, particularly in the managerial and safety fields. Investment in training activities increased compared to 2021 (over 28,000 hours involving 97.6% of employees at 31 December, an increase of 1.5% compared to 2021). With regard to managerial training, more than 7,500 hours of training were provided. Sessions dedicated to learning agility and to support people in developing their understanding of the role as required by the new strategic plan were incorporated into the initiatives for the development of leadership and an inclusive culture.

Significant investment was put into safety and updating specialist technical skills, particularly courses for Wind Technology maintenance technicians. Overall, more than 15,000 hours of training were carried out with the aim of always maintaining the maximum operational capacity of the O&M teams, guaranteeing the Group a significant competitive advantage in the internal management of maintenance processes and the consolidation of the safety culture.

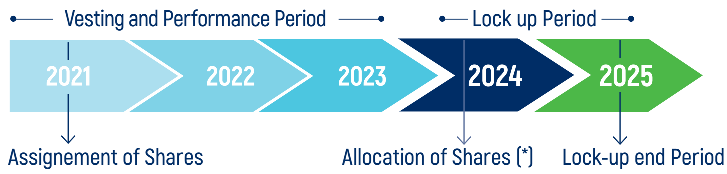
Generate results and share success

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 for financial recognition to all its people, each according to their respective characteristics and professional skills. 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.

ERG has long since initiated a process of integrating sustainability into its business activities and into the definition of its medium/long-term strategies.

Sustainability targets form an integral part of the objectives in our incentive models. All beneficiaries of the systems are remunerated based on the achievement of Group and individual sustainability targets, defined in line with the ESG Plan, which are made up of four sub-targets linked to the Plan's sustainability pillars: Planet, Engagement, People, Governance. The Group's sustainability targets in the short-term system are worth 20% of the total relative variable remuneration for the CEO and 10% for the other participants.

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.

The number of shares assigned is 322,200. The shares attributable at the end of the plan to the CAP, understood as the simultaneous achievement of the Outstanding Listing and achievement of the CAP of the sustainability objective, amount to 708,840.

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

2022 INDUSTRIAL RELATIONS

During 2022, relations with Trade Unions, driven by a spirit of collaboration, sharing and transparency and a strong sense of maturity, facilitated the achievement of important agreements, both at national and local level, contributing to tackling the difficult and complex situation that our country is currently experiencing.

Notably, in July the Parties renewed the National Collective Labour Agreement for the electricity sector for the three-year period 2022-2024, which concerns around 60 thousand people and 130 companies. This renewal took place just 7 months after the expiry of the previous agreement, as a matter of responsibility and with the aim of supporting the energy transition period by introducing important and innovative regulatory elements (including equal opportunities, work-life balance, system classification, apprenticeship and training) and regulating the economic aspects in order to deal with the growing inflationary rate.

At company level, in October the parties also renewed the economic part of the Company Performance Bonus and during the negotiations they agreed to pay to all employees, in addition to the initiatives envisaged by the State, a "Fuel Bonus" for a value of EUR 200 plus an extraordinary bonus of EUR 300 to cover the significant increase in the cost of living. This renewal also confirmed the Parties' conviction of the importance of the role and function of the variable salary in order to ensure the involvement of employees in all company processes and improve productivity.

The dialogue between the Company and Trade Unions was also focused on the common commitment to promote "remote working" in the post-pandemic period as a fundamental and concrete sign of concern for the community in which the Company operates, both in terms of environmental sustainability and of social responsibility. The Parties also recognised that Remote Working, in addition to being a regulatory tool for work flexibility, contributes to strengthening the culture of autonomy, innovation and mutual trust, values that characterise ERG's Leadership Model. This commonality of intent allowed the Parties to define an Agreement for the adoption of a remote working system based on trust, technology and innovation and closely linked to the process of transforming towards an increasingly sustainable business model. The Agreement entered into force in May and is valid until 31 December 2023.

With the business transformation process implemented in recent years, ERG has rationalised its business portfolio increasingly oriented towards the growth and development of electricity production from wind and solar renewable sources. In support of this transformation process, the Parties defined a "Memorandum of Understanding" on the evolution in terms of development of the technical skills and professionalism of the resources belonging to the Wind & Solar scope in line with the new corporate structure of the Group and instrumental to achieving the objectives set by the Business Plan. Through the Memorandum, the parties also wanted to promote actions focused on developing a work organisation centred on enhancing the professional skills of employees with a view to professional assets and, at the same time, effective and efficient management of workloads.

In addition, in December an Agreement was signed with the trade union representatives relating to the personnel of the Priolo site, in particular with regard to Working Hours (for shift workers and day workers, management of maintenance activities during shutdowns and allowances to facilitate mobility).

FINANCIAL STATEMENTS AND OTHER INFORMATION

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 the impacts relating to the adoption of IFRS 9, in relation to liability management transactions, and of special items, and with the reclassification for IFRS 16.

The 2022 and 2021 figures were presented in accordance with the provisions of IFRS 5 with reference to the process for the sale of the thermoelectric business and the finalisation of the sale of the hydroelectric business, which took place on 3 January 2022, therefore reclassifying to the line "Net result of assets held for sale" the result of the Thermo business for 2022, and the result of the Hydro business for 2021.

Lastly, please note that this document reflects the economic impacts of the consolidation of:

- the Spanish companies acquired during the year starting from 1 January 2022;
- the solar plants acquired from ABN Amro Sustainable Impact PE B.V. (for a total of 34 MW) starting from 1 July 2022;
- the wind farms acquired from EDP Renewables Italia Holding S.r.l. (for a total of 172 MW) starting from 1 August 2022.

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.

(EUR million)		Reported			Adjusted		
		2022	2021	Δ	2022	2021	Δ
Revenue	1	714	601	112	749	601	148
Other income	2	13	8	5	12	8	5
Total revenue		**727**	**609**	**117**	**761**	**609**	**152**
Purchases and change in inventories	3	(15)	(6)	(9)	(15)	(6)	(9)
Services and other operating costs	4	(157)	(159)	2	(160)	(157)	(3)
Personnel expense		(55)	(48)	(7)	(49)	(48)	(2)
Gross operating profit (EBITDA)		**499**	**397**	**103**	**537**	**399**	**138**
Amortisation, depreciation and impairment of non-current assets	5	(279)	(228)	(50)	(229)	(201)	(27)
Operating profit (EBIT)		**221**	**168**	**52**	**308**	**198**	**111**
Net financial income (expense)	6	(37)	(51)	14	(25)	(29)	4
Net gains (losses) on equity investments		2	1	2	0	0	0
Profit (loss) before taxes		**187**	**118**	**69**	**284**	**169**	**115**
Income taxes	7	(98)	(32)	(66)	(67)	(42)	(25)
Profit (loss) from continuing operations		**89**	**86**	**3**	**216**	**127**	**90**
Net profit (loss) from discontinued operations	8	294	88	206	20	77	(57)
Net profit (loss) for the year		**383**	**174**	**209**	**236**	**203**	**33**
Non-controlling interests		(4)	(2)	(3)	(4)	(2)	(3)
Profit attributable to owners of the parent		**379**	**173**	**206**	**232**	**202**	**30**

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 in operation and solar installations.

Reported revenue in 2022 amounted to EUR 714 million, up significantly from EUR 601 million in 2021 adjusted, mainly due to the new wind farms acquired in Spain and the contribution of the wind and solar farms acquired during the second half of 2021 in France and Germany, as well as the contribution of the new wind farms that became operational in the UK and France at the end of 2021, higher production as a result of the better anemological conditions recorded during the year, partly offset by the decrease in the unit value of the incentive in Italy (from 109.4 to 42.9 EUR/MWh).

It should be noted that adjusted revenues do not include the effects related to the Regulatory measures to curb energy price rises (clawback measure and windfall tax), already described in the regulatory and institutional updates, amounting to approximately EUR 35 million.

2 - Other income

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

3 - Purchases and changes in inventories

Purchases include costs for the purchase 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.

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

The 2022 figures do not include the ancillary costs relating to non-recurring transactions equal to EUR 9 million;

Lease payment charges (lease costs for IFRS 16 purposes) for EUR 12 million are classified under this item of the reclassified income statement and taken into consideration in the adjusted values. 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 of non-current assets

Amortisation and depreciation refer to wind farms and solar installations. The increase for the year relates to the contribution of the wind and photovoltaic assets acquired in Italy and abroad in 2022, in addition to the full contribution of the new wind farms that entered into operation in the United Kingdom, France and Poland, only partly offset by end of the useful life of some components of the wind farms.

It should be noted that the adjusted values for 2022 do not include:

- the impairment of the net residual value of the property, plant and equipment and intangible assets of wind farms in the Italian portfolio, following the authorisation of a Repowering project obtained during the year, amounting to approximately EUR 20 million;
- the impairment of the net residual value of the property, plant and equipment and intangible assets of photovoltaic farms in the Italian portfolio, following the authorisation of a Revamping project obtained during the year, amounting to approximately EUR 23 million;
- the amortisation and depreciation related to the application of IFRS 16, as previously discussed under item 4.

6 - Net financial income (expense)

Adjusted net financial expense in 2022 amounted to EUR 25 million, down compared to 2021 adjusted (EUR 29 million), due to the full contribution of the liability management operations carried out in 2021.

The average cost of non-current debt in 2022 stood at 1.5% compared to 1.7% in 2021 adjusted, due to the same effects described above. The return on liquidity is lower than that of 2021 due to the worsening of interest rates in the reference period.

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 -3 million) relating to the repayment of three Corporate Loans that was carried out in January 2022;
- financial expense (EUR -3 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 -5 million), as previously discussed under item 4.

7 - Income taxes

Reported income taxes amounted to EUR 98 million, a significant increase compared to the EUR 32 million of 2021 adjusted mainly due to a higher taxable income for the results of the year, the impact of Art. 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 37 million (excluding the impact on the thermoelectric business of EUR 4 million recognised under "Net result from discontinued operations") and the 2023 extraordinary contribution of EUR 19 million.

Adjusted income taxes amounted to EUR 67 million, up compared to EUR 42 million in 2021 adjusted, mainly due to higher taxable income due to the already discussed results in the year. It should be noted that the item does not include the aforementioned impact deriving from Article 37 of the Italian Decree Law of 21 March 2022 and the 2023 Extraordinary Contribution. These taxes were separated as a special item.

The adjusted tax rate for 2022, obtained from the ratio between income taxes and pre-tax profit, amounted to 24% (25% in 2021 adjusted).

8 - Profit (loss) from assets held for sale

The reported net result of assets held for sale includes, in 2022, the result of the thermoelectric business attributable to ERG Power S.r.l.[30] and the net gain recognised as a result of the sale of the Terni hydroelectric complex on 3 January 2022 (amounting to approximately EUR 324 million). This amount was separated as a special item. For financial year 2021, the item also includes the result of ERG Hydro S.r.l (now Enel Hydro Appennino Centrale S.r.l) in accordance with the application of IFRS 5.

The adjusted net result of assets held for sale includes, for 2022, the result of ERG Power S.r.l., amounting to EUR 20 million; this amount, compared to the reported figures, includes the amortisation and depreciation for the year and does not include the impact of Article 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 4 million.

30 The reported result of the thermoelectric business included under "Assets held for sale" amounted to EUR 30 million in 2022, including the impairment of the CCGT plant. As required by IFRS 5, the depreciation and amortisation of ERG Power S.r.l. from the date of its classification as an asset held for sale (1 February 2022) in the amount of EUR 20 million (net of tax) was not recognised, being included instead in the adjusted result of the thermoelectric business.

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 2022 do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 157 million with a balancing entry in net invested capital amounting to approximately EUR 153 million.

It should be noted that, 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)		31/12/2022	31/12/2021	31/12/2022	31/12/2021
Non-current assets	1	3,695	3,089	3,540	3,624
Net operating working capital	2	97	97	97	177
Employee benefits		(4)	(4)	(4)	(5)
Other assets	3	379	434	381	434
Other liabilities	4	(657)	(549)	(657)	(623)
Net invested capital of continuing operations		**3,510**	**3,066**	**3,357**	**3,608**
Net invested capital of assets held for sale		**235**	**683**	**235**	**-**
Net invested capital		**3,745**	**3,749**	**3,592**	**3,608**
Equity attributable to the owners of the parent		2,045	1,559	2,050	1,547
Non-controlling interests	5	9	10	9	10
Net financial indebtedness of continuing operations	6	1,592	2,250	1,434	2,051
Net financial indebtedness of discontinued operations	6	98	(69)	98	-
Equity and financial indebtedness		**3,745**	**3,749**	**3,592**	**3,608**

1 - Non-current assets

(EUR million)	Intangible assets	Property, plant and equipment	Financial assets	Total
Non-current assets at 31/12/2021	**995**	**2,048**	**45**	**3,089**
Capital expenditure	4	303	6	314
Change in the consolidation scope	443	275	1	719
Divestments and other changes	5	(13)	1	(7)
Amortisation, depreciation and impairment losses	(67)	(173)	0	(241)
IFRS 5 Reclassification	0	(194)	(12)	(206)
IFRS 16 Change	0	28	0	28
Non-current assets at 31/12/2022	**1,380**	**2,274**	**40**	**3,695**
Adjustment for impact of IFRS 16	0	(155)	0	(155)
Adjusted non-current assets at 31/12/2022	**1,380**	**2,120**	**40**	**3,540**

The item “Capital expenditure” mainly refers to the organic development activities related to the completion of the wind farms in the United Kingdom, Poland and Sweden for 62 MW, the start of construction activities in Italy for 47 MW of Greenfield and the Repowering of Italian wind farms for approximately 193 MW of new wind capacity.

The item “Change in the consolidation scope” includes the impacts of the acquisition of the wind farms and photovoltaic plants in Italy, consolidated on a line-by-line basis in the third quarter of 2022, the acquisition of photovoltaic plants in Spain, consolidated on a line-by-line basis starting from the first quarter of 2022 and the deconsolidation of ERG Hydro (now “Enel Appennino Centrale”), sold on 3 January 2022.

The item “IFRS 5 reclassification” indicates the impacts of the reclassification of fixed assets of the thermoelectric business to the line Net Invested Capital held for sale.

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 item includes spare parts inventories, amounts due for incentives, amounts due for the sale of electricity, and trade payables mainly concerning the purchase of electricity, the maintenance of wind farms and other trade payables on investments for the development of wind and solar farms.

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 authorisations, concessions and non-current assets), the estimate of income taxes due for the year, and the provisions for risks and charges.

5 – Non-controlling interests

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

6 - Net financial indebtedness

Adjusted indebtedness does not include the financial payable related to the application of IFRS 16 of approximately EUR 157 million (EUR 129 million at 31 December 2021).

SUMMARY OF THE GROUP'S INDEBTEDNESS

	Reported		Adjusted	
(EUR million)	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Non-current financial indebtedness	1,902	2,196	1,751	2,073
Current financial indebtedness (cash and cash equivalents)	(311)	53	(317)	(22)
Total indebtedness of continuing operations	**1,592**	**2,250**	**1,434**	**2,051**
Total indebtedness of discontinued operations	**98**	**(69)**	**98**	**0**
Total	**1,690**	**2,181**	**1,533**	**2,051**

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.

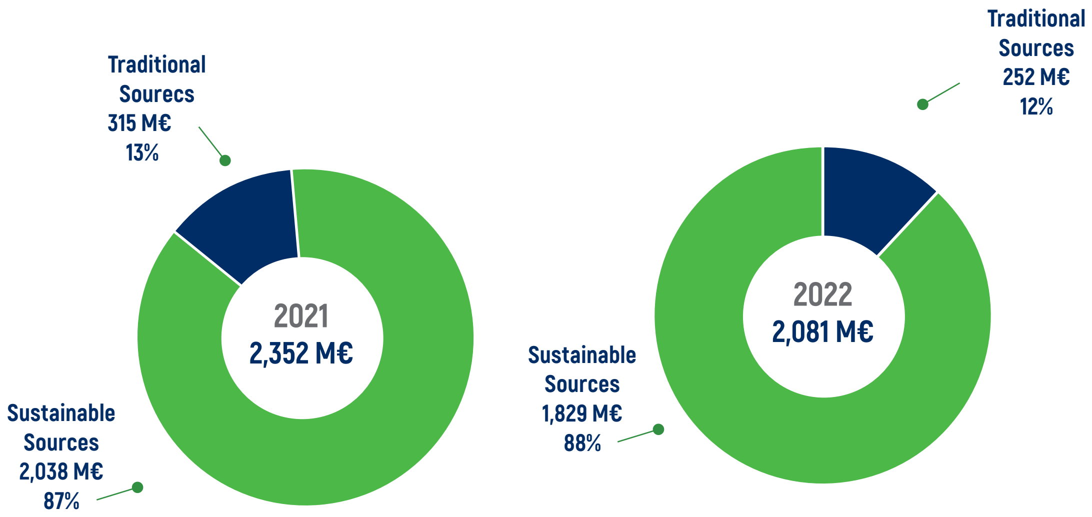
Confirming ERG's strong commitment to sustainable development, the three green issues for a total of EUR 1,600 million were structured as Green Bonds on the basis of the ERG Green Bond Framework, assessed by the independent advisor Vigeo Eiris (part of Moody's ESG Solutions) as compliant with Green Bond Principles 2021 and in line with best market practices.

At 31 December 2022, the sources of Sustainable Finance, equal to EUR 1,829 million out of a total of financial sources equal to a nominal amount of EUR 2,081 million (EUR 2,038 million at 31 December 2021 out of a total of financial sources equal to a nominal amount of EUR 2,352 million), include:

- Green Bonds, totalling EUR 1,600 million (amount unchanged from 31 December 2021), intended for the financing and refinancing of the construction and/or acquisition of wind and solar projects that have recently become part of the ERG Group portfolio;
- Medium/long-term senior unsecured Environmental, Social and Governance-linked loans ("ESG Loans"), for a total of EUR 150 million (EUR 350 million at 31 December 2021), which provide for a reward mechanism linked to the achievement of a CO_2 emissions savings target;

- ESG Linked Project Green Financing, for a total of EUR 79 million, equal to EUR 88 at 31 December 2021, subscribed for three wind farms in Italy with a total capacity of 154 MW and structured in compliance with the "Sustainability Linked Loan Principles" issued by the Loan Market Association. This loan provides for the periodic evaluation of sustainability parameters, and reward mechanisms linked to the achievement of objectives in terms of plant availability and green energy output.

The composition of the funding sources shows a progressive convergence towards the objective of "sustainable funding" equal to at least 90% of the Group's sources of funding as outlined in the new ESG 2022-2026 plan.



In addition to the aforementioned funded financial sources, in October 2022 ERG S.p.A. entered into an ESG-linked Revolving Credit Facility, with a three-year duration and with the possibility of extension up to a further 2 years, the margin of which is subject to an adjustment mechanism on the basis of the achievement of certain ESG targets (one of which is environmental and one relating to diversity in the composition of the workforce).

This facility, amounting to EUR 600 million, was fully available at 31 December 2022.

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

NON-CURRENT FINANCIAL INDEBTEDNESS

(EUR million)	31/12/2022	31/12/2021
Non-current loans and borrowings	-	249
Non-current financial liabilities	1,595	1,614
Total	**1,595**	**1,863**
Project Financing and Financial Leases	212	237
Current portion of Project Financing	(55)	(27)
Non-current Project Financing	**156**	**210**
IFRS 16 financial liabilities (non-current)	**151**	**123**
Total non-current financial indebtedness of continuing operations	**1,902**	**2,196**
Adjustment for impact of IFRS 16	**(151)**	**(123)**
Total adjusted financial indebtedness	**1,751**	**2,073**

"Non-current financial liabilities", amounting to EUR 1,595 million, refer mainly to:

- 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);
- liabilities relating to deferred components of considerations for the purchase of assets and authorisations (EUR 2 million).

The payables for **"Project Financing"** of EUR 212 million at 31 December 2022 relate to:

- loans for EUR 94 million relating to the company Andromeda PV S.r.l.;
- EUR 117 million in loans disbursed for the construction of wind farms, recognised for a total net of ancillary costs, recorded for accounting purposes with the amortised cost method (EUR 3 million) and the effect of the renegotiation of loans (EUR 3 million) following the application of IFRS 9. It should be noted that in the first quarter of 2023, the project financing in Poland was repaid in the amount of EUR 24 million.

The breakdown of current net financial indebtedness is shown below:

CURRENT FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)

(EUR million)	31/12/2022	31/12/2021
Current bank loans and borrowings	296	1,305
Other current financial liabilities	38	67
Current financial liabilities	**334**	**1,372**
Cash and cash equivalents	(424)	(811)
Securities and other current financial assets	(216)	(491)
Current financial assets	**(639)**	**(1,302)**
Current Project Financing and Financial Leases	55	27
Cash and cash equivalents	(68)	(50)
Project Financing	**(12)**	**(23)**
IFRS 16 financial liabilities (current)	**6**	**6**
Total current financial indebtedness of continuing operations	**(311)**	**53**
Total current financial indebtedness of discontinued operations	**98**	**(69)**
Adjustment for impact of IFRS 16	**(6)**	**(6)**
Total current adjusted financial indebtedness	**(219)**	**(22)**

(1) 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 referring to short-term credit facilities;
- a bilateral corporate loan with UBI Banca S.p.A. (now the Intesasanpaolo Group) (EUR 100 million) taken out in the first half of 2016, repayment of which is expected in the first half of 2023;
- a senior Environmental, Social and Governance loan ("ESG Loan") with Mediobanca S.p.A. (EUR 150 million) taken out in the first half of 2016 and refinanced in the fourth quarter of 2021 (first bilateral corporate loan).

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

Other short-term financial payables include payables for financial leases for EUR 16 million of the newly acquired photovoltaic companies in Italy, accrued interest expense on Bonds and Corporate Loans (EUR 10 million) and liabilities related to deferred components of the consideration for the purchase of assets and authorisations (EUR 12 million).

Short-term financial assets include short-term cash investments of around EUR 100 million, deposits as collateral for futures derivatives transactions of around EUR 11 million, assets arising from the fair value measurement of interest rate hedging derivatives of EUR 69 million and financial receivables on non-hedging physical derivatives in the amount of EUR 34 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 year. The breakdown of changes in net financial indebtedness is as follows:

(amounts in millions)	2022	2021 (1)
Adjusted EBITDA	537	580
Change in net working capital	11	(53)
Cash flows from operations	**548**	**527**
Capital expenditure in property, plant and equipment and intangible assets	(307)	(258)
Asset acquisitions and business combinations	(638)	(389)
Collection from the sale of ERG Hydro	1,265	
Capital expenditure on non-current financial assets	(6)	(0)
Divestments and other changes	(13)	(3)
Cash flows from investments/divestments	**301**	**(651)**
Financial income (expense)	(25)	(29)
Financial expense for closing loans	(3)	(16)
Net gains (losses) on equity investments	0	0
Collection distribution reserves ERG Power (2)	75	-
Cash flows from financing activities	**47**	**(45)**
Cash flows from tax management	**(92)**	**(42)**
Distribution of dividends	(139)	(114)
Other changes in equity	26	(288)
Cash flows from Equity	**(113)**	**(402)**
Change in the consolidation scope	**(69)**	**-**
Cash flow Thermo	**(104)**	**-**
Opening net financial indebtedness	**2,051**	**1,439**
Net change	(519)	612
Total adjusted indebtedness	**1,533**	**2,051**
(+ PFN Termo)	(98)	-
Adjusted indebtedness of "Continuing operations"	**1,434**	**2,051**

(1) It should be noted that the 2021 cash flow is shown taking into account the cash flows of the assets held for sale.
(2) Asset held for sale.

Cash Flows from operations in **2022** are positive for EUR 548 million, up by EUR 21 million compared to 2021, mainly due to the operating performance for the year and the changes in working capital.

Cash flows from investments in **2022** include the proceeds from the sale of the Terni hydroelectric complex (EUR 1,265 million), the effects of the acquisitions of operational photovoltaic plants in Spain (EUR 100 million) and in Italy (EUR 115 million), the acquisition of operational wind plants in Italy (EUR 396 million) and in the United Kingdom (EUR 27 million) and the capital expenditure in the year (EUR 307 million) aimed at developing wind farms in the United Kingdom, Poland, France and Sweden, as well as developments on the Repowering and Revamping projects in Italy.

Cash flows from financing activities refer to the interest accrued in the year and to the financial expense incurred within the scope of the Liability Management activities.

Cash flows from Tax Management refer to the payment of direct taxes during the year. The item also includes the advance payments of the extraordinary contribution arising from Article 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 39 million.

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

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 Financial Statements templates adopted are as follows:

- **Adjusted revenue** is revenue, as indicated in the Interim 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). EBITDA is explicitly indicated as a subtotal in the Interim 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 Interim 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.

- **Adjusted tax rate** is calculated by comparing the adjusted amounts of taxes and profit before tax.

- **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 assets held for sale".

- A**djusted 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 2022 therefore led to:

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 12 million;
- an increase (approximately EUR 157 million) in the net financial indebtedness and the net invested capital (approximately EUR 153 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 5 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 year 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

GROSS OPERATING PROFIT (EBITDA)

(amounts in millions)	Notes	2022	2021
EBITDA from continuing operations		**499**	**397**
Special items exclusion:			
- IFRS 16 reclassification	1	*(12)*	*(9)*
Italy			
- Reversal of ancillary charges on non-recurring operations (Special Projects)	2	*14*	*7*
- Reversal termination indemnity CEO	3	*-*	*3*
- Reversal for allocation for Provision for Disposed Businesses	4	*1*	*2*
- Reversal Clawback Measures	5	*7*	*-*
Abroad			
- Reversal Clawback Measures & Windfall tax	5	*28*	*-*
Adjusted EBITDA		**537**	**399**

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(amounts in millions)		2022	2021
Amortisation, depreciation and impairment losses		**(279)**	**(228)**
Special items exclusion:			
- IFRS 16 reclassification	1	*7*	*5*
- Reversal of expenses related to Disposed Businesses	4	*0*	*-*
- Reversal of write-down Repowering Wind Italy	6	*43*	*22*
Adjusted depreciation and amortisation		**(229)**	**(201)**

PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

(amounts in millions)		2022	2021
Profit (loss) from continuing operations attributable to the owners of the parent		**89**	**86**
Special items exclusion:			
IFRS 16 reclassification	1	*0*	*0*
Exclusion of ancillary charges on non-recurring transactions	2	*11*	*6*
Exclusion of termination indemnity CEO	3	*-*	*2*
Exclusion of expenses related to Disposed Businesses	4	*(2)*	*1*
Exclusion of the impact of Clawback measures, solidarity contribution and 25% Surplus profits	5-7	*83*	*-*
Exclusion of write-down Repowering Wind Italy	6	*31*	*16*
Exclusion of ancillary charges on loan prepayments	8	*2*	*14*
Exclusion of substitute tax Solar Italy	9	*(1)*	*-*
Exclusion of impact of gains/losses (IFRS 9)	10	*3*	*2*
Adjusted net profit (loss) from continuing operations attributable to owners of the parent		**216**	**127**

1. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.
2. Ancillary costs relating to other non-recurring transactions also including the extraordinary bonuses paid in 2022.
3. Termination indemnity related to the end of office and succession of the Chief Executive Officer, which took place on 26 April 2021.
4. Provisions relating to exceptional items on businesses disposed of by the Group.
5. Impact of Clawback Measures & Windfall tax.
6. Impairment of 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.
7. Exclusion of the impacts of the urgent measures to contain the effects of price increases in the electricity sector for EUR 83 million, already including (in addition to the aforementioned clawback and windfall tax measures of EUR 28 million) the extraordinary contribution envisaged by Art. 37 of Italian Decree Law no. 21/2022 for EUR 37 million for the Continuing Operations scope and the Contribution Extraordinary 2023 for EUR 19 million.
8. Financial expense related to the early closure of Corporate loans as part of Liability Management transactions.
9. Reversal of the ERG Solar Holding substitute tax benefit
10. IFRS 9 does not allow for the deferment of the positive economic effects of the renegotiation of loans on the residual life of the liability: this resulted in net financial expense of approximately EUR 3 million being accounted for in the first quarter of 2022. 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.

Reconciliation of adjusted values 2021

ADJUSTED INCOME STATEMENT

(EUR million)	2021	ERG Hydro	ERG Power	2021 adjusted
Revenue	1,232	(186)	(445)	601
Other income	11	(3)	(1)	8
Total revenue	**1,243**	**(188)**	**(445)**	**609**
Purchases	(395)	2	387	(6)
Change in inventories	0	(0)	(0)	(0)
Services and other operating costs	(197)	25	15	(157)
Personnel expense	(71)	10	14	(48)
Gross operating profit (EBITDA)	**580**	**(151)**	**(30)**	**399**
Amortisation, depreciation and impairment of non-current assets	(276)	44	31	(201)
Operating profit (EBIT)	**304**	**(108)**	**(2)**	**198**
Net financial income (expense)	(29)	(0)	0	(29)
Net gains (losses) on equity investments	0	0	(0)	0
Profit (loss) before taxes	**275**	**(108)**	**2**	**169**
Income taxes	(72)	31	(1)	(42)
Profit (loss) from continuing operations	**203**	**(77)**	**0**	**127**
Profit (loss) from assets held for sale	0	77	(0)	77
Profit (loss) before non-controlling interests	**203**	**0**	**0**	**203**
Non-controlling interests	**(2)**	**0**	**0**	**(2)**
Profit (loss) attributable to the owners of the parent	**202**	**0**	**0**	**202**

Below is the reconciliation between the Interim Financial Statements and the adjusted interim financial statements shown and commented upon in this document:

INCOME STATEMENT 2022

(EUR million)	Financial Statements	Reclassification of IFRS 16 impact	Adjustment for impact of IFRS 9	Reversal of special items	Adjusted Income Statement
Revenue	714	-	-	35	749
Other income	13	-	-	(0)	12
Total revenue	**727**	**-**	**-**	**35**	**761**
Purchases and change in inventories	(15)	-	-	-	(15)
Services and other operating costs	(157)	(12)	-	9	(160)
Personnel expense	(55)	-	-	5	(49)
Gross operating profit (EBITDA)	**499**	**(12)**	**-**	**50**	**537**
Amortisation, depreciation and impairment of non-current assets	(279)	7	-	43	(229)
Operating profit (EBIT)	**221**	**(5)**	**-**	**93**	**308**
Net financial income (expense)	(37)	5	3	3	(25)
Net gains (losses) on equity investments	2	-	-	(2)	0
Profit (loss) before taxes	**187**	**0**	**3**	**94**	**284**
Income taxes	(98)	-	(1)	31	(67)
Profit (loss) from continuing operations	**89**	**0**	**3**	**125**	**216**
Net profit (loss) from assets held for sale	294	-	-	(274)	20
Net profit (loss) for the year	**383**	**0**	**3**	**(150)**	**236**
Non-controlling interests	(4)	-	-	-	(4)
Profit (loss) attributable to the owners of the parent	**379**	**0**	**3**	**(150)**	**232**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

(EUR million)	Reported Statement of Financial Position	Adjustment for impact of IFRS 16	Adjusted Statement of Financial Position
Intangible assets	1,380	-	1,380
Property, plant and equipment	2,274	(155)	2,120
Equity investments and other non-current financial assets	40	-	40
Non-current assets	**3,695**	**(155)**	**3,540**
Inventories	18	-	18
Trade receivables	202	-	202
Trade payables	(123)	-	(123)
Excise duties payables to tax authorities	(0)	-	(0)
Net operating working capital	**97**	**-**	**97**
Employee benefits	(4)	-	(4)
Other assets	379	2	381
Other liabilities	(657)	-	(657)
Net invested capital of continuing operations	**3,510**	**(153)**	**3,357**
Net invested capital of assets held for sale	**235**	**-**	**235**
Net invested capital	**3,745**	**(153)**	**3,592**
Equity attributable to the owners of the parent	2,045	5	2,050
Non-controlling interests	9	-	9
Non-current financial indebtedness	1,592	(157)	1,434
Net financial indebtedness Assets held for sale	98	-	98
Equity and financial indebtedness	**3,745**	**(153)**	**3,592**

(EUR million)	Consolidated Financial Statements	Non-current assets	Net operating working capital	Employee Benefits	Other Assets	Other Liabilities	REPORTED Continuing operations NET INVESTED CAPITAL	REPORTED Continuing operations Net financial indebtedness	IFRS 16 adjustment	ADJUSTED NET INVESTED CAPITAL	ADJUSTED Net financial indebtedness
Authorisations and Concessions	956	956					**956**			**956**	
Other intangible assets	15	15					**15**			**15**	
Goodwill	408	408					**408**			**408**	
Property, plant and equipment	2,120	2,120					**2,120**			**2,120**	
Right-of-use assets	154	154					**154**		(154)	**-**	
Equity investments:	2	2					**2**			**2**	
Financial assets measured at fair value	33	-					**-**	**33**			**33**
Other non-current financial assets	39	39			-		**39**	**-**		**39**	**-**
Deferred tax assets	138				138		**138**			**138**	
Other non-current assets	54				54		**54**			**54**	
Non-current assets	**3,920**										
Inventories	18		18				**18**			**18**	
Trade receivables	202		202				**202**			**202**	
Other receivables and current assets	82				82		**82**		2	**84**	
Current tax assets	33				33		**33**			**33**	
Financial assets measured at fair value	142				72		**72**	**70**		**72**	**70**
Other current financial assets	211							**211**			**211**
Cash and cash equivalents	393							**393**			**393**
Current assets	**1,081**										
Assets held for sale	**226**										
TOTAL ASSETS	**5,226**										
Equity attributable to the owners of the parent	2,045								5		
Non-controlling interests	9										
TOTAL EQUITY	**2,055**										
Employee benefits	4			(4)			**(4)**			**(4)**	
Deferred tax liabilities	197					(197)	**(197)**			**(197)**	
Provision for disposed businesses	85					(85)	**(85)**			**(85)**	
Provisions for dismantling expenses	93					(93)	**(93)**			**(93)**	
Other non-current provisions	24					(24)	**(24)**			**(24)**	
Financial liabilities measured at fair value	(0)					-	**-**	**(0)**		**-**	**(0)**
Non-current financial liabilities	1,751							**1,751**			**1,751**
Non-current lease liabilities	151							**151**	(151)		**-**
Other non-current liabilities	31					(31)	**(31)**			**(31)**	
Non-current liabilities	**2,336**										
Other current provisions	39					(39)	**(39)**			**(39)**	
Trade payables	123		(123)				**(123)**			**(123)**	
Financial liabilities measured at fair value	77					(76)	**(76)**	**1**		**(76)**	**1**
Current financial liabilities	390							**390**			**390**
Current lease liabilities	6							**6**	(6)		**-**
Other current liabilities	60		(0)			(59)	**(60)**			**(60)**	
Current tax liabilities	52					(52)	**(52)**			**(52)**	
Current liabilities	**746**										
Liabilities related to assets held for sale	**89**										
TOTAL EQUITY AND LIABILITIES	**5,226**										
Reclassified Balance Sheet		**3,695**	**97**	**(4)**	**379**	**(657)**	**3,510**	**1,592**		**3,357**	**1,434**

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 2022 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)	2022	2021
Revenue	34,3	38.3
Other income	1,2	1,7
Total revenue	**35,5**	**40,0**
Purchases and change in inventories	(0,1)	(0,2)
Services and other operating costs	(60,9)	(61,1)
Gross operating profit (EBITDA)	**(25,6)**	**(21,2)**
Amortisation, depreciation and impairment of non-current assets	(3,4)	(3,7)
Net financial income (expense)	(19,0)	(9,6)
Net gains (losses) on equity investments	52,5	50,7
Profit (loss) before taxes	**4,5**	**16,2**
Income taxes	7,1	4,9
Profit for the year	**11,6**	**21,1**

Net financial income (expense)

The item mainly includes net intragroup income (EUR +5 million), interest income on liquidity management (EUR +2 million) and expense on loans and bonds issued (EUR -19 million).

It also includes the effects of the derivatives hedging the risk of interest rate fluctuations of approximately EUR +1.5 million, the expense deriving from measurement at amortised cost of the loans and bonds, amounting to EUR 2.5 million, and the expense incurred for the repayment of loans in the first quarter totalling approximately EUR 2.9 million.

With reference to **interest expense on bank borrowings and bond issues**, the higher bank interest expense compared to 2021 is mainly due to the effect of the issue of the new green bond in September 2021.

Net gains (losses) on equity investments

The item includes the dividends paid by the subsidiary ERG Power Generation S.p.A.

STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(EUR million)	31/12/2022	31/12/2021
Non-current assets	2,618	2,100
Net operating working capital	2	(7)
Employee benefits	(2)	(1)
Other assets	54	116
Other liabilities	(113)	(158)
Net invested capital	**2,560**	**2,049**
Equity	1.126	
Net financial indebtedness	1.434	860
Equity and financial indebtedness	**2,560**	**2,049**

Non-current assets

Non-current assets consist mainly of non-current financial assets. The increase in the year is mainly due to the waiver of a portion of the receivable from the subsidiary ERG Power Generation, amounting to EUR 517 million, converted into a capital contribution.

Net financial indebtedness (cash)

SUMMARY OF NET INDEBTEDNESS

(EUR million)	31/12/2022	31/12/2021
Non-current financial indebtedness	1,594	1,847
Current financial indebtedness (cash)	(160)	(987)
Total	**1,434**	**860**

The increase of EUR 574 million compared to 31 December 2021 is mainly linked to the significant decrease in current financial receivables related mainly to the waiver of the receivable from the subsidiary ERG Power Generation, only partially offset by the decrease in short-term bank payables.

The following table illustrates the non-current financial indebtedness:

NON-CURRENT FINANCIAL INDEBTEDNESS

(EUR million)	31/12/2022	31/12/2021
Non-current bank borrowings	0	249
Bonds	1.600	1.600
Other non-current loans and borrowings	(7)	(3)
IFRS 16 financial liabilities (non-current)	1	1
Total	**1,594**	**1,847**

The breakdown of current financial indebtedness is shown below:

CURRENT FINANCIAL INDEBTEDNESS (CASH)

(EUR million)	31/12/2022	31/12/2021
Current bank loans and borrowings	307	1,314
Other current financial liabilities	0	0
IFRS 16 financial liabilities (current)	1	1
Current financial liabilities	**307**	**1,314**
Cash and cash equivalents	(282)	(728)
Securities and other financial assets	(164)	(310)
Loan assets with subsidiaries	(22)	(1,264)
Current financial assets	**(468)**	**(2,302)**
Total	**(160)**	**(987)**

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

(EUR million)	31/12/2022	31/12/2021
Cash flows from operating activities:		
Net profit for the year	12	21
Amortisation and depreciation	3	4
Change in working capital and other assets and liabilities (1)	8	(13)
Total	**23**	**12**
Cash flows from investing activities		
Net capital expenditure in property, plant and equipment and intangible assets	(3)	(2)
Change in non-current financial assets	(519)	257
ERG Power Generation share capital increase	0	0
Total	**(522)**	**255**
Cash flows from Equity		
Distributed dividends	(135)	(112)
Other changes in equity	60	16
Total	**(75)**	**(96)**
Change in net financial indebtedness	**(574)**	**171**
Opening net financial indebtedness	**860**	**1,030**
Change in the year	**574**	**(171)**
Closing net financial indebtedness	**1,434**	**860**

(1) The change in working capital is mainly due to the changes in amounts from subsidiaries for IRES (CORPORATE INCOME TAX) as part of the domestic tax consolidation scheme.

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

	Equity		Profit for the year	
(EUR million)	31/12/2022	31/12/2021	2022	2021
Equity and profit for the year of ERG S.p.A.	**1,126,023**	**1,189,314**	**11,613**	**21,126**
Derecognition of the effects of transactions carried out between consolidated companies:				
- Derecognition of intragroup profits on inventories and non-current assets	(3,154)	(2,769)	-	-
- Derecognition of intragroup dividends	-	-	(50,000)	(50,000)
	(3,154)	**(2,769)**	**(50,000)**	**(50,000)**
Deferred taxes:				
- Deferred tax liabilities on the consolidation adjustments	-	-	594	594
Derecognition of the carrying amount of the equity investments:				
- Difference between carrying amount and the Group's share of Equity	922,839	372,796	-	-
- Adjusted pro rata results achieved by the investees			420,890	202,729
- Recognition of Assets and Liabilities from business combinations	(358)	(358)	-	-
	922,481	**372,438**	**420,890**	**202,729**
Equity and profit (loss) for the year	**2,045,350**	**1,558,983**	**383,098**	**174,450**
Equity and profit (loss) for the year – non-controlling interests	-	-	(4,158)	(1,553)
Consolidated equity and profit for the year ERG Group	**2,045,350**	**1,558,983**	**378,939**	**172,897**

MANAGEMENT NOTES ON THE MAIN NON-CONSOLIDATED SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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 S.a.r.l.
- Parc Eolien du Puits Gergil S.a.r.l.
- Parc Eolien du Plateau de la Perche S.a.r.l.
- Parc Eolien des Boules S.a.r.l.
- Parc Eolien de la Foye S.a.s.
- Ferme Eolienne de la voie Sacree sud S.a.s.
- Parc Eolien Des Grandes Bornes S.a.s.
- Parc Eolien Des Jonquilles S.a.s.
- Parc Eolien De La Plaine De Burel
- Parc Eolien De Saint Priest En Murat
- Parc Eolien Des Vents Communaux
- ERG Germany Verwaltungs GmbH
- ERG Windpark Aukrug GmbH & Co. KG
- ERG Windpark Bischhausen & Co. KG
- ERG Windpark Bokel GmbH & Co. KG
- ERG Windpark Heyen Gmbh & Co. KG
- Creggan Wind Farm Limited as a “dormant” company
- Longburn WindFarm Ltd. as a "dormant" company

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**, **Craiggore Energy Limited**, **Creag Riabhach Wind Farm Ltd.**, **Evishagaran Wind Farm Ltd**., **Sandy Knowe Wind Farm Limited** and **ERG Wind MEI 2-14-1 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.

MANAGEMENT AND COORDINATION 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 starting on 1 January 2017, the directly and indirectly controlled Italian companies with respect to which, in 2022, in accordance with Articles 2497 et seq. of the Italian Civil Code, the management and coordination activity was carried out within the scope outlined above are:

ERG Power Generation S.p.A. and its following Italian subsidiaries:ERG Eolica Adriatica S.r.l.

- ERG Eolica Campania S.p.A.
- 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 Power S.r.l.
- ERG Wind Bulgaria S.p.A.
- Green Vicari S.r.l.
- ISAB Energy Solare S.r.l.
- Eolico Troina S.r.l. in liquidation
- Andromeda PV S.r.l.
- ERG Solar Holding S.r.l.
- Calabria Solar S.r.l.
- ERG Solar Piemonte 3 S.r.l.
- Fattoria Solare Futurasun S.r.l.
- ERG Solar Holding 2 S.r.l.
- Ginestra S.r.l.
- Photosun S.r.l.
- Pvproject S.r.l.
- Robinia 2 S.r.l.
- Sesma S.r.l.
- Six For Power S.r.l.
- Svs 1 S.r.l.
- ERG Wind Investments S.r.l.
- ERG Wind Holdings (Italy) S.r.l.
- ERG Wind Sardegna S.r.l.
- ERG Wind 6 S.r.l.
- ERG Wind Sicilia 3 S.r.l.
- ERG Wind Sicilia 6 S.r.l.
- ERG Wind Energy S.r.l.
- ERG Wind Holding S.r.l.
- 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.

In 2022, 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 32.3 million.

ERG S.p.A. also manages, as the consolidator, the Group VAT and the national tax consolidation scheme with the main subsidiaries of the Group.

All transactions relate to ordinary operations and are settled at market conditions.

TREASURY SHARES

At 31 December 2022, ERG S.p.A. held 782,080 treasury shares equal to 0.520% of the 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 parent, is available to the public at www.erg.eu. (This information is provided in the Report on corporate governance and the shareholder structure, an integral part of the consolidated Financial Statements).

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
Press release of 12 January 2023	Scotland	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 production of 271 GWh at full capacity, avoiding the emission of 125 kt of CO_2 each year. A large part of the electricity produced 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 confirms its place in the Bloomberg Gender Equality Index. The Group enters the first quartile of the ranking.
Press release of 1 February 2023	Italy	Corporate	ERG has communicated the figures relating to the shares outstanding and the number of voting rights making up the share capital at 1 February 2023.
Press release of 9 March 2023	Italy	Wind	EssilorLuxottica and ERG sign a long-term agreement for the supply of electricity from renewable sources in Italy.

BUSINESS OUTLOOK

The context in which the Group operates is characterised by extreme volatility and uncertainty. Prices for commodities and electricity are extremely volatile and have fallen sharply in the first months of 2023 compared to the high prices of 2022. The regulatory context is constantly evolving and uncertain, particularly as a result of the many and uncoordinated emergency measures that have been taken in recent months, both at the level of individual countries and at European level. 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, 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 evolution of the main performance indicators in 2023 compared to 2022 is shown below, net of the best estimate of the impacts deriving from the emergency measures (so-called clawback measures) envisaged in the various countries and/or at European level. It should be noted that the comparison with the previous year is also net of the aforementioned measures.

Italy

EBITDA for Wind is expected to increase slightly compared to 2022 due to the full contribution resulting from the assets consolidated from 1 August 2022 (172 MW), the entry into operation during the year of two plants subject to repowering for a total of 56 MW of new additional capacity (92 MW gross of the decommissioning of old plants) and a newly built wind farm (47 MW). These improved results will be partly offset by the cancellation of the GRIN incentive in 2023 following the high PUN (National Single Price) values recorded in 2022.

EBITDA for Solar is expected to increase mainly due to the full contribution resulting from the acquisition of 34 MW in July 2022.

EBITDA for Wind & Solar Italy for 2023 is expected to increase compared to 2022.

Abroad

Wind EBITDA is expected to be substantially in line with 2022 thanks to the full contribution of the wind farms that came into operation gradually during 2022 in the UK (86 MW), Sweden (62 MW), Poland (61 MW) and France (20 MW), in addition to the start-up of the wind farm in Scotland (92 MW) at the beginning of 2023. This higher result is largely offset by the lower sale price compared to that recorded in 2022 in some geographies, also due to the clawback measures in force from 1 December 2022.

Solar EBITDA is expected to increase compared to 2022 mainly due to the contribution deriving from the wind farm being acquired in Spain (25 MW).

EBITDA for Wind & Solar abroad is therefore expected to increase slightly compared to 2022.

2023 Guidance

For 2023, Group EBITDA is forecast in the range between EUR 500 and EUR 550 million, a slight increase compared to the 2022 result net of the impact of clawback measures (EUR 502 million, net of EUR 35 million for clawback measures).

Capital expenditure is in the range of EUR 400 and 500 million (EUR 946 million in 2022) and includes the completion of the wind farms that entered into operation between the end of 2022 and the beginning of 2023, ongoing construction activities and the acquisition of a photovoltaic park in Spain pending closing.

Net financial indebtedness at the end of 2023 is expected to be in the range between EUR 1,300 million and EUR 1,400 million (EUR 1,434 million at the end of 2022), including the distribution of the ordinary dividend of EUR 1 per share.

As regards the thermoelectric business, an asset sale process is underway. For this reason, the relative results are not included in the continuing operations commented on above, and will be classified in the financial statements under discontinued operations.

Genoa, 14 March 2023

on behalf of the Board of Directors

The Chairman

Edoardo Garrone

EXECUTIVE SUMMARY

WE ARE ERG
#VALUES

1938

Edoardo Garrone establishes ERG in Genoa

1947

Production begins at the San Quirico refinery in Genoa

1975

Production begins at the ISAB refinery in Priolo

1997

ERG is listed on the Italian Stock Exchange

2000

ERG – through ISAB Energy – begins to produce and market electricity from the gasification of heavy refinery residues

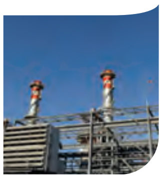
2006

ERG enters the renewable energy sector by acquiring EnerTAD

2008

ERG sells 49% of the ISAB refinery to LUKOIL

2010



ERG Power's combined cycle power plant starts up (480 MW) fuelled by natural gas. Launch of TotalErg, a joint venture to market petroleum products

2013

ERG becomes the leading wind power operator in Italy (1,087 MW) and one of the top ten in Europe (1,340 MW). It acquires a company for wind farm O&M activities. ERG sells the ISAB refinery and completes its exit from refining

2014

ERG sells its ISAB Energy plant and its ERG Oil Sicilia fuel networks

2015

ERG enters the hydroelectric business with the purchase of the Terni Complex (527 MW). ERG grows in the wind-power market in France (+64 MW) and Poland (+82 MW). Installed wind capacity at year end totals 1,506 MW

2018

ERG enters the solar sector, acquiring 30 photovoltaic plants in Italy (89 MW). Definitive exit from the oil sector with the sale of TotalErg. Installed wind capacity at year end totals 1,822 MW

2019

Solar capacity increases to 141 MW with the purchase of 51 MW. ERG continues to grow in the wind-power market in Germany (+52 MW), France (+34 MW) and the United Kingdom (180 MW under construction). Installed wind capacity at the end of 2019 totals 1,929 MW

2020

Installed wind capacity at year end is 1,967 MW

2021

ERG enters the solar sector in France (79 MW). In wind, ERG enters the market in Sweden, begins operations in the United Kingdom and grows in France and Germany. Installed wind capacity at the end of 2021 is 2,198 MW

2022

ERG sells the hydroelectric asset to ENEL and continues to grow in wind and solar in Italy and Europe. Year-end installed capacity amounts to 2,599 MW in wind and 345 MW in solar

WE ARE ERG
#VALUES

"Even before we completed our industrial transformation, our primary objective was to implement a sustainable development model based on sharing the values that make up our heritage. In an increasingly complex international context, today more than ever, we reaffirm our commitment to decarbonisation and the fight against climate change".

Edoardo Garrone
Chairman of the Board

"The world is facing unparalleled complexity, as has previously been the case in the more than 80 years of ERG's entrepreneurial history. I am firmly convinced that we will succeed in transforming the complexities we are experiencing into sustainable value, thanks to the vision and trust of our people, in whom our founding values are rooted, and who have already demonstrated their ability to support the Group's profound changes".

Alessandro Garrone
Executive Vice President

"ERG has made sustainability the cornerstone of its strategy, from an environmental, social and economic perspective. We are strongly committed to our growth path in the renewables sector in perfect harmony with the European Union's decisions on energy transition and the fight against climate change. We are convinced that the creation of a sustainable and inclusive development model that puts people at its centre is essential to ensure long-term business success."

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, our development model is focused on contributing to the achievement of the Sustainable Development Goals set by the UN.

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

ERG in 2022

3-Jan Completes the closing for the sale of the Hydro portfolio to Enel

31-Jan Entry into the Spanish photovoltaic market with the acquisition of 92 MW

23-Feb Enters the Italian storage market with two projects for a total capacity of 22 MW

24-Mar Two Power Purchase Agreements (PPA) signed with ENGIE covering two new wind farms in Scotland

9-Jun Commissioning of the Les Bouchats wind farm in France (20 MW)

16-Jun Agreement between San Quirico and IFM Investors for the creation of a long-term strategic partnership to promote ERG's dominant position in renewables

9-Sept Grows in Italy, purchasing 7 wind farms (+172 MW)

30-Sept Included among the Top 2% of the Moody's ESG Solutions classification, with the "Advanced" rating confirmed for the third consecutive year

24-Oct The Laszki wind farm (36 MW) becomes operational in Poland

25-Nov Commissioning of its first wind farm in Sweden (62 MW)

29-Nov Enters the FTSE MIB Index, comprising the 40 largest Italian stocks by liquidity and trading volume

16-Dec Additional 36 MW commissioned at Sandy Knowe wind farm in Scotland

26-Jan Enters the Bloomberg Gender-Equality Index, thanks to its commitment to D&I

10-Feb Joins CDP's "Suppliers Engagement Leaderboard" for its commitment to creating a sustainable supply chain

15-Mar The Board of Directors approves the 2022-2026 Business Plan and ESG Plan: confirmed growth in renewables under the banner of sustainability and geographical and technological diversification

13-May Fitch confirms ERG's BBB- rating wit stable outlook

15-Jun Signing of the Women's Empowerment Principles and entry into the United Nations Global Compact for a just and inclusive transition

7-Jul Acquires 18 solar farms in Italy (34 MW), and commissions the Piotrkow wind farm in Poland (24.5 MW)

23-Sept Italian Antitrust Authority refuses approval of the sale of the CCGT to ENEL. ERG confirms its development strategy in wind and solar

13/14-Oct Acquires a project for the construction of the 47 MW Corlacky wind farm

3-Nov Policy Against Violence, Harassment and Bullying approved to ensure an inclusive, positive and fair working environment

POLICY AGAINST VIOLENCE, HARASSMENT AND BULLYING

26-Nov For the 2nd year in a row, it wins Italy's "Oscar di Bilancio" (financial communication award) in the 'Medium and Small Listed Companies' category, thanks to its clear, detailed and transparent reporting

13-Dec Enters the CDP Climate A list 2022, the top ranking of leading companies in the fight against climate change

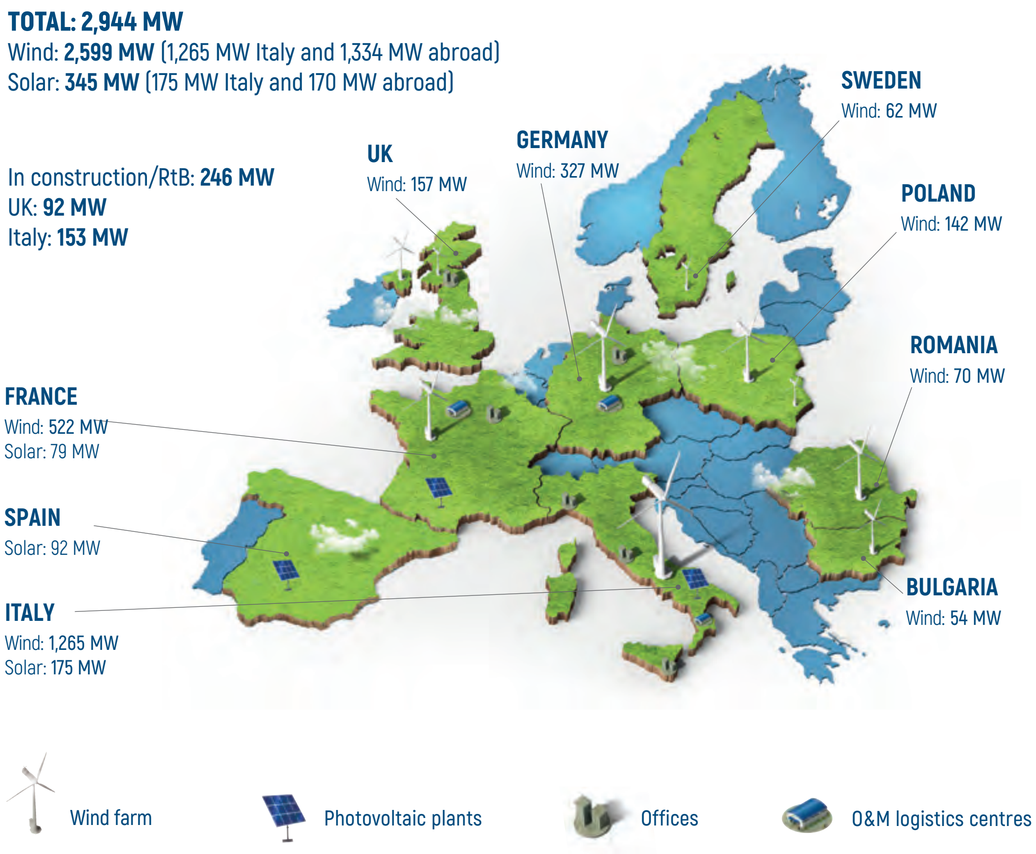
23-Dec Agreement signed for the purchase of the Fregenal photovoltaic plant (25 MW) in Spain.

THE ERG GROUP

The ERG Group is a major independent operator in the generation of electricity from renewable sources, and in particular:

Wind
It operates in the wind power generation sector with 2,599 MW of installed capacity and is the leading operator in wind power in Italy (1,265 MW) and one of the top ten in Europe (1,334 MW), notably in: France (522 MW), Germany (327 MW), Poland (143 MW), Romania (70 MW), Bulgaria (54 MW), the UK (157 MW) and Sweden (62 MW).

Solar
It operates in the solar power generation sector with 345 MW of installed capacity and is the sixth largest operator in wind power in Italy with 175 MW, while in France it has 79 MW and in Spain 92 MW.



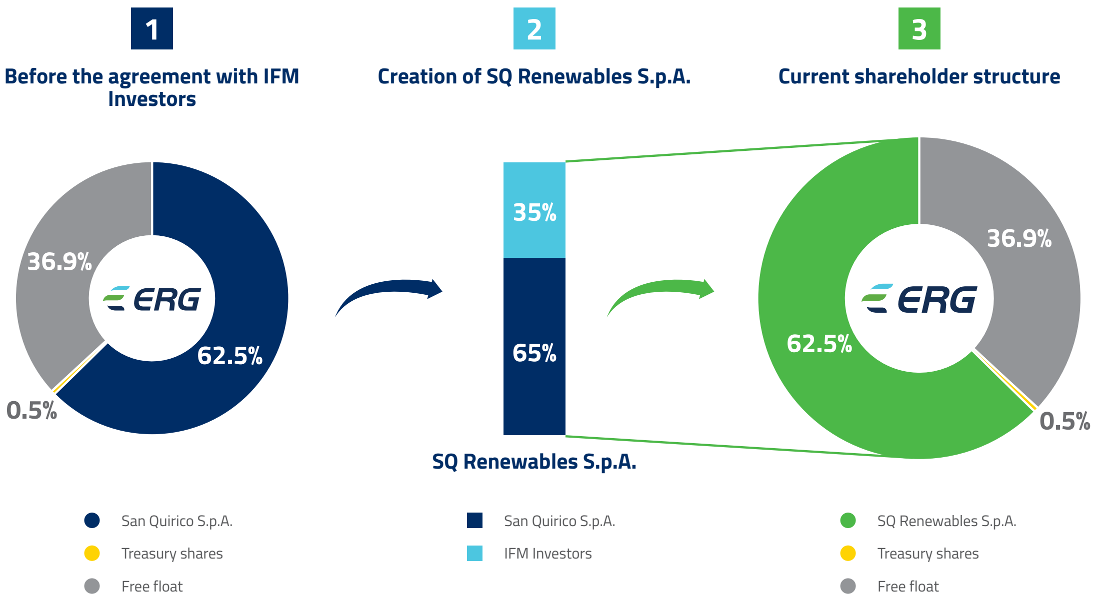
REPORTING SCOPE

The reporting scope of the non-financial information reported in this document is the same as that of the ERG Group's Consolidated Financial Statements and consists of ERG S.p.A. and its subsidiaries consolidated on a line-by-line basis, with reference to the year ended 31 December 2022 (reporting period from 1 January to 31 December). It is therefore worth noting the exclusion of the CCGT thermoelectric plant from the scope of consolidation: since it is subject to sale, this plant is classified in the Consolidated Financial Statements as an "asset held for sale" (based on the application of IFRS 5). However, in order to ensure completeness of information, in the "assets held for sale" section of the 2022 Non-Financial Statement, published on the website www.erg.eu in the sustainability section, ESG issues and indicators related to the CCGT plant are reported in a deconsolidated manner.

IFM INVESTORS INVESTS IN ERG WITH THE "NET ZERO" FUND

In June 2022, IFM Investors (as manager of the IFM Net Zero Infrastructure Fund – also IFM NZIF) and San Quirico signed a long-term partnership regarding ERG SPA: their respective associates acquired an initial 35% stake in a new holding company, San Quirico Renewables, which, in turn, holds approximately 62.5% of ERG. San Quirico continues to maintain control of ERG.
The investment by IFM NZIF exceeds EUR 1 billion and includes an option for an additional EUR 500 million of capital to support ERG's growth, based on the strategic objectives announced by the Company in March 2022.
The partnership aims to consolidate ERG's leadership position as a key player in Europe's energy transition and to unlock further growth potential under the ambitious decarbonisation targets that governments and institutions are setting globally.

CHANGES IN ERG'S SHAREHOLDER STRUCTURE



ERG enters the FTSE MIB Index

FTSE MIB Index

Borsa Italiana
London Stock Exchange Group

On 29 November 2022, we entered the FTSE MIB, the main benchmark index of the Milan Stock Exchange, made up of the 40 most liquid and traded stocks, representing around 80% of domestic market capitalisation. Our entry into the index comes 25 years after the stock exchange listing (in 1997). This inclusion rewards our industrial strategy and encourages us to continue our growth path in renewables, to actively contribute to the energy transition and the decarbonisation of the planet.

KEY ECONOMIC INDICATORS

	2022[1]	VS 2021	= Δ
ECONOMIC DATA			
Adjusted revenue	EUR 749 million (Wind 84%, Solar 16%)	EUR 601 million (Wind 86%, Solar 12%)	+25%
EBITDA	EUR 537 million (Wind 82%, Solar 18%)	EUR 399 million (Wind 84%, Solar 16%)	+35%
Capital expenditure	EUR 946 million (Wind 75%, Solar 24%, 0%)	EUR 617 million (Wind 87%, Solar 12%, 0%)	+53%
Net financial indebtedness	EUR 1,434 million	EUR 2,051 million	-30%
OPERATING DATA			
Installed capacity	2,944 MW (Wind 88%, Solar 12%)	2,418 MW (Wind 91%, Solar 9%)	+22%
Energy production	4,956 GWh (Wind 90%, Solar 10%)	4,157 GWh (Wind 94%, Solar 6%)	+19%
Employees at year end	573	553	+4%

Wind Solar

(1) The 2022 data include only the Wind and Solar perimeter, as reported in the paragraph "Reporting Scope" on page 5

KEY ESG INDICATORS AND RECOGNITIONS

ESG DATA		2022	2021	= Δ
PLANET	CO_2 avoided	2,710 kt	2,272 kt	+19%
	Circular economy wind	100%	100%	0%
ENGAGEMENT	Contribution to local communities	9,351 k eur	8,805 k eur	+7%
	Students involved in educational activities	16,377	5,832	+181%
PEOPLE	Employees at year end	573 (71% / 29%)	553 (71% / 29%)	+4%
	Training per employee	6.2 days	6.1 days	+2%
GOVERNANCE	Composition of the BoD	12 (58% / 42%)	12 (58% / 42%)	+0%

January 2022

ERG included in the **Bloomberg Gender Equality Index** for the first time

February 2022

ERG included in the **CDP Supplier Engagement Leaderboard** for the first time

June 2022

- Signing of the **Women's Empowerment Principles** and entry into the **United Nations Global Compact**.
- ERG enters the **TOP 10** of the "**Integrated Governance Index 2022**".
- **MSCI** confirms ERG's "AA" rating

September 2022

ERG among the Top **2%** of the **Moody's ESG Solutions** classification, with the "Advanced" rating for the third consecutive year

November 2022

ERG wins the **Oscar di Bilancio** for the 2nd year running

December 2022

ERG enters the **CDP Climate** A list 2022

January 2023

- **Sustainalytics** improves ERG's rating to "Low Risk" (14.6), placing it 5th among Independent Power Producers
- ERG in 54th position in the **"Global 100 most sustainable corporations in the world" (Corporate Knights)**, first among the Italian companies included
- ERG's score in the **Bloomberg Gender Equality Index** improves, putting it into the 1st quartile

OUR PURE "WIND & SOLAR" MODEL

ERG continues on the path towards transforming its business model into a pure "Wind & Solar" operator, in line with what was presented in the 2022-2026 Business Plan. Thanks to a natural predisposition for change, and the expertise acquired over its 85-year history, the Group has managed to achieve a leading position in renewables by anticipating long-term energy scenarios, consolidating its presence in 9 countries internationally. The Group now wants to confirm itself as a leader in the global energy transition, contributing to the achievement of global climate change targets.
Having finalised the sale of the hydroelectric assets to Enel Produzione, ERG is now finalising the sale of the Priolo Gargallo CCGT plant. Following these major transactions, the Group aims to become a 100% Renewable operator: as of today, ERG has 2,944 MW of installed renewable capacity (2,599 MW wind and 345 MW solar), and a pipeline that has grown from 3500 MW to 3700 MW.
Based on the strategic guidelines set forth in the 2022-2026 Business Plan, the growth of the renewable portfolio through geographic and technological diversification continues. To date, ERG has more than 1,500 MW (+320 MW compared to 2021) of installed capacity abroad, with strong growth recorded in the United Kingdom (where from December 2021 to December 2022 ERG installed 156 MW of wind power), consolidation in Poland, and entry into new countries, such as Spain and Sweden. In Italy, ERG has 1440 MW of installed renewable capacity (+206 MW compared to 2021).
During 2022, the Group increased its installed wind power capacity by 401 MW, and photovoltaic capacity by 125 MW. The increased focus on solar technology has resulted, in Italy, in the finalisation of the acquisition of 18 photovoltaic plants totalling 34 MW. Also abroad, in Spain, the Group has increased its presence in the solar energy market, finalising the acquisition of a 92 MW plant and concluding an agreement for a 25 MWp photovoltaic plant in the commissioning stage.

ERG'S CONFIRMED TARGETS TO 2026

	ERG'S NEW TARGETS TO 2026	VS. LAST YEAR
Growth in scale	▪ **+2.2 GW 2022-26** (+526MW in 2022) ▪ 4.6GW Installed Capacity in 2026 **(5GW in 2027)**	Confirmed
Investments/EBITDA	▪ **€3.5bn 22-26; >€650mn @2026**	↑ CAPEX ↑ EBITDA
Energy Sales / Mgmt	▪ **Confirmed target 85-90%** regulated on total EBITDA; PPAs vs auction	Confirmed
Geographical diversification	▪ **9 countries in 2022:** Spain and Sweden in operation	Confirmed
Solar as strategic pillar	▪ **~ 860 MW of solar PV (out of +2,200MW)** ▪ ~ 25% of solar on group capacity @2026-27	+
Innovation	▪ Battery Storage; ▪ Exploring floating offshore opportunities	Confirmed our commitment to new business lines
Conventional is "legacy"	**Relaunch of the CCGT disposal process**	Asset Rotation Confirmed
Integration of ESG	▪ Confirmed at the core of ERG's business model	↑
Dividend Policy	▪ **1,0 € per share** (+10% vs previous)	↑ +10%

THE ERG GROUP'S ESG PLAN

The 2022-2026 Business Plan incorporates the ESG Plan, aligned with the Sustainable Development Goals of the United Nations, which confirms the Group's mission to "keep growing in RES, acting as #SDGsContributor".

PLANET

- Net Zero
- Circular Economy
- Energy Efficiency
- Biodiversity

ENGAGEMENT

- ERG Academy for Next Generation
- >1% for the Community
- Trust & Reputation
- Social Purpose for circular solar

PEOPLE

- ERG Academy for ERG People
- Diversity & Inclusion
- Health & Safety always
- Employees' well-being

GOVERNANCE

- ESG objectives in MBO/LTI
- Enhancing Governance Model
- Tax Control Framework abroad
- Sustainable Procurement
- ESG Finance
- Cyber Security

2022-2026 ESG PLAN

The 2022-2026 ESG plan, in its 2023 update, sets out 18 well-defined objectives that are measurable through constantly monitored KPIs, with a view to guaranteeing a tangible contribution to the creation of value over time for all our stakeholders and reaching 14 of the 17 SDGs established by the United Nations, incorporated in the management's short and long-term incentive system.

ESG RATINGS

ESG RATING COMPANY	RATING	ESG RATING COMPANY	RATING
Moody's	65 Advanced	MSCI ESG RESEARCH LLC	MSCI ESG RATINGS AA
CDP	A	SUSTAINALYTICS ESG REPORT	14.6 Low Risk
CDP SUPPLIER ENGAGEMENT LEADER	A	Bloomberg	82 / 100
REFINITIV	77 / 100	ECPI Sense in sustainability	EE+
ISS ESG	A-	INTEGRATED GOVERNANCE INDEX 2022	10 / 87
FitchRatings	ESG Vulnerability Score = Tier 1	Gaïa RESEARCH by EthiFinance	81/100

THE 2022 REPORTING OF THE ESG PLAN

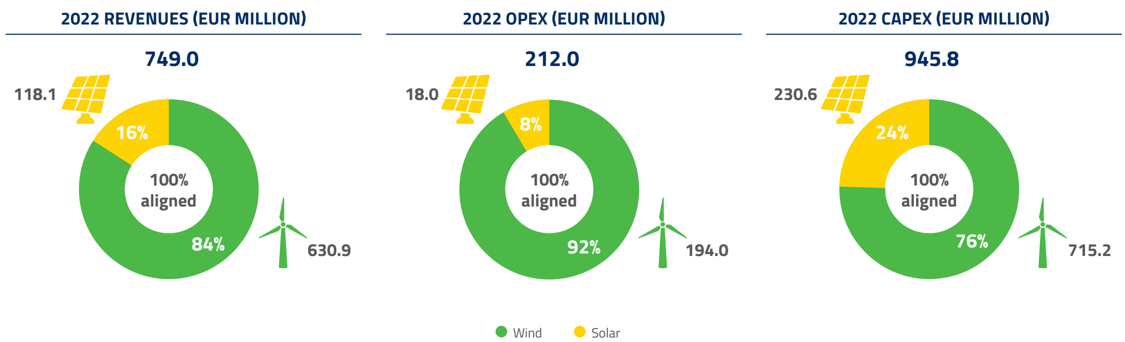
UN SDGs	2026 TARGETS	2022 REPORTING
PLANET		
	Net Zero	▪ Target Net Zero under validation by SBTi
	Circular economy	▪ Wind: 100% Partinico Monreale Repowering wind components recovered ▪ Solar: 92% Solar Revamping materials recycled ▪ Social Purpose: 4 projects authorised (2 in Africa, 2 in Italy)
	Energy efficiency	▪ Wind: +11.9 GWh ▪ Solar: +3.8 GWh
	Biodiversity	▪ 100% of RES plants developed internally with assessments of the impact on biodiversity
ENGAGEMENT		
	ERG Academy for Next Generation	▪ 16,377 students involved in educational activities
	1% for the Community	▪ >1% of revenues for local community development in 2022
	Trust & Reputation	▪ Top performer in the main ESG ratings
PEOPLE		
	ERG Academy for our People	▪ 41% of employees with personal development plans ▪ 97.6% of employees involved in training initiatives
	Diversity & Inclusion	▪ 18.3% women among key leaders (managers and senior managers) ▪ 20.0% key leaders abroad ▪ 29.5% women in staff
	Employees' well-being	▪ Assessment on Flexible benefits at Group level ▪ Solidarity Holiday Programme extended in France and Germany ▪ 8 days of remote working per month
	Health & Safety, always	▪ No fatalities, Frequency Index = 4.12
GOVERNANCE		
	Sustainability Incentives	▪ 100% MBO/LTI with ESG targets
	Enhancing governance model	▪ Complying with gender diversity in the boards of statutory auditors, requiring one person of the least represented gender (ERG Wind Investment S.r.l., ERG Solar Holding and ERG Power Generation)
	Tax Control Framework	▪ Tax Control Framework implemented in France
	Sustainable Procurement	▪ 61.1 average score of strategic suppliers (+5.6 vs. 2021)
	ESG Finance	▪ 88% of Green Finance

ESG CERTIFICATION @2026

EU GREEN TAXONOMY

ERG aligned itself with the European taxonomy as early as the 2021 NFS, ahead of the norm, which called for alignment from this year. In 2022, we also conducted an analysis of the ERG Group following the "by technology" view used in the directors' report of the Consolidated Financial Statements. Through the production of electricity from photovoltaic solar power (point 4.1 of the "Taxonomy report: technical annex - March 2020") and wind power (point 4.3), we contribute to the goal of "climate change mitigation". Wind and solar technologies are 100% green.

EUROPEAN TAXONOMY – ANALYSIS RESULTS



SUSTAINABILITY GOVERNANCE

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, the NFS, the ESG Plan and those related to Group Governance;
- compliance with the requirements of Italian Legislative Decree no. 231/01 and anti-corruption guidelines;
- the 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, to be submitted to the RCSC and monitors its implementation on a periodic basis;
- approves the Communication plan (external and towards employees) and monitors its execution;
- manages the preparation and dissemination of the NFS.

HUMAN CAPITAL COMMITTEE

Nurtures the development of our people.

Evaluates and verifies reports of possible violations of the Human Rights Policy.

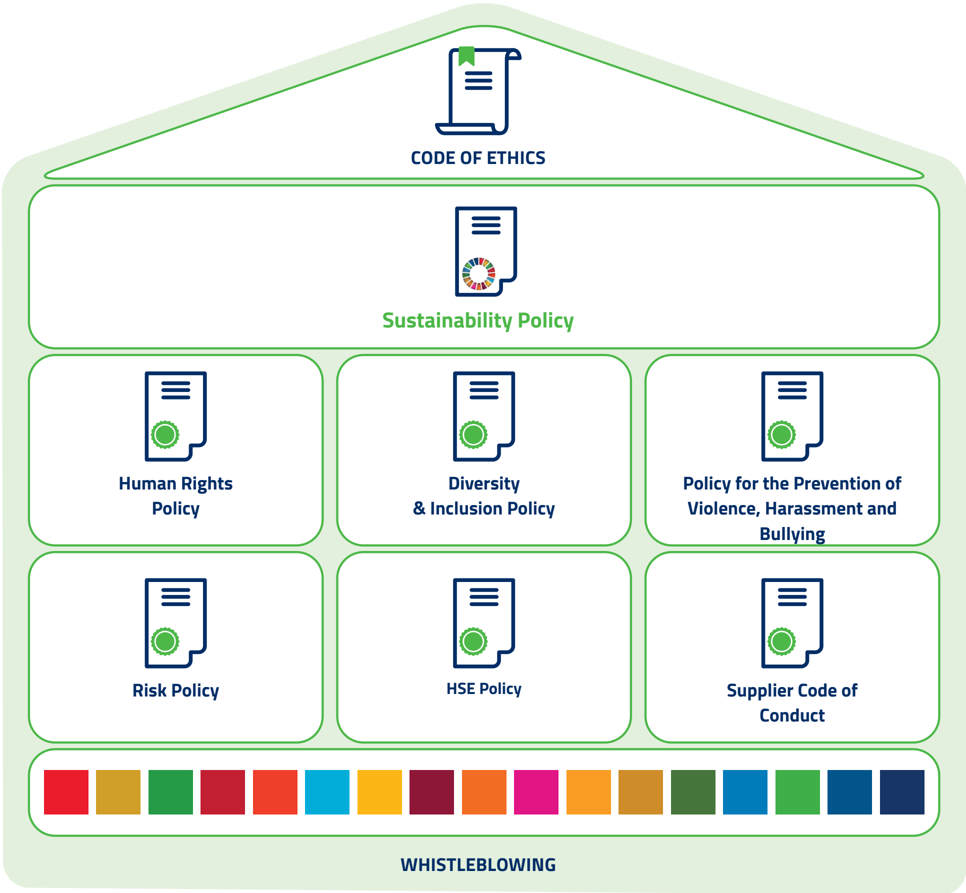
ESG FUNCTION

Within the ESG, IR & Communication Department, it is responsible for:
- taking care of the definition of the ESG Plan, the budget, the evolution over time, proposing any changes/additions;
- monitoring the execution of the ESG Plan by interfacing with the Ambassadors;
- overseeing the drafting of the NFS;
- communicating the results of the ESG Plan with financial stakeholders and rating agencies.

ESG PLAN WORKING GROUP

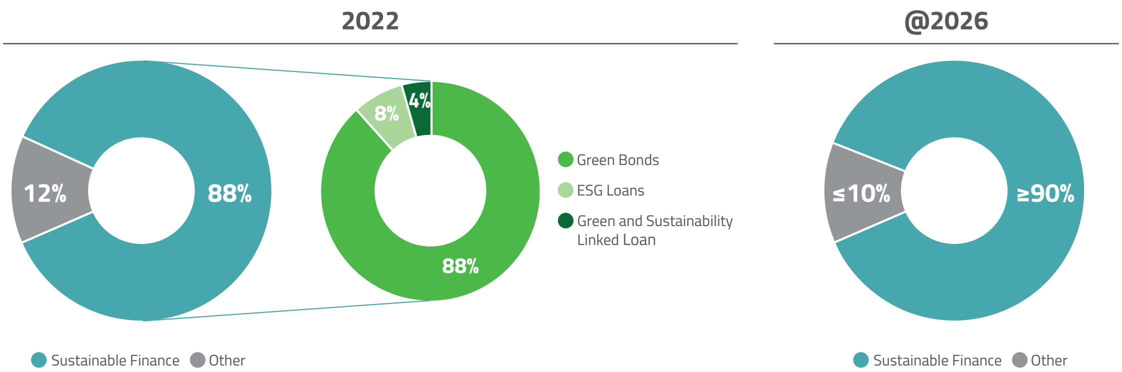
- Develops projects and periodically interfaces with the ESG function to update on the progress of the activities;
- Uses the metrics (KPIs) identified in the ESG Plan to monitor progress, reporting anomalies/opportunities;
- Periodically collects information and reports on its progress to the ESG Team,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

SUSTAINABILITY POLICIES



SUSTAINABLE FINANCE

At 31 December 2022, Sustainable Finance sources, amounting to EUR 1,829 million, represent 88% of total debt (out of total financial sources of EUR 2,083 million).
We are aiming for at least 90% of our funding to be "Green" by 2027.

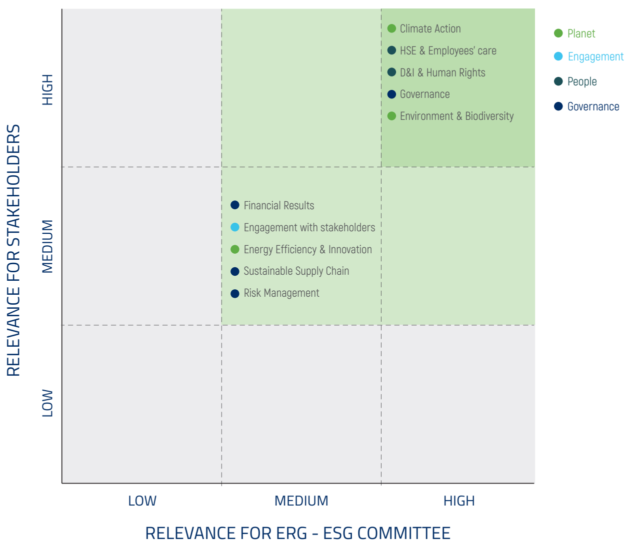


Proceeds allocation disclosures related to each of the Green Bond issues are posted on our website www.erg.eu under the "Green Financing" section.

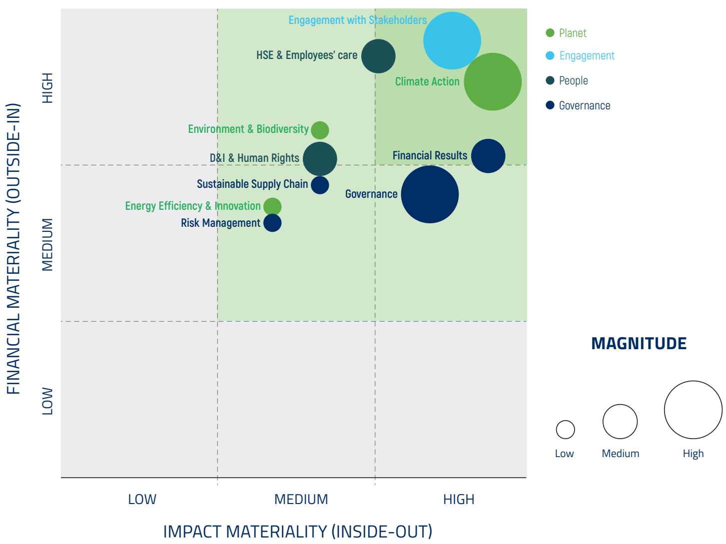
MATERIALITY ANALYSIS

Materiality analysis aims to identify the most relevant aspects for the company and its stakeholders. Monitoring stakeholder expectations makes it possible to understand the evolution of material issues over time and identify objectives aimed at creating sustainable value, both in the short and medium to long-term.

2022 MATERIALITY MATRIX



2022 DOUBLE MATERIALITY



As a new feature, this year in addition to "single materiality" (a classic approach that identifies and evaluates priority issues for the company and its key stakeholders) we have added double materiality which allows us to compare the significant impacts[1] generated by the company (Impact materiality) with those suffered by the company (Financial materiality).

It can be concluded that classical Materiality is largely in line with Double Materiality

1 current or potential, in the short, medium or long-term

Planet

Our development strategy is geared towards growth in energy production from renewable sources (Wind and Solar) and focuses on combating climate change, decarbonisation and sustainability, following the United Nations Sustainable Development Goals (SDGs).

	Italy	France	Germany	East Europe	UK and Sweden	Spain	TOTAL
Installed	1,440 MW installed	600 MW installed	327 MW installed	266 MW installed	219 MW installed	92 MW installed	2,944 MW installed
Energy production	2,312 GWh	1,076 GWh	556 GWh	615 GWh	226 GWh	171 GWh	4,956 GWh
Households	457k	166k	93k	86k	51k	34k	888k
CO_2 avoided	1,091 kt	547 kt	397 kt	488 kt	104 kt	83 kt	2,710 kt

Energy production

Number of households supplied with energy produced by our plants

CO_2 avoided

OUR ESG PLAN TARGETS IN THE PLANET AREA

PLANET

2022-2026 TARGETS	2022-2026 TARGETS (update 2023)
1. Net Zero: - Scope 1 after Asset Rotation - Scope 2 @2025 - Scope 3 @2040	**1. Net Zero:** ✓ - Scope 1 after Asset Rotation ✓ - Scope 2 @2025 ✓ - Scope 3 @2040
2. Circular Economy: - ≥ 98% Circular Wind - ≥ 90% Circular Solar	**2. Circular Economy:** ✓ - ≥ 98% Circular Wind ✓ - ≥ 90% Circular Solar
3. Energy Efficiency: - Wind Reblading (+72 GWh) - Solar Revamping (+55 GWh)	**3. Energy Efficiency:** ✓ - Wind Reblading (+72 GWh) ✓ - Solar Revamping (+59 GWh)
4. Biodiversity: - Biodiversity assessment for 100% of RES organic projects	**4. Biodiversity:** ✓ - Biodiversity assessment for 100% of RES organic projects

✓ Target confirmed

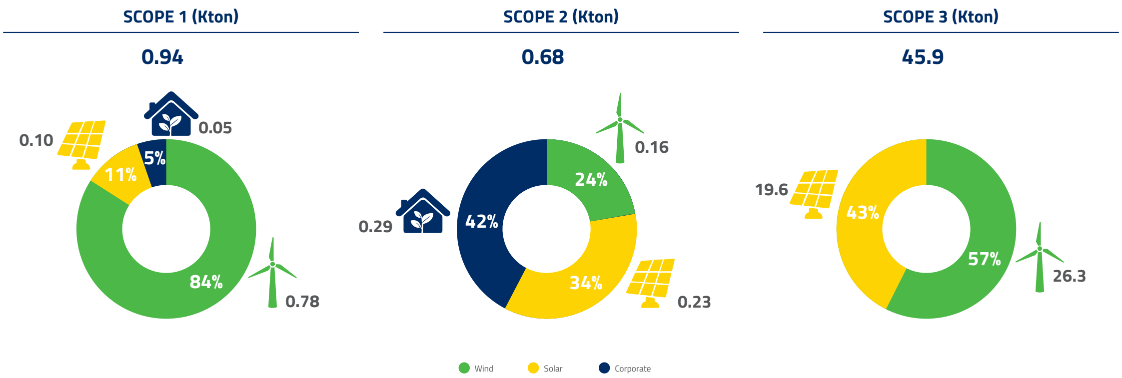
Target updated

OUR PATH TO BECOMING "NET ZERO BY 2040"

We want to become "Net Zero" by 2040, with a comprehensive decarbonisation pathway that involves:

- Asset Rotation of our CCGT, selling 100% Green energy, consuming 100% Green energy (for plants and offices), and supporting, in a partnership approach, our major suppliers on a Science Based Target (SBTi)-certified path to reducing their emissions;
- by 2030, at least 70% of our major suppliers (with turnover greater than EUR 1 million) must have an SBTi-certified emissions reduction target. This target will rise to 90% by 2040;

OUR EMISSIONS



OUR RENEWABLE ENERGY SUPPLIES

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

Our targets on decarbonisation submitted to Science Based Target

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

We continue our decarbonisation journey with the certification of our carbon footprint reduction targets:

- In 2021, with the new business plan, we obtained certification of the targets from Science Based Target, which approved our reduction targets, deeming them to be in line with keeping the global temperature increase well below 2°C. ERG's commitment is focused on: - reducing the carbon index of our production by 45% for MWh by 2025 compared to 2020; - increase the share of energy from renewable sources from 94% in 2020 to 96% in 2025.
- In 2022, we submitted our new emission reduction targets related to the "Net Zero @2040" goal, and as of the date of preparing this document, we have completed the submission phase and are waiting to receive the final result from Science Based Target.

CIRCULAR ECONOMY

The Partinico Monreale plant is one of our plants that was repowered in 2022. We signed an agreement with Ventos Metodicos for the decommissioning of old wind turbines that provides for:

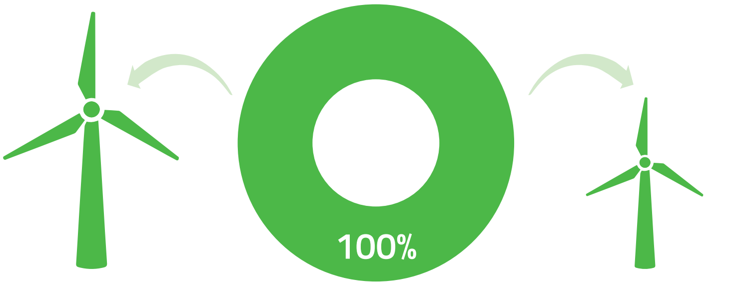
- the re-use of 100% of the Main Components (sale on the second-hand market/spare parts);
- the recovery of 100% of the Steel Towers (metal recovery centre)
- communication on the final destination of all components

In summary, compared to the ESG Plan target of 98% material recovery, we recovered 100% of the wind turbines (through the second-hand market sale of 18 wind turbines and the use of 1 wind turbine as spare parts) and 100% of the steel towers (through the metal recovery centre).

Circular Repowering

RECOVERY OF WIND TURBINES GENERATORS (WTG_s) - REPOWERING 2022

Partinico Monreale



18 WTGs resold | WTGs salvaged | 1 WTG used for spare parts

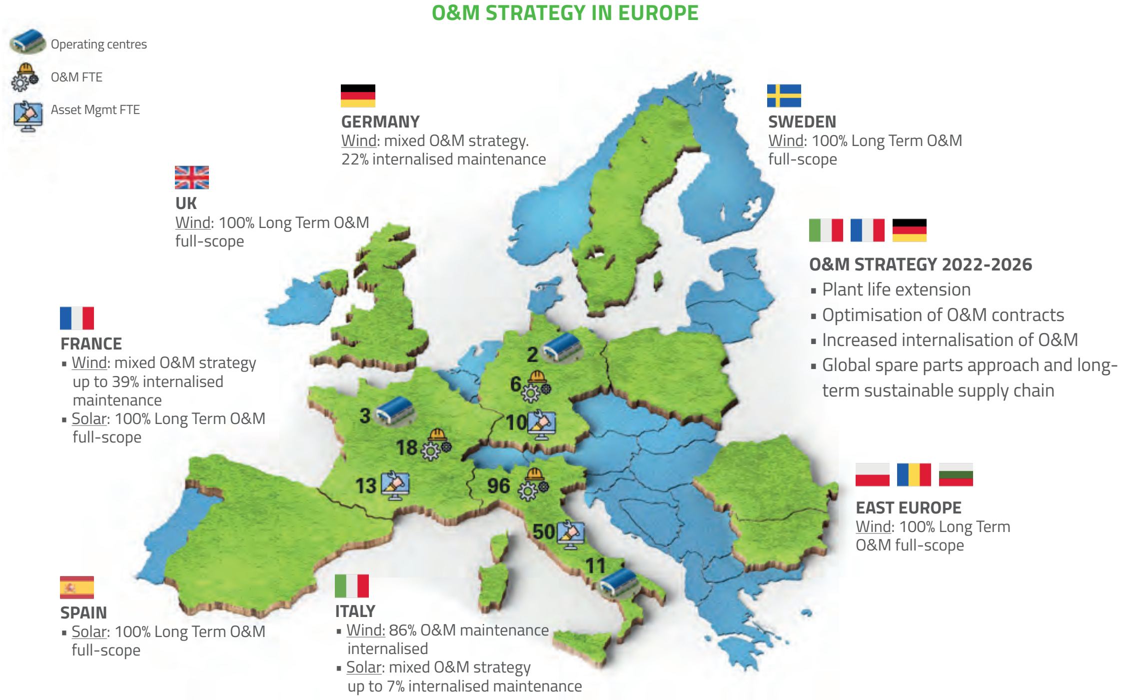
YESTERDAY TODAY

ENERGY EFFICIENCY

Energy efficiency is at the heart of the Group's plant management and is one of the targets of our ESG Plan: strengthened by our industrial approach, we have internalised Operations & Maintenance (O&M) activities in our wind farms, adopting predictive maintenance logic.

We have consequently developed a customised approach to maintenance (Condition Based Maintenance) and a Life Time Extension programme that aims to extend the operating life of wind turbines even beyond the 20-year validity of the certificate issued by the manufacturer.

O&M STRATEGY IN EUROPE



Engagement

We base the dialogue with our stakeholders on principles such as legality, honesty, fairness, equality, confidentiality, equity, integrity, transparency, and responsibility. These are the same values of our Code of Ethics, which inspire and guide us in the dialogue with the various stakeholders and the implementation of our initiatives.

OUR ESG PLAN TARGETS IN THE ENGAGEMENT AREA

ENGAGEMENT

2022-2026 TARGETS	2022-2026 TARGETS (update 2023)
5. ERG Academy for Next Generation: - 20,000 students involved	**5. ERG Academy for Next Generation:** - 25,000 students involved @2027
6. 1% for the Community: - >1% revenues for social developments of local communities	**6. 1% for the Community:** - >1% revenues for social developments of local communities
7. Trust & Reputation: - Top performer in main ESG Ratings	**7. Trust & Reputation:** - Top performer in main ESG Ratings
8. Social purposes for circular solar: - Developing RES Projects with NGOs	**8. Social purposes for circular solar:** - Developing RES Projects with NGOs

Target confirmed

Target updated

GUIDELINES ON THE SHARING BENEFITS

Focus on our guidelines for Engagement among our countries

MAIN ENGAGEMENT INITIATIVES IN 2022

Feb

Italian Ambassador to the UK, Raffaele Trombetta, visits the ERG offices in Edinburgh

Apr

ERG at WindEurope Annual Event 2022 in Bilbao, the most important European event in the wind energy sector

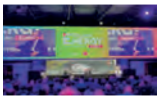
May

ERG at All-Energy 2022, leading event in the UK on sustainable development and low-carbon energy solutions

Jul

ERG at the 3rd National Climate Conference, organised by Italy for Climate

Sept



CEO Paolo Merli at the 'Il Sole 24 Ore' Italian Energy Summit

ERG at the Onshore Wind Conference in Glasgow

Inauguration of Les Bouchats wind farm

Oct

ERG partner of the 20th edition of the Science Festival in Genoa

Inauguration of offices in Edinburgh: ERGLab "Planning for Energy Independence"

Inauguration of phase 1 of the Sandy Knowe wind farm

Closing ceremony of the SAFE Master's Programme in Energy Resource

Nov

#ERGLab in France on the need for specific standard setting for wind repowering

ERG at RE:Wind 2023 (Berlin), an annual event dedicated to wind energy

ERG at Quale Energia Forum (Palermo): renewable development as an opportunity for the region

ERG at Key Energy 2022 (Rimini): growth in renewables for Italy's energy independence and combating climate change

Dec

ERGLab in Westminster: RES and RenewableUK speakers, House of Commons and House of Lords involved

Jan 2023

Meeting with H.E. Riccardo Guariglia, Italian Ambassador to Spain

STRENGTHENING OUR ENGAGEMENT WITH LOCAL COMMUNITIES

We follow a strategy based on value creation, recognising that our wind and solar installations have a strong positive impact on both the local economy and the fight against climate change, improving society and reducing energy dependence. We do not limit our activities to disbursements to entities and associations that propose initiatives of interest, but we also work with the most representative institutions and organisations to share the value of initiatives with the entire community.

Projects for schools

The "Next Generation – ERG" project for schools in the areas where we operate has reached 5,213 children in Italy and 4,564 children in France, thanks to the Terre avenir association

Inauguration of new wind farms

2022 saw the opening of the Sandy Knowe phase 1 and 2, Evishagaran and Craiggore wind farms in the UK, and the Les Bouchats and Vallée de l'Aa Extension wind farms in France, involving the local community and authorities

Equity investment

For two French wind farms (Porspoder - Bretagne - and Saint Vincent la Chatre), citizens in neighbouring towns were offered the opportunity to participate in the projects by investing in mini-bonds

Donations to the Community

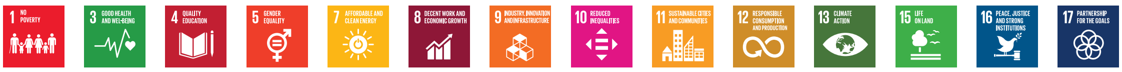
EUR 477,000 has been donated to support the humanitarian crisis in Ukraine. In the UK, we donated desks and chairs - worth EUR 8,000 - to Kelloholm Primary School, near the Sandy Knowe wind farm

Community Benefit

In Italy, the development of Repowering in the municipality of Monreale, Palermo, has seen the early disbursement of a number of grants, for the upgrading of some schools

Nature and culture

The "la Via del Vento" [the way of the wind] project includes a bicycle path at three of our wind farms (Monacilioni, Pietracatella and Sant'Elia)



SHARING VALUE FOR THE GROUP

CONTRIBUTIONS TO LOCAL COMMUNITIES (EUR k)	W&S 2022	W&S 2021
Sharing Benefits paid to local communities (Group)	8,122	7,880
Support to local communities in relation to emergency situations	477	0
Sponsorships	300	305
Other donations	452	520
COMMUNITY TOTAL	**9,351**	**8,705**
Turnover	749,000	590,000
COMMUNITY SHARE AS A PERCENTAGE OF TURNOVER	**1.25%**	**1.48%**

SOCIAL PURPOSE FOR SOLAR REVAMPING

In 2022, we launched the "Social Purpose for Solar Revamping" project, which aims to build a virtuous cycle in which photovoltaic panels, obtained from projects to modernise certain solar power plants and still in excellent condition, are reused in high social impact projects developed with non-profit organisations. This project puts us at the forefront of international companies supporting the energy transition through concrete circular economy action, laying the foundation for a new module reuse chain.

2 photovoltaic plants in Puglia (total 2 MW)

More than **9,000 photovoltaic modules** in excellent condition and reusable

4 projects approved by the ESG Committee for 2023

4 non-profit organisations beneficiary of projects in 2023

170 KWp total capacity (+ 50 KWh Storage for off-grid plants)

2023 Projects: **2 projects in Italy and 2 in Africa** (Malawi and Madagascar) with high social impact

SOCIAL PURPOSE FOR SOLAR REVAMPING

ERG

People

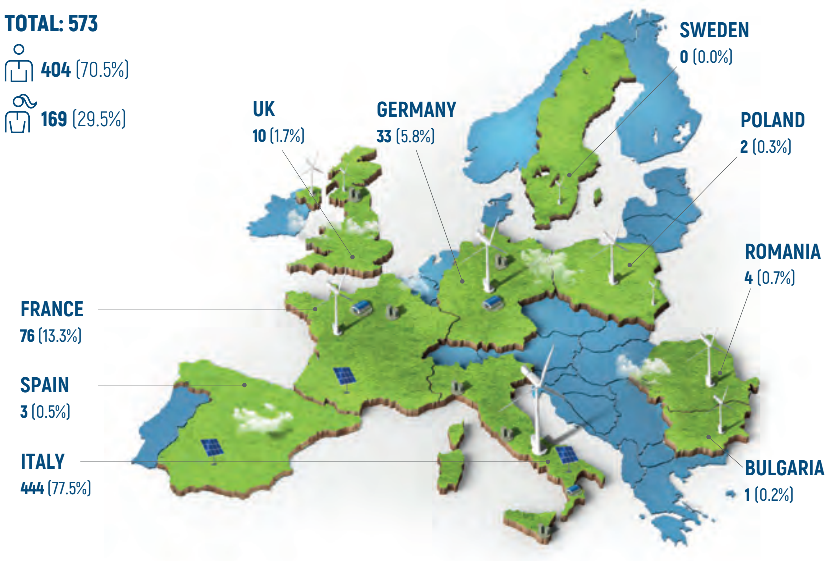
For us, our people are our asset, a "human capital" characterised by talents, skills, and relationships.
This is why we invest in an inclusive, stimulating and productive working environment, in which everyone can express their abilities and improve their skills.

OUR ESG PLAN TARGETS IN THE PEOPLE AREA

PEOPLE

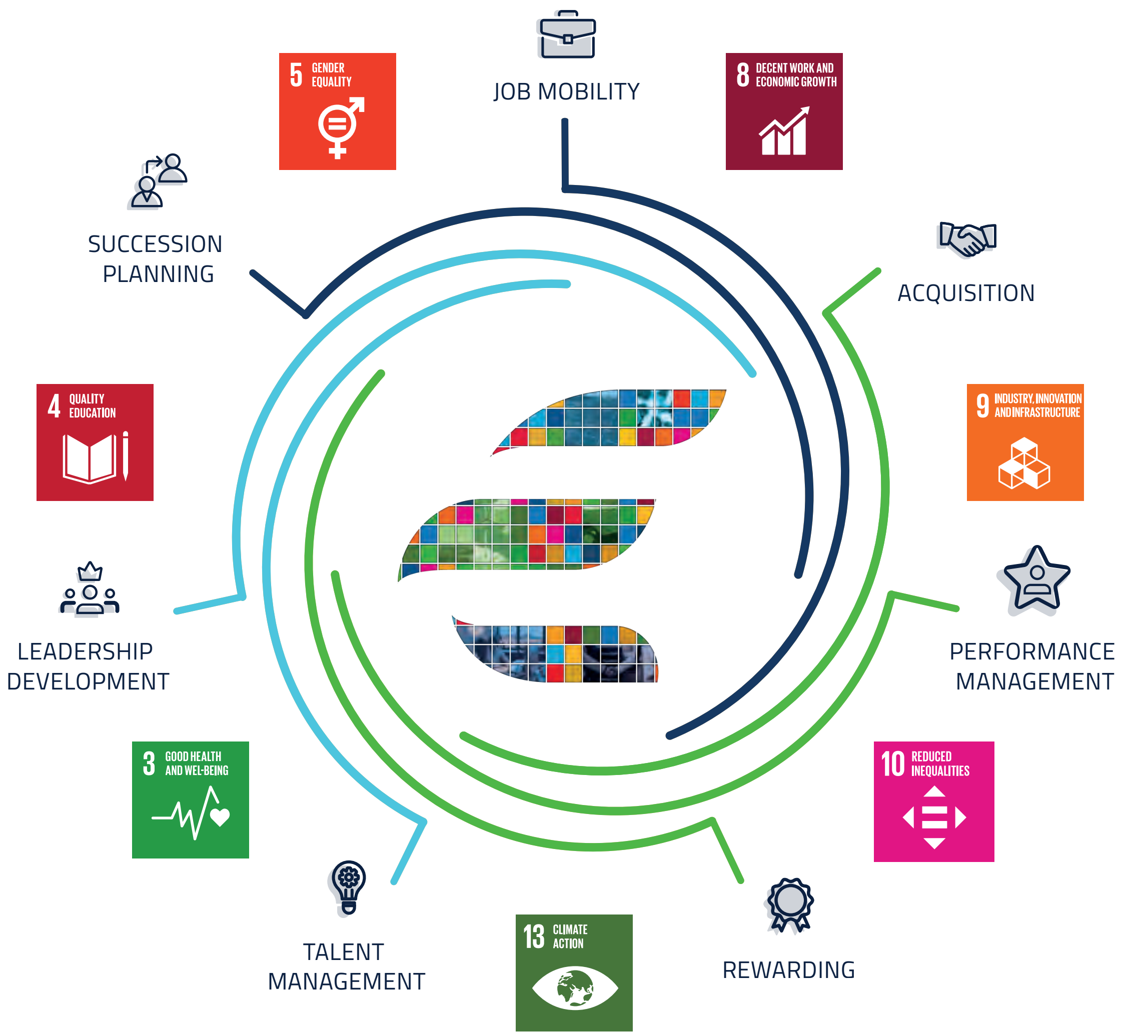
2022-2026 TARGETS		2022-2026 TARGETS (update 2023)
9. ERG Academy for our People:		**9. ERG Academy for our People:**
- 80% people with individual development plan	✓	- 80% people with individual development plan
- 100% people involved in learning activities	✓	- 100% people involved in learning activities
10. Diversity & Inclusion:		**10. Diversity & Inclusion:**
- ≥ 20% women amongst the key leader (manager and senior manager)	→	- ≥ 20% women amongst the key leader -manager and senior manager (≥ 25% @2027)
- ≥ 20% key leaders abroad	→	- ≥ 20% key leaders abroad (≥ 25% @2027)
- 25% women in the workforce	→	- 25 - 30% women in the workforce
- D&I Certification @2025	✓	- D&I Certification @2025
11. Employees' well-being:	✓	**11. Employees' well-being:**
- Flexible benefit Plan	✓	- Flexible benefit Plan
- Solidarity holidays at Group level	✓	- Solidarity holidays at Group level
- Smart Working post Pandemia		- Smart Working (8 days per month)
12. Health & Safety, always:	✓	**12. Health & Safety, always:**
- No fatalities, IF<4		- No fatalities, IF<4

✓ Target confirmed → Target updated



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.



ESG TARGETS IN THE 2022 MBO SYSTEM

The incentive system is based on two time lines: short-term, using a Management By Objectives (MBO) approach and long-term, using the Performance Share (LTI) system. Sustainability targets form an integral part of both of the systems in our incentive models. All beneficiaries of the systems are remunerated based on the achievement of Group and individual sustainability targets, defined in line with the ESG Plan. Below is the outline of the ESG target in the 2022 MBO system, with a breakdown of the goals identified and the results achieved.

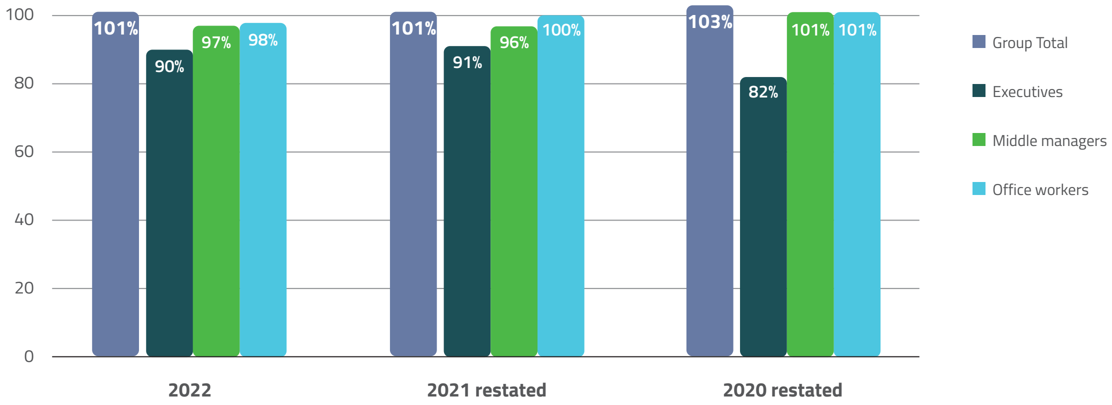
Weight of objective	Pillar	Objective	Unit of measurement	Indicator result	Minimum 80%	Target 100%	Cap 120%	Target result	Overall result
20% CEO 10% KM	Planet	Circular Wind Repowering: recovery of materials and/ or energy	%	100%				120.0%	119.1%
		Circular Solar Revamping: recovery of materials and/ or energy	%	92%				120.0%	
	Engagement	Contributions to communities around wind farms in UK, Poland and Italy	Quantity and time	5/5 by Dec 2022				120.0%	
	People	Predictively Safety HSE	Index	FI 4.12 SI 0.19				113.1%	
		Incidence of women in workforce increase	%	50%				120.0%	
	Governance	Sustainable Procurement	Index	61				120.0%	

Below is the outline of the new ESG targets in the 2023 MBO system:

Weight of objective	Indicator weight	Pillar		2023 target
20% CEO 10% KM	20.0%	Planet	10.0%	Circular Wind Repowering: recovery of materials and/or energy
			10.0%	Circular Solar Revamping: recovery of materials and/or energy
	20.0%	Engagement	10.0%	Education for Next Generation: number of youngsters involved in training programmes on sustainability and renewables
			10.0%	Social Purpose for Solar Revamping: number of projects carried out
	40.0%	People	30.0%	Predictively Safety HSE: severity index <1 and compared with frequency index (internal + contractors)
			10.0%	Incidence of women in workforce increase
	20.0%	Governance	20.0%	3 projects implemented in the area of Governance: 1) Extension of the Tax Control Framework 2) Certification of the "Information Security Management System" (ISMS) 3) Sustainable Procurement: increase of average scoring of suppliers

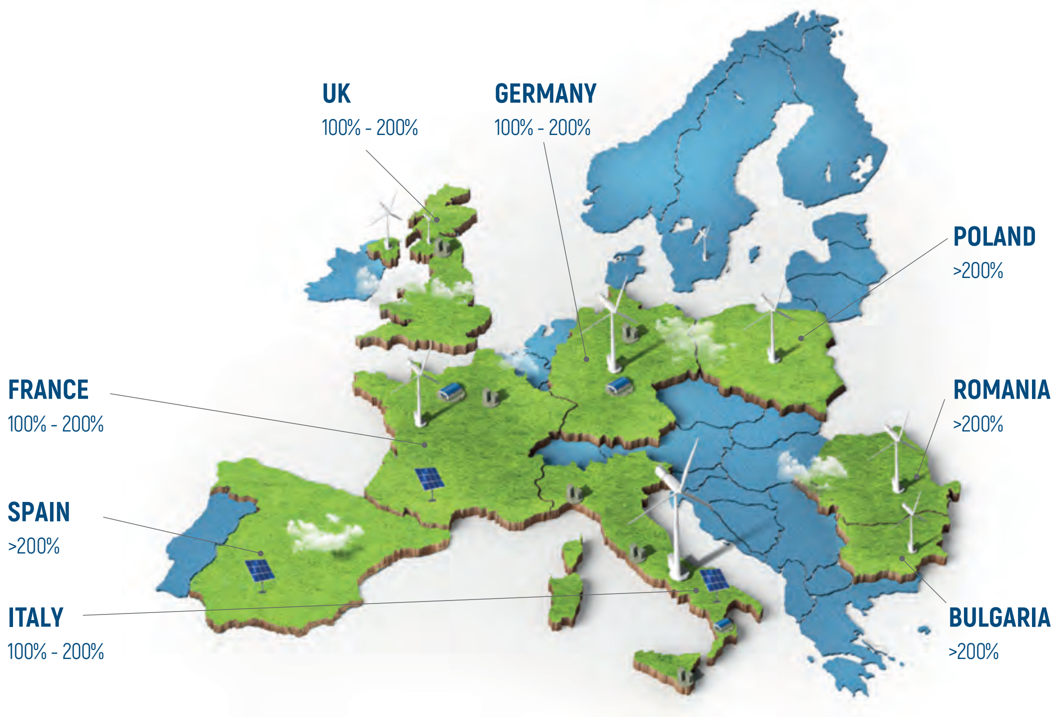
THE GENDER PAY GAP

The total pay ratio was calculated including the pay of Key Managers and blue-collar workers, whereas the breakdown is provided for the categories where women are present (thus Key Managers and Blue-Collar Workers are excluded).



MINIMUM WAGE – ERG GROUP

In all our countries in which we guarantee our employees compliance with the principle of an adequate minimum wage, we are committed to ensuring a decent wage for an adequate quality of life.



The table shows the ratio between the minimum wage paid by ERG and the minimum wage provided for by law and/or by National Collective Bargaining Agreement, in each country in which ERG operates.

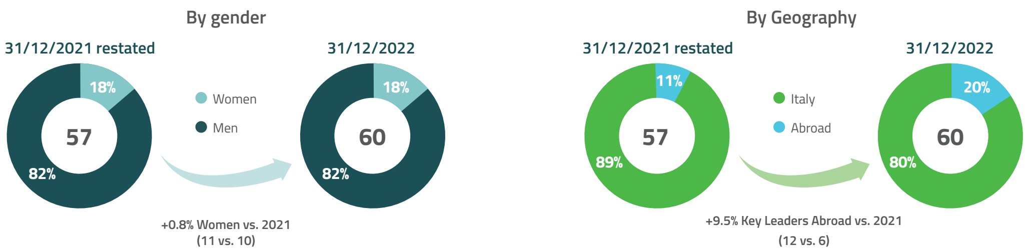
THE POWER OF DIVERSITY

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, develop their individual characteristics 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 2022 the percentage of women among key leaders reached 18% (towards a 2026 target >20%) while the percentage of key leaders stood at 20% (towards a 2026 target >20% and a 2027 target >25%).

KEY LEADERS – MANAGERS AND SENIOR MANAGERS



ERG'S DIVERSITY & INCLUSION JOURNEY

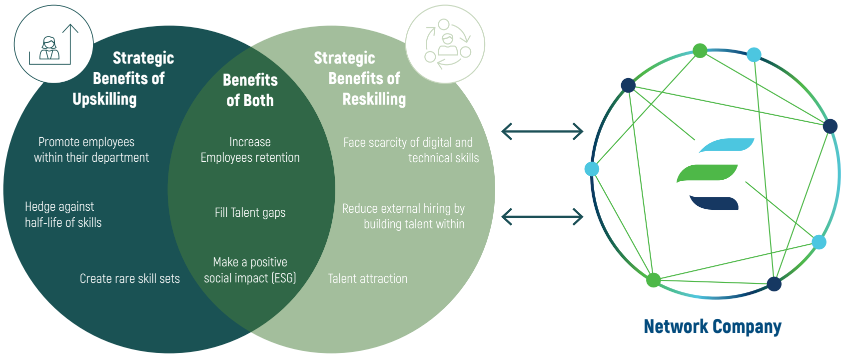
	2019	2020	2021	2022
	AWARENESS	**CHANGE DESIGN FOR CULTURE AND PROCESS**	**D&I KEY ELEMENT OF OUR ESG PLAN**	**IMPLEMENTATION OF OUR ESG PLAN**
KEY ISSUES	▪ Adherence to **Valore D** ▪ **Definition of guidelines and involvement of ERG People** ✓ Survey on D&I aimed at all ERG People ✓ "Valore D" Inclusion 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** ▪ **New 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**
MILESTONES	Launch of the **"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**

UPSKILLING AND RESKILLING

Upskilling and Reskilling processes are helping to accelerate the transformation of the business, which is evolving into a new "network" collaboration model, as well as increasingly becoming a lever for attracting new talent.

During 2022, 38 individual Reskilling processes and 22 Upskilling processes were generated, and it is expected that these processes will continue to be used in the coming years to better meet the new challenges to come.

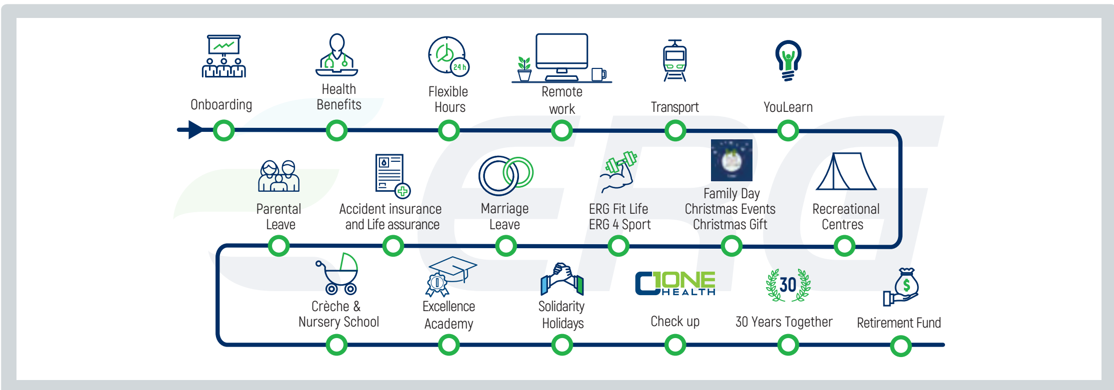
Upskilling & reskilling as leverage in a NETWORK COMPANY...



... to speed up new ways to engage with a new culture

EMPLOYEES' WELL-BEING

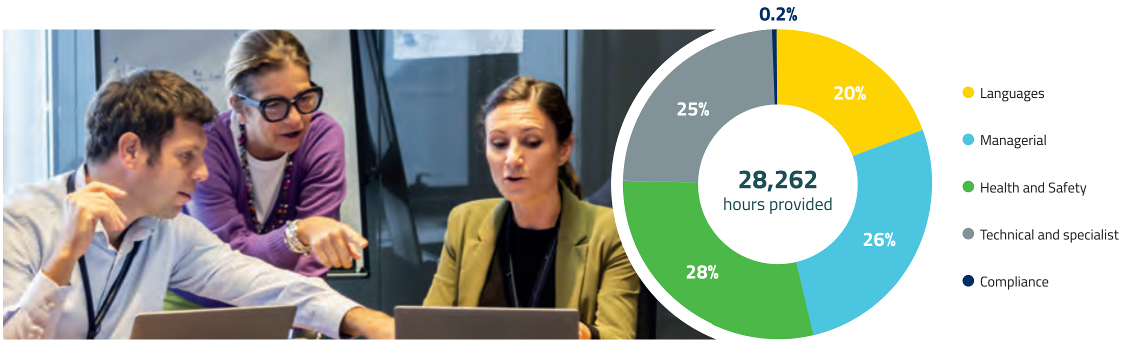
The integrated welfare model is built around people with the aim of supporting the needs of employees and their families, helping them to live well, so that within the work environment they can feel comfortable, satisfied and healthy and able to aim for satisfactory performance levels for both the individual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



ERG Academy for the Network Company

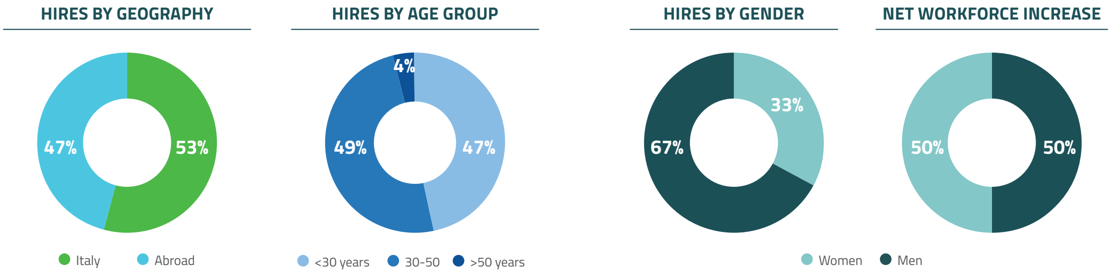
At ERG, training is an opportunity to update skills, deepen knowledge of the company's business and strategy, and discover, consolidate and update Group culture. With the 2022-2026 strategic plan, we decided to evolve our way of "doing training" into a true Academy and to extend beyond ERG's people to relevant stakeholders, especially the Next Generation. The Academy will be launched in 2023 with the aim of supporting, through the building of managerial and technical-professional skills, the execution of the Group's strategy both externally, by involving the Next Generation, and internally, through the growth of our people.

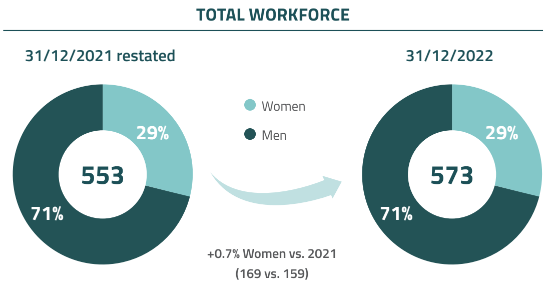
TRAINING



THE SEARCH FOR NEW TALENT

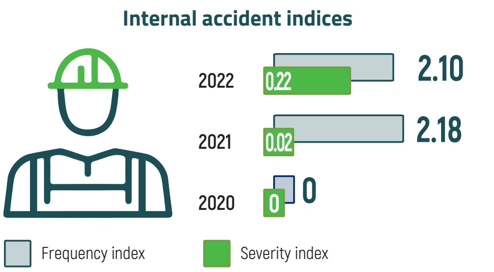
The selection process allowed 75 new people to join the ERG Group, 52% of whom came from direct applications, networking or ad hoc meetings in Universities or Higher Education Schools, and the remaining 48% from Head Hunters. 33% of the hires were female, and the incidence of the female gender on the increase in headcount was 50%, reaching the targets set. In addition, 33% of the hires are between the ages of 26 and 30.





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.



	2022
NEAR MISSES	58

Governance

OUR ESG PLAN TARGETS IN THE GOVERNANCE AREA

GOVERNANCE

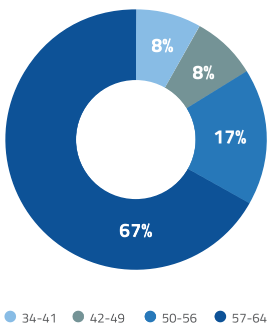
2022-2026 TARGETS		2022-2026 TARGETS (update 2023)
13. Sustainability Incentives: - 100% incentives plan integrated with ESG objectives	✓	**13. Sustainability Incentives:** - 100% incentives plan integrated with ESG objectives
14. Enhancing Governance Model: - BoD Independence & Diversity (subsidiaries)	✓	**14. Enhancing Governance Model:** - BoD Independence & Diversity (subsidiaries)
15. Tax Control Framework: - Tax Control Framework abroad (Germany @2024)	✓	**15. Tax Control Framework:** - Tax Control Framework abroad (Germany @2024)
16. Sustainable Procurement: - +10 pts in average strategic suppliers scoring (Target 2026: 62.7%)	Target updated / NEW	**16. Sustainable Procurement:** - Average score @2026: >65% - Increase % of Suppliers with Carbon footprint and D&I (vs. Baseline 2022)
17. ESG Finance: - ≥ 90% of Green Funding	✓	**17. ESG Finance:** - ≥ 90% of Green Funding
	NEW	**18. Cyber Security:** - Certification of the Information Security Management System (@2024)

✓ Target confirmed · Target updated · NEW New target

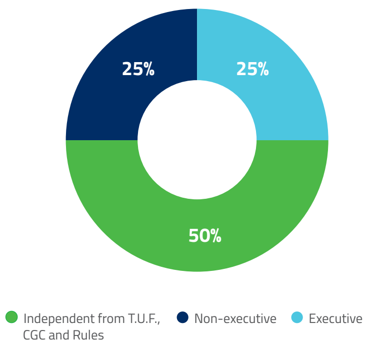
THE BOARD OF DIRECTORS

A new Group Board of Directors was appointed in 2021, which saw a decrease in the average age and an increase in gender diversity: it is composed of 5 women (42% of the members) and 7 men.

Composition by age group



Composition by qualification



CORPORATE BODIES AND BOARD COMMITTEES

SHAREHOLDERS' MEETING

Approves the financial statements, appoints the Board of Directors, the Board of Statutory Auditors and the Independent Auditors, and resolves on changes to the Articles of Association and on extraordinary transactions such as mergers, demergers and capital increases.

BOARD OF DIRECTORS

Approves the periodic financial reports, defines the strategic guidelines, the fundamental aspects of the organisational structure and the corporate governance system, resolves on significant transactions, and assesses the company's performance.

Composed of 12 members, 6 of which are independent[1]. Held 9 meetings in 2022, with an average duration of around 3 hours.

9 meetings | 3 h duration

BOARD OF STATUTORY AUDITORS

Monitors compliance with laws and with the Articles of Association, with the principles of sound management, the adequacy of the ICRM System[2] and the independence of the Independent Auditors.

Composed of a Chairman, 2 Standing Auditors and 2 Alternate Auditors[3]. 17 meetings were held in 2022 with an average duration of around 3 hours.

17 meetings | 3 h duration

CONTROL, RISK AND SUSTAINABILITY COMMITTEE[3]

It 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 it 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.

Consisting of a Chairman and 2 members, all of which independent[1]. 12 meetings were held in 2022 which lasted on average around 2 hours.

12 meetings | 2 h duration

NOMINATIONS AND REMUNERATION COMMITTEE[3]

The Committee fulfils the role and responsibilities indicated in the Corporate Governance Code for the Nominations and 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.

Consisting of a Chairman and 2 members, all of which independent[1]. 9 meetings were held in 2022 which lasted on average around 1 hour.

9 meetings | 1 h duration

STRATEGIC COMMITTEE

Plays a supporting role towards the Executive Vice Chairman 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.

Consisting of a Chairman and 5 members 9 meetings were held in 2022 which lasted on average around 3 hours and 30 minutes.

9 meetings | 3 h 30 mins duration

1 With reference to the provisions of Article 148, paragraph 3, of the Italian Consolidated Law on Finance, Article 2, recommendation 7, of the Corporate Governance Code promoted by Borsa Italiana S.p.A.. (the "CCG") as well as in light of the "quantitative" and "qualitative" criteria defined in the Regulation for the operation of the Board of Directors, the Risk and Sustainability Committee and the Nominating and Remuneration Committee (the "Regulation")
2 Internal Control and Risk Management System
3 May issue opinions for the purposes of the procedure for transactions with related parties

INTERNAL COMMITTEES

The Group's governance also includes Internal Committees (non-board committees composed of Group managers) with advisory and proposal functions towards Executive Directors.

RISK COMMITTEE

- Supports the CEO in defining strategies and policies for the management of financial and market risks;
- Provides the CEO with information required to authorise financial and market risk management operations, and to monitor the execution of significant transactions and verify their effects.

INVESTMENT COMMITTEE

- Supports the CEO in evaluating investment proposals;
- Expresses a reasoned technical, economic and financial opinion for the Strategic Committee at various stages in the investment approval process.

HUMAN CAPITAL COMMITTEE

- Defines and monitors the main human capital development programmes and activities;
- Supports the Executive Deputy Chairman and the CEO in decisions relating to strategies that determine the value of ERG's human capital;
- Monitors the effective implementation of the Human Rights Policy and manages reports relating to non-compliance thereof.

MANAGEMENT COMMITTEE BUSINESS RESULTS

- Monitors the economic, financial and industrial results of the Group through standardised reporting and control models;
- Follows development in the reference institutional and regulatory framework, sharing growth trends, opportunities and risks;
- Monitors activities and projects in the context of domestic and foreign institutional relations.

MANAGEMENT COMMITTEE BUSINESS DEVELOPMENT

- Monitors the relevant projects of the Group in the specific area of Business Development, supporting the relative Project Leader, ensuring also the alignment of all Organisational Units as regards priorities and guaranteeing consistency with the decisions of the Investment Committee;
- Analyses business development opportunities both in terms of geographical expansion and technological diversification.

ESG COMMITTEE

Directs, plans and supervises the implementation of ESG/CSR and Internal and External Communication objectives and in particular:

- Defines the Group's medium to long-term sustainability guidelines and promotes the implementation of consistent practices and projects in the field of corporate social responsibility;
- Approves the ESG Initiatives Plan as an integral part of the Group's Business Plan, monitors the execution, the achievement of targets and the priority areas for intervention;
- Approves the Internal and External Communication Plan, also aimed at promoting the plan's ESG initiatives, monitoring their implementation and enhancing their growing importance in strategic terms;
- Manages the preparation and dissemination of the "Non-Financial Statement" (NFS) and other reporting methods related to ESG matters.
- Approves the allocation of proceeds from Green Bond issuances and related annual reporting in line with the Green Bond Control Framework.

TAX CONTROL FRAMEWORK COMMITTEE

- Performs preliminary analyses, and provides specific recommendations, on the testing, monitoring and assessment activities of the Tax Control Framework;
- Performs preliminary analyses, and provides specific recommendations, on the Annual Report of the Tax Control Framework, addressed to the Risk Control and Sustainability Committee of ERG S.p.A.;
- Monitors, jointly with the Head of Process Innovation & Compliance 262, the actual implementation of the remediation plan resulting from the testing, monitoring and evaluation of the Tax Control Framework.

CREDIT COMMITTEE

Has competence for the entire Group in matters regarding the granting of credit lines, schedule analysis and collection trends, assessment and verification of overdue recovery plans, general assessment of credit performance.

GROUP MANAGEMENT SYSTEMS

The Management Systems adopted by the ERG Group are structured in compliance with the requirements of recognised international: ISO ISO 14001:2015 (environment), ISO 45001:2018 (health and safety) and ISO 9001:2015 (quality). By the end of 2022, ISO 14001 environmental certification covers over 86% of our installed base and around 98% of our people; ISO 45001 health and safety certification covers over 86% of our installed base and around 98% of our people; ISO 9001 covers more than 69% of our installed base and around 91% of our people. The diagram below presents a detailed overview of the certifications held by the Group:

TAX CONTROL FRAMEWORK – extension in France

ERG has extended the Tax Control Framework (the internal control system for tax risk, already implemented by both ERG S.p.A. and its Italian subsidiaries) to its French Companies and it will be operational as of 1 January 2023, applied to tax year 2022. The goal is to rationalise, organise, strengthen and improve the effectiveness of current tax governance rules and procedures, further reducing exposure to tax risk. The extension of the Tax Control Framework to the ERG Group's French subsidiaries is consistent with both the international growth strategy and recent organisational changes that have defined new roles and responsibilities, and is one of the objectives of the ESG Plan achieved by 2022.

PROPOSAL OF THE BOARD OF DIRECTORS

Dear Shareholders, in relation to the results achieved, we invite you to resolve upon the following:

- to approve the Financial Statements of your company at 31 December 2022, which show a profit of EUR 11,617,988.94 ;
- to resolve to pay to the Shareholders a dividend of EUR 1 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, via the profit for the year and, for the remaining part, via use of the retained earnings reserve;
- to approve the payment of the dividend as from 24 May 2023, with an ex-dividend date as from 22 May 2023 and record date of 23 May 2023.

Genoa, 14 March 2023

On behalf of the Board of Directors

The Chairman

Edoardo Garrone

2

Consolidated Financial Statements

INCOME STATEMENT (1) (2)

(EUR thousand)	Notes	2022	2021
Revenue	1	713,840	601,407
Other income	2	12,678	7,732
Purchases	3	(15,188)	(5,939)
Services and other operating costs	4	(156,792)	(150,481)
Losses due to impairment of receivables	4	(300)	(8,420)
Personnel expense	5	(54,808)	(47,619)
GROSS OPERATING PROFIT (EBITDA)		**499,430**	**396,680**
Amortisation of Intangible assets	20	(58,741)	(50,110)
Depreciation of property, plant and equipment and right-of-use assets	20	(176,689)	(156,184)
Reversals of impairment losses (impairment losses)	20	(43,185)	(22,016)
OPERATING PROFIT (EBIT)		**220,814**	**168,370**
Financial income	36	75,622	167,793
Financial expense	36	(112,195)	(218,758)
Net financial income (expense)		**(36,573)**	**(50,964)**
Net gains (losses) on equity-accounted investments	23	(0)	0
Other net gains (losses) on equity investments	23	2,294	537
Gains (losses) on equity investments		**2,294**	**537**
PROFIT (LOSS) BEFORE TAXES		**186,535**	**117,942**
Income taxes	40	(97,569)	(31,981)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**88,966**	**85,962**
Profit (loss) from discontinued operations	44	294,131	88,488
PROFIT FOR THE YEAR		**383,098**	**174,450**
Non-controlling interests	29	4,158	1,553
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**378,939**	**172,897**

(EUR)	2022	2021
Basic and diluted earnings per share (3)	0.595	0.577
Basic and diluted earnings per share att. to the owners of the parent (3)	2.534	1.160
Earnings per share of assets held for sale (3)	1.967	0.594

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

(2) The 2022 and 2021 figures have been reported in accordance with IFRS 5 with reference to the already completed sale of the hydroelectric assets and the sale of the Thermoelectric Business. Therefore, in this document, the 2021 comparative figures have been restated by indicating the contribution of the thermoelectric business in the line "Profit (loss) from discontinued opeations" in application of IFRS 5. See **Section VII Assets held for sale**.

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

STATEMENT OF COMPREHENSIVE INCOME (1)

(EUR thousand)	Notes	2022	2021
Profit for the year		**383,098**	**174,450**
Changes that will not be reclassified to profit or loss			
Actuarial losses		163	190
Related tax		(46)	(53)
	13	**118**	**137**
Changes that will be reclassified to profit or loss			
Cash flow hedges - effective portion of the fair value change		360,828	(380,508)
Related tax		(108,249)	114,152
	28	**252,580**	**(266,356)**
Foreign transactions – Exchange differences		(21,260)	5,230
Related Tax		4,035	(993)
	28	**(17,225)**	**4,237**
Other comprehensive income (expense) net of the tax effect		**235,473**	**(261,982)**
Comprehensive income for the year		**618,570**	**(87,531)**
Non-controlling interests		4,158	1,553
Comprehensive income attributable to the owners of the parent		**614,412**	**(89,085)**

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

STATEMENT OF FINANCIAL POSITION (1) (2)

(EUR thousand)	Notes		31/12/2022		31/12/2021
ASSETS					
Authorisations and Concessions	14		956.240		681.610
Other intangible assets	15		15.425		7.452
Goodwill	16		408.045		306.117
Property, plant and equipment	17		2.120.073		1.921.624
Right-of-use assets	18		154.311		126.663
Equity investments:			1.688		12.113
- carried at equity		-	-	*11.232*	-
- other equity investments	22	*1.688*	-	*881*	-
Financial assets measured at fair value	31		33.225		984
Other non-current financial assets	24		38.792		33.233
Deferred tax assets	42		138.242		150.346
Other non-current assets	10		53.530		54.488
Non-current assets			**3.919.570**		**3.294.632**
Inventories	7		17.603		32.301
Trade receivables	6		202.465		320.202
Other current assets	9		82.147		124.955
Current tax assets	41		32.998		16.745
Financial assets measured at fair value	31		141.568		154.154
Other current financial assets	32		211.136		424.282
Cash and cash equivalents	30		392.811		860.352
Current assets			**1.080.729**		**1.932.993**
Assets held for sale	43		**226.086**		**776.220**
TOTAL ASSETS			**5.226.385**		**6.003.844**
EQUITY					
Share capital	28		15.032		15.032
Other Reserves	28		1.213.351		819.569
Retained earnings	28		438.028		551.486
Profit for the year	28		378.939		172.897
Equity attributable to the owners of the parent			**2.045.350**		**1.558.983**
Non-controlling interests	29		**9.332**		**9.639**
TOTAL EQUITY			**2.054.682**		**1.568.622**
LIABILITIES					
Employee benefits	13		3.723		4.289
Deferred tax liabilities	43		197.262		107.268
Provision for disposed businesses	25		84.691		74.903
Provisions for dismantling expenses	19		92.613		60.908
Other non-current provisions	26		24.401		15.782
Financial liabilities measured at fair value	35		(0)		44.763
Non-current financial liabilities	33		1.751.255		2.064.088
Non-current lease liabilities	34		150.955		122.663
Other non-current liabilities	12		30.989		31.484
Non-current liabilities			**2.335.888**		**2.526.148**
Other current provisions	26		38.730		51.809
Trade payables	8		123.002		254.374
Financial liabilities measured at fair value	35		76.644		170.857
Current financial liabilities	33		389.716		1.342.688
Current lease liabilities	34		6.362		6.282
Other current liabilities	11		59.628		39.477
Current tax liabilities	41		52.311		19.798
Current liabilities			**746.394**		**1.885.284**
Liabilities associated with assets held for sale	43		**89.421**		**23.790**
TOTAL LIABILITIES			**3.171.703**		**4.435.222**
TOTAL EQUITY AND LIABILITIES			**5.226.385**		**6.003.844**

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

(2) The figures at 31 December 2022 have been reported in accordance with IFRS 5 with reference to the sale of the Thermoelectric Business. Please refer to **Section VII Assets held for sale**.

STATEMENT OF CASH FLOWS (1) (2)

(EUR thousand)	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		383,098	174,451
- Amortisation, depreciation and impairment of non-current assets	20	278,615	228,310
- Increase in other provisions	19-25-26	38,978	18,884
- Decrease in other provisions	19-25-26	(17,675)	(5,126)
- Impairment of current assets	6	-	8,442
- Net gains (losses) on equity investments	23	(2,294)	(659)
- Changes to post-employment benefits	13	66	274
Financial expense	36	36,573	51,052
Income taxes	40-41	97,569	31,980
Other changes in non-monetary items	28	(198,570)	(91,936)
		616,360	**415,671**
- Change in other current assets and liabilities:			
- Change in inventories	7	(679)	167
- Change in trade receivables	6	100,772	(120,928)
- Change in trade payables	8	(89,153)	120,214
- Net change in other assets/liabilities	9-10-11-12	1,623	(96,925)
- Change in fair value of hedging derivatives on commodities with monetary expression	37-38	(34,549)	(321,038)
Tax payment	40-41	(91,854)	(38,010)
		(113,840)	**(456,520)**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES OF CONTINUING OPERATIONS (A)		**502,520**	**(40,849)**
CASH FLOWS FROM (USED IN) ACTIVITIES OF ASSETS HELD FOR SALE	43	*(43,594)*	*217,916*
CASH FLOWS FROM OPERATING ACTIVITIES		**458,926**	**177,067**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of intangible assets	14-15	(4,120)	(3,914)
Acquisitions of property, plant and equipment	17	(307,048)	(222,990)
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	(36,315)	(14,081)
Net change in equity investment consolidation method	22	2,417	1,230
Collection from the sale of ERG Hydro	44	1,264,826	-
Disposals of equity investments and other non-current financial assets	24-31	(5,852)	8,320
Change in other current financial assets	31-32	257,149	(419,765)
Change in the Consolidation Scope due to business combination	45	(392,232)	(19,247)
Change in the Consolidation Scope due to acquisition of assets	45	(23,467)	(31,612)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES OF CONTINUING OPERATIONS (B)		**754,429**	**(702,058)**
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES OF ASSETS HELD FOR SALE	43	*4,407*	*(31,761)*
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**758,836**	**(733,820)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Green Bond Issue	33	-	500,000
Decrease in non-current loans	33	(350,218)	(312,042)
Net change in current bank loans and borrowings	33	(1,000,134)	760,251
Change in other current financial liabilities	33	(194,705)	(195,212)
Interest paid	36	(29,146)	(32,399)
Early closure of loans	36	(2,900)	344,992
Dividends paid to shareholders	28-29	(139,050)	(113,633)
Decrease in lease liabilities	34	(8,337)	(4,139)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES OF CONTINUING OPERATIONS (C):		**(1,724,490)**	**947,818**
CASH FLOWS FROM FINANCING ACTIVITIES OF ASSETS HELD FOR SALE	43	*29,189*	*(116,230)*
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(1,695,301)**	**831,588**
NET CASH FLOWS FOR THE YEAR (A+B+C)		**(467,540)**	**204,910**
OPENING CASH AND CASH EQUIVALENTS		**860,352**	**655,441**
NET CASH FLOWS FOR THE YEAR		(467,540)	204,910
CLOSING CASH AND CASH EQUIVALENTS		**392,811**	**860,352**

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

(2) The figures are shown net of the cash flows generated by the "**Assets and liabilities held for sale**". The Cash flows generated by the "**Assets and liabilities held for sale**" are indicated separately for the financial 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	Other Reserves	Profit (loss) for the year	Equity attributable to the owners of the parent	Non-con-trolling interests	Total Equity
BALANCE AT 31/12/2020		15,032	68,524	370	1,566,264	107,885	1,758,077	9,669	1,767,746
Allocation of prior year profit		-	-	-	107,885	(107,885)	-	-	-
Share-based payments with equity-linked instruments		-	-	-	2,678	-	2,678	-	2,678
Distribution of dividends and reserves		-	-	-	(112,153)	-	(112,153)	(1,584)	(113,737)
Acquisitions of companies from third parties		-	-	-	-	-	-	-	-
Other changes		-	-	-	(536)	-	(536)	-	(536)
			-	-			-		
Profit (loss) for the year		-	-	-	-	*172,897*	*172,897*	*1,553*	*174,450*
Other comprehensive income		-	*(266,356)*	*4,237*	*137*	-	*(261,982)*	-	*(261,982)*
Comprehensive income		-	(266,356)	4,237	137	172,897	(89,085)	1,553	(87,531)
BALANCE AT 31/12/2021	28	15,032	(197,831)	4,608	1,564,275	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	28	-	-	-	6,798	-	6,798	-	6,798
Distribution of dividends	28-29	-	-	-	(134,584)	-	(134,584)	(4,466)	(139,050)
Acquisitions of companies with third parties		-	-	-	-	-	-		-
Other changes		-	-	-	(259)	-	(259)	-	(259)
							-		
Profit (loss) for the year	28-29	-	-	-	-	*378,939*	*378,939*	*4,158*	*383,098*
Other comprehensive income	28	-	*252,580*	*(17,225)*	*118*	-	*235,473*	-	*235,473*
Comprehensive income		-	252,580	(17,225)	118	378,939	614,412	4,158	618,570
BALANCE AT 31/12/2022	28	15,032	54,749	(12,618)	1,609,244	378,939	2,045,350	9,332	2,054,682

(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 consolidated financial statement and has its registered office in via De Marini 1, Genoa (WTC Tower), Italy.

The 2022 Consolidated Financial Statements comprise the financial statements of ERG S.p.A. and of its subsidiaries (together, "ERG" or "ERG Group").

The core business of the ERG Group consists of the production of electricity from renewable sources such as wind, solar and high-yield cogeneration[1] thermoelectric mainly in Italy, France, Germany, the United Kingdom, Poland, Romania, Bulgaria and Spain.

The publication of these Consolidated Financial Statements was authorised by the Board of Directors on 14 March 2023.

The Shareholders' Meeting called to approve the Separate Financial Statements is entitled to request changes to the Consolidated Financial Statements.

BASIS OF 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 presentation 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 38 – Disclosure on financial risks**.

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.

1 Business held for sale as described in more detail in the Section **Assets held for sale**.

The 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.

BASIS OF PRESENTATION

These Consolidated 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 according to 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 15519 dated 27 July 2006 in **Note 46 – 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 not considered significant for these Consolidated Financial Statements, are indicated separately in Note **47 – Related parties**.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Definition 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. 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, the Regulatory measures to curb energy price rises and the War events in Ukraine, please refer to the following section.

Financial Statement Area	Description of the accounting estimates and assumptions
Impairment testing of goodwill, authorisations and concessions, 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; • lthe assessment of the availability of renewable resources, changes to the regulatory framework; • the identification of macroeconomic variables such as inflation and discount rates. The Group has assessed the existence of indications of possible impairment of recoverable amounts considering available internal and external information sources and has evaluated whether the effects (direct and indirect) of Russia's invasion of Ukraine specifically constituted an indication of impairment. In analysing these factors, the Group has considered three different scenarios that may have an impact on the recoverability of the value of the assets: • the duration of the conflict; • the intensity of the negative effectsi; • the exposure to the risk of impairment before the conflict. For more details, see **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 previously one. 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.
Recoverability of deferred tax assets	These are 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 agreements (**Note 42 – Deferred taxes**).

Financial Statement Area	Description of the accounting estimates and assumptions
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**.
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 Combination	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 at the Reporting Date the initial accounting for the business combination is still provisional.
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 and Hydroelectric Businesses

The Group currently has in progress a competitive process aimed at the sale of the **thermoelectric business**.

In consideration of the above, in this Document the relevant results therefore continued to be classified in the line **"Net profit (loss) from discontinued operations"**, and the Assets and Liabilities associated with assets held for sale were classified under Assets and Liabilities in the Statement of Financial Position, since the conditions set forth in paragraph 12 of IFRS 5 were found to have been met when preparing the condensed consolidated interim financial statements at 30 June 2022.

Finally, it should be noted that on 3 January 2022, ERG concluded its transaction with Enel Produzione S.p.A. for **the sale of the entire quota capital of ERG Hydro S.r.l.**, as announced on 2 August 2021, following the approval of the Italian Antitrust Authority and the successful completion of the golden power procedure at the Italian Presidency of the Council of Ministers. The consideration totalled approximately EUR 1.265 billion, including the mark-to-market valuation of some hedging derivatives included in the scope relating to part of the future energy production of the ERG Hydro S.r.l. plants. Also with reference to ERG Hydro S.r.l., in this Document, the relative results, including the net capital gain recognised on the sale, were classified in the line "Net profit (loss) from discontinued operations". For more information, refer to **Note 44 – Net profit (loss) from discontinued operations**.

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

In 2022, urgent measures were introduced to contain the effects of price increases in the electricity sector, as described in more detail in the **Directors' Report**.

The breakdown by country of the impacts of the aforementioned measures for the Group is provided below.

(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	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.

In particular, in Italy reference is made to:

- the *extra-profit 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);
- Art. 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;
- price cap regulations.

Overall, the aforementioned measures had an impact for the Group of approximately EUR 91 million[2], excluding the effect on thermoelectric of approximately EUR 4 million, isolated as special items in the **Directors' Report.**

War events in Ukraine

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, security and business continuity.

As regards **credit risk**, there are no open positions directly with Russian and Ukrainian counterparties; however, it should be noted that the main customer of the Group on the Priolo Gargallo site is an Italian company indirectly controlled by a Russian group. In this regard, it has been reported in the media in recent months that Litasco has finalised the details of the sale of the Priolo plants to the Cypriot private equity and asset management fund G.O.I. Energy. Based on publicly available information, the operation should be subject to the occurrence of certain conditions precedent relating, among other things, to obtaining authorisations from all the competent authorities, including the Italian Government, which, moreover, has decreed the plants to be of national strategic interest so as to guarantee their business continuity (including the treatment plants). The transaction is expected to close by the end of March 2023 and should involve G.O.I. Energy concluding exclusive long-term supply and off-take agreements with Trafigura (one of the largest independent traders of oil and petroleum products in the world). These agreements should guarantee a safe supply of oil to the refinery and therefore avoid the sanctions that the European Union has established with reference to the blocking of oil imports by sea from Russia that could have resulted in a stoppage of the plants in the Priolo refinery had ISAB not had replaced the crude oil of Russian origin with imports from different geographical areas (the consequences of the stoppage would have been the potential impact on the sales agreements to the site by ERG Power Generation S.p.A. and ERG Power S.r.l.).

In relation to **plant safety**, note the position of some of the Group's wind farms in Eastern 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 although, in the event of escalation, possible risks of cyber attacks that could indirectly impact Group facilities cannot be ruled out.

In relation to **business continuity** with regard to gas procurement, ERG currently procures on the spot market and the criticality is mainly linked to operations that have become more onerous both in terms of procurement prices available on the market and organisational effort.

The geopolitical tensions are significantly impacting the financial and commodities markets, with a sharp increase in

2 EUR 83 million net of the tax effect.

rates and gas and electricity prices, in respect of which further regulatory measures in the energy sector cannot be ruled out. Finally, there is a general increase in the prices of raw materials and finished products, aggravated by geopolitical tensions, the effects of which may impact investments of projects under construction in the short/medium term. The uncertainty profiles resulting from the current macroeconomic scenario, with particular reference to interest rate dynamics and possible further regulatory interventions in the energy sector, may impact the assessment on the recoverability values of assets recognised in property, plant and equipment and intangible assets.

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 economic/financial consequences in terms of (some examples): decreased availability of renewable resources (wind and sun); limitations or impediments to operations, increased Operation & Maintenance costs, increased insurance costs, higher compliance costs, 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.

The "Repower EU" Plan, proposed by the European Commission on 8 March 2022, aims to accelerate the Clean Energy Transition, diversify energy sources and save energy. The main measures in the "Repower EU" Plan are:

- Push the European target for renewables to 2030 from 40% to 45%. Renewable installed capacity target increased to 1,236 GW by 2030; Installed solar photovoltaic target of 320 GW by 2025 and nearly 600 GW by 2030;
- Guidelines for shortening and simplifying authorisation procedures for both plants and grid infrastructure: permitting duration of one year for greenfield projects, six months for repowering.

In consideration of the above, the Group has expressed observations regarding the main risks associated with climate change as well as the related possible impacts on the various corporate business areas.

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 consequences from an economic-financial point of view 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. It should be noted that, following the sale of the hydroelectric business, the Group is no longer subject to the volatility of the availability of water resources, which, in the past, have been more volatile than wind and solar power.

- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural events that could cause damage to production 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 renewables, 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 Business 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.

For further details, please refer to what is indicated in the **Consolidated Non-Financial Statement** and in the **Directors' Report**.

BASIS OF CONSOLIDATION AND CHANGES IN THE SCOPE OF CONSOLIDATION

Definition 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 judgment and continuous assessment. For details on when the equity interest does not imply de facto control, please refer to **Note 48 – 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 **48 – List of Group companies and transactions during the year** 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:

- *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	**PLN - Zloty**	4.681	4.686
Romania	**RON - Romanian Leu**	4,949	4,931
UK	**GBP - British Pound**	0,887	0,853
Bulgaria	**BGN - Bulgarian LEV**	1,956	1,956
Sweden	**SEK - Swedish Krona**	11,120	10,630

(1) Exchange rate at 31 December 2022.
(2) Average exchange rate of 2022.

*With regard to the definition and recognition and measurement criteria of assets and liabilities held for sale in accordance with IFRS 5, please refer to **Note 43 – Assets and liabilities held for sale** and **Note 44 – Net profit (loss) from assets held for sale**.*

3 The consolidation criteria and methods specifically referring to hydroelectric and thermoelectric assets are not reported here as these assets have been classified under **Assets and Liabilities held for sale**.

The changes in the scope of consolidation in 2022 are summarised below, broken down by business:

SOLAR	• on **31 January 2022** ERG, through its Spanish holding, completed the acquisition from GEI Subasta 1 SA of 100% of two companies under Spanish law owning two solar plants in operation located in southern Spain for a total of 91.6 MW. The consideration for the transaction amounted to EUR 96 million. • On **7 July 2022**, ERG, through its subsidiary ERG Solar Holding 2 S.r.l., finalised the acquisition from ABN AMRO Sustainable Impact Fund PE B.V. of 100% of the capital of MP Solar B.V., owner, through seven Italian companies, of eighteen operational photovoltaic plants located in Puglia, Molise, Lazio and Sardinia. The plants, with a total installed capacity of 33.8 MW and a total annual output of 46 GWh, came into operation between the end of 2010 and 2011 and benefit from the tariff regime under the so-called Feed-in Tariff (II, III and IV). The transaction fee in terms of enterprise value at 31 December 2021 was approximately EUR 128 million, and the 2021 EBITDA was EUR 17 million.
WIND	• On **9 September 2022**, ERG, through a subsidiary, completed the acquisition from EDP Renewables Italia Holding S.r.l. of the entire share capital of seven companies, owners of seven wind farms located in Italy. The agreement envisages that a minority interest in one of the aforementioned companies be sold to ERG directly by a third party investor. The plants are located in Basilicata, Campania and Calabria and have a total installed capacity of 172 MW, corresponding to an estimated annual production of approximately 400 GWh. All the plants benefit from a 20-year "CfD" (Contract for Difference) pricing scheme with the GSE beginning from their entry into operations, occurring between 2018 and the end of 2021. The transaction fee in terms of enterprise value at 31 December 2021 was approximately EUR 420 million. The portfolio recorded an EBITDA of approximately EUR 36 million for the first half of 2022. The wind farms, acquired by EDP Renewables Italia Holding S.r.l., are consolidated on a line-by-line basis starting from 31 August 2022. • On **14 October 2022**, ERG, through its subsidiary ERG UK Holding Ltd., finalised the acquisition of 100% of the shares of the company Corlacky Energy Ltd., wholly owned by the RES group, which holds the permits for the construction and operation of the Corlacky wind farm in Northern Ireland.

It should also be noted that on 3 January 2022, ERG concluded its transaction with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l., as announced on 2 August 2021, following the approval of the Italian Antitrust Authority and the successful completion of the golden power procedure at the Italian Presidency of the Council of Ministers. The consideration totalled approximately EUR 1.265 billion, including the mark-to-market valuation of some hedging derivatives included in the scope relating to part of the future energy production of the ERG Hydro S.r.l. plants.

In the current year, therefore, a capital gain was recognised, determined on the basis of the provisional price commented above, of approximately EUR 324 million, net of ancillary sale and organisational restructuring costs and the related taxes.

The following table summarises the impacts related to the consolidation on an line-by-line basis of the companies acquired in 2022:

(EUR thousand)	Valentia (1)	Siena (2)	Donatello (3)	Corlacky (4)	TOTALE
Authorisations and Concessions	28,520	87,048	198,692	23,467	337,727
Other intangible assets	-	1,042	-	2,890	3,932
Goodwill	4,289	29,480	68,112	-	101,881
Property, plant and equipment	71,845	8,338	195,661	-	275,844
Right-of-use assets	9,046	2,995	9,643	-	21,684
Equity investments	-	-	-	-	-
Financial assets measured at fair value	-	-	-	-	-
Other non-current financial assets	69	884	-	-	954
Deferred tax assets	1,781	17,398	191	-	19,370
Other non-current assets	3,168	635	-	-	3,803
Non-current assets	**118,718**	**147,819**	**472,300**	**26,356**	**765,194**
Inventories	-	-	0	-	0
Trade receivables	4,359	6,139	17,950	-	28,448
Other current assets	51	737	10,279	974	12,042
Current tax assets	-	625	-	-	625
Financial assets measured at fair value*	-	2,090	-	-	2,090
Other current financial assets*	-	2,227	41,776	-	44,003
Cash and cash equivalents*	(28,641)	(65,003)	(298,588)	(23,467)	(415,699)
Current assets	**(24,230)**	**(53,184)**	**(228,583)**	**(22,492)**	**(328,491)**
TOTAL ASSETS	**94,488**	**94,635**	**243,716**	**3,864**	**436,703**
Equity attributable to the owners of the parent	**-**	**-**	**-**	**-**	**-**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**
Employee benefits	-	-	-	-	-
Deferred tax liabilities	8,152	25,961	57,243	-	91,356
Provision for disposed businesses	-	-	-	-	-
Provisions for dismantling expenses	-	1,585	4,644	-	6,230
Other non-current provisions	769	915	8,177	-	9,861
Financial liabilities measured at fair value*	-	-	-	-	-
Non-current financial liabilities*	71,182	-	138,836	3,864	213,882
Non-current lease liabilities*	9,046	2,995	9,445	-	21,486
Other non-current liabilities	124	547	-	-	671
Non-current liabilities	**89,272**	**32,003**	**218,346**	**3,864**	**343,485**
Other current provisions	-	-	-	-	-
Trade payables	461	1,916	9,488	-	11,865
Financial liabilities measured at fair value*	-	-	-	-	-
Current financial liabilities*	-	54,617	372	-	54,989
Current lease liabilities*	-	-	-	-	-
Other current liabilities	3,827	4,307	12,532	-	20,665
Current tax liabilities	929	1,792	2,979	-	5,700
Current liabilities	**5,216**	**62,632**	**25,371**	**-**	**93,219**
TOTAL EQUITY AND LIABILITIES	**94,488**	**94,635**	**243,716**	**3,864**	**436,703**
*** Impact on Net Financial Indebtedness (a)**	**(108,868)**	**(118,298)**	**(405,465)**	**(27,331)**	**(659,962)**
IFRS 16 impact on Net Financial Indebtedness (b)	*(9,046)*	*(2,995)*	*(9,445)*	*-*	*(21,486)*
Impact on Net Financial Indebtedness Directors' Report c = (a-b)	**(99,822)**	**(115,303)**	**(396,020)**	**(27,331)**	**(638,476)**

(1) 2 companies under Spanish law from GEI Subasta 1 SA – Valentia business combination.
(2) 7 Italian companies from ABN AMRO Sustainable Impact Fund PE B.V.
(3) 7 companies from EDP Renewables Italia Holding S.r.l.
(4) 1 British company from RES.
(5) 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), non-current financial liabilities, non-current lease liabilities and current financial liabilities.

For further details on business combinations, please refer to **Note 45 – Business combinations and asset acquisition** in section **VIII. Other Notes**.

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 (EBITDA) and the statement of financial position items relating to the operating working capital as well as other assets and liabilities.

It should be noted that the statement of financial position and income statement figures for 2022 and only the income statement figures for 2021 have been reported in accordance with IFRS 5 with reference to the thermoelectric business, held for sale, as well as in reference to the sale (on 3 January 2022) of the hydroelectric assets. For further details, please refer to **Section VII Assets held for sale**.

REPORTING BY BUSINESS SEGMENT

Definition and recognition and measurement criteria

Following the aforementioned 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, drawn from this document, 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 ("RES").

The operating segments identified pursuant to IFRS 8 therefore primarily coincide with the various geographical areas in which the Group operates (Italy, France, Germany, the countries in Eastern Europe, United Kingdom, Spain and Sweden). The analysis of operating performance by geographic segment is further monitored, for some indicators, with reference to the technology (Wind and Solar) in which the Group operates.

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 the information by geographical segment and operating segment of the results indicated in the financial statements.

With reference to Italy, and the current thermoelectric segment disposal process, the related results were reclassified as "Assets held for sale" and therefore the economic and financial data of this operating segment under disposal, as well as those of the hydroelectric segment disposed of during the year, and the corresponding values of the previous year have not been set out in the segment disclosure below this paragraph. For more information, refer to ***Note 44 – Net profit (loss) from discontinued operations****.*

Please note that in the Director's 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 46 – Non-recurring items****.*

Gross operating profit (loss) and Operating profit (loss)

Gross operating profit (EBITDA) and operating profit (EBIT) 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 (EBITDA) 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 (EBIT) is equal to the gross operating profit (loss) less amortisation, depreciation, reversals and write-downs on authorisations and concessions, other intangible assets, property, plant and equipment and right-of-use assets.

Reporting by geographical segment

2022

		of which						
(EUR million)	TOTAL	Italy	France	Germany	East Europe	UK	Spain	Sweden
Total revenue	747	399	98	94	100	34	22	-
Intra-segment revenue	(33)	(33)	-	-	-	-	-	-
Revenue	714	366	98	94	100	34	22	-
Gross operating profit (EBITDA)	499	254	58	73	72	24	18	(0)
Amortisation, depreciation and impairment losses	(279)	(178)	(47)	(29)	(16)	(5)	(4)	-
Operating profit (EBIT)	221	76	10	44	57	20	14	(0)
Capital expenditure in non-current assets	307	117	11	1	20	123	-	36
Total Property, plant and equipment and Intangible assets	3,654	1,839	641	316	251	397	113	98
Other non-current assets	*265*							
Total non-current assets	3,920							

2021

		of which						
(EUR million)	TOTAL	Italy	France	Germany	East Europe	UK	Spain	Sweden
Total revenue	640	440	78	48	74	-	-	-
Intra-segment revenue	(38)	(38)	-	-	-	-	-	-
Revenue	601	401	78	48	74	-	-	-
Gross operating profit (EBITDA)	396	275	47	31	46	(2)	-	(0)
Amortisation, depreciation and impairment losses	(228)	(153)	(37)	(23)	(15)	(0)	-	-
Operating profit (EBIT)	168	122	10	7	31	(2)	-	(0)
Capital expenditure in non-current assets	228	36	7	-	47	123	-	16
Total Property, plant and equipment and Intangible assets	3,043	1,452	674	343	247	272	-	57
Other non-current assets	*240*							
Total non-current assets	3,283							

For the sake of completeness of information, the results of the operating segments are also shown below, by technology, in line with the presentation used by the Group in previous Financial Statements.

Information by technology

2022

		of which		
(EUR million)	TOTAL	Wind	Solar	Corporate
Total revenue	747	602	111	34
Intra-segment revenue	(33)	-	-	(33)
Revenue	714	602	111	1
Gross operating profit (EBITDA)	499	443	94	(38)
Amortisation, depreciation and impairment losses	(279)	(198)	(77)	(3)
Operating profit (EBIT)	221	245	17	(41)
Capital expenditure in non-current assets	307	289	15	3

2021

		of which		
(EUR million)	TOTAL	Wind	Solar	Corporate
Total revenue	640	564	38	38
Intra-segment revenue	(38)	-	-	(38)
Revenue	601	564	38	-
Gross operating profit (EBITDA)	396	358	66	(28)
Amortisation, depreciation and impairment losses	(228)	(182)	(42)	(4)
Operating profit (EBIT)	168	176	24	(32)
Capital expenditure in non-current assets	228	223	1	3

REVENUE AND OPERATING MARGINS

NOTE 1 - REVENUE

Definition 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:

Revenue from the sale of commodities;

Sales of electricity on the electricity exchange;

Sale of electricity through Power Purchase Agreements (PPAs).

Revenue for incentivising tariffs (feed-in tariff, auctions, feed-in premiums, etc.) on electricity;

Revenue for green certificates (foreign companies) and guarantees of origin.

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 Group stipulates commodity derivatives to manage the risk of volatility in the price of electricity. Revenue also includes 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 revenues for the feed-in premium regulated with auctions and the two-way incentive mechanism, such incentives under certain and specific conditions could take the form of derivative financial instruments. It should be noted that, at the date of this Document, the Group has no 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 awarded substantially for each 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.*

As previously mentioned, it should be noted that following the sale of the Thermoelectric Business, the contribution of the Thermoelectric Business has been shown in this document under the item "Net profit of assets held for sale", in accordance with IFRS 5.

Furthermore, again in application of IFRS 5, the 2021 comparative data relating to the thermoelectric and hydroelectric contribution are restated under item "Net profit of assets held for sale".

2022

(EUR thousand)	Wind Italy	Solar Italy	Wind Abroad	Solar Abroad	Corporate	Total
Revenue from sales						
Energy to the market	204,282	20,880	142,290	-	-	367,452
Incentive rate - Feed in Tariff	73,149	76,457	159,819	9,036	-	318,461
Green Certificates abroad	-	-	14,060	-	-	14,060
Total Revenue from sales	**277,431**	**97,337**	**316,169**	**9,036**	**-**	**699,973**
Revenue from the provision of services						
Other - Services	-	-	-	-	13,866	13,866
Total Revenue for services	**-**	**-**	**-**	**-**	**13,866**	**13,866**
Total Revenue	**277,431**	**97,337**	**316,169**	**9,036**	**13,866**	**713,840**

2021

(EUR thousand)	Wind Italy	Solar Italy	Wind Abroad	Solar Abroad	Corporate	Total
Revenue from sales						
Energy to the market	176,930	8,771	58,597	-	-	244,298
Incentive rate - Feed in Tariff	138,101	59,573	125,265	2,173	-	325,113
Green Certificates abroad	-	-	15,344	-	-	15,344
Total Revenue from sales	**315,031**	**68,345**	**199,207**	**2,173**	**-**	**584,756**
Revenue from the provision of services						
Other - Services	-	-	-	-	16,652	16,652
Total Revenue for services	**-**	**-**	**-**	**-**	**16,652**	**16,652**
Total Revenue	**315,031**	**68,345**	**199,207**	**2,173**	**16,652**	**601,407**

The increase in the item compared to 2021 is mainly due to the contribution of the new photovoltaic and wind plants acquired and those that entered into operation in Italy and abroad, as well as the higher volumes resulting from the increased capacity.
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 negative impact of EUR 114 million (negative EUR 142 million in 2021) of commodity hedging derivatives. Please refer to **Note 38 – Disclosure on financial risks** for further details.

(EUR thousand)	2022	2021
Gains on Power sales cash flow hedges	40,935	152
Losses on Power sales cash flow hedges	(155,332)	(142,133)
Total revenue	**(114,398)**	**(141,981)**

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, 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.

As early as 2021, the Group, as a 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, began to enter into medium/long-term supply contracts on the basis of 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.

Below is a summary, by country, of the PPAs finalised by 31 December 2022:

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 / January 2024 / 12 years	LUXOTTICA	≈70 GWh Baseload	PHYSICALfrom January 2024	FIXED	Partinico / Monreale / 42 MW	IFSR 15
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

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)	2022	2021	Change
Indemnities	1,612	1,126	486
Other income	3,769	4,544	(775)
Release of excess cost allocations	7,129	1,173	5,956
Income for resale of electricity transmission capacity	-	38	(38)
Reimbursement of expenses	168	851	(683)
Total	**12,678**	**7,732**	**4,946**

The change compared to 2021 mainly refers to the partial release of the provision for local tax risks (EUR 7 million) in consideration of some favourable rulings in some legal disputes.

NOTE 3 - PURCHASES

This item, amounting to EUR 15,188 thousand (EUR 5,939 thousand in 2021), mainly includes costs for the purchase of plant components (spare parts) with a useful life of not more than one year and consumables mainly in relation to wind farms, as well as energy purchase costs, recognised net of the net positive impact of EUR 11 million (positive EUR 45 million in 2021) of commodity hedging derivatives.

(EUR thousand)	2022	2021
Gains on power purchases cash flow hedges	11,231	45,449
Losses on power purchases cash flow hedges	-	(73)
Total costs	**11,231**	**45,376**

Please refer to **Note 38 – Disclosure on financial risks** for further details.

NOTE 4 - SERVICES AND OTHER OPERATING COSTS – LOSSES DUE TO IMPAIRMENT OF RECEIVABLES

(EUR thousand)	2022	2021	Change
Rental, lease and hire expenses	15,482	15,814	(332)
Accruals of provisions for liabilities and charges	2,168	11,492	(9,325)
Taxes and duties	13,899	10,682	3,216
Other operating costs	4,307	6,772	(2,465)
Loss Allowance	300	8,420	(8,120)
Services	120,938	105,720	15,217
Total	**157,092**	**158,901**	**(1,809)**

Rental, lease and hire expenses refer mainly to fees for the use of company software, not falling within the scope of application of IFRS 16.

The item “Provisions for risks and charges” mainly refers to disputes with local authorities and risks on potential higher contractual charges.

Taxes and duties refer mainly to the municipal taxes on Italian and foreign wind farms, non-deductible VAT for ERG S.p.A. financial assets and other taxes and duties in Italy and abroad.

It is noted that in 2021, the item “Impairment of receivables” referred mainly to doubtful receivables of certain subsidiaries in Eastern Europe.

Costs for services are broken down as follows:

(EUR thousand)	2022	2021	Change
Maintenance and repairs	39,847	33,685	6,161
Information Technology (IT) services and overheads	28,113	29,403	(1,290)
Consultancy	17,358	16,593	766
Insurance	5,616	4,831	785
Directors’ remuneration	8,964	9,986	(1,022)
Commercial, distribution and transport costs	2,791	811	1,980
Utilities and consumption	14,588	6,794	7,795
Services from network operator	979	1,164	(186)
Audit costs	1,849	1,749	100
Statutory Auditors’ remuneration	356	383	(27)
Advertising and promotions	477	321	156
Total	**120,938**	**105,720**	**15,217**

- **Maintenance and repairs** mainly include ordinary maintenance costs for electricity production plants; the increase refers to business combinations (acquisitions) carried out during the year as well as to the contribution of the wind farms that came into operation in the United Kingdom and in France.
- **Information Technology (IT) services and overheads** relate to IT services, bank expenses, overheads, security and cleaning services and ancillary personnel and HSE costs.
- **Consultancy services** includes mainly expenses for legal, technical and professional consultancy as well as expenses incurred for non-recurring transactions.
- **Directors’ remuneration** includes remuneration, expenses and the portion of the cost pertaining to the 2021-2023 long-term incentive plan. In accordance with IFRS 2 – Share-Based Payment transactions, 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 5 – Personnel expense**.
- It should be noted that in 2022 the item includes the Special Contribution relating to the Chief Executive Officer referred to in the **Additional information** in **Note 47 – Related parties** and in 2021 included the Termination Indemnity as a result of the changeover of the Chief Executive Officer on 26 April 2021.
- **Utilities and supplies**: the change in the year mainly refers to the increase in utilities due to the fact that in 2021 some Italian companies were purchasing energy for utilities from Erg Power Generation S.p.A. while in 2022 the power for utilities was purchased from some third-party suppliers.

NOTE 5 - PERSONNEL EXPENSE

(EUR thousand)	2022	2021	Change
Wages and salaries	39,839	31,554	8,285
Social security contributions	10,636	10,514	122
Other personnel costs	1,890	3,291	(1,401)
Post-employment benefits	2,443	2,260	182
Total	**54,808**	**47,619**	**7,189**

At 31 December 2022, the total number of employees[4] was 573 (553 in 2021).

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 management, for the details of which please see **Note 47 – Related Parties**.

Costs in 2022 include 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 referring to Group management as reported in the **Additional information** in **Note 47 - Related parties**.

"Other personnel costs" include additional post-employment benefits.

Share-based payment transactions

*It should be noted that, in accordance with **IFRS 2 – Share-based payment transactions**, following the implementation of the 2021-2023 Long-Term Incentive Plan, the portion of the cost accrued in 2022 was recognised.*

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 (322,200, as resolved upon by the Board of Directors of ERG S.p.A.) if the price of the ERG shares is equal to or less than EUR 22.5 ("Target Price"); equal to 200% of the shares allocated if the price is higher than EUR 27.5 ("Cap Price"). If the price is between the Target Price and the Cap Price, shares will be allocated proportionally.

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.

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 Montecarlo 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*

4 The number of employees shown for 2021 is pro forma not including the employees of ERG Hydro S.r.l. (113 employees at 31 December 2021) and the employees of ERG Power S.r.l. (142 employees at 31 December 2021).

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	31/12/2022	31/12/2021	Change
Trade receivables	6	202,465	320,202	(117,736)
Inventories	7	17,603	32,301	(14,699)
Trade payables	8	(123,002)	(254,374)	131,372
Operating working capital		**97,066**	**98,129**	**(1,063)**
Other current assets	9	82,147	124,955	(42,808)
Other non-current assets	10	53,530	54,488	(959)
Other non-current liabilities	12	(30,989)	(31,484)	496
Other current liabilities	11	(59,628)	(39,477)	(20,151)
Assets for fair value derivatives hedging commodities	31	72,033	87,436	(15,403)
Liabilities for fair value derivatives hedging commodities	35	(76,644)	(149,373)	72,729
Employee benefits	13	(3,723)	(4,289)	566
Other assets		**36,727**	**42,257**	**(5,530)**

NOTE 6 - TRADE RECEIVABLES

Definition 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 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 amount of the impairment on the actual expectation of recovery. It should be noted that in application of IFRS 5, the comparative data at 31 December 2021 include the reclassifications of thermoelectric trade receivables under "Assets held for sale".

(EUR thousand)	31/12/2022	31/12/2021	Change
Receivables from customers	157,880	258,860	(100,980)
Receivables for incentives	58,722	72,254	(13,532)
Receivables from group companies that are not consolidated on a line-by-line basis	-	2,942	(2,942)
Loss allowance	(14,137)	(13,854)	(283)
Total	**202,465**	**320,202**	**(117,736)**

The item includes mainly receivables for the supply of electricity to third parties and environmental certificates (feed-in tariff and green certificates).

The change in the year is mainly attributable to the decrease in the price of incentives in Italy and the lower volumes recorded as well as the reclassification to "Assets held for sale" of approximately EUR 90 million of trade receivables referring to the Thermoelectric business.

For information concerning receivables from non-consolidated group companies, reference is made to **Note 47 – Related parties**.

The loss allowance changed as follows:

(EUR thousand)	31/12/2022	Increases	Decreases	31/12/2021
Loss allowance	(14,137)	-	(283)	(13,854)
Total	**(14,137)**	**-**	**(283)**	**(13,854)**

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)	31/12/2022	31/12/2021
Crediti non scaduti	**201,480**	**315,615**
Receivables past due:		
within 30 days	-	1,635
within 60 days	55	520
within 90 days	42	490
after 90 days	889	1,941
Total	**202,465**	**320,202**

NOTE 7 - INVENTORIES

Definition 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.

(EUR thousand)	31/12/2022	31/12/2021	Change
Quotas of deferred purchases of CO_2	-	9,145	(9,145)
Inventories of spare parts	17,603	23,157	(5,554)
Total	**17,603**	**32,301**	**(14,699)**

(EUR million)	31/12/2022	31/12/2021
Italy	13	29
France	3	2
Germany	1	2
Total	18	32

The change in the year is attributable to the reclassification to "Assets held for sale" of around EUR 6 million in spare parts inventory of the CCGT plant in addition to the 2021 CO_2 quotas of the company ERG Power S.r.l. (owner of the CCGT plant) purchased to cover future years.

NOTE 8 - TRADE PAYABLES

Definition 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.**

(EUR thousand)	31/12/2022	31/12/2021	Change
Trade payables	123,003	254,278	(131,275)
Group companies not consolidated on a line-by-line basis	-	96	(96)
Total	**123,003**	**254,374**	**(131,371)**

The decrease recognised in the year mainly refers to the reclassification to "Assets held for sale" of the payables to suppliers of the company ERG Power S.r.l. It should be noted that, at 31 December 2021, this item also included trade payables of ERG Power Generation S.p.A. towards ERG Hydro S.r.l. (now Enel Hydro Appennino Centrale S.r.l.) which, following the application of IFRS 5, were no longer subject to elimination.

NOTE 9 - OTHER CURRENT RECEIVABLES AND ASSETS

(EUR thousand)	31/12/2022	31/12/2021	Change
Tax assets	43,544	52,707	(9,163)
Portions of deferred charges	17,157	16,740	417
Other receivables	21,446	55,509	(34,062)
Total	**82,147**	**124,955**	**(42,808)**

Tax assets relate to tax-related assets such as VAT and other taxes. The item does not include amounts 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 8 million and for approximately EUR 7 million to deferred charges relating to development projects.

The change of approximately EUR 34 million in **Other Assets** reflects, among other things, the collection of amounts for "domestic tax consolidation scheme" from ERG Hydro S.r.l. (now Enel Hydro Appennino Centrale S.r.l.) for EUR 42 million.

At 31 December 2022, this item included approximately EUR 4 million in amounts due to ERG S.p.A. from the parent SQ Renewables: for further details, please refer to **Additional information** in **Note 47 – Related parties**.

NOTE 10 - OTHER NON-CURRENT ASSETS

Other non-current assets, amounting to EUR 53,530 thousand (EUR 54,488 thousand at 31 December 2021) 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 amounts, 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 10 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 7 million), relating mainly to the substitute tax on the Andromeda PV S.r.l. goodwill.

NOTE 11 - OTHER CURRENT LIABILITIES

(EUR thousand)	31/12/2022	31/12/2021	Change
Other current liabilities	26,407	14,400	12,007
Tax liabilities	10,572	7,504	3,068
Employees	10,846	8,125	2,721
Pension and social security institutions	4,531	4,514	17
Portions of income deferred to subsequent years	7,272	4,935	2,337
Total	**59,628**	**39,477**	**20,151**

The change in the item **Other current liabilities** mainly refers (approximately EUR 6 million) to short-term guarantee deposits received from a Group customer, as well as changes in minor items.

NOTE 12 - OTHER NON-CURRENT LIABILITIES

(EUR thousand)	31/12/2022	31/12/2021	Change
Liabilities for prior year taxes from merger of foreign companies	18,594	18,594	-
Price of Wind Group acquisition	9,821	9,821	-
Other minor items	1,782	1,587	195
Portions of income deferred to subsequent years	791	1,482	(691)
Total	**30,988**	**31,484**	**(496)**

NOTE 13 - EMPLOYEE BENEFITS

Definition 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 year 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
		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 benefits due to the employees for the termination of employment 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.

(EUR thousand)	31/12/2022	31/12/2021
Opening balance	**4,289**	**5,425**
Change in the consolidation scope	-	-
Revaluation for the year	(229)	(168)
Changes in the year	364	(84)
Decrease in liabilities held for sale	*(700)*	*(884)*
Closing Balance	**3,723**	**4,289**

The main assumptions used in determining the actuarial value of the liability are shown below:

	2022	2021
Discount rate	3.8%	1.0%
Inflation rate	3.0%	1.0%
Average turnover rate	3.0%	3.0%
Average rate of salary increase	1.5%	1.5%
Average rate of salary increase	45	46

The following table shows the impact on the liability of a +/-0.5% change in the discount rate:

(EUR thousand)	31/12/2022	31/12/2021
+0.5% change in discount rate: lower liability	(101)	(208)
-0.5% change in discount rate: higher liability	107	226

III. INVESTING ACTIVITIES

NOTE 14 - AUTHORISATIONS AND CONCESSIONS

Definition 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	1,038,828
Amortisation, depreciation and impairment losses	(357,218)
BALANCE AT 31/12/2021	**681,610**
Attività destinate ad essere cedute	**-**
Changes for the year:	
Change in the consolidation scope	337,727
Capital expenditure	-
Reclassifications	1,071
Disposals and divestments	-
Amortisation	(55,887)
Reversals/(Write-downs)	(8,281)
Other changes	-
Historical cost	1,377,656
Amortisation and impairment losses	(421,415)
BALANCE AT 31/12/2022	**956,240**

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 write-downs.

The change in the scope of consolidation refers to the Valentia, Siena and Donatello business combinations, in addition to the acquisition of the Corlacky asset in 2022. For further details, please refer to **Note 45 – Business combinations and asset acquisition**.

NOTE 15 - OTHER INTANGIBLE ASSETS

Definition 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	Classification to assets held for sale ERG Power S.r.l.
Historical cost	65,666	1,170	66,836	-
Amortisation and impairment losses	(59,385)	-	(59,385)	-
BALANCE AT 31/12/2021	**6,282**	**1,170**	**7,452**	**-**
Assets held for sale	**(534)**	**(50)**	**(583)**	**583**
Changes for the year:				
Change in the consolidation scope	3,932	-	3,932	-
Capital expenditure	1,494	2,626	4,120	*120*
Reclassifications	(634)	3,992	3,358	-
Disposals and divestments	-	-	-	-
Amortisation	(2,853)	-	(2,853)	*(238)*
Reversals/(Write-downs)	-	-	-	-
Other changes	-	-	-	-
Historical cost	64,475	7,739	72,213	*7,829*
Amortisation and impairment losses	(56,788)	-	(56,788)	*(7,363)*
BALANCE AT 31/12/2022	**7,686**	**7,739**	**15,425**	**466**

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 write-downs.

The amounts reclassified to assets held for sale refer to Other property, plant and equipment related to the Thermoelectric Business, as indicated in **Note 43 – Assets and liabilities held for sale**. Note that the reclassified amount refers to the initial balance.

Assets under development at the end of the year refer to investments in software, mainly in ERG S.p.A. and ERG Power Generation S.p.A.

NOTE 16 - GOODWILL

Definition 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 more information, see the comments in **Note 21 – Impairment Test.***

The table below shows the changes in the item “Goodwill” during the year:

(EUR thousand)	Wind Italy	Solar Italy	France Wind	France Solar	Germany Wind	Spain Solar	Total
Balance at 31/12/2021	**125,935**	**56,062**	**76,720**	**15,024**	**32,391**	**-**	**306,117**
Changes for the year:							
“Valentia” Business Combination	-	-	-	-	-	4,289	4,289
"Siena" Business Combination	-	29,480	-	-	-	-	29,480
"Donatello" Business Combination	68,112	-	-	-	-	-	68,112
Impairment losses	-	-	-	-	-	-	-
Balance at 31/12/2022	**194,047**	**85,542**	**76,720**	**15,024**	**32,391**	**4,289**	**408,046**

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 Test**.

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

Definition 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 (for which reference is made to the Impairment Test section). 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 as a contra-asset in a specific provision. Capitalized financial charges are recorded in accordance with the provisions of 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 those previously. 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 depreciation rates applied are as follows:

	%
Wind-power generators	5
Industrial and commercial buildings	2.5 - 7.34
Fixed hydraulic works	1
Pressure pipes	2.5
Hydraulic and electrical machinery	3.3
Automation and control systems	10
Plant and machinery	5
Digital control-remote transmission facilities	10
Transport lines	5
Lightweight constructions	10
General plant	8.45 - 10
CCGT plant*	6.1
Motor vehicles, furniture and furnishings	8.38 - 25
Surface rights and other civil works	3.5
Photovoltaic modules	5
Other miscellaneous goods/equipment	from 10 to 20

** Average rates*

(EUR thousand)	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total	Classification to assets held for sale ERG Power S.r.l.
Historical cost	116,950	4,170,374	36,595	248,929	4,572,848	
Depreciation and impairment losses	(54,743)	(2,571,553)	(24,927)	-	(2,651,223)	
BALANCE AT 31/12/2021	**62,207**	**1,598,821**	**11,668**	**248,929**	**1,921,624**	
Assets held for sale	**(10,813)**	**(179,909)**	**(426)**	**(4,950)**	**(196,099)**	**196,099**
Changes for the year:						
Change in the consolidation scope	44,441	231,357	-	-	275,798	-
Capital expenditure	-	-	-	307,048	307,048	9,138
Reclassifications	(39,761)	376,829	10,436	(346,475)	-	-
Disposals and divestments	-		-	-	-	-
Depreciation	(3,305)	(154,104)	(10,631)	-	(168,039)	(2,605)
Reversals/(Write-downs)	-	(34,904)	-	-	(34,904)	(80,804)
Other changes	-	4,809	(75)	9,910	14,644	(2,960)
Historical cost	99,830	4,251,483	35,975	214,461	4,601,749	565,165
Depreciation and impairment losses	(46,974)	(2,409,824)	(24,879)	-	(2,481,677)	(446,298)
BALANCE AT 31/12/2022	**52,856**	**1,841,660**	**11,096**	**214,461**	**2,120,073**	**118,868**

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 write-downs.

The amounts reclassified to **Assets held for sale** refer to the property, plant and equipment of ERG Power S.r.l. as indicated in **Note 43 - Assets and liabilities held for sale**. Note that the reclassified amount refers to the initial balance.

The **Change in the consolidation scope** refers mainly to the aforementioned business combinations during the year, relating to the acquisition of wind farms in Italy and photovoltaic plants in Spain and Italy. For a more detailed analysis, reference should be made to **Note 45 – Business combinations and asset acquisition**.

Capital expenditure mainly refers to the development of wind farms under construction in the United Kingdom, Poland, Sweden and France, as well as investments for repowering activities on some Italian wind farms for approximately EUR 100 million.

The item **Reclassifications** includes reclassifications between different asset classes, relating to the development of wind farms under construction in the United Kingdom, France, Poland and Sweden.

The item **Reversals/Impairment Losses** refers mainly (approximately EUR 12 million) to the impairment losses recognised on for plants to be dismantled following the obtaining of the Single Authorisation of a number of Repowering projects, and to the impairment losses (approximately EUR 18 million) recognised on some photovoltaic plants in the Italian portfolio following the Revamping projects; the amount corresponds to the net residual value of the plants at the currently planned date of the plant shutdown.

The item **Other changes** mainly refers to the capitalisation of interest relating to the wind farms under construction in the United Kingdom, Poland and Sweden for around EUR 10 million, the exchange the year of around EUR 13 million, and the impact of the EUR 22 million increase in dismantling expenses for wind farms already in the scope.

With regard to the existence of restrictions on the assets held by the Group, please refer to **Note 38 – Disclosure on financial risks**.

NOTE 18 - RIGHT-OF-USE ASSETS

Definition 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 19 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 the right-of-use assets over the year is shown in the following table:

(EUR thousand)	Land and buildings	Specific plants	Equipment	Other assets	Total
BALANCE AT 31/12/2021	**124,328**	**564**	**33**	**1,738**	**126,663**
Increase in right-of-use assets	14,071	-	-	800	14,872
Increase in right-of-use assets due to business combinations	21,684	-	-	-	21,684
Derecognition of right-of-use assets	-	-	-	(259)	(259)
Depreciation for the year	(7,141)	(85)	(3)	(1,421)	(8,650)
BALANCE AT 31/12/2022	**152,942**	**479**	**30**	**858**	**154,311**

The increase for the year in the item "land and buildings" is mainly due to the recognition of right of use on the land of the wind farms and photovoltaic plants related to the aforementioned Valentia, Siena and Donatello business combinations, as well as on the land of the wind farms that came into operation in 2022 in France and Poland.

For further details on business combinations, please refer to **Note 45 – Business combinations and asset acquisition** in section **VIII. Other Notes**.

NOTE 19 - PROVISIONS FOR DISMANTLING EXPENSES

Definition 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 1%-3.5%.

(EUR thousand)	31/12/2022	Increases	Decreases	Change in the consolidation scope	31/12/2021
Provisions for dismantling expenses	92,613	23,769	(219)	8,156	60,908
Total	**92,613**	**23,769**	**(219)**	**8,156**	**60,908**

The changes for the year are mainly related to the increases concerning the recognition of the decommissioning provision for the wind farms that entered into operation in 2022 in the United Kingdom, Poland, France and Sweden (approximately EUR 23 million), and the financial revaluation of the wind and solar farm rehabilitation costs, and in particular represented by the reversal of the discounting effect. The **Change in the scope of consolidation** refers to the acquisitions made during the year (approximately EUR 6.2 million), as well as the related increases of the newly acquired parks.

NOTE 20 - AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Definition 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)	2022	2021	Change
Amortisation of Authorisations and Concessions	55,887	47,263	8,624
Amortisation of Other intangible assets	2,854	2,847	7
Total	**58,741**	**50,110**	**8,630**
Depreciation of Property, Plant and Equipment	168,039	149,774	18,265
Depreciation of right-of-use assets	8,650	6,411	2,240
Total	**176,689**	**156,184**	**20,505**
Impairment losses (reversals of impairment losses) of Authorisations and Concessions	8,281	10,516	(2,235)
Impairment losses (reversals of impairment losses) of Property, plant and equipment and Right-of-use assets	34,904	11,500	23,405
Total	**43,185**	**22,016**	**21,170**

Amortisation/depreciation refer to wind and solar plants.

The change in the year refers mainly to the contribution made by the wind and solar assets acquired during the year in the amount of approximately EUR 28 million, to the impairment losses recognised on the residual carrying amount of the plants following the authorisation of a Repowering project obtained in 2022 (approximately EUR 20 million) in Italy, as well as the write-down of the net residual value of the property, plant and equipment assets of photovoltaic plants 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 amortisation and depreciation by geographical segment for the years 2022 and 2021:

	Italy	France	Germany	Eastern Europe	UK	Sweden	Spain	Total
2022	178	47	29	16	5	-	4	**279**
2021	153	37	23	15	-	-	-	**228**

NOTE 21 - IMPAIRMENT TESTING

Definition 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.*

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 24 February 2023.

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 segments 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 segments in which the Group operates and the two different technologies.

	Wind	Solar
Italy	✔	✔
France	✔	✔
Germany	✔	–
Poland	✔	–
Romania	✔	–
Bulgaria	✔	–
UK	✔	–
Sweden	✔	–
Spain	–	✔

The groups of units 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 11 groups of CGUs.

In view of the foresaid considerations, the recoverable value of the groups of units 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:

(EUR million)	Italy	France	Germany	Spain
Wind	194	77	32	-
Solar	86	15	-	4
Total	**280**	**92**	**32**	**4**

- the groups of units 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 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 (6.55% in Italy, 5.42% in France, 5.17% in Germany and 6.07% in Spain).

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	France Wind	France Solar	Germany Wind	Spain Solar
Basis of recoverable value	Value in use/Fair value if more representative					
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)	6.55%	6.55%	5.42%	5.42%	5.17%	6.07%

In particular, the following were taken into account for the determination of the cash flows:

- the update of the 2022-2026 Business Plan examined and approved by the Board of Directors of ERG S.p.A. on 14 March 2023;
- for subsequent years, the data processed on the basis of models simulating the macroeconomic and energy scenario and assuming a steady production trend.

Specifically it should be noted that the Group, in line with the requirements of the ESMA Public Statement of 28 October 2022 as a result of the discontinuity factors linked to the current geopolitical and energy context, has conducted its own analyses for each geographical area, taking into particular consideration the updating of the energy scenario, including in the medium/long-term, changes to the discount rate, the risks and commitments related to the climate as well as changes in the regulatory scenario.

The considerations made by the Group with regard to the Energy Scenario, the discount rate and the Regulatory Scenario are summarised below.

Energy scenario

The crisis in Ukraine led to a level of uncertainty concerning, first of all, the duration of the effects of the conflict and the impacts on the price of energy. The resulting increase in the price of raw materials has required responses in terms of monetary and fiscal policies, of which the effectiveness and effects on industrial and energy policies must be assessed.

The context in which the Group operates is characterised by extreme volatility and uncertainty. Prices for commodities and electricity are extremely volatile and have fallen sharply in the first months of 2023 compared to the high prices of 2022.

The regulatory context is constantly evolving and uncertain, particularly as a result of the many and uncoordinated emergency measures that have been taken in recent months, both at the level of individual countries and at European level. In addition, there are demands for a medium-term review of the European electricity market, with more room for long-term energy contracts.

The Group has therefore proceeded with an Update of the 2022-2026 Plan, reflecting the evolution of the commodity and electricity price scenario and confirming the strategic objectives in terms of growth, geographical and technological diversification and quasi-regulated targets of its revenue structure.

Discount rate

The trend in rates resulting from the inflation phenomena related to the current energy crisis, led to a significant increase in the reference discount rates in all the countries in which the Group operates.

The discount rate estimation method used by the Group provides that:

- specific rates are determined for each Group of CGUs, according to the country/technology matrix, 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 2021 Financial Statements were used.

Regulatory Scenario

During 2022, urgent measures were introduced to contain the effects of price increases in the electricity sector. As a result, the Group has taken the impacts of these measures into account in the assessments of the Impairment process, while providing for the removal of emergency measures as the energy crisis subsides.

For more details on the impacts of these measures on the Group, please refer to the paragraph **Regulatory measures to curb energy price rises**.

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 and the carrying amount[5]:

(EUR million)

CGU Group	Headroom*
Wind Italy	568
Solar Italy	102
France Wind	111
France Solar	1
Germany Wind	91
Spain Solar	26

* Positive difference (headroom) between the recoverable amount and the carrying amount

5 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 liabilities 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.

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.

(EUR million)	Variazioni di Headroom*	
CGU Group	**-5% Ricavi**	**+1% Wacc**
Wind Italy	-175	-262
Solar Italy	-38	-41
France Wind	-67	-73
France Solar	-12	-15
Germany Wind	-34	-32
Spain Solar	-26	-42

* Positive difference (headroom) between the recoverable amount and the carrying amount.

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.

Italy Wind: -24.1%

Italy Solar: -14.3%

France Wind: -6.3%

France Solar: -0,4%

Wind Germany: -12.8%

Spain Solar: -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.

Italy Wind: with WACC equal to 10.8%

Solar Italy: with WACC equal to 9.6%

Wind France: with WACC equal to 6.6%

Solar France: with WACC equal to 5.4%

Wind Germany: with WACC equal to 8.4%

Solar Spain: with WACC equal to 9.0%

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 2022 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[6] 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 plants, including any rights to feed-in tariffs for plants in operation.

In line with the previous years, these amounts 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 indicator was also identified ("profitability indicator") calculated by discounting the sum of the operating cash flows (EBITDA) 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 EBITDA.

  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.

6 Values relating to business combinations from previous years.

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 other than as commented below:

- **Wind farms subject to already authorised repowering**
  In 2022, following the obtaining of the authorisations for the repowering of the wind farms of Camporeale and Salemi-Castelvetrano, and the consequent start of the plan to remove old plants that began during the year, the residual net value of the related property, plant and equipment, whose decommissioning is scheduled for 2023, and the related Authorisations and Concessions, was written down. The total write-down amounts to approximately EUR 20 million, of which EUR 12 million to tangible assets and approximately EUR 8 million to the related Authorisations and Concessions.
- **Solar plants subject to revamping**
  During 2022, following the launch of some Revamping projects, the net residual value of the property, plant and equipment of photovoltaic farms in the Italian portfolio was written down for a total value of EUR 23 million in the income statement.

Recoverable amounts of groups of units

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.

As regards the thermoelectric plants, please refer to Section **VII. Assets held for sale**.

NOTE 22 - EQUITY INVESTMENTS

Definition and recognition and measurement criteria

Joint ventures

Joint ventures are an agreement through which the Group has rights on the net assets rather than rights on the assets and obligations for the liabilities (companies over whose assets the Group has joint control as defined by IFRS 11 – Joint Arrangements). The Consolidated Financial Statements include the Group's share of the profit or loss of the joint venture, measured using the equity method, starting from the date when joint control starts until the time when it ceases to exist.

If the Group's share of the joint venture's losses exceeds the carrying amount of the investment in the Consolidated Financial Statements, the investment is fully impaired 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.

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 amount of the investment in the Consolidated Financial Statements, the value of the 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.

The breakdown of the item Equity investments held at 31 December 2022 is shown below:

(EUR thousand)	Measured at Equity	Measured at cost	Total
Equity investments:			
- in subsidiaries not consolidated on a line-by-line basis	-	1,092	1,092
- in joint ventures	-	99	99
- in associates	-	-	-
- in other companies	-	496	496
Total	**-**	**1,687**	**1,687**

	Equity investments				
(EUR thousand)	Subsidiaries not consolidated on a line-by-line basis*	Jointly controlled subsidiaries	Associates	Other companies	Total
31/12/2021	**155**	**262**	**11,231**	**465**	**12,113**
Assets held for sale	**-**		**(11,342)**	**-**	**(11,342)**
Changes for the year:					
Acquisitions/share capital increases/ increases	937	-	-	31	929
Change in consolidation method	-	-	-	-	-
Reclassifications	-	-	-	-	-
Impairment losses/utilisation of loss allowances	-	-	-	-	-
Disposals and divestments	-	(163)	-	-	(163)
Measurement of company with equity method	-	-	111	-	111
31/12/2022	**1,092**	**99**	**-**	**496**	**1,537**

* This item includes non-operational companies.

The amounts reclassified to **Assets held for sale** refer to the equity investment held by ERG Power S.r.l. in Priolo Servizi S.C.p.A. For more details, please refer to **Note 43 – Assets and liabilities held for sale**. Note that the reclassified amount refers to the final balance at 31 December 2022.

NOTE 23 - NET GAINS (LOSSES) ON EQUITY INVESTMENTS

(EUR thousand)	2022	2021	Changes
Net gains (losses) on equity-accounted investments	**(0)**	**0**	**(0)**
Dividends from other companies consolidated at cost	*125*	*19*	*106*
Price adjustment for sale of equity investment	*2,646*	*836*	*1,809*
Provision for risks on equity investments	*(477)*	*(319)*	*(159)*
Write-downs of equity investments	*-*	*-*	*-*
Total Other net gains (losses) on equity investments	**2,294**	**537**	**1,757**
Total	**2,294**	**537**	**1,757**

The item **"Price adjustment for sale of equity investment"** includes the positive effect deriving from the collection of a price adjustment relating to the sale of an equity investment in previous years for approximately EUR 2 million.

NOTE 24 - OTHER NON-CURRENT FINANCIAL ASSETS

(EUR thousand)	31/12/2022	31/12/2021
Tied receivables - Escrow Account Italian Law no. 488/92 grants	24,240	24,240
Security deposits and other	14,552	8,993
Total	**38,792**	**33,233**

The **Assets tied up in the Escrow Account** relate to the sums deposited by the Group awaiting the decision of the Naples Court of Appeal and the other relevant 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 (**Note 12 – Other non-current liabilities**).

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 (Fondo Unico di Giustizia - FUG) 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, 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 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 Head of State 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, which was declared inadmissible due to lack of jurisdiction of the administrative judge. This is a partially different judgment 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 2023 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 judgments 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

Definition 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 period in which the change occurs.

NOTE 25 - PROVISION FOR DISPOSED BUSINESSES

(EUR thousand)	31/12/2022	Increases	Decreases	Reclassifications	31/12/2021
Provision for disposed businesses	84,692	11,713	(2,332)	408	74,903
Total	**84,692**	**11,713**	**(2,332)**	**408**	**74,903**

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 stake 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 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 upholding 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 reference 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 Roadstead. The request is unlawful and has therefore been contested before the Administrative Courts (the hearing for the presentation of the arguments has yet to be set).

  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 Roadstead" 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 Roadstead; 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 Roadstead (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, which has already been challenged by ERG Power S.r.l. and ERG Power Generation S.p.A.

ERG S.p.A. is not party to the proceedings, but the environmental issues relating to the Augusta Roadstead arise in the context of the environmental guarantees present in the various contracts with ENI and Lukoil;

- with reference to the sale of **TotalErg** and in particular to the guarantees connected to the buyer on 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 item reflects the increases of approximately EUR 12 million relating to provisions made for future charges resulting from the sale of ERG Hydro S.r.l. and, in general, the redefinition of the Group's strategic structure in application of the 2022-2026 Business Plan.

NOTE 26 - OTHER PROVISIONS

Definition 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.

(EUR thousand)	*Non-current portion*	*Current portion*	31/12/2022	Increases	Decreases	Reclassi-fications	Change in the consolidation scope	31/12/2021
Provisions for tax risks	20,703	6,364	27,067	556	(6,440)	140	9,163	23,647
Provision for institutional counterparty risks	-	23,626	23,626	359	(3,155)	-	- -	26,423
Provision for legal risks	-	3,745	3,745	246	(890)	-	-	4,389
Other provisions for risks and charges	3,698	4,994	8,693	-	(4,634)	(140)	338	13,133
Total other provisions	**24,401**	**38,730**	**63,131**	**1,161**	**(15,119)**	**-**	**9,501**	**67,591**

The **Provision for tax risks** includes, inter alia, 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 decrease in the year mainly refers to the positive developments in the aforementioned dispute on local taxes.

The **Provision for institutional counterparty risks** refers to the following risks:

- charges tied to interest and revaluations on the grants under Italian Law no. 488/1992 (EUR 12.7 million), 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 charges of foreign companies (EUR 9 million) refers to contingent liabilities concerning Romania, recognised in 2015 on the winding up of the joint venture LUKERG Renew.

The **Provision for legal risks** mainly relates to provisions for risks relating to the wind and solar business.

The item **Other provisions for risks and charges** in the year mainly refers to risks on potential higher contractual charges (approximately EUR 3 million), as well as risks referring to litigation in some foreign companies.
The increase in the change in the scope of consolidation refers to the recognition of a provision for tax and legal risks identified in relation to the acquisitions made during the year.
The decrease (approximately EUR 5 million) mainly refers to the release relating to disputes with local authorities relating to the wind business (EUR 2.5 million).

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.
The Notes to the Consolidated Financial Statements illustrate the significant contingent liabilities represented by:

- 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 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	31/12/2021	Share-based payments	Dividends	Translation differences and actuarial changes	Hedging reserve	Profit	31/12/2022
	1,559	7	(135)	(17)	253	379	2,046

(EUR thousand)	31/12/22	31/12/21
Share capital	**15,032**	**15,032**
Share premium reserve	69,166	69,166
Revaluation reserves	66,946	66,946
Legal reserve	3,236	3,236
Merger reserve	251,706	251,706
Hedging reserve	54,749	(197,831)
Translation reserve	(12,618)	4,608
Other reserves	780,166	621,739
Total Reserves	**1,213,351**	**819,568**
Retained earnings	438,028	551,486
Profit for the year	378,939	172,897
Equity attributable to the owners of the parent	**2,045,350**	**1,558,982**
Non-controlling interests	9,332	9,639
Equity	**2,054,682**	**1,568,621**

Share capital

The fully paid-in share capital at 31 December 2022 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 2021).

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 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 Risks and Sustainability Control 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 2497 bis of the Italian Civil Code, it should be noted that SQ Renewables S.p.A., as a newly established company, has not yet submitted financial statements for the year, and therefore the relevant data cannot be shown.

At 31 December 2022, the Parent's Shareholders' Register, relative to holders of significant equity investments, shows SQ Renewables S.p.A. as the holder of 63% percent of the share capital.

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)	782,080	1%
Others lower than 3%	55,537,920	37%
Total	**150,320,000**	**100%**

Treasury shares

Definition 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.

There were 782,080 treasury shares at the date of preparation of this document.

The Ordinary Shareholders' Meeting held on 26 April 2022 has authorised the Board of Directors, pursuant to Article 2357 of the Italian Civil Code - subject to revocation, for the period still remaining, of the previous authorisation resolved upon by the Shareholders' Meeting held on 26 April 2021 – for a period of 18 months from 26 April 2022, to repurchase treasury shares up to a revolving maximum (i.e. the maximum amount of treasury shares held in the portfolio at any time) of 30,064,000 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 stock 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 made by using distributable profits and the available reserves resulting from the latest approved Financial Statements, in accordance with Article 132 of the Consolidated Finance Act and with the methods envisaged by Article 144-bis, paragraph 1, subsection b) of the Issuers' Regulation and namely "on regulated markets or on multilateral trading systems based on operating methods set out in the organisation and management regulations of the markets themselves, which do not allow direct matching of buy orders with predetermined sell orders".

By revoking, for the period still remaining, the previous authorisation resolved by the Shareholders' Meeting on 26 April 2021, the Shareholders' Meeting also authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, for 18 months as from 26 April 2022, to sell, all at once or in several steps, and with any procedures deemed appropriate in relation to the purposes, which the disposal is attempting to achieve, treasury shares at a unit price no lower than 10% below the closing price of the stock on the day immediately preceding each individual sale.

Dividends

The dividends paid by ERG S.p.A. in 2022 (EUR 134.6 million) and 2021 (EUR 112.2 million), as resolved upon approval of the Financial Statements for the previous years, amounted respectively to EUR 0.90 and EUR 0.75.

On 14 March 2023, the Board of Directors proposed the payment to shareholders of a dividend of EUR 1 per share from the profit for the year and, for the remaining part, via the use of retained earnings. The dividend will be paid, after approval by the Shareholders' Meeting, as from 24 May 2023, with an ex-dividend date as from 22 May 2023 and record date of 23 May 2023.

Proposal of the Board of Directors of 14 March 2023

Dear Shareholders, in relation to the results achieved, we invite you to resolve upon the following:

- to approve the Financial Statements of your company at 31 December 2022, which show a profit of EUR 11.617.988,94;
- to resolve to pay to the Shareholders a dividend of EUR 1 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, via the profit for the year and, for the remaining part, via use of the retained earnings reserve;
- to approve the payment of the dividend as from 24 May 2023, with an ex-dividend date as from 22 May 2023 and record date of 23 May 2023.

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 at the date of preparation of this document.

Hedging reserve

With reference to the impact of hedging derivatives on the statement of comprehensive income, equal to EUR 252,580 thousand, please refer to the Statement of comprehensive income. It should be noted that the aforementioned change includes changes in fair value reclassified to profit (loss) for the year for EUR 225,511 thousand (gross of the related tax effect) relating to the closure of hedging positions in connection with the sale of hydroelectric assets, presented in the income statement in accordance with IFRS 5.

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%	9,332	4,158

Note also that dividends of EUR 4,466 thousand were paid to non-controlling interests

NET FINANCIAL INDEBTEDNESS

Definition 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 measurement 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 loan assets 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 recognised in the Statement of 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 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 37 – Financial instruments for further details**.*

(EUR thousand)	Notes	31/12/2022	31/12/2021
A. Cash	30	*392,811*	*860,352*
B. Cash equivalents		*-*	*-*
C. Other current financial assets	31-32	*244,916*	*491,000*
D. Cash (A+B+C)		**637,727**	**1,351,353**
E. Current financial indebtedness	33	*(56,680)*	*(1,056,800)*
E. Current financial debt - instruments measured at Fair Value	35	*(0)*	*(55,856)*
F. Current portion of non-current financial liabilities - loans, borrowings, project financing and leases	33	*(320,518)*	*(283,525)*
F. Current portion of non-current financial liabilities - other liabilities	33	*(12,518)*	*(2,363)*
F. Current portion of non-current financial liabilities - current lease liabilities	34	*(6,362)*	*(6,282)*
G. Current financial indebtedness (E+F)		**(396,079)**	**(1,404,825)**
H. Net current financial indebtedness (G-D)		**241,648**	**(53,473)**
I. Non-current financial indebtedness	33	*(156,282)*	*(459,357)*
I. Non-current financial liabilities - Non-current lease liabilities	34	*(150,955)*	*(122,663)*
J. Bonds issued	33	*(1,593,007)*	*(1,591,093)*
K. Trade payables and other liabilities	33	*(1,967)*	*(13,637)*
K. Trade payables and other liabilities (instruments measured at fair value)	35	*-*	*(10,392)*
L. Non-current financial indebtedness (I+J+K)		**(1,902,210)**	**(2,197,143)**
M. Net financial indebtedness (H+L)		**(1,660,562)**	**(2,250,616)**
Net financial indebtedness Assets held for sale		**98,334**	**(69,088)**

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

(EUR thousand)	31/12/2022	31/12/2021
Net financial indebtedness	**(1,660,562)**	**(2,250,616)**
Exclusion of IFRS 16 impact (lease liabilities)	157,317	129,047
Exclusion of positive fair value IRS financial derivatives	5,497	984
Exclusion of positive fair value financial derivatives ERG S.p.A.	63,544	-
Net financial indebtedness of continuing operations	**(1,434,204)**	**(2,120,584)**
Inclusion of liabilities associated with assets held for sale	(98,334)	69,088
Closing net financial indebtedness - Director's Report	**(1,532,538)**	**(2,051,496)**

Indirect and contingent indebtedness

In accordance with ESMA Guidelines, the description and nature of the Group's indirect and contingent indebtedness at 31 December 2022 is provided below.

The Group's indirect and contingent indebtedness at 31 December 2022 amounted to approximately EUR 261 million, mainly attributable to the development of wind farms in the United Kingdom, France, Poland and Sweden (approximately EUR 32 million) and the development of Repowering and Revamping projects on wind farms and photovoltaic plants in Italy for around EUR 230 million.

NOTE 30 - CASH AND CASH EQUIVALENTS

Definition 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 393 million at 31 December 2022 (EUR 860 million at 31 December 2021), is made up of cash generated by the Group's assets, deposited short-term with the banks of which the Group is a client, for an amount equal to EUR 325 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 68 million.

With regard to earmarked liquidity, reference is made to **Note 38 – Disclosure on financial risks**.

NOTE 31 - FINANCIAL ASSETS MEASURED AT FAIR VALUE

(EUR thousand)	31/12/2022	31/12/2021	Impact on Net Financial Indebtedness
Fair Value derivatives hedging interest rates	33,225	984	
Total non-current portion	**33,225**	**984**	
Fair value Prehedge to hedge interest rates	35,755	-	
Receivables for commodity hedging derivatives	72,033	87,436	
Receivables for non-commodity hedging derivatives	33,780	66,718	✔
Total current portion	**141,569**	**154,154**	

The non-current portion of approximately EUR 33 million at 31 December 2022 (EUR 1 million as at 31 December 2021) refers to the non-current portion of the positive fair value of ERG S.p.A.'s Prehedge (approximately EUR 28 million) and the positive component of the financial derivative instruments hedging the Group's interest rates (EUR 5 million).

The current portion, equal to EUR 142 million at 31 December 2022 (EUR 154 million at 31 December 2021), consists of receivables for derivatives hedging commodities amounting to EUR 72 million at 31 December 2022 (EUR 87 million at 31 December 2021) referring to the positive fair value of the instruments hedging commodity price risk, which are not included in the classification of financial assets and therefore are not included in the net financial position, the fair value of physical-delivery commodity derivatives for an amount equal to EUR 34 million at 31 December 2022 (EUR 67 million at 31 December 2021), and EUR 36 million referring to the fair value of Prehedge instruments hedging interest rate risk.

NOTE 32 - CURRENT FINANCIAL ASSETS

This item, amounting to EUR 211 million at 31 December 2022, fully included in the net financial position (EUR 424 million at 31 December 2021), consists mainly of short-term cash loans for EUR 100 million (EUR 300 million at 31 December 2021) and collateral deposits on transactions on futures derivatives for approximately EUR 10 million (EUR 98 million at 31 December 2021), as well as EUR 98 million in receivables relating to the centralised treasury between ERG Power Generation S.p.A. and ERG Power S.r.l..

NOTE 33 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Definition 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****.*

	2022				2021			
	Carrying amount			Nominal amount	Carrying amount			Nominal amount
(EUR thousand)	Current portion(*)	Non-current portion	Total		Current portion(*)	Non-current portion	Total	
Bonds issued	7,006	1,593,007	1,600,013	1,600,000	7,076	1,591,093	1,598,170	1,600,000
Loans and borrowings	249,438	-	249,438	250,000	257,080	248,977	506,057	510,000
Project Financing	55,070	156,282	211,352	215,314	26,444	210,380	236,825	242,308
Lease payables*	16,009	-	16,009	15,285	-	-	-	-
Total Medium-Long Term Debt	**327,524**	**1,749,288**	**2,076,812**	**2,080,599**	**290,601**	**2,050,451**	**2,341,052**	**2,352,308**
Bank borrowings	49,674	0	49,674	49,674	1,049,724	-	1,049,724	1,049,724
Other payables	12,518	1,967	14,485	14,485	2,363	13,637	16,000	16,000
Total other payables	**62,192**	**1,967**	**64,159**	**64,159**	**1,052,087**	**13,637**	**1,065,724**	**1,065,724**
Total Financial liabilities	**389,716**	**1,751,255**	**2,140,971**	**2,144,758**	**1,342,688**	**2,064,088**	**3,406,776**	**3,418,032**

* The current portion of loans and borrowings includes the reversal of the IFRS 9 gain.

** The carrying value of lease payables, recognised in application of IFRS 16, includes the estimate of penalties for early termination of the same.

The table below shows the nominal outstanding of the non-current liabilities at 31 December 2022, 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)	Gross Debt 31/12/2022	2023	2024	2025	2026	2027	>2027
Bonds issued	1,600	-	-	500	-	600	500
Project Financing	231	70	32	33	29	25	41
Loans and borrowings	250	250	-	-	-	-	-
	2,081	**320**	**32**	**533**	**29**	**625**	**541**

The following table shows the composition in percentage terms of the outstanding nominal amount of non-current debt:

MEDIUM-LONG TERM DEBT

(EUR million)	31/12/2022	%	31/12/2021	%
Project financing	215,314	10%	242,308	10%
Leases	15,285	1%	0	0%
Loans and borrowings	250,000	12%	510,000	22%
Bonds issued	1,600,000	77%	1,600,000	68%
	2,080,599	**100%**	**2,352,308**	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 (part of Moody's ESG Solutions) as compliant with Green Bond Principles 2021 and in line with best market practices.

At 31 December 2022, the sources of Sustainable Finance, equal to EUR 1,829 million out of a total of financial sources equal to a nominal amount of EUR 2,081 million (EUR 2,038 million at 31 December 2021 out of a total of financial sources equal to a nominal amount of EUR 2,352 million), include:

- *Green Bonds*, totalling EUR 1,600 million (amount unchanged from 31 December 2021), intended for the financing and refinancing of the construction and/or acquisition of wind and solar projects that have recently become part of the ERG Group portfolio;

- *Medium/long-term senior unsecured Environmental*, Social and Governance-linked loans ("ESG Loans"), for a total of EUR 150 million (EUR 350 million at 31 December 2021), which provide for a reward mechanism linked to the achievement of a CO_2 emissions savings target;
- *ESG Linked Project Green Financing*, for a total of EUR 79 million (EUR 88 at 31 December 2021), subscribed for three wind farms in Italy with a total capacity of 154 MW and structured in compliance with the "Sustainability Linked Loan Principles" issued by the Loan Market Association. This loan provides for the periodic evaluation of sustainability parameters, and reward mechanisms linked to the achievement of objectives in terms of plant availability and green energy output.

The composition of the funding sources shows a progressive convergence towards the objective of "sustainable funding" equal to at least 90% of the Group's sources of funding as outlined in the new ESG 2022-2026 plan.

MEDIUM-LONG TERM DEBT

(EUR million)	31/12/2022	%	31/12/2021	%
Traditional sources of financing	251,599	12%	314,308	13%
Sustainable sources of financing	1,829,000	88%	2,038,000	87%
Total Medium-Long Term Debt	**2,080,599**	**100%**	**2,352,308**	100%

In addition to the aforementioned funded financial sources, in October 2022 ERG S.p.A. entered into an ESG-linked Revolving Credit Facility, with a three-year duration and with the possibility of extension up to a further 2 years, the margin of which is subject to an adjustment mechanism on the basis of the achievement of certain ESG targets (one of which is environmental and one relating to diversity in the composition of the workforce).

This facility, amounting to EUR 600 million, was fully available at 31 December 2022.

At 31 December 2022, the weighted average interest rate on loans, borrowings and project financing was 1.64% (1.15% at 31 December 2021). The rate indicated does not take into account interest rate hedges.

Note that the average debt ratio including hedging transactions was 1.37% (1.38% in 2021).

The **Bonds issued**, amounting to EUR 1,600 million at 31 December 2022 (EUR 1,598 million at 31 December 2021), 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-avr-19	11-avr-25	99.67%	1,.93%	Fitch: BBB-	505,019	500,000
Green Bond	XS2229434852	0.50%	11-sept-20	11-sept-27	99.21%	0.62%	Fitch: BBB-	496,341	500,000
Green Bond	XS2229434852	0.50%	23-dec-20	11-sept-27	101.10%	0.33%	Fitch: BBB-	100,583	100,000
Green Bond	XS2386650274	0.88%	15-sept-21	15-sept-31	99.75%	0.90%	Fitch: BBB-	498,071	500,000
Total								**1,600,013**	**1,600,000**

The liability for bonds is presented net of commissions and other borrowing costs for an amount of EUR 8.9 million.

These costs were recognised in the income statement in the 2022 financial expense using the amortised cost method in the amount of EUR 1.9 million, corresponding to the share for 2022.

The carrying amount of the financial liability includes approximately EUR 9 million of interest accrued in the year.

Loans and borrowings, amounting to EUR 249 million at 31 December 2022 (EUR 506 million at 31 December 2021) refer to:

- a bilateral corporate loan with UBI Banca S.p.A. (now the Intesasanpaolo Group) (EUR 100 million) taken out in the first half of 2016, repayment of which is expected in 2023.
- a senior Environmental, Social and Governance loan ("ESG Loan") with Mediobanca S.p.A. (EUR 150 million) taken out in the first half of 2016 and refinanced in the fourth quarter of 2021 (first bilateral corporate loan).

Disbursement	Type of loan	Lending bank	Deadline	Rate	Carrying amount	Nominal amount
2016	Bilateral corporate loan	Mediobanca S.p.a	2023	IRS: Euribor + Spread	149,584	150,000
2016	Bilateral corporate loan	Intesa San Paolo	2023	IRS: Euribor + Spread	99,854	100,000
Totale					**249,438**	**250,000**

The loans indicated above are recognised net of ancillary costs, recognised with the amortised cost method (EUR 0.2 million) and the effect of the renegotiation of borrowing (EUR 0.8 million).

Project Financing, amounting to EUR 211 million at 31 December 2022 (EUR 237 million at 31 December 2021) refers to:

- loans for EUR 94 million relating to the company Andromeda PV S.r.l.;
- EUR 117 million in loans issued for the construction of wind farms.

Disbursement	Company	Type of loan	Deadline	Rate	Carrying amount	Nominal amount
2017	ERG Eolica Fossa del Lupo	Secured project financing	2027	IRS: Euribor + Spread	74,089	78,663
2015	EW Orneta 2 SP Z.O.O.	Secured project financing	2029	IRS: Wibor + Spread	23,653	24,169
2018	ERG Windpark Linda GmbH & Co. KG	Secured project financing	2038	Fixed	19,414	19,583
2010	Andromeda S.r.l.	Secured project financing	2028	Fixed	94,196	94,336
Total					**211,352**	**216,751**

The loans indicated above are recognised net of ancillary costs, recognised with the amortised cost method (EUR 2.7 million) and the effect of the renegotiation of borrowing (EUR 2.8 million).

Project financing is guaranteed by the underlying asset. Please refer to **Note 38 – Disclosure on financial risks** for comments regarding any relevant Covenants and negative pledges.

Bank loans and borrowings equal to EUR 50 million include mainly short-term positions referred to current accounts of credit facilities.

Other payables for the non-current portion refer to deferred components of the consideration for the acquisition of companies operating in the wind business abroad for approximately EUR 2 million, and for the current portion refer mainly to deferred components of the consideration for the acquisition of companies operating in the wind business abroad for approximately EUR 9.5 million.

Lease payables of EUR 16 million refer to financial leases for the newly acquired photovoltaic companies in Italy.

NOTE 34 - LEASE LIABILITIES

Financial liabilities arising as a result of the application of IFRS 16 equal to EUR 157 million (EUR 129 million in 2021) of which EUR 151 million (EUR 123 million in 2021) medium/long-term and EUR 6 million short-term (EUR 6 million in 2021).

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 in the year mainly refers to the liability recognised for the acquisitions that took place during the year. For further details, please refer to **Note 45 – Business combinations and asset acquisition**.

NOTE 35 - FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

(EUR thousand)	31/12/2022	31/12/2021	Impact on Net Financial Indebtedness
Fair Value derivatives hedging interest rates	-	10,392	✔
Liabilities for commodity hedging derivatives	-	34,372	
Total non-current portion	**-**	**44,764**	
Liabilities for commodity hedging derivatives	76,644	115,001	
Liabilities for non-commodity hedging derivatives	0	55,856	✔
Total current portion	**76,644**	**170,857**	

The current portion, equal to EUR 77 million (EUR 171 million at 31 December 2021), consists entirely (EUR 115 million at 31 December 2021) of payables for commodity hedging derivatives referring to the negative fair value of the instruments hedging commodity price risk, which are not included in the classification of financial liabilities and therefore are not included in the net financial position; it is noted that at 31 December 2021, the item included the negative fair value referring to physical-delivery energy contracts for EUR 56 million that do not come under the "own use exemption".

It is noted that at 31 December 2021, the non-current portion of EUR 45 million was made up of liabilities deriving from the fair value measurement of the derivative instruments hedging interest rates for EUR 10 million, in addition to payables for derivatives hedging commodities for EUR 34 million referring to the negative fair value of the instruments hedging commodity price risk, which were not included in the classification of financial liabilities and therefore were not included in the net financial position. For further details on the derivative instruments adopted by the Group, please refer to **Note 38 – Disclosure on financial risks**.

NOTE 36 - NET FINANCIAL INCOME (EXPENSE)

	2022			2021		
(EUR thousand)	Financial income	Financial expense	Net	Financial income	Financial expense	Net
Bank interest income (expense) on current accounts	2,020	(848)	1,172	3,320	(27)	3,293
Interest rate derivatives financial income (expense) - differential	1,040	(3,234)	(2,194)	41	(9,059)	(9,018)
Interest expense to third parties on loans/borrowings	-	(18,126)	(18,126)	-	(15,463)	(15,463)
Interest expense on project financing	-	(10,014)	(10,014)	-	(11,210)	(11,210)
Liability management transactions		(2,884)	(2,884)	-	(15,801)	(15,801)
Liquidity management/Cost of debt	**3,060**	**(35,106)**	**(32,046)**	**3,361**	**(51,560)**	**(48,199)**
Other financial income (expense)	10,213	(2,606)	7,607	7,725	(1,977)	5,748
Derivative financial income (expense) - delta fair value	61,925	(62,072)	(147)	155,611	(154,304)	1,307
Effect of loan renegotiations – IFRS 9	15	(3,379)	(3,364)	752	(3,073)	(2,321)
Amortised cost on loans, borrowings and project financing	-	(3,279)	(3,279)	-	(3,748)	(3,748)
Interest expense on lease liabilities	-	(5,391)	(5,391)	-	(3,997)	(3,997)
Exchange gains (losses)	409	(362)	47	344	(98)	246
Other income (expense)	**72,562**	**(77,089)**	**(4,527)**	**164,432**	**(167,197)**	**(2,765)**
Total	**75,622**	**(112,195)**	**(36,573)**	**167,794**	**(218,758)**	**(50,964)**

The **Interest payable to third parties on loans/borrowings** and Interest expense on project financing included in the cost of debt represent the portion of financial charges 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 payable to third parties on loans/borrowings** and Interest expense on project financing is mainly due to the significant liability management transactions continued in 2021, which led to a significant reduction in the cost of gross debt during the year.

The item **Liability management transactions** includes the non-recurring charges linked to the closure of some corporate loans and project financing of some operating wind and solar companies, in addition to the partial settlement of the fair value relating to the derivative financial instruments hedging related interest rates.

The net item **Derivative financial income (charges) - delta fair value** refers to the change in fair value of some commodity derivative financial instruments. The gross values of income and charges shown reflect the technical purchase and sale transactions and are of significant amounts due to the variability of the Energy Scenario. It should be noted that the net result of the aforementioned transactions is, in line with the objectives set in the *policy* and with previous years, not significant.

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.

The decrease in net financial expense refers to the effects deriving from the significant liability management transactions carried out in 2021.

NOTE 37 - FINANCIAL INSTRUMENTS

Definition and recognition and measurement criteria

Derivative financial instruments

Derivative financial instruments, including embedded derivatives subject to separation from the host 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 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.*

The Group recognises the transfers between the various levels of the fair value hierarchy at the date 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.

31/12/2022

31/12/2022

(EUR thousand)	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	Total
Equity investments	-	1,649	-	-	1,649	1,649	1,649	-	-	1,649
Other non-current financial assets	-	-	38,792	-	38,792	38,792	-	38,792	-	38,792
Interest rate swap hedging	69,041	-	-	-	69,041	69,041	-	69,041	-	69,041
Commodity derivatives*	-	-	-	-	-	-	-	-	-	-
Other current loan assets	-	-	175,381	-	175,381	175,381	-	175,381	-	175,381
Trade receivables	-	-	202,465	-	202,465	202,465	-	-	-	
Current financial securities	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	275,536	-	275,536	275,536	-	275,536	-	275,536
Cash and cash equivalents	-	-	392,811	-	392,811	392,811	-	-	-	
Total assets	**69,041**	**1,649**	**1,084,984**	**-**	**1,155,674**	**1,155,674**	**1,649**	**558,749**	**-**	**560,398**
Loans and borrowings	-	-	-	249,438	249,438	253,211	-	253,211	-	253,211
Bond Loans	-	-		1,600,013	1,600,013	1,683,705	-	1,683,705	-	1,683,705
Non-recourse project financing	-	-	-	211,352	211,352	274,751	-	274,751	-	274,751
Lease payables	-	-	-	16,009	16,009	253,211		253,211		
Current bank borrowings	-	-	-	49,674	49,674	49,674	-	49,674	-	49,674
Financial liabilities	-	-	-	14,485	14,485	14,485	-	14,485	-	14,485
Interest rate swap hedging	-	-	-	-	-	-	-	-	-	-
Commodity derivatives*	76,644	-	-	-	76,644	76,644	-	76,644	-	76,644
Trade payables	-	-	-	123,002	123,002	123,002	-	-	-	-
Other payables	-	-	-	247,933	247,933	247,933	-	247,933	-	247,933
Total liabilities	**76,644**	**-**	**-**	**2,511,907**	**2,588,550**	**2,976,616**	**-**	**2,853,614**	**-**	**2,853,614**

* 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 187 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 - Refinitiv Eikon	Level 2
Commodity derivatives	Commodity Swap	Discounted Cash Flow	- MS Excel	- Official spot quotes on reference commodities	- Refinitiv Eikon	Level 2
	Gas formulas		- FINCAD XL	- ECB Spot rates		
	Commodity Futures	Listed instrument		- official settlement prices - Source:EEX Source:EEX	- EEX via Refinitiv Eikon	Level 1
	Contract for Difference (CfD)	Discounted Cash Flow	- MS Excel	- Forward national single price quoted on the OTC market	- EEX via Refinitiv Eikon	Level 2
			- FINCAD XL	- Zero coupon curve on the Euro	- Refinitiv Eikon	
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

NOTE 38 - FINANCIAL RISK DISCLOSURE

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, both by customer and by segment, is continuously monitored, though no warning situations have ever occurred.

For an assessment of the impacts related to the conflict in Ukraine on the Group's credit risk, please refer to the section **War events in Ukraine**.

At 31 December 2022, maximum exposure to credit risk on trade receivables, broken down by geographical region, is as follows:

(EUR thousand)	31/12/2022	31/12/2201
Italy	118,490	256,746
France	17,198	16,067
Germany	9,485	11,807
Bulgaria	4,965	6,275
Poland	21,381	8,939
Romania	21,868	20,368
UK	7,694	-
Spain	1,383	-
Total	**202,465**	**320,202**

The following table provides information on the ERG Group's exposure to credit risk at year-end, by a classification of credits that are not overdue (see **Note 6 – Trade receivables**) according to the credit rating corresponding to the ratings assigned by the information provider and assigned internally..

(EUR thousand)	31/12/2022	31/12/2021
AAA Rating	9,485	11,807
AA+/AA- Rating	24,892	16,067
A+/A- Rating	20,073	74,543
BBB+/BBB- Rating	51,655	141,512
BB+/BB- Rating	76,625	17,799
B+/B- Rating	205	9,477
CCC Rating	652	36,263
CC Rating	-	-
Total	**183,587**	**307,469**

In relation to receivables not subject to write-downs, 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 2022 (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	9,485	0,03%	3
AA+/AA- Rating	24,892	0,06%	14
A+/A- Rating	20,073	0,07%	13
BBB+/BBB- Rating	51,665	0,33%	177
BB+/BB- Rating	76,625	0,95%	728
B+/B- Rating	205	1,07%	2
CCC Rating	652	2,66%	17
Total	**183,587**		**954**

* Parameter assessed for each country on the basis of the Probability of Default (PD) and the statistically recognised Loss Given Default (LGD)..

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 2022 and at 31 December 2021 on the basis of non-discounted contractual payments and the relative carrying amount.

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 borrowings	49,674	49,674	-	-	49,674	-	-
Other payables	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**
Interest Rate Swap hedging interest rate risk	-	-	-	-	-	-	-
Derivatives commodity price risk	76,644	76,644	-		76,644	-	-
Total derivative financial liabilities	**76,644**	**76,644**	**-**	**-**	**76,644**	**-**	**-**

31/12/2021

			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	1,598,170	1,700,687	-	-	16,983	558,472	1,125,23
Loans and borrowings	506,057	514,186	-	319	1,361	512,507	-
Non-recourse project financing	236,825	284,038	-	9,070	25,974	165,626	83,368
Current bank borrowings	1,049,724	1,048,999	-	749,000	299,999	-	-
Other payables	15,991	15,991	-	-	2,352	13,639	-
Trade payables	254,374	254,374	12,006	242,368	-	-	-
Total non-derivative financial liabilities	**3,661,141**	**3,818,276**	**12,006**	**1,000,756**	**346,669**	**1,250,245**	**1,208,600**
Interest Rate Swap hedging interest rate risk	10,392	10,417	-	969	4,122	5,078	248
Derivatives commodity price risk	205,228	205,228	-	-	170,856	34,372	-
Total derivative financial liabilities	**215,621**	**215,645**	**-**	**969**	**174,978**	**34,449**	**248**

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, these 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.

2022 Financial Statements	2021 Financial Statements	Project Financing/Financing	Compliance with covenant(s)	Event of Default	Remedies in case of Event of Default*
✔	✔	Project Financing ERG Eolica Fossa del Lupo S.r.l.	✔	HDSCR less than 1.05x and FDSCR less than 1.05x	✔
✔	✔	Project Financing EW Orneta 2 Sp. z o.o.	✔	HDSCR less than 1.10x and LLCR less than 1.10x	✔
✔	✔	Project Financing Windpark Linda GmbH	✔	HDSCR less than 1.05x	✔
✔	✔	Project Financing Andromeda PV S.r.l.	✔	Historical Annual DSCR and Projected Annual DSCR greater than 1.10x	✔
✔	✔	Corporate Loan Mediobanca	✔	Net Debt/Equity < 3.75x	✔
✔	✔	Corporate Loan Intesa Sanpaolo	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.

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 2022		December 2021	
(EUR million)	Nominal	%	Nominal	%
Fixed rate loans	1,728	73%	1,727	73%
Variable rate loans – hedged	231	21%	501	21%
Variable rate loans	122	5%	125	5%
Total gross indebtedness	**2,081**	**100%**	**2,352**	**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)	2022	2021
Shock-up (+1% change in interest rate)	2,6	0,9
Shock-down (-1% change in interest rate)	1.3	(3.6)

IMPACT ON EQUITY

(EUR million)	2022	2021
Shock-up (+1% change in interest rate)	15.0	24.8
Shock-down (-1% change in interest rate)	(16.2)	(25.1)

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 2022		
thousands of MWh	Hedge Nominal	Trading Nominal	Total
Futures - electricity	745	2.201	2.945
CFD - electricity	543	1.325	1.868
Physical - Power	-	232	232
Total	**1.288**	**3.758**	**5.045**

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)	2022	2021
Shock-up (+25% change in commodities price)	(6.9)	(0.2)
Shock-down (-25% change in commodities price)	6.9	0.2

IMPACT ON EQUITY

(EUR million)	2022	2021
Shock-up (+25% change in commodities price)	(19.5)	(113.0)
Shock-down (-25% change in commodities price)	19.5	113.0

Market risk - exchange rate

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 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.

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 derivatives entered into by ERG to hedge the exposure to financial risks existing at 31 December 2022 are:

Interest Rate derivatives

- Interest Rate Options that fix upper (*cap*) and lower (*floor*) limits to be applied to fluctuations in interest rates on variable rate loans;
- 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

- CfD (Contracts for Difference) instruments 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;
- Swap instruments, used to manage the volatility risk of the natural gas price; this contract provides for the exchange of periodic payment flows based on the value of the underlying asset, and obtained from the difference between a fixed price agreed between the parties and a variable price taken from the market. This instrument makes it possible to set in advance the purchase price of natural gas for a particular maturity date;
- 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 instruments 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 purchase and sale transactions with derivative financial instruments as a counter-entry.

Foreign exchange derivatives

Currency forward purchase/sale instruments (Outright, FX Forward), used to manage the risk of exchange rate volatility in implementing foreign projects. These instruments allow the purchase/sale of a given quantity of currency with reference to a predefined expiry and at a pre-established forward exchange rate. They can be settled on expiry through physical delivery of the underlying currency or through the settlement of the difference in Euro between the contractual forward exchange rate and the spot exchange rate recorded on expiry of the contract.

Interest rate benchmark reform

The radical reform of the main benchmarks for determining the interest rates in place at global level makes provision, inter alia, for the replacement of the interbank offered rates (IBOR) with almost risk-free alternative rates ("IBOR reform").

The EURIBOR underwent methodological calculation reform in 2019, to make it consistent with the regulatory requirements established in the BMR (The Benchmarks Regulation).

At present, it is determined using a hybrid methodology based on the actual transactions available, and on other sources of market prices, where necessary.

Following an initial test phase, the hybrid calculation methodology became applicable, receiving authorisation from the competent authority to continue to be used also for contracts after 3 January 2022 (date of introduction of new benchmark rates).

Again for the Eurozone, as from 2 October 2019, the EONIA (Euro Overnight Index Average) rate was replaced with a new rate, the Euro Short-Term Rate (ESTER), calculated on the basis of transactions that have already taken place and considered more solid and reliable than the previous rate. There are no situations of uncertainty stemming from the interest rate benchmark reform in relation to the transactions in place at Group level carried out on the money market. Therefore, the Group continued to apply all provisions relating to hedge accounting to hedging relationships in line with the past.

The impacts of the above-mentioned reform are not significant for the Group at the date of this document given that only some of the foreign companies have modified some intercompany contracts using alternative reference rates.

In order to minimise the risk of one or more of the reference rates being phased out despite market participants continuing to have exposures indexed to said rate, financial institutions and customers are encouraged to use contractual clauses (fallback), which indicate an alternative reference rate as a substitute in the event of unavailability of one of the pre-existing reference rates.

Where present, an analysis will be conducted on the fallback clauses in contracts that will be closed, so that they are sufficient to ensure the transition to alternative reference rates if necessary.

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 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 as that used for risk management purposes, i.e. the hedged quantity of the hedged item and the quantity of the hedging instrument used to hedge 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 entailing 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 derivatives used

The derivatives entered into by ERG, designed to hedge its exposure to commodity prices and interest rate risks, were as follows at 31 December 2022:

					December 2022	
	Notional value				Fair Value	
(EUR million)	1 year maturity	1 year to 5 years maturity	Beyond 5 years maturity	Total Nominal	Assets	Liabilities
Management of interest rate risk						
- Cash flow hedge	165	44	22	231	70	0
migliaia di Mwh						
Management of commodity price risk						
- Cash flow hedge	1,279	9	0	1,288	0	105
- Trading	3,758	0	0	3,758	109	190
Totale strumenti derivati					**179**	**294**
- of which in hedging reserve					*70*	*105*
- of which not in hedging reserve					*109*	*190*

With reference to the impact of hedging derivatives on the statement of comprehensive income, please refer to the **Statement of comprehensive income**.

NOTE 39 - GUARANTEES, COMMITMENTS AND RISKS

Sureties given (EUR 105,883 thousand)

These are mainly guarantees provided in favour of third parties, guarantees by the parent ERG S.p.A.

These are mainly counterparties with which commercial dealings were carried out, as well as a guarantee in favour of the Italian electricity market operator (GME) directed at allowing operations on said market.

Other Guarantees and commitments made (EUR 16,245 thousand)

The other guarantees and commitments made refer mainly to commitments related to the Group's information systems.

VI. TAXATION

NOTE 40 - INCOME TAXES

Definition 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.
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% - 32.3%;
UK 19%; (25% from 1 April 2023);
Romania 16%;
Poland 19%;
Bulgaria 10%;
Sweden 20.6%;
Spain 25%.

As regards deferred taxes, reference is made to the comments in the following Notes.

(EUR thousand)	2022	2021	Change
Current income taxes	143,837	39,480	104,357
Previous years taxes	1,458	(583)	2,040
Deferred tax assets and liabilities	(47,726)	(6,917)	(40,809)
Total	**97,569**	**31,981**	**65,588**

The item Taxes for the year includes the effects of the “Surplus profits contribution” introduced by Italian Decree Law no. 21/2022 the impacts of which are equal to approximately EUR 37 million for continuing operations (isolated as special items in the Directors’ Report) and the “Temporary solidarity contribution”, the impact of which was estimated at around EUR 19 million, for continuing operations (isolated as special items in the Directors’ Report).

In this regard, it should be noted that, on 21 March 2022, the “Ucraina-bis” or “Taglia Prezzi” Decree Law (Italian Decree Law no. 21/2022 converted into law no. 51 of 20 May 2022) was published in the Official Journal setting forth a surplus profits contribution charged, among others, to the companies that carry out the activity of production and/or resale of electricity. The surplus profits contribution amount, initially equal to 10%, was then increased to 25% by the “Aiuti” Decree Law (Italian Decree Law no. 50/2022 converted by law no. 91 of 15 July 2022). The taxable base is the positive change between the VAT-relevant sale and purchase transactions of the period 1 October 2021 - 30 April 2022 compared to the period 1 October 2020 - 30 April 2021. The surplus profits contribution is due if the increase is greater than 10% and if it is greater than EUR 5,000,000; it is not deductible for IRES and IRAP purposes. The advance payment of 40% was made by 30 June 2022 and the payment of the balance (60%) was made by 30 November 2022.

It should be noted that, with the Budget Law for 2023 (Italian Law no. 197 of 29 December 2022), the legislator amended Art. 37 of Italian Decree Law no. 21/2022 (relating to the Surplus Profits Contribution), explicitly excluding from the taxable base of the contribution the sale and purchase of shares, bonds or other securities not representative of goods and shares that exist between the companies subject to the extraordinary contribution. This amendment therefore confirms that the sale of the equity investment in ERG Hydro S.r.l. by ERG Power Generation S.p.A. on 3 January 2022 must be removed from the taxable base of the Surplus Profits Contribution.

Lastly, it should be noted that the Budget Law for 2023 introduced the "Temporary solidarity contribution", payable by those whose revenues in the tax period prior to 1 January 2023 derive from the production, resale or import of electricity, methane gas, natural gas and petroleum products. The contribution is calculated by applying a rate of 50% on the total income determined for IRES purposes relating to the 2022 tax period, which exceeds by at least 10% the average of the total IRES income achieved in the four previous tax periods (2018-2021). In any case, the contribution calculated in this way may not exceed the limit of 25% of shareholders' equity at 31 December 2021. The "Temporary solidarity contribution" is not deductible for IRES and IRAP purposes and must be paid by 30 June 2023.

The reconciliation of the theoretical tax charge with the taxes recognised in the Financial Statements is shown below:

IRES		
Profit before taxes	**186,535**	
Theoretical IRES 24%	**44,768**	
Impact of consolidation adjustments that are not relevant for tax calculation purposes		(2,247)
Impact of ACE (Aid to Economic Growth)		(9,036)
Impact of permanent tax changes		(8,135)
Current, deferred and prepaid IRES		**26,117**
IRAP		
Operating profit (EBIT)	220,814	
Impairment of receivables	-	
Total	**220,814**	
THEORETICAL IRAP 5%	**11,041**	
Effect of higher IRAP rate for some companies		(9,031)
IRAP benefit (Italian "Decreto Rilancio")		250
Negative taxable effect on IRAP		8,703
Impact of permanent differences and consolidation adjustments not relevant to the calculation of income taxes		(3,172)
Current, deferred and prepaid IRAP		**7,790**
Total theoretical taxes	**55,809**	
Total IRES and IRAP in the financial statements		**33,923**
Previous year taxes		**1,458**
Extraordinary Contribution It. D.L. no. 21/2022		**37,165**
Solidarity contribution		**18,536**
Substitute taxes		**6,487**
Total taxes in financial statements		**97,569**

NOTE 41 - CURRENT TAX ASSETS AND LIABILITIES

	31/12/2022		31/12/2021	
(EUR thousand)	Current tax assets	Current tax liabilities	Current tax assets	Current tax liabilities
Italy	23,982	(25,047)	10,012	(15,040)
France	3,628	(2,391)	3,553	55
Germany	3,129	(21,043)	2,751	(3,293)
Poland	36	(223)	-	(189)
Romania	194	-	308	-
UK	-	(1,348)	-	-
Bulgaria	2,030	(2,260)	120	(1,330)
Total	**32,999**	**(52,311)**	**16,745**	**(19,798)**

Current tax assets refer mainly to advances on direct taxes for the year 2022.

Current tax liabilities refer mainly to tax liabilities on direct taxes for the year 2022.

It should be noted that during 2022, direct taxes were paid to the Italian Revenue Agency, net of offsetting, in the amount of approximately EUR 92 million for the 2021 balance, the 2022 advance payments, the *"Extraordinary contribution against high utility bills"* and substitute tax on the redemption of goodwill arising from the merger, in addition to the payment of the taxes for the year due by foreign companies.

NOTE 42 - DEFERRED TAXATION

Definition 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

	31/12/2022		31/12/2021	
(EUR thousand)	Temporary differences	Tax effect	Temporary differences	Tax effect
Deferred tax assets				
Provisions for risks and charges	129,185	39,916	119,951	28,583
Tax losses	350,035	76,770	171,978	41,045
Derivative instruments	62,482	15,103	448,584	107,679
Amortisation, depreciation and impairment of non-current assets	233,169	56,478	225,041	53,953
Other impairment losses	21,608	4,056	14,987	3,597
Other	231,780	51,393	128,075	30,159
Total deferred tax assets before offsetting	**1,028,258**	**243,716**	**1,108,615**	**265,016**
Offsettable deferred taxes		**(105,473)**		**(114,670)**
Total deferred tax assets after offsetting		**138,243**		**150,346**

The Group considers it probable that the deferred tax assets recognised at 31 December 2022 will be recoverable.

Deferred tax liabilities

	31/12/2022		31/12/2021	
(EUR thousand)	Temporary differences	Tax effect	Temporary differences	Tax effect
Deferred tax liabilities				
Purchase price allocation	1,093,207	272,343	767,039	190,808
Amortisation and depreciation of non-current assets	64,453	16,534	75,500	18,626
IFRS 9 tax effects	3,672	762	6,390	1,326
Other	204,377	13,096	211,936	11,181
Total deferred tax liabilities before offsetting	**1,365,709**	**302,735**	**1,060,865**	**221,941**
Offsettable deferred taxes		**(105,473)**		**(114,670)**
Total deferred tax liabilities after offsetting		**197,262**		**107,271**

VII. ASSETS HELD FOR SALE

As part of the important Asset Rotation process undertaken by the Group in 2021 and started with the sale of the Hydroelectric business, finalised on 3 January 2022, it should be noted that on 9 February 2022 ERG signed an agreement with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Power S.r.l.
This Transaction was subject, however, to the approval of the competent Antitrust Authorities. On 23 September 2022, the Italian Antitrust Authority (AGCM) refused authorisation for the aforementioned transaction. Following on from the above, the Group has taken the necessary steps to initiate a new competitive process aimed at finding a new buyer, evaluating the most efficient alternative path for pursuing the strategic objective of the 2022-2026 Business Plan of focusing on the core business of generating electricity from renewable sources by divesting ERG Power S.r.l..

The aforementioned sale is presented as a Discontinued Operation pursuant to IFRS 5 on the basis of the following main elements:

a) the transfer to ERG Power S.r.l., by the sole shareholder ERG Power Generation S.p.A., of its business unit used to operate the combined-cycle thermoelectric plant (CCGT): therefore, ERG Power S.r.l. is available for immediate sale at current conditions, subject to the conditions precedent that are customary for the type and significance of the transaction and that would be estimated to be met by the closing date that could be set at the outcome of a future agreement;
b) ERG Power S.r.l., following the above-mentioned transfer of the business unit by ERG Power Generation S.p.A., represents an operating segment.
c) start of a new competitive process aimed at identifying a new buyer and finalising the sale transaction in the short term.

In consideration of the above, in these Consolidated Financial Statements, the balance sheet figures for ERG Power S.r.l.'s assets and liabilities held for sale are shown separately in application of the requirements of IFRS 5 as the sale is considered highly probable by management.
The item "Net profit (loss) from assets held for sale" in the income statement therefore includes the economic contribution of the thermoelectric business for both 2022 and the comparative period 2021.
It should also be noted that the 2022 results also include the capital gain, net of the tax effect, which emerged from the sale of the hydroelectric assets.
The income statement and cash flow statement figures are also presented for previous periods in application of the requirements of IFRS 5. The aforementioned standard requires that net assets held for sale be recognised at the lower of their book value and fair value net of costs to sell. To this end management, having verified the limited availability of evidence of trading multiples, mainly due to the lack of listed peers in terms of business, regulation, size and geography comparable to ERG's CCGT, and that negotiated prices in general in other transactions also depend on contractual clauses, shareholdings acquired, guarantees and other details that may not be publicly disclosed and/or

differ significantly from the characteristics of the CCGT, decided to use the Unlevered Discounted Cash Flow (UDCF) valuation methodology in order to correctly assess the long-term “fundamental” value of the CCGT complex from a business point of view; this was therefore identified as an Enterprise value of EUR 235 million at 31 December 2022. The assessments described above subsequently revealed the need to reduce the recoverable value by approximately EUR 66 million. The Group therefore proceeded to reduce the carrying amount of the assets by this amount.

NOTE 43 - ASSETS AND LIABILITIES HELD FOR SALE

Definition and recognition and measurement criteria

Classification

An entity must classify a non-current asset (or a disposal group) as held for sale, if its carrying amount will be recovered primarily through a sale transaction rather than through its continuing use.

Two criteria must be met:

- *the asset must be available for immediate sale in its current condition subject only to terms that are usual and customary for sales of such assets (or disposal groups);*
- *the sale must be highly probable.*

IFRS 5 establishes that if a non-current asset (or disposal group) is classified as held for sale, it must be measured, at the time of its initial recognition, at the lower of the carrying amount and the fair value less costs to sell.

The presentation of non-current assets as "discontinued operations" is envisaged when these assets, which have been divested or classified as held for sale:

a) represent a separate major line of business or geographical operations;

b) are part of a single coordinated plan to dispose of a separate major line of business or geographical segment of operations; or

c) are represented by a subsidiary acquired exclusively for resale.

Intra-group transactions

In accordance with the provisions of IFRS 5, the Group has decided to eliminate intra-group items within income from continuing operations as it does not expect that in the future the Group's operating division will continue to operate with the division subject to disposal.

Accounting policies

A non-current asset classified as held for sale and the assets of a disposal group classified as held for sale must be recognised separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale must be presented separately from the other liabilities in the statement of financial position. These assets and liabilities must not be offset and shown in the financial statements as a net amount. An entity must not reclassify or re-present amounts previously classified as non-current assets, or as assets and liabilities belonging to disposal groups, classified as held for sale, in the statements of financial position of previous years presented for comparative purposes to align with the classification in the statement of financial position for the latest financial year presented.

The statement of financial position at 31 December 2022 is represented in accordance with the provisions of IFRS 5, indicating separately in the lines **Assets held for sale** and **Liabilities related to assets held for sale** the assets and liabilities intended to be sold referring to the company ERG Power S.r.l.:

(EUR thousand)	Notes	ERG Power S.r.l.	Intra-group transactions	Total
ASSETS				
Authorisations and Concessions		-	-	
Other intangible assets		466	-	466
Goodwill		-	-	-
Property, plant and equipment	a	118,867	-	118,867
Right-of-use assets		-	-	-
Equity investments	b	11,342	-	11,342
Other non-current financial assets		2,498	-	2,498
Deferred tax assets	c	23,871	-	23,871
Other non-current assets		199	-	199
Non-current assets		**157,243**	**-**	**157,243**
Inventories	d	6,683	-	6,683
Trade receivables	e	176,955	(17,684)	159,271
Trade receivables ERG Group vs ERG Power S.r.l.			(70,762)	(70,762)
Other receivables and current assets	f	132,858	(57,821)	75,037
Other receivables and assets ERG Group vs ERG Power S.r.l.			(3,293)	(3,293)
Current tax assets		242	-	242
Other current financial assets	g	-	(98,335)	(98,335)
Current assets		**316,739**	**(247,896)**	**68,842**
				-
Assets held for sale		**473,982**	**(247,896)**	**226,086**
				-
LIABILITIES				
Employee benefits		700	-	700
Deferred tax liabilities	h	10,306	-	10,306
Non-current liabilities		**11,006**	**-**	**11,006**
Other current provisions		6	-	6
Trade payables	i	156,768	(70,774)	85,994
Current financial liabilities ERG Group vs ERG Power S.r.l			(17,671)	(17,671)
Current financial liabilities		98,334	-	98,334
Current financial liabilities ERG Group vs ERG Power S.r.l			(98,335)	(98,335)
Other current liabilities	j	71,201	(3,293)	67,907
Other payables and liabilities ERG Group vs ERG Power S.r.l.			(57,821)	(57,821)
Current liabilities		**326,308**	**(247,894)**	**78,414**
				-
Liabilities related to assets held for sale		**337,315**	**(247,894)**	**89,421**

Notes

a) the property, plant and equipment consists of the CCGT plant (480 MW) located in the industrial site of Priolo Gargallo (SR) in Sicily. This is a high-efficiency cogeneration (C.A.R.) and low environmental impact power plant based on combined-cycle technology fuelled by natural gas, which went into commercial operation in April 2010 along with other ancillary plants for the production of steam and, to a lesser extent, other utilities;

b) the item relates to the equity interest in Priolo Servizi S.C.p.A., a consortium company controlled by ERG Power S.r.l. (20.31%), ISAB S.r.l. (36.82%) and the other shareholders of the Versalis S.p.A. group (37.22%) and ENI Rewind S.p.A. (5.65%).

c) Deferred tax assets are mainly allocated against the write-down made in previous years;

d) inventories mainly refer to spare parts of the CCGT and to CO2 quotas of ERG Power S.r.l. purchased in financial year 2022;

e) trade receivables consist mainly of trade receivables from end customers, receivables for White Certificates generated by the CCGT and trade receivables for the sale of electricity of the parent company ERG Power Generation S.p.A., no longer subject to elimination following the application of IFRS 5.

f) other current receivables and assets include security deposits with GME, receivables for compensation to be received, VAT receivables from the tax authorities and Group VAT receivables from the parent company ERG Power Generation S.p.A.;

g) financial receivable for cash pooling from the parent company no longer subject to derecognition following the application of IFRS 5;

h) liabilities for deferred taxes set aside following the application of IFRS 5 which resulted in the calculation of depreciation/amortisation only for the first month of 2022, the date of first application of the standard;

i) trade payables to third-party suppliers and payables to the parent company which, following the application of IFRS 5, are no longer subject to derecognition;

j) Other current liabilities mainly include tax payables, payables to employees and payables to social security institutions. Intra-group transactions mainly refer to payables of ERG S.p.A. and ERG Power Generation S.p.A. accrued in favour of ERG Power S.r.l., which, following the application of IFRS 5, are no longer subject to derecognition.

Cash Flows

The following are the cash flows generated by the assets and liabilities held for sale:

(EUR thousand)	2022	2021
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**10,000**	-
CASH FLOWS FROM OPERATING ACTIVITIES OF ASSETS HELD FOR SALE	*(43,594)*	*(217,916)*
CASH FLOWS FROM INVESTING ACTIVITIES OF ASSETS HELD FOR SALE	*4,407*	*31,761*
CASH FLOWS FROM FINANCING ACTIVITIES OF ASSETS HELD FOR SALE	*29,189*	*116,230*
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**0**	**(69,924)**

NOTE 44 - PROFIT (LOSS) FROM ASSETS HELD FOR SALE

Accounting policies

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 Financial Statements, so that the disclosure refers to all operations discontinued by the end of the most recent reporting year.

The income statements for the years 2022 and 2021 are drawn up in accordance with the provisions of IFRS 5, which prescribes how to report the profit or loss from discontinued operations, thus excluding from the results of continuing operations the result of the subsidiary ERG Power S.r.l in 2022, and also the result of ERG Hydro S.r.l in 2021. It should be noted that the 2022 result also 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 assets held for sale"**.

Below is the income statement for the years 2022 and 2021 of the assets to be sold:

		2022			2021		
(EUR thousand)	**Notes**	**ERG Hydro S.r.l.**	**Business Termoelettrico**	**Net profit (loss) from assets held for sale**	**ERG Hydro S.r.l.**	**Business Termoelettrico**	**Net profit (loss) from assets held for sale**
Revenue	a	-	1,436,402	1,436,402	185,515	444,764	630,279
Other income		-	19,893	19,893	2,576	611	3,187
Other purchases		-	(1,338,930)	(1,338,930)	(1,883)	(387,038)	(388,921)
Services and other operating costs	c	-	(47,704)	(47,704)	(25,087)	(15,282)	(40,369)
Losses due to impairment of receivables		-	(178)	(178)	(22)	-	(22)
Personnel expense	d	-	(12,224)	(12,224)	(9,579)	(13,772)	(23,351)
GROSS OPERATING PROFIT (EBITDA)		**-**	**57,260**	**57,260**	**151,520**	**29,284**	**180,804**
Amortisation of Intangible assets		-	(238)	(238)	(8,391)	(298)	(8,690)
Depreciation of property, plant and equipment and right-of-use assets	e	-	(2,605)	(2,605)	(13,538)	(31,052)	(44,590)
Reversals of impairment losses (impairment losses)	f	-	(80,805)	(80,805)	-	(3,500)	(3,500)
OPERATING PROFIT (EBIT)		**-**	**(26,387)**	**(26,387)**	**129,591**	**(5,567)**	**124,025**
Financial income		-	(171,081)	(171,081)	13	0	13
Financial expense		-	170,838	170,838	(2)	(300)	(301)
Net financial income (expense)		**-**	**(242)**	**(242)**	**12**	**(300)**	**(288)**
Net gains (losses) on equity-accounted investments		-	111	111	-	-	-
Other net gains (losses) on equity investments	g	323,943	0	323,943	-	122	122
Gains (losses) on equity investments		**323,943**	**111**	**324,054**	**-**	**122**	**122**
PROFIT (LOSS) BEFORE TAXES		**323,943**	**(26,519)**	**297,424**	**129,603**	**(5,745)**	**123,858**
Income taxes		-	(3,293)	(3,293)	(37,054)	1,684	(35,370)
Net profit (loss) from assets held for sale		**323,943**	**(29,811)**	**294,131**	**92,549**	**(4,061)**	**88,488**

Notes

a) Revenues for 2022 mainly refer to revenues from the sale of energy and other utilities to third parties at the CCGT plant, whereas for 2021 it includes the "incentive tariff" recognised to plants defined as "IAFR-plant powered by renewable sources", and to sales of electricity produced by the Terni hydroelectric complex;

b) Costs for the purchase of commodities refer to purchase costs for gas, energy and raw materials referring to the CCGT plant of ERG Power S.r.l.;

c) 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;

d) labour costs of companies classified as discontinued operations;

e) Amortisation and depreciation for the year of intangible assets and property, plant and equipment refer for 2022 only to depreciation and amortisation until 1 February 2022, and for 2021, in respect of ERG Hydro S.r.l. to amortisation and depreciation for the first six months only, in application of IFRS 5;

f) The item refers to the write-down of approximately EUR 81 million of the ERG Power S.r.l. CCGT plant;

g) Net income (expenses) from equity investments include the net capital gain recognised on the sale of the Terni hydroelectric power complex on 3 January 2022 (amounting to approximately EUR 324 million), as described in more detail below.

Details of the determination of the above-mentioned capital gain are given below:

RECONCILIATION OF CAPITAL GAIN ON SALE OF ERG HYDRO S.R.L.

(EUR thousand)

a)	Sale price ERG Hydro S.r.l.	1.264.826
b)	Equity net assets sold	752.430
c)=a)-b)	**Difference between sale price and Shareholders' equity of the asset sold**	**512.396**
d)	Reversal of the Cash Flow Hedge Reserve relating to Hydro production net of taxes	(171.388)
e)	Ancillary costs of sales, organisational restructuring net of taxes	(9.747)
f)	Participation exemption tax effect	(7.318)
g)=c) + d) + e) + f)	**Total net capital gain recognised following the sale**	**323.943**

VIII. OTHER NOTES

NOTE 45 - BUSINESS COMBINATIONS AND ASSET ACQUISITION

Definition 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 periods 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.

"Valentia" Business Combination

On **31 January 2022**, ERG, through its subsidiary ERG Spain Holdco S.L.U., finalised the agreement with GEI Subasta for the acquisition of 100% of the share capital of two companies under Spanish law owning two solar plants in operation located in southern Spain for a total of 91.6 MW.

The plants were commissioned in early 2020, having participated in the auctions regulated by Royal Decree no. 359 of 2017 and have an estimated total annual production of 188 GWh, equal to over 2,050 equivalent hours/year, one of Europe's highest, corresponding to 110 kt of CO2 emissions avoided every year.

The consideration for the acquisition is approximately EUR 100 million (Asset Value), while the annual Ebitda for 2021 was EUR 11 million.

The transaction is a business combination within the meaning of the definition provided by IFRS 3 applicable since 1 January 2020. To this end, it should be noted that the acquisition scope includes plants, Operation & Maintenance contracts, land lease agreements. 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 around EUR 34 million for the acquisition of 100% of the share capital of the target companies. It should also be noted that liabilities of approximately EUR 75 million were assumed.

It should be noted that the acquisition-related costs incurred by the Group totalled approximately EUR 1.5 million, and they refer to legal fees and due diligence costs, of which EUR 0.6 million were incurred in 2021 and EUR 0.9 million in 2022. These costs were included in the Services and other operating costs item in financial years 2021 and 2022.

It is noted that in the Condensed Interim Consolidated Financial Statements at 30 June 2022, a temporary purchase price allocation procedure was performed on the basis of the information available at that date, and consistently with the indications of IFRS 3 this procedure shall be deemed provisional and subject to changes and adjustments.
In accordance with the provisions of IFRS 3, for the purposes of these Financial Statements the purchase price allocation procedure was performed using the final information regarding the accounting statements of the companies acquired. The year indicated above resulted in an adjustment of the total consideration for the acquisition of approximately EUR 4 million, reflected in the following table under the item "Goodwill".

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	-	28,520	28,520
Other intangible assets	-		-
Property, plant and equipment	71,845		71,845
Right-of-use assets	9,046		9,046
Other non-current financial assets	69		69
Deferred tax assets	1,561	220	1,781
Other non-current assets	**-**	**3,168**	**3,168**
Non-current assets	82,522	31,907	114,429
Trade receivables	4,359		4,359
Other receivables and current assets	51		51
Cash and cash equivalents*	5,661		5,661
Current assets	**10,072**	**-**	**10,072**
TOTAL ASSETS	**92,593**	**31,907**	**124,501**
Equity attributable to the owners of the parent	6,920	23,092	30,013
Non-controlling interests	-		-
Total Equity	**6,920**	**23,092**	**30,013**
Employee benefits	-		-
Deferred tax liabilities	230	7,922	8,152
Other non-current provisions	-	769	769
Financial liabilities measured at fair value	-		-
Non-current financial liabilities*	71,182		71,182
Non-current lease liabilities*	9,046		9,046
Other non-current liabilities	-	124	124
Non-current liabilities	**80,457**	**8,815**	**89,272**
Other current provisions	-		-
Trade payables	461		461
Other current liabilities	3,827		3,827
Current tax liabilities	929		929
Current liabilities	**5,216**	**-**	**5,216**
TOTAL EQUITY AND LIABILITIES	**92,593**	**31,907**	**124,501**
*** Impact on Net Financial Indebtedness**	**(74,566)**	**-**	**(74,566)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (1 January 2022) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: photovoltaic plants recognised at acquisition cost including ancillary costs and costs directly attributable to the asset and adjusted by the related accumulated depreciation;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **trade receivables**: relative to the sale of electricity;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **non-current financial liabilities**: medium/long-term portion of payables to banks for project financing; these bank loans were subsequently repaid in full as part of the Liability Management activities performed by the Group;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M.

The following fair values determined on a provisional basis have been included in the column **Adjustment to the acquisition figures**:

- **intangible assets:** capital gain allocated upon recognition of the acquisition; this capital gain was posted to the item "Authorisations and Concessions" and relates in particular to the right to receive incentives for a residual period of 23 years;
- **deferred tax assets**: this item consists of the recognition of a Tax Asset determined at the time of acquisition;
- **other non-current assets**: recognition of receivables for early termination of Project Financing;
- **deferred tax liabilities** relating to the above allocation and to the tax effect of the fair value adjustment of IRS on project financing;
- **other non-current provisions**: recognition of charges for contingent liabilities recognised at the time of acquisition;
- **current and non-current financial liabilities**: fair value adjustment of the IRS on the borrowing for project financing and recognition of the interest accrued on the Shareholder loan.

Determination of goodwill

The difference between the total acquisition price and the net value of the acquired assets and liabilities was recognised as goodwill, as illustrated in the following table:

(EUR thousand)	
Acquisition price	34,302
Fair value of the acquired net assets	30,013
Goodwill	**4,289**

With regard to the definition of the total acquisition price, please refer to what has already been described in the previous paragraphs.

"Siena" Business Combination

On **7 July 2022**, ERG, through its subsidiary ERG Solar Holding 2 S.r.l., finalised the acquisition from ABN AMRO Sustainable Impact Fund PE B.V. of 100% of the capital of MP Solar B.V., owner, through seven Italian companies, of eighteen operational photovoltaic plants located in Puglia, Molise, Lazio and Sardinia. The plants, with a total installed capacity of 33.8 MW and a total annual output of 46 GWh, came into operation between the end of 2010 and 2011 and benefit from the tariff regime under the so-called Feed-in Tariff (II, III and IV).

The acquisition fee in terms of enterprise value at 31 December 2021 was approximately EUR 128 million, and the 2021 EBITDA was approximately EUR 17 million.

The transaction is a business combination within the meaning of the definition provided by IFRS 3 applicable since 1 January 2020. To this end, it should be noted that the acquisition scope includes plants, Operation & Maintenance contracts, land lease agreements and the right to receive incentives (Feed-in tariff). 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 around EUR 79 million for the acquisition of 100% of the share capital of the target companies. It should also be noted that liabilities of approximately EUR 42 million were assumed.

It should be noted that the acquisition-related costs incurred by the Group totalled approximately EUR 1 million, and they refer to legal fees and due diligence costs, included in the item Services and other operating costs.

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	Temporary adjustment to the acquisition figures	Assets acquired and liabilities assumed
Authorisations and Concessions	-	87,048	87,048
Other intangible assets	1,042		1,042
Goodwill	-		-
Property, plant and equipment	44,729	(36,391)	8,338
Right-of-use assets	2,995		2,995
Equity investments	-		-
Financial assets measured at fair value	-		-
Other non-current financial assets	884		884
Deferred tax assets	6,742	10,656	17,398
Other non-current assets	635		635
Non-current assets	**57,027**	**61,312**	**118,339**
Inventories	-		-
Trade receivables	6,139		6,139
Other receivables and current assets	737		737
Current tax assets	625		625
Financial assets measured at fair value	2,090		2,090
Other current financial assets*	-	2,227	2,227
Cash and cash equivalents*	13,729		13,729
Current assets	**23,321**	**2,227**	**25,548**
TOTAL ASSETS	**80,348**	**63,539**	**143,887**
Equity attributable to the owners of the parent	12,420	36,832	49,252
Non-controlling interests	-		-
Total Equity	**12,420**	**36,832**	**49,252**
Employee benefits	-		-
Deferred tax liabilities	882	25,078	25,961
Provision for disposed businesses	-		-
Provisions for dismantling expenses	1,585		1,585
Other non-current provisions	-	915	915
Financial liabilities measured at fair value	-		-
Non-current financial liabilities*	-	-	-
Current lease liabilities*	2,995		2,995
Other non-current liabilities	547		547
Non-current liabilities	**6,009**	**25,993**	**32,003**
Other current provisions	-		-
Trade payables	1,916		1,916
Financial liabilities measured at fair value	-		-
Current financial liabilities*	53,903	714	54,617
Current lease liabilities*	-		-
Other current liabilities	4,307		4,307
Current tax liabilities	1,792		1,792
Current liabilities	**61,918**	**714**	**62,632**
TOTAL EQUITY AND LIABILITIES	**80,348**	**63,539**	**143,887**
*** Impact on Net Financial Indebtedness**	**(45,259)**	**1,513**	**(41,656)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (1 July 2022) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: photovoltaic plants recognised at acquisition cost including ancillary costs and costs directly attributable to the asset and adjusted by the related accumulated depreciation;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **trade receivables**: relative to the sale of electricity;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M;
- **current financial liabilities**: payables to banks for project financing and liabilities recognised for payables to leasing companies regarding lease agreements in place for the plants of some of the companies. The project financing was subsequently repaid in full as part of the Liability Management activities carried out by the Group.

The following fair values determined on a provisional basis have been included in the column **Adjustment to the acquisition figures**:

- **intangible assets**: capital gain allocated upon recognition of the acquisition; this capital gain was posted to the item "Authorisations and Concessions" and relates in particular to the right to receive incentives for a residual period of 31 years;
- **Property, Plant and Equipment**: write-down of the residual value of the assets at 31 December 2023 as part of the Repowering and Revamping projects planned by the Group at the time of acquisition;
- **deferred tax assets**: related to the write-down of plants referred to above;
- **deferred tax liabilities**: related to the tax effect of the allocation referred to above;
- **other non-current provisions**: recognition of charges for contingent liabilities recognised at the time of acquisition;
- **current financial liabilities**: recognition of penalties for lease extinguishment, envisaged at the time of acquisition.

Determination of goodwill

The difference between the total acquisition price and the net value of the acquired assets and liabilities was recognised as goodwill, as illustrated in the following table:

(EUR thousand)	
Acquisition price	78,732
Fair value of the acquired net assets	49,252
Goodwill	**29,480**

With regard to the definition of the total acquisition price, please refer to what has already been described in the previous paragraphs.

The goodwill deriving from the acquisition refers mainly to the synergies that are expected to be achieved as a result of integrating the acquiree into the Group. The goodwill recognised in the Financial Statements will not be deductible for income tax purposes.

Siena contribution in 2022

In the period between the date of first-time consolidation (1 July 2022) and the reporting date of these Consolidated Financial Statements, the acquirees contributed to the Group's income statement with revenue of EUR 7.6 million, a gross operating profit (EBITDA) of EUR 5.7 million and a net profit for the year of EUR 0.4 million.
It should be noted that if the acquisition had occurred on 1 January 2022, the acquirees would have contributed revenue of approximately EUR 16 million to the Group's income statement, a gross operating profit (EBITDA) of EUR 13 million and a loss for the year of EUR 5 million.

"Donatello" Business Combination

On **9 September 2022**, ERG, through a subsidiary, completed the acquisition from EDP Renewables Italia Holding S.r.l. of the entire share capital of seven companies, owners of seven wind farms located in Italy. The agreement envisages that a minority interest in one of the aforementioned companies be sold to ERG directly by a third party investor. The plants are located in Basilicata, Campania and Calabria and have a total installed capacity of 172 MW, corresponding to an estimated annual production of approximately 400 GWh.
All the plants benefit from a 20-year "CfD" (Contract for Difference) pricing scheme with the GSE beginning from their entry into operations, occurring between 2018 and the end of 2021.
The transaction fee in terms of enterprise value at 31 December 2021 was approximately EUR 420 million. The portfolio recorded an EBITDA of approximately EUR 36 million for the first half of 2022.
The transaction is a business combination within the meaning of the definition provided by IFRS 3 applicable since 1 January 2020. To this end, it should be noted that the acquisition scope includes plants, Operation & Maintenance contracts, land lease agreements and the right to benefit from the "CfD" tariff scheme. 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 around EUR 300 million for the acquisition of 100% of the share capital of the target companies. It should also be noted that liabilities of EUR 107 million were assumed.
It should be specified that the acquisition-related costs incurred by the Group amounted to approximately EUR 1 million, concerning legal expense and costs of due diligence. These costs were included in the Services and other operating costs item.

Measurement of the assets and liabilities of the business combination at the acquisition date

The acquisition was recognised on a definitive basis; the fair value of the assets acquired was 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	-	198,692	198,692
Other intangible assets	-		-
Goodwill	-		-
Property, plant and equipment	195,661		195,661
Right-of-use assets	9,643		9,643
Equity investments			-
Financial assets measured at fair value			-
Other non-current financial assets			-
Deferred tax assets	191		191
Other non-current assets			-
Non-current assets	**205,495**	**198,692**	**404,188**
Inventories	0		0
Trade receivables	17,950		17,950
Other receivables and current assets	7,854	2,425	10,279
Current tax assets			-
Financial assets measured at fair value			-
Other current financial assets*	41,776		41,776
Cash and cash equivalents*	338		338
Current assets	**67,918**	**2,425**	**70,343**
TOTAL ASSETS	**273,414**	**201,117**	**474,531**
Equity attributable to the owners of the parent	94,778	136,037	230,815
Non-controlling interests	-		-
Total Equity	**94,778**	**136,037**	**230,815**
Employee benefits			-
Deferred tax liabilities		57,243	57,243
Provision for disposed businesses			-
Provisions for dismantling expenses	4,644		4,644
Other non-current provisions	712	7,465	8,177
Financial liabilities measured at fair value			-
Non-current financial liabilities*	138,836		138,836
Non-current lease liabilities*	9,445		9,445
Other non-current liabilities			**-**
Non-current liabilities	153,637	64,708	218,346
Other current provisions			-
Trade payables	9,488		9,488
Financial liabilities measured at fair value			-
Current financial liabilities*		372	372
Current lease liabilities*			-
Other current liabilities	12,532		12,532
Current tax liabilities	2,979		2,979
Current liabilities	**24,999**	**372**	**25,371**
TOTAL EQUITY AND LIABILITIES	**273,414**	**201,117**	**474,531**
*** Impact on Net Financial Indebtedness**	**(106,167)**	**(372)**	**(106,539)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (1 August 2022) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: wind farms recognised at acquisition cost including ancillary costs and costs directly attributable to the asset and adjusted by the related accumulated depreciation;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **trade receivables**: relative to the sale of electricity;
- **other current financial assets**: relating to the financial receivable for centralised treasury from a Group company;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **non-current financial liabilities**: financial payables for shareholder loans to ERG Wind Holding S.r.l.;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M.

In the column **Adjustments to the acquisition situation**:

- **intangible assets**: capital gain allocated upon recognition of the acquisition; this capital gain was posted to the item "Authorisations and Concessions" and relates in particular to the calculation of the right regarding CfDs (contracts for difference) for a residual period of 33 years as well as the calculation of the period in which the Company has the right to sell energy to the Market;
- **other financial assets**: inclusion of "special indemnities" determined at the time of acquisition;
- **deferred tax liabilities**: related to the tax effect of the allocation referred to above;
- **other non-current provisions**: recognition of charges for contingent liabilities recognised at the time of acquisition, partially offset by the aforementioned "special indemnities".

Determination of goodwill

The difference between the total acquisition price and the net value of the acquired assets and liabilities was recognised as goodwill, as illustrated in the following table:

(EUR thousand)	
Acquisition price	298,926
Fair value of the acquired net assets	230,815
Goodwill	**68,112**

With regard to the definition of the total acquisition price, please refer to what has already been described in the previous paragraphs.

The goodwill deriving from the acquisition refers mainly to the synergies that are expected to be achieved as a result of integrating the acquiree into the Group. The goodwill recognised in the Financial Statements will not be deductible for income tax purposes.

Donatello contribution in 2022

In the period between the date of first-time consolidation (1 August 2022) and the reporting date of these Consolidated Financial Statements, the acquirees contributed to the Group's income statement with revenue of EUR 40 million, a gross operating profit (EBITDA) of EUR 34 million and a net profit for the year of EUR 7 million.

It should be noted that had the acquisition occurred on 1 January 2022, the acquirees would have contributed revenue of EUR 92 million to the Group's income statement, a gross operating profit (EBITDA) of EUR 79 million and a profit for the year of EUR 34 million.

Acquisition of "Corlacky" assets

On **14 October 2022**, ERG, through its subsidiary ERG UK Holding Ltd., finalised the acquisition of 100% of the shares of the company Corlacky Energy Ltd., wholly owned by the RES group, which holds the permits for the construction and operation of the Corlacky wind farm in Northern Ireland.

The expected total capital expenditure required to build the wind farm, including the price for the purchase of construction permits, is approximately EUR 90 million.

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

Determination of the total acquisition price

The acquisition price was around EUR 27 million for the acquisition of 100% of the share capital of the target company.

NOTE 46 - 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.

Also pursuant to the aforementioned CONSOB resolution, the amounts related to the positions and transactions with related parties are indicated separately in **Note 47 – Related parties**.

(EUR thousand)		2022		2021
Revenue	1)	(35,209)		-
Other income		256		-
Purchases				-
Change in inventories		-		-
Services and other operating costs	2)	(9,401)	9)	(12,539)
Personnel expense	3)	(5,312)		-
Amortisation, depreciation and impairment of non-current assets	4)	(43,268)	10)	(24,840)
Net financial income (expense)	5)	(6,522)	11)	(18,109)
Net gains (losses) on equity investments	6)	2,325		520
Income taxes	7)	(30,491)	12)	(9,554)
Profit (loss) from continuing operations of non-recurring items		**(127,622)**		**(64,522)**
Profit (loss) from discontinued operations of non-recurring items	8)	254,027	13)	15,561
Profit (loss) of non-recurring items		**126,404**		**(48,961)**
Non-controlling interests		-		-
Profit (loss) of non-recurring items		**126,404**		**(48,961)**

In **2022**:

1) The item refers to the Clawback Measures regarding the price cap and Windfall tax in Europe as well as the Sostegni-Ter Decree in Italy; note that these items are recorded as a reduction of revenue;
2) Costs for 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 Further Information in **Note 47 - Related Parties**), and provisions to the fund for Disposed Businesses;
3) extraordinary bonuses, also including the portion of the Special Contribution referring to Group management as reported in the Additional information in **Note 47 - Related parties**;
4) Write-down 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;
5) Charges related to the early closure of Project Financing, Corporate Loans and related IRSs, as part of Liability Management activities;
6) Gains on equity investments refer mainly to the price adjustment on the sale of equity investments in previous years;

7) The item includes, in addition to the tax effect of the items commented above, the following non-recurring items: i) the surplus profits contribution of EUR 37 million (not including the effect relating to the Thermoelectric segment for EUR 4 million) and ii) the temporary solidarity contribution of approximately EUR 19 million;

8) 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 write-down of the CCGT amounting to EUR 66 million;

c. the EUR 4 million impact of the surplus profits contribution on the thermoelectric segment.

In **2021**:

9) Costs for services and other operating costs refer to business combinations, unsuccessful acquisition projects, termination indemnities as a result of the changeover of the Chief Executive Officer on 26 April 2021 and allocations to the provision for disposed businesses;

10) write-down 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 obtained during the year;

11) charges related to the early closure of Project Financing, Corporate Loans and related IRSs, as part of Liability Management activities;

12) income taxes refer to the tax effect of the items commented above;

13) the net result from discontinued operations refers to the application of IFRS 5 with regard to ERG Hydro S.r.l. (now Enel Hydro Appennino Centrale S.r.l.).

NOTE 47 - RELATED PARTIES

Definition 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 management personnel and their close relatives, of ERG S.p.A. and of its subsidiaries. Key management personnel 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 48 - List of Group companies and Transactions** for the year in the section dedicated to the list of companies recognised at cost.

Lastly, it is noted that in 2022 ERG tacitly renewed the domestic tax consolidation scheme, with the subsidiaries (including indirect) ERG Power Generation S.p.A., ERG Eolica San Vincenzo S.r.l., ERG Eolica Faeto S.r.l., ERG Eolica Fossa del Lupo S.r.l., ERG Eolica Tirreno S.r.l., ERG Power S.r.l., and Erg Wind Bulgaria S.p.A.. The renewals are valid for the three-year period 2022-2024 and are subject to tacit renewal. Lastly, it should be noted that the companies ERG Wind Holding S.r.l. and ERG Solar Holding 2 S.r.l. were established in 2022 and included in ERG S.p.A.'s Domestic Tax Consolidation scheme until the date of incorporation, valid for the three-year period 2022-2024 (tacitly renewable).

Additional information

For the sake of completeness of information, it should be noted that in January 2023 San Quirico S.p.A. ("SQ") and SQ Renewables S.p.A. ("SQR") notified ERG S.p.A. of SQ's decision to use, through SQR, a gross sum totalling EUR 4,119,000 (the "Fund") for the disbursement of a special cash contribution to a selected group of ERG's top managers (including the Chief Executive Officer of ERG and his direct reports, including Key Managers), with a view to rewarding their contribution, as representatives of ERG and in the exclusive interest of the same, to the activities carried out by the ERG Group that generated significant value creation both for the Company itself and for all shareholders and created the conditions for the implementation of the recent partnership between SQ and IFM Investors in relation to ERG (the "Special Contribution").

It should be noted in this regard that SQ made the Fund available to ERG through non-repayable disbursements from SQR and identified at its absolute discretion the names of the beneficiaries and the amounts involved.

The amount of the Special Contribution, which was allocated in the 2022 Financial Statements and paid in March 2023, is broken down as follows: Chief Executive Officer EUR 2,250,000, Key Managers EUR 1,641,000, other beneficiaries EUR 228,000.

The payment of this Special Contribution by ERG on behalf of SQ does not qualify as relevant remuneration for the purposes of the 2022 Remuneration Policy, falling instead within the scope of an action entirely within the availability and expense of SQ, in its capacity as ultimate parent of ERG. The transaction as a whole was the subject of an opinion to the Board of Directors of ERG by the CRSC, pursuant to Art. 4.1 of the Related Party Procedure, which positively assessed the existence of ERG's interest, as well as the convenience and substantial correctness of the related conditions.

Impact of transactions or positions with related parties on the Statement of Financial Position

The most significant dealings with the joint ventures, associates and subsidiaries excluded from the consolidation scope pertain to:

- trade receivables due from Priolo Servizi S.C.p.A., a consortium company subject to joint control by ERG Power S.r.l. (20.31%), ISAB S.r.l. (36.82%), Versalis S.p.A. group (37.22%) and ENI Rewind S.p.A. (5.65%), relating to the supply of utilities (in particular sea water, electricity and other) and services rendered as part of the Operation & Maintenance contract;
- other current receivables and assets, please refer to the **Additional information** in these notes.

For full disclosure, the values reported below do not take into account the reclassifications required by IFRS 5 and therefore also include the amounts indicated in the line **Assets and liabilities held for sale**.

The impact of transactions or positions with related parties on the items of the Statement of Financial Position is indicated in the following tables:

31/12/2022

(EUR thousand)	Priolo Servizi S.C.p.A.	SQ Renewables S.p.A.	Edoardo Garrone Foundation	ERG Petroleos	Directors and Statutory Auditors	Key Managers	Other	Total	% of total item
Trade receivables	2,034	-	-	-	-	-	-	2,034	1%
Other receivables and current assets	-	4,119	-	-	-	-	-	4,119	3%
Trade payables	242	-	-	-	-	-	-	242	0%
Other current liabilities	-	-	-	125	-	3,025	-	3,150	5%
Other current financial assets	-	-	-	-	-	-	-	-	0%

31/12/2021

(EUR thousand)	Priolo Servizi S.C.p.A.	SQ Renewables S.p.A.	Edoardo Garrone Foundation	ERG Petroleos	Directors and Statutory Auditors	Key Managers	Other	Total	% of total item
Trade receivables	2,843	-	-	-	-	-	-	2,843	1%
Trade payables	253	-	-	-	-	-	-	253	0%
Other current liabilities	-	-	-	-	-	786	-	786	2%
Other current financial assets	-	-	-	1,599	-	-	-	1,599	0%

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 2022;
- 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:

31/12/2022

(EUR thousand)	Priolo Servizi S.C.p.A.	SQ Renewables S.p.A.	Edoardo Garrone Foundation	ERG Petroleos	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%

31/12/2021

(EUR thousand)	Priolo Servizi S.C.p.A.	SQ Renewables S.p.A.	Edoardo Garrone Foundation	ERG Petroleos	Directors and Statutory Auditors	Key Managers	Other	Total	% of total item
Revenue	19,580	-	-	-	-	-	-	19,580	1%
Other income	-	-	-	-	-	-	51	51	0%
Purchases	-	-	-	-	-	-	-	-	0%
Services and other operating costs	(7,878)	-	(100)	-	(9,921)	-	-	(17,899)	10%
Personnel expense	-	-	-	-	-	(2,351)	-	(2,351)	3%

Costs for Directors and Key Managers also include expenses relating to the aforementioned Special Contribution.

Details of the remuneration of figures with strategic responsibilities are provided below:[7]

DIRECTORS

(EUR thousand)	2022	2021
Short-term benefits	4,590	9,324
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,495	1,495
Total	**6,086**	**10,819**

KEY MANAGERS

(EUR thousand)	2022	2021
Short-term benefits	1,965	2,351
Post-employment benefits	140	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	643	643
Total	**2,748**	**2,993**

Impact of transactions or positions with related parties on cash flows

The impact of related party cash flows is indicated in the following tables::

	2022		
(EUR thousand)	Total	Related parties	% impact
Cash flows from operating activities	502,520	3,163	1%
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)**	**643**	

	2021		
(EUR thousand)	Total	Related parties	% impact
Cash flows from operating activities	(40,849)	(1,134)	3%
Cash flow from investing activities	(702,058)	-	0%
Cash flows from financing activities	947,818	(133)	0%
Cash flows for the year	**204,910**	**(1,266)**	

7 The tables do not include the remuneration for the position of Chairman held in a Group company by a related party of ERG S.p.A..

NOTE 48 - LIST OF GROUP COMPANIES AND TRANSACTIONS FOR THE YEAR

The transactions that took place during the year regarding equity investments are reported below:

- On **4 January 2022**, the share capital of Corni Eolian S.A., a Romanian company, was increased from RON 33,818,000 to RON 95,679,250 with a nominal value for the shares of RON 10.00/share.
- On **30 March 2022**, ERG Solar Holding S.r.l. acquired the entire share capital of Futurasun S.r.l., a company not consolidated on a line-by-line basis.
- On **1 April 2022**, the Shareholders' Meeting of ERG Power S.r.l. resolved to increase its share capital from EUR 5 million to EUR 6 million, which was fully paid-in, on the same date, by the sole shareholder ERG Power Generation S.p.A., through the contribution of its business unit used to operate the combined-cycle thermoelectric plant (CCGT);
- On **3 May 2022** ERG Spain Holdco S.L.U. acquired the entire share capital of the Spanish company ERATO ITG S.L.U.
- On **6 June 2022**, the company under Italian law ERG Solar Holding 2 S.r.l. was established, with share capital of EUR 10,000, fully subscribed and paid-up by ERG Power Generation S.p.A.
- On **22 July 2022**, the company under Italian law ERG Wind Holding S.r.l. was established, with share capital of EUR 10,000, fully subscribed and paid-up by ERG Power Generation S.p.A.
- On **8 August 2022**, the deed of merger by incorporation of ERG Wind Dobberkau GmbH & Co. KG into ERG Wind Weselberg GmbH & Co. KG were signed. The accounting and tax effects of the merger take effect on 1January 2022.
- On **15 September 2022**, the German companies ERG Windpark Jeggeleben GmbH & Co. KG and ERG Windpark Reinsdorf GmbH & Co. KG were formed, both with registered office in Hamburg.
- On **4 November 2022**, the deed of merger by incorporation of ERG Wind RE Beteiligungs GmbH into ERG Eolienne France S.a.s. was signed. The accounting and tax effects are effective from 1January 2022.
- On **19 December 2022**, the Spanish companies ERG SOLAR MONTIEL S.L.U. and ERG SOLAR EL ABUELITO S.L.U. were established, both with registered offices in Madrid.
- On **19 December 2022**, the deed of merger of the companies ERG Wind 2000 S.r.l., ERG Wind Sicilia 2 S.r.l., ERG Wind Sicilia 4 S.r.l. and ERG Wind Sicilia 5 S.r.l. into ERG Wind Sardegna S.r.l. was signed; the actual effects will take effect from 31 December 2022 while the accounting and tax effects apply from 1 January 2022.

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 subsidiaries consolidated **on a line-by-line basis**:

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG S.p.A.					
ERG Power Generation S.p.A.	Genoa (Italy)	100%	100%	100,000	3,278,008
ERG Power Generation S.p.A.					
Corni Eolian S.A.	Costanta (Romania)	100%	100%	33,818	61,861
ERG Eolica Adriatica S.r.l.	Genoa (Italy)	100%	100%	10	54,635
ERG Eolica Campania S.p.A.	Genoa (Italy)	100%	100%	120	89,691
ERG Eolica Faeto S.r.l.	Genoa (Italy)	100%	100%	10	12,196
ERG Eolica Fossa del Lupo S.r.l.	Genoa (Italy)	100%	100%	50	72,376
ERG Eolica Ginestra S.r.l.	Genoa (Italy)	100%	100%	10	38,278
ERG Eolica San Vincenzo S.r.l.	Genoa (Italy)	100%	100%	3,500	31,462
ERG Eolica Tirreno S.r.l.	Camporeale (Italia)	100%	100%	10	226
ERG Eolienne France S.a.s.	Paris (France)	100%	100%	112,450	208,181
ERG Power S.r.l.	Genoa (Italy)	100%	100%	5,000	244,873
ERG Solar Holding S.r.l.	Genoa (Italy)	100%	100%	20	119,520
ERG UK Holding Ltd.	Edimburgh (UK)	100%	100%	0	27,392
ERG Wind Bulgaria S.p.A.	Genoa (Italy)	100%	100%	50	21,275
ERG Wind Investments Ltd.	Genoa (Italy)	100%	100%	97,046	672,238
ERG Wind Neunte GmbH	Hamburg (Germany)	100%	100%	25	90
EW Orneta 2 Z.O.O.	Warsaw (Poland)	100%	100%	164,688	167,373
Green Vicari S.r.l.	Genoa (Italy)	100%	100%	119	24,681
ISAB Energy Solare S.r.l.	Genoa (Italy)	100%	100%	100	169
Andromeda PV S.r.l.	Genoa (Italy)	100%	79%	50	87,404
Laszki Wind Sp. Z.o.o	Warsaw (Poland)	100%	100%	5	(1,779)
ERG Poland Holding Sp. Z.o.o	Warsaw (Poland)	100%	100%	5	(859)
ERG Sweden Holding AB	Stockholm (Sweden)	100%	100%	50	23,761
ERG Spain Holco S.L.U.	Madrid (Spain)	100%	100%	0	(981)
ERG Solar Holding 2 S.r.l.	Genoa (Italy)	100%	100%	20	119,520
ERG Wind Holdings S.r.l.	Genoa (Italy)	100%	100%	212	202,801

(1) Data referring to the latest approved financial statements.

(2) Figures expressed in thousands of Euro with the exception of Corni Eolian SA whose figures are expressed in thousands of RON, EW Orneta 2 SP. ZOO whose figures are expressed in thousands of PLN and ERG Sweden Holding AB whose figures are expressed in thousands of SEK..

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG Eolienne France S.a.s.					
Eoliennes du Vent Solaire S.a.s.	Paris (France)	100%	100%	37	(136)
Parc Eolien de Lihus S.a.s.	Paris (France)	100%	100%	1,114	2,783
Parc Eolien de Hetomesnil S.a.s.	Paris (France)	100%	100%	1,114	2,839
Parc Eolien de la Bruyère S.a.s.	Paris (France)	100%	100%	1,060	4,323
Parc Eolien du Carreau S.a.s.	Paris (France)	100%	100%	861	5,689
Parc Eolien les Mardeaux S.a.s.	Paris (France)	100%	100%	1,097	2,583
Epuron Energies Renouvelables S.a.s.	Paris (France)	100%	100%	500	3,269
Parc Eolien de la valleè de Torfou S.a.r.l.	Paris (France)	100%	100%	7	(1,865)
Parc Eolien du Melier S.a.r.l	Paris (France)	100%	100%	8	(383)
Parc Eolienne de la Voie Sacree S.a.s.	Paris (France)	100%	100%	74	2,710
Parc Eolienne d'Epense S.a.s.	Paris (France)	100%	100%	802	603
ERG Wind French Holdings S.a.s.	Paris (France)	100%	100%	1,410	1,160
ERG Wind France 1 S.a.s.	Paris (France)	100%	100%	1,097	10,075
WP France 10 S.a.s.	Paris (France)	100%	100%	6	(148)
WP France 6 S.a.s.	Paris (France)	100%	100%	6	788
ERG France S.a.r.l.	Paris (France)	100%	100%	2,000	(54)
Les Moulins de Fruges S.a.s.	Paris (France)	100%	100%	42,100	20,309
Ferme Eolienne De Saint Pierre De Maillé 1 S.a.s.	Paris (France)	100%	100%	5,639	(1,387)
Parc Eolien de St Riquier 3 SAS	Paris (France)	100%	100%	37	447
Parc Eolien de St Riquier 4 SAS	Paris (France)	100%	100%	37	(290)
Holding Quesnoy 2 S.a.s.	Paris (France)	100%	100%	2,810	1,456
Holding Chery S.a.s.	Paris (France)	100%	100%	2,410	190
Omniwatt S.a.s.	Paris (France)	100%	100%	2,201	1,000
Ferme Eolienne de Moquepanier	Paris (France)	100%	100%	2,519	(4,135)
Ferme Eolienne de Clamecy S.a.s.	Paris (France)	100%	100%	2,000	2,072
Crampon Puchot Energies S.a.s.	Paris (France)	100%	100%	1,091	457
Solaires Sisteron S.a.s.	Paris (France)	100%	100%	334	(1,532)
Solaire Sénezergues S.a.s.	Paris (France)	100%	100%	-	(1,273)
Solaire Arpajon-sur-Cere S.a.s.	Paris (France)	100%	100%	451	(1,472)
Arsac 1 S.a.s.	Paris (France)	100%	100%	0	(1,381)
Arsac 3 Sas	Paris (France)	100%	100%	1	(2,021)
Solaire Greoux S.a.s.	Paris (France)	100%	100%	-	(1,529)
Solaire Salaunes S.a.s.	Paris (France)	100%	100%	(0)	(1,348)
Epuron Energies Renouvelables S.a.s.					
ERG Developpement S.a.s	Paris (France)	100%	100%	100	(7,522)
Caen Renewables Energy S.a.s. (en liquidation)	Paris (France)	100%	100%	37	(78)
Parc Eolien de la Charente Limousine S.a.r.l.	Paris (France)	100%	100%	7	(39)
Parc Eolien de la Boeme S.a.r.l.	Paris (France)	100%	100%	8	(77)
Parc Eolien du Moulin du Bois S.a.r.l.	Paris (France)	100%	100%	8	(100)
Parc Eolien des Bouchats S.a.r.l.	Paris (France)	100%	100%	8	(732)
Parc Eolien de Saint Maurice la Clouere S.a.r.l.	Paris (France)	100%	100%	8	(77)
Parc Eolien du Pays a Part S.a.r.l.	Paris (France)	100%	100%	8	(71)
Parc Eolien de Saint Sulpice S.a.r.l.	Paris (France)	100%	100%	8	(72)
Parc Eolien du Plateaux de l'Ajoux S.a.r.l.	Paris (France)	100%	100%	8	(26)
Parc Eolien des Terres et Vents de Ravieres S.a.r.l.	Paris (France)	100%	100%	8	(32)
Parc Eolien de Porspoder S.a.r.l.	Paris (France)	100%	100%	8	(52,426)
ERG Solar Holding S.r.l.					
Calabria Solar S.r.l.	Genoa (Italy)	100%	100%	10	21,548
ERG Solar Piemonte 3 S.r.l.	Genoa (Italy)	100%	100%	10	17,860
ERG UK Holding Ltd.					
Craiggore Energy	Belfast (UK)	100%	100%	1	220
Creag Riabhach Wind Farm Ltd.	Edimburgh (UK)	100%	100%	50	(354)
Evishagaran Windfarm Ltd.	Belfast (UK)	100%	100%	0	(915)
Sandy Knowe Wind Farm Ltd.	London (UK)	100%	100%	0	(288)
Corlacky Energy Ltd.	Belfast (UK)	100%	100%	0	0

(1) Data referring to the latest approved financial statements.
(2) figures expressed in thousands of EUR with the exception of Creag Riabhack and Craiggore Energy whose figures are given in thousands of GBP.

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG Wind Bulgaria S.p.A.					
Globo Energy EOOD	Sofia (Bulgaria)	100%	100%	2,239	5,301
K&S Energy EOOD	Sofia (Bulgaria)	100%	100%	1,625	2,991
K&S Energy 1 EOOD	Sofia (Bulgaria)	100%	100%	1,546	4,712
K&S Energy 2 EOOD	Sofia (Bulgaria)	100%	100%	1,560	4,822
Mark 1 EOOD	Sofia (Bulgaria)	100%	100%	2,103	5,107
Mark 2 EOOD	Sofia (Bulgaria)	100%	100%	2,103	5,054
VG-1 EOOD	Sofia (Bulgaria)	100%	100%	777	2,047
VG-2 EOOD	Sofia (Bulgaria)	100%	100%	1,551	4,236
VG-3 EOOD	Sofia (Bulgaria)	100%	100%	1,563	4,230
VG-4 EOOD	Sofia (Bulgaria)	100%	100%	1,511	5,101
VG-5 EOOD	Sofia (Bulgaria)	100%	100%	1,564	4,285
VG-6 EOOD	Sofia (Bulgaria)	100%	100%	1,545	4,039
Wind Park Kavana East EOOD	Sofia (Bulgaria)	100%	100%	258	3,210
Wind Park Kavana West EOOD	Sofia (Bulgaria)	100%	100%	89	3,293
WP Bulgaria 4 EOOD	Sofia (Bulgaria)	100%	100%	1,103	2,643
ERG Wind France 1 S.a.s.					
Cepe Pays De Montbeliard S.a.s.	Paris (France)	100%	100%	365	(160)
Cepe de Murat S.a.s.	Paris (France)	100%	100%	444	(983)
Cepe de Saint Florentin S.a.s.	Paris (France)	100%	100%	251	(1,163)
Ferme Eolienne de Teterchen S.a.s.	Paris (France)	100%	100%	100	265
Parc Eolien du Bois de l'Arche S.a.s.	Paris (France)	100%	100%	100	1,135
Parc Eolien du Bois de Bigot S.a.s.	Paris (France)	100%	100%	80	688
ERG Wind French Holdings S.a.s.					
Parc Eolien de la Chaude Vallee S.a.r.l.	Paris (France)	100%	100%	8	(151)
Parc Eolien de Morvilers S.a.r.l.	Paris (France)	100%	100%	8	121
Parc Eolien de Garcelles-Sacqueville S.a.s.	Paris (France)	100%	100%	1,037	266
Parc Eolien du Patis S.a.s.	Paris (France)	100%	100%	1,164	1,569
Parc Eolien Hauts Moulins	Paris (France)	100%	100%	15	572
Parc Eolien Moulins des Camps	Paris (France)	100%	100%	15	634
Parc Eolien de St Riquier 1 S.a.s.	Paris (France)	100%	100%	37	126
Société d'Exploitation du Parc Eolien de la Souterraine S.a.s.	Paris (France)	100%	100%	505	(326)
Parc Eolien de Oyre Saint Sauveur	Paris (France)	100%	100%	37	317
Société d'Exploitation du Parc Eolien Le Nouvion S.a.s.	Paris (France)	100%	100%	37	(2,903)
ERG Wind Investments Ltd.					
ERG Wind Holdings (Italy) S.r.l.	Genoa (Italy)	100%	100%	212	219,030
ERG Wind MEI 2-14-1 Ltd.	London (UK)	100%	100%	0	(8,203)
ERG Wind MEI 2-14-2 Ltd.	London (UK)	100%	100%	0	(1,664)
ERG Wind Holdings (Italy) S.r.l.					
ERG Wind Energy S.r.l.	Genoa (Italy)	68%	100%	1,525	370,827
ERG Wind Sardegna S.r.l.	Genoa (Italy)	100%	100%	77	62,524
ERG Wind Sicilia 6 S.r.l.	Genoa (Italy)	100%	100%	77	40,506
ERG Wind Sicilia 6 S.r.l.					
ERG Wind 6 S.r.l.	Genoa (Italy)	100%	100%	77	35,994
ERG Wind Sicilia 3 S.r.l.	Genoa (Italy)	100%	100%	77	26,258
ERG Wind MEI 2-14-1 Ltd.					
ERG Wind MEG 1 LLP (3)	London (UK)	80%	100%	33,168	2,671
ERG Wind MEG 2 LLP (3)	London (UK)	80%	100%	28,010	443
ERG Wind MEG 3 LLP (3)	London (UK)	80%	100%	33,585	1,077
ERG Wind MEG 4 LLP (3)	London (UK)	80%	100%	29,721	1,117

(1) Data referring to the latest approved financial statements.
(2) Data expressed in thousands of Euro.
(3) The remaining 20% is held by ERG Wind MEI 2-14-2.

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG Wind Park Beteiligungs GmbH					
ERG Wind 117 GmbH & Co. KG	Hamburg (Germany)	100%	100%	1	(3,053)
Voltwerk Energy Park 8 GmbH & Co. KG	Hamburg (Germany)	100%	100%	1	3,043
Voltwerk Windpark Worbzig GmbH & Co. KG	Hamburg (Germany)	100%	100%	0	2,379
Voltwerk Windpark Beesenstedt GmbH & Co. KG	Hamburg (Germany)	100%	100%	1	3,590
Windpark Cottbuser Halde GmbH & Co. KG	Hamburg (Germany)	100%	100%	5	(8,980)
Windpark Achmer Vinte GmbH & Co. KG	Hamburg (Germany)	100%	100%	7,500	3,073
ERG Wind Weselberg GmbH & Co. KG	Hamburg (Germany)	100%	100%	5	(3,288)
Windpark Linda GmbH & Co. KG	Hamburg (Germany)	100%	100%	2	(344)
ERG Development Germany GmbH & Co.KG	Hamburg (Germany)	100%	100%	3	(1,271)
UGE Barkow GmbH & und Co. KG	Hamburg (Germany)	100%	100%	3	(3,384)
UGE Barkow Zwei GmbH & und Co. KG	Hamburg (Germany)	100%	100%	1	(2,419)
UGE Barkow Drei GmbH & und Co. KG	Hamburg (Germany)	100%	100%	1	(2,744)
ERG Germany GmbH	Hamburg (Germany)	100%	100%	210	(2,982)
ERG Wind Ebersgrun GmbH & Co. KG	Hamburg (Germany)	100%	100%	-	-
ERG Wind Hollige GmbH & Co. KG	Hamburg (Germany)	100%	100%	200	(7,424)
ERG Wind Norath GmbH & Co. KG	Hamburg (Germany)	100%	100%	185	(5,610)
ERG Wind Offenheim GmbH & Co. KG	Hamburg (Germany)	100%	100%	287	(8,787)
ERG Wind Nack GmbH & Co. KG	Hamburg (Germany)	100%	100%	228	(7,290)
EW Orneta 2 Z.O.O.					
Blachy Pruszynsky-Energy SP.Z.O.O.	Warsaw (Poland	100%	100%	7,100	66,103
Hydro Inwestycje SP.Z.O.O.	Warsaw (Poland	100%	100%	42	49,029
Les Moulins de Fruges S.a.s.					
Mont Félix	Paris (France)	100%	100%	1,891	2,768
Fond du Moulin	Paris (France)	100%	100%	344	(897)
Chemin Vert	Paris (France)	100%	100%	1,804	(1,385)
Le Marquay	Paris (France)	100%	100%	679	(521)
Les Trentes	Paris (France)	100%	100%	1,935	(157)
Sole de Bellevue	Paris (France)	100%	100%	1,925	1,113
Holding Chery S.a.s.					
Ferme Eolienne De Chery S.a.s.	Paris (France)	100%	100%	37	(3,412)
Holding Quesnoy 2 S.a.s.					
Ferme Eolienne De Quesnoy-Sur-Airaines 2 S.a.s.	Paris (France)	100%	100%	37	(2,636)
ERG Poland Holding					
EW Piotrków kujawski SP. z.o.o.,	Warsaw (Poland	100%	100%	5	(144)
ERG Sweden Holding AB					
Furukraft AB	Malmoe (Sweden)	100%	100%	50	1,214
Omniwatt S.a.s.					
Omnigreen S.a.s.	Paris (France)	100%	100%	4,759	8,595
Capenergie 3 Wind GmbH	Frankfurt (Germany)	100%	100%	25	(36)
Les Eoliennes de Saint Fraigne S.a.s.	Paris (France)	100%	100%	3,700	3,633
Neuilly Saint Front Energies S.a.s.	Paris (France)	100%	100%	37	(5,665)
Monnes Energies S.a.r.l.	Paris (France)	100%	100%	1	(1,106)
Omnigreen S.a.s.					
Sainte Helene Energies S.a.r.l.	Paris (France)	100%	100%	1	(2,664)
Iel Exploitation 12 S.a.r.l.	Paris (France)	100%	100%	1	(1,429)
Reuilly et Diou Energies S.a.r.l.	Paris (France)	100%	100%	1	(12)
Capenergie 3 Wind GmbH					
Saint Congard Energies S.a.s.	Paris (France)	100%	100%	2	(1,510)
Crampon Puchot Energies S.a.s.					
Wkn Picardie Verte II S.a.s.	Paris (France)	100%	100%	1	(4,761)

(1) Data referring to the latest approved financial statements.

(2) Data expressed in thousands of EUR with the exception of the companies Blachy Pruszynsky-Energy SP Z.O.O. and Hydro Inwestycje SO Z.O.O., whose data are expressed in thousands of PLN and ERG Sweden Holding AB whose data are expressed in thousands of SEK.

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG Spain Holco S.L.U					
ERG Solar Almansa S.L.U.	Madrid (Spain)	100%	100%	3	7,322
ERG Solar Taberna S.L.U.	Madrid (Spain)	100%	100%	3	(402)
ERG Wind Holdings S.r.l.					
Taca Wind S.r.l.	Milan (Italy)	100%	100%	1,160	9,959
Lucus Power S.r.l.	Milan (Italy)	100%	100%	10	7,778
Wind Cap S.r.l.	Milan (Italy)	100%	100%	2,550	11,809
Conza Energy S.r.l.	Milan (Italy)	100%	100%	456	9,821
Breva Wind S.r.l.	Milan (Italy)	100%	100%	7,100	2,312
Parco Aria del Vento S.r.l	Milan (Italy)	100%	100%	1,110	30,146
San Mauro S.r.l.	Milan (Italy)	100%	100%	70	4,376
ERG Solar Holding 2 S.r.l.					
MP Solar B.V.	Amsterdam (Netherlands)	100%	100%	4,000	13,561
MP Solar B.V.					
Photosun S.r.l.	Milan (Italy)	100%	100%	10	3,639
PV Project S.r.l.	Milan (Italy)	100%	100%	10	5,602
Ginestra S.r.l.	Milan (Italy)	100%	100%	20	897
Robinia S.r.l.	Milan (Italy)	100%	100%	20	2,792
Sesma S.r.l.	Milan (Italy)	100%	100%	10	208
SVS1 S.r.l.	Milan (Italy)	100%	100%	10	2,419
Six For Power S.r.l.	Milan (Italy)	100%	100%	40	1,642

(1) Data referring to the latest approved financial statements.

(2) Data expressed in thousands of EUR with the exception of the companies Blachy Pruszynsky-Energy SP Z.O.O. and Hydro Inwestycje SO Z.O.O., whose data are expressed in thousands of PLN and ERG Sweden Holding AB whose data are expressed in thousands of SEK.

List of equity investments **measured using the equity method:**

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)	Carrying amount 31/12/2022
ERG Power S.r.l.						
Priolo Servizi S.c.p.A. (3)	Melilli (Italia)	20.3%	20.3%	28.100	55,846	**11,342**
Associates						**11,342**

(1) Data referring to the latest approved financial statements.

(2) Data expressed in thousands of Euro

(3) The consortium is subject to joint control with ISAB S.r.l., Versalis S.p.A. and ENI Rewind.

List of companies **measured at cost**:

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)	Carrying amount 31/12/2022
ERG S.p.A.						
ERG Petroleos S.A. (3)	Madrid (Spain)	100%	100%	3,050	(7,032)	-
Subsidiaries						-
ERG Power Generation S.p.A.						
ERG Germany Verwaltungs GmbH (4)	Paris (France)	100%	100%	25	25	25
Eolico Troina S.r.l. in liquidazione (3)	Palermo (Italia)	99%	99%	20	232	25
Subsidiaries						**50**
ERG Eolienne France S.a.s.						
Parc Eolien de Saint-Loup sur Cher S.a.r.l. (4)	Paris (France)	100%	100%	8	(3)	8
Parc Eolien du Puits Gergil S.a.r.l. (4)	Paris (France)	100%	100%	8	(3)	8
Parc Eolien du Plateau de la Perche S.a.r.l. (4)	Paris (France)	100%	100%	8	(3)	8
Parc Eolien des Boules S.a.r.l. (4)	Paris (France)	100%	100%	8	(3)	8
Ferme Eolienne de la voie Sacree sud S.a.s. (4)	Paris (France)	100%	100%	10	(72)	10
Francese Parc Eolien Des Grandes Bornes S.a.s. (4)	Paris (France)	100%	100%	8	8	8
Parc Eolien Des Jonquilles S.a.s. (4)	Paris (France)	100%	100%	8	8	8
Parc Eolien De La Pleine De Burel S.a.s. (4)	Paris (France)	100%	100%	8	8	8
Parc Eolien de Saint Priest en Murat S.a.s. (4)	Paris (France)	100%	100%	8	8	8
Parc Eolien de Vent Communaux S.a.s. (4)	Paris (France)	100%	100%	8	8	8
Parc Eolien de la Foye S.a.s. (4)	Paris (France)	100%	100%	8	8	8
Subsidiaries						**86**
ERG Wind Park Beteiligungs GmbH						
ERG Windpark Aukrug GmbH & Co. KG (4)	Hamburg (Germany)	100%	100%	5	5	5
ERG Windpark Bischhausen GmbH & Co. KG (4)	Hamburg (Germany)	100%	100%	5	5	5
ERG Windpark Heyen GmbH & Co. KG (4)	Hamburg (Germany)	100%	100%	5	5	5
ERG Windpark Bokel GmbH & Co. KG (4)	Hamburg (Germany)	100%	100%	5	5	5
ERG Windpark Jeggeleben GmbH & Co. KG (4)	Hamburg (Germany)	100%	100%	5	5	-
ERG Windpark Reinsdorf GmbH & Co. KG (4)	Hamburg (Germany)	100%	100%	5	5	-
Subsidiaries						**20**
ERG UK Holding Ltd.						
High Cairn Wind Farm Limited (4)	Edimburgh (UK)	100%	100%	-	-	-
Creggan Wind Farm Limited (2)(4)	Seebeck House (UK)	100%	100%	-	-	-
Longburn Wind Farm Ltd. (2)(4)	Seebeck House (UK)	100%	100%	0	-	-
Subsidiaries						-
ERG Solar Holding S.r.l.						
ERG Solar Montiel S.L.U (4).	Madrid (Spain)	100%	100%	3	-	-
ERG Solar El Abuelito S.L.U. (4)	Madrid (Spain)	100%	100%	3	-	-
ERG Solar Buenaventura S.L.U. (4)	Madrid (Spain)	100%	100%	10	9	620
Subsidiaries						**620**
ERG Solar Holding S.r.l.						
Rigghill Wind Farm Limited (4)	Seebeck House (UK)	50%	50%	-	-	238
Joint ventures						**238**
ERG S.p.A.						
CAF Interreg. Dipendenti S.r.l.	Vicenza (Italy)	0.04%	0.06%	276	1,046	-
Meroil S.A.	Barcelona (Spain)	0.87%	0.87%	19,077	87,786	310
R.U.P.E. S.p.A.	Genoa (Italy)	4.86%	4.86%	3,058	3,034	155
Other companies						**465**
TOTAL						**1,479**

(1) Data referring to the latest approved financial statements.
(2) Data expressed in thousands of Euro with the exception of companies with registered offices in the UK whose data are given in thousands of GBP.
(3) Company in liquidation.
(4) Companies measured at cost as they are not yet operational.

NOTE 49 - IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED STARTING ON 1 JANUARY 2022

As from 1 January 2022 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 IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) applicable as from 28 June 2021.

NOTE 50 - IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS, PUBLISHED BUT NOT YET ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2022

Below are the new standards or amendments to the standards, applicable for financial years beginning on or after 1 January 2022 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 2023	IFRS 17 *Insurance Contracts* including Amendments to IFRS 17	19 November 2021	✔
	Amendments to IAS 1 'Presentation of financial statements' on the classification of liabilities	23 January 2020	
	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	2 March 2022	✔
	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	2 March 2022	✔
	Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	7 May 2021	✔
	Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative information	9 December 2021	✔
1° January 2024	Amendments to IFRS 16 'Leases' – Lease liability in a sale and leaseback	22 September 2022	
	Amendments 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	

Any impacts of the aforesaid standards are currently being assessed.

NOTE 51 - OTHER INFORMATION

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 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)	Revenues 2022	of which feed-in premium	of which white certificates	of which guarantees of origin	of which DD	of which RES
Wind Italy	58	57	-	3	-	0.1
Thermoelectric Italy	-	-	-	-	-	-
Solar Italy	77	76	-	0.2	-	-
Total	**135**	**134**	**-**	**3**	**-**	**0.1**

(EUR million)	Receipts 2022	of which feed-in premium	of which white certificates	of which guarantees of origin	of which DD	of which RES
Wind Italy	78	78	-	1	-	0.4
Thermoelectric Italy	-	-	-	-	-	-
Solar Italy	63	63	-	0.1	-	-
Total	**142**	**141**	**-**	**1**	**-**	**0.4**

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.

It should be noted that, for the company ERG Power Generation, in 2021 the fixed premiums resulting from the awarding of the two Capacity Market auctions for the delivery years 2022 and 2023 were entered in the National Register of State Aid. The auctions were held in November 2019 and specifically concern the CCGT plant in Priolo Gargallo (SR), which was awarded a total amount of EUR 22.4 million relating to the 2022 and 2023 financial years.

With regard to the Capacity Market auction held in February 2022, it should be noted that ERG Power S.r.l. was awarded EUR 9.5 million for the CCGT plant for delivery year 2024, and that ERG Power Generation S.p.A. was awarded EUR 7 million for two energy storage plants located in the Central-Southern Area and Sicily. The payments will be made starting from 2024 for a period of 15 years.

Finally it should be noted that with reference to the 2022 financial year, ERG Power Generation S.p.A., ERG S.p.A. and ERG Power S.r.l. 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" - [Southern tax relief]) for an amount equal to EUR 1.4 million.

2022 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 2022 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

PLANTS IN OPERATION

(EUR thousand)	Carrying amount at 31 December 2022
Plants in operation	2,355,639
Plants that are still non operational	21,969
Other property, plant and equipment	15,642
	2,393,251
of which Assets held for sale	-
Total Continuing operations	**2,393,251**

Information about the energy generating plants in operation at 31 December 2022

		Associated financial debt									
Company	Plant	Carrying amount of financial liability	Type	Disbursement	Maturity	Hedge	Geographic location	% owned	Installed capacity (MW)	Energy generated by the plant in the year (GWh)	Carrying amount at 31 December 2022 (EUR thousand)
ERG Eolica S. Vincenzo S.r.l.		n.a.	n.a.	n.a.	n.a.	n.a.					
ERG Eolica Faeto S.r.l.		n.a.	n.a.	n.a.	n.a.	n.a.					
ERG Eolica Ginestra S.r.l.		n.a		n.a	n.a	n.a					
Green Vicari S.r.l.	Wind Farm	-		-	-	-	Italy	100%	541	1,110	340,135
ERG Eolica Fossa del Lupo S.r.l.		74,115	Project financing	2017	2027	IRS: fixed rate 2.26%					
ERG Eolica Adriatica		n.a.	n.a.	n.a.	n.a.	n.a.					
ERG Eolica Campania		n.a	n.a.	n.a	n.a	n.a					
Gruppo Donatello	Wind Farm	n.a	n.a.	n.a	n.a	n.a	Italy	100%	172		209,675
ERG Wind Investments											
ERG Wind Sardegna											
ERG Wind Sicilia 6											
ERG Wind 4											
ERG Wind 6											
ERG Wind Sicilia 2							Italy	100%		968	
ERG Wind Sicilia 3											
ERG Wind Sicilia 4	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.			636		207,548
ERG Wind Sicilia 5											
ERG Wind 2000											
ERG Wind Energy											
ERG Wind MEG 1 LLP											
ERG Wind MEG 2 LLP							Germany	100%		129	
ERG Wind MEG 3 LLP											
ERG Wind MEG 4 LLP											
Wind Italy+Germany		*74,115*						*100%*	*1,349*	*2,208*	*721,358*
Parc Eolien du Carreau S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de la Bruyère S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien les Mardeaux S.a.s.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	64	118	9,720
Parc Eolien de Lihus S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de Hetomesnil S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
E. Du Vent Solaire		n.a.	n.a.	n.a.	n.a.	n.a.					
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	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	64	131	24,811
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 S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de St Riquier 4 S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de la Chaude Vallee S.a.r.l.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de Morvilers S.a.r.l.		n.a.	n.a.	n.a.	n.a.	n.a.					
SEPE Du Nouvion S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de Garcelles-Sacqueville S.a.s.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	125	254	90,882
Parc Eolien du Patis S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien Hauts Moulins		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien Moulins des Camps (La Chapelle)		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de St Riquier 1 S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de la Souterraine		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolien de Oyre Saint Sauveur		n.a.	n.a.	n.a.	n.a.	n.a.					
Parc Eolienne de la Voie Sacree S.a.s.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	16	31	5,672
Parc Eolienne d'Epense S.a.s.											
WP France 6 S.a.s.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	13	29	11,917
WP France 10 S.a.s.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	7	-	7,279
Parc Eolien de la valleè de Torfou S.a.r.l.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	26	61	24,225
Parc Eolien du Melier S.a.r.l		n.a.	n.a.	n.a.	n.a.	n.a.					

Company	Plant	Associated financial debt: Carrying amount of financial liability	Type	Disbursement	Maturity	Hedge	Geographic location	% owned	Installed capacity (MW)	Energy generated by the plant in the year (GWh)	Carrying amount at 31 December 2022 (EUR thousand)
Mont Félix		n.a.	n.a.	n.a.	n.a.	n.a.					
Fond du Moulin		n.a.	n.a.	n.a.	n.a.	n.a.					
Chemin Vert	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	52	90	25,002
Le Marquay		n.a.	n.a.	n.a.	n.a.	n.a.					
Les Trentes		n.a.	n.a.	n.a.	n.a.	n.a.					
Sole de Bellevue		n.a.	n.a.	n.a.	n.a.	n.a.					
Ferme Eolienne Chery S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Ferme Eolienne de Quesnoy-sur-Airaines 2 S.a.s.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	38	70	28,330
Ferme Eolienne de Saint Pierre de Maillè S.a.s.		n.a.	n.a.	n.a.	n.a.	n.a.					
Ventoux	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.		100%	41	63	39,726
Joran	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.		100%	58	22	72,576
Les Bouchats	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.		100%	18		23,264
Wind France		*-*						*100%*	*522*	*869*	*363,404*
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	n.a.	n.a	n.a	n.a	n.a	Bulgaria	100%	54	148	31,622
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*	*148*	*28,104*
Corni Eolian S.A.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	Romania	100%	70	181	50,856
Wind Romania								*100%*	*70*	*181*	*50,856*
EW Orneta 2 z o.o.		23.725	Project financing	2015	2029	IRS: fixed rate 2.47% (wibor)					
Hydro Inwestycje Sp. z o.o.	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	Poland	100%	82	215	70,836
Blachy Pruszynsky-Energy Sp. z o.o.											
Lazski	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	Poland	100%	36		51,840
Piotkrow	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	Poland	100%	24		38,289
Wind Poland		*23,725*						*100%*	*142*	*215*	*160,965*
Furukraft	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	Poland	100%	62		65,967
Wind Sweden								*100%*	*62*	*-*	*65,967*
Voltwerk Energy Park 8 GmbH		n.a.	n.a.	n.a.	n.a.	n.a.					
Voltwerk Windpark Worbzig GmbH											
Voltwerk Windpark Beesenstedt GmbH											
Windpark Cottbuser Halde GmbH		n.a.		n.a.	n.a.	n.a.					
WP Achmer Vinte GmbH		n.a.		n.a.	n.a.	n.a.			130	161	63,283
Epuron Energy Park 117 (Frehne) GmbH	Wind Farm	n.a.		n.a.	n.a.	n.a.	Germany	100%			
ERG Wind Dobberkau GmbH & Co. KG		n.a.	n.a.	n.a.	n.a.	n.a.					
ERG Wind Weselberg GmbH & Co. KG		n.a.		n.a.	n.a.	n.a.					
UGE Barkow GmbH & Co.KG		n.a.		n.a.	n.a.	n.a.					
UGE Barkow Zwei GmbH & Co.KG		n.a.		n.a.	n.a.	n.a.			34	71	46,364
UGE Barkow Drei GmbH & Co.KG		n.a.		n.a.	n.a.	n.a.					
Windpark Linda GmbH & Co. KG	Wind Farm	19,414	Project financing	2018	2038	Fixed rate loan	Germany	100%	22	38	28,669
Ventoux	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	Germany	100%	55	27	58,967
Wind Germany (without MEG)		*19,414*						*100%*	*241*	*297*	*197,283*
Evisharagan	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	UK	100%	47	143	65,609
Craiggore	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	UK	100%	25	67	41,064
Sandy Knowe	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	UK	100%	50	-	130,218
Creag Riabach	Wind Farm	n.a.	n.a.	n.a.	n.a.	n.a.	UK	100%	35	-	103,160
Wind UK		*-*						*100%*	*157*	*210*	*340,051*
Wind		**117,254**						**100%**	**2.597**	**4,128**	**1,927,986**
Gruppo ForVei	Photovoltaic plant	n.a	n.a	n.a	n.a	n.a	Italy	100%	89	133	140,637
Isab Energy Solare (S.r.l.)	Photovoltaic plant	n.a.	n.a.	n.a.	n.a.	n.a.	Italy	100%	1	1	1,615
Andromeda PV S.r.l.	Photovoltaic plant	94,196	Project financing	2010	2028	Fixed rate loan	Italy	100%	51	81	21,195
Gruppo Siena	Photovoltaic plant	16,009	Financial leases			2030	Italy	100%	34		10,158
Solar Italy		*110,205*						*100%*	*141*	*215*	*173,605*
Ventoux	Photovoltaic plant	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	57	13	41,997
Joran	Photovoltaic plant	n.a.	n.a.	n.a.	n.a.	n.a.	France	100%	22	11	17,867
Solar France		*-*						*100%*	*79*	*24*	*59,864*
Gruppo Valencia	Photovoltaic plant	n.a.	n.a.	n.a.	n.a.	n.a.	Spain	100%	92	11	71,985
Solar Spain		*-*						*100%*	*92*	*24*	*71,985*
Solar		**110,205**						**100%**	**346**	**239**	**305,454**
TOTAL		**227,460**						**100%**	**2,944**	**4,367**	**2,233,441**

Information about the energy generating plants not yet in operation at 31 December 2021

Name of plant/Groups of plants	Geographic location	Owner company	Group	% owned	Maximum expected installed capacity (MW)	Progress of the project	Carrying amount at 31 December 2021 (EUR thousand)
Roccapalumba	Italia	Tirreno S.r.l.	Renew	100%	47	authorised and under construction	20,988
Bourgogne I	France	Parc Eolien de Moulin Bois	Epuron	100%	9	authorised but not yet under construction	404
Limousine I	France	St Maurice La Clouere	Epuron	100%	30	authorised but not yet under construction	577
Wind					**85**		**21,969**
Plants that are still non operational					**85**		**21,969**

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 52 - 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:

- certification services for EUR 49 thousand relating to the Green Bond Report on the issues carried out on the Euro Medium Term Note Programme for EUR 30 thousand, unbundling for EUR 15 thousand and tax returns for EUR 4 thousand;
- other services for EUR 130 thousand refer to the following activities:
  - agreed-upon procedures requested on the quarterly data of the subsidiaries for EUR 100 thousand;
  - audit of the Consolidated Non-Financial Statement for EUR 30 thousand.

Type of service	Party that performed the service	Recipient	2022 fees
(EUR thousand)			
Statutory audit	Auditor of the parent	parent	331
	Auditor of the parent	subsidiaries	859
	Network of the parent's auditor	subsidiaries	328
Total Audit Services			**1,518**
Non-audit services	Tax advice services	subsidiaries	-
	Auditor of the parent	parent	179
	Network of the parent's auditor	parent	-
	Network of the parent's auditor	subsidiaries	-
	Auditor of the parent	subsidiaries	152
Total non-audit services			**331**
Total			**1,849**

NOTE 53 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
Press release of 12 January 2023	**Scotland**	**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 production of 271 GWh at full capacity, avoiding the emission of 125 kt of CO_2 each year. A large part of the electricity produced 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 confirms its place in the Bloomberg Gender Equality Index. The Group enters the first quartile of the ranking..
Press release of 1 February 2023	**Italy**	**Corporate**	ERG has communicated the figures relating to the shares outstanding and the number of voting rights making up the share capital at 1 February 2023..
Press release of 9 March 2023	**Italy**	**Wind**	EssilorLuxottica and ERG sign a long-term agreement for the supply of electricity from renewable sources in Italy.

NOTE 54 - PUBLICATION DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

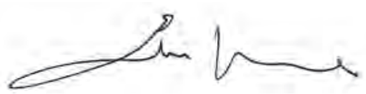
On 14 March 2023, the Board of Directors of ERG S.p.A. authorised the publication of the Financial Statements together with the reports of the Supervisory Bodies in compliance with the deadlines prescribed by current laws and regulations.

Genoa, 14 March 2023

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 Condensed Interim Consolidated Financial Statements:
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 ERG Group at 31 December 2022 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 the consolidation scope, together with a description of the main risks and uncertainties to which they are exposed.

Genoa, 14 March 2023

the Chief Executive Officer	The Manager responsible for preparing the financial reports
Paolo Luigi Merli	**Michele Pedemonte**

INDEPENDENT AUDITORS' REPORT

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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 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant 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 2022 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 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 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.

KPMG

ERG Group
Independent auditors' report
31 December 2022

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, Note 21 - Impairment testing

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include goodwill of €408 million, authorisations and concessions of €956 million, property, plant and equipment of €2,120 million and right-of-use assets of €154 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 €4 million, respectively). Under the procedure approved by the parent's board of directors on 24 February 2023, 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). After performing a comprehensive analysis of the triggering events, group management concluded that it was necessary to determine the recoverable amount of certain wind and solar farms in Italy, as well as the related authorisations and concessions, in view of the planned removal of existing plants following the authorisation to repower wind farms and the launch of certain solar plant revamping projects. 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. The expected operating cash flows are estimated on the basis of the following: • the forecasts set out in the update to the 2022-2026 business plan that the parent's directors examined and approved on 14 March 2023; • for the period subsequent to 2026, the projections prepared on the basis of macroeconomic and energy scenario simulations assuming a steady production trend.	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 update to the 2022-2026 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 understand 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 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 to the consolidated financial statements about impairment testing.

KPMG

ERG Group
Independent auditors' report
31 December 2022

Key audit matter	Audit procedures addressing the key audit matter
As a result of its impairment tests, the group has recognised the following impairment losses: • €20 million relating to the Italian wind farms that will be removed as part of the repowering project and the related authorisations and concessions; • €23 million relating to the Italian solar farms that will be revamped. Impairment testing is complex and entails a high level of judgement, especially in relation to: • the expected operating 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 context, the key assumptions are those about the expected energy prices, the availability of renewable resources and the evolution of the regulatory and legislative 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 businesses and other current and non-current provisions

Notes to the consolidated financial statements: Use of estimates – Risks and uncertainties, Note 25 – Provision for disposed businesses, Note 26 - Other provisions

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include the provision for disposed businesses and other current and non-current provisions of €85 million, €39 million and €24 million, respectively. With the support of the relevant internal departments and their legal and tax advisors, the directors estimated the 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	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 relevant controls; • analysing the discrepancies between past years' estimates of the effect of legal disputes and actual figures resulting from their subsequent settlement, in order to understand the accuracy of the estimation process; • sending written requests for information to the advisors assisting the group and discussing with the internal legal department about the assessment of the risk of losing pending disputes and the quantification of the related liability;

Key audit matter	Audit procedures addressing the key audit matter
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 civil, administrative and tax proceedings, 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 businesses and other current and non-current provisions is a key audit matter.	• 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; • assessing the appropriateness of the disclosures provided in the notes to the consolidated financial statements about the provision for disposed businesses 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 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.

KPMG

ERG Group
Independent auditors' report
31 December 2022

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;
- 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 our auditors' 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.

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 2022 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 2022 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 directors' report and the report on corporate governance and ownership at 31 December 2022 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 indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2022 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 referred to above are consistent with the group's consolidated financial statements at 31 December 2022 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, 27 March 2023

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit

3

Separate Financial Statements

STATEMENT OF FINANCIAL POSITION (1)

(EUR)	Notes	31/12/2022	of which with related parties	31/12/2021	of which with related parties
Intangible assets	1	2,370,631		2,391,969	
Property, plant and equipment	2	8,496,258		9,274,778	
Right-of-use assets	3	1,952,176		1,307,435	
Equity investments	4	2,603,551,103		2,086,366,562	
Non-current financial assets measured at fair value	16	27,788,662		-	
Deferred tax assets	5	8,757,936		10,294,250	
Other non-current assets	6	2,311,129		578,533	
Non-current assets		**2,655,227,895**		**2,110,213,527**	
Trade receivables	7	10,695,031	*10,376,364*	1,143,109	*486,078*
Other current assets	8	31,483,918	*4,281,925*	29,837,931	*2,290,687*
Current tax assets	9	27,843,685	*23,823,929*	75,687,716	*75,687,716*
Current financial assets measured at fair value	16	35,755,328	-	8,117,522	-
Other current financial assets	16	140,777,519	*40,442,702*	1,573,992,188	*1,271,802,987*
Cash and cash equivalents	16	282,096,999		727,578,647	
Current assets		**528,652,480**		**2,416,357,113**	
Assets held for sale		**-**		**-**	
TOTAL ASSETS		**3,183,880,375**		**4,526,570,640**	
Share capital	10	15,032,000		15,032,000	
Other reserves	10	919,547,461		859,867,609	
Retained earnings	10	179,830,359		293,288,008	
Profit for the year	10	11,617,989		21,126,479	
Equity		**1,126,027,809**		**1,189,314,097**	
Employee benefits	11	1,592,567		1,410,781	
Deferred tax liabilities	5	15,252,728		-	
Provision for disposed businesses	12	76,243,686		74,902,631	
Other non-current provisions	13	888,647		1,058,446	
Non-current financial liabilities measured at fair value	16	-		6,087,083	
Other non-current financial liabilities	16	1,593,006,640		1,840,070,406	
Non-current lease liabilities	16	1,330,971		558,536	
Non-current liabilities		**1,688,315,238**		**1,924,087,884**	
Other current provisions	13	1,218,634		2,522,781	
Trade payables	15	8,814,836	*510,184*	8,629,430	*80,042*
Current financial liabilities measured at fair value	16	-		8,114,418	*8,114,418*
Other current financial liabilities	16	325,013,221	*18,224,231*	1,313,654,103	
Current lease liabilities	16	621,830		759,930	
Other current liabilities	17	14,303,848	*5,454,000*	9,953,142	*2,797,848*
Current tax liabilities	18	19,564,959	*19,564,959*	69,534,856	*67,385,980*
Current liabilities		**369,537,327**		**1,413,168,659**	
Liabilities associated with assets held for sale		**-**		**-**	
TOTAL EQUITY AND LIABILITIES		**3,183,880,375**		**4,526,570,640**	

(1) The notes commenting on individual items are an integral part of these separate financial statements.

INCOME STATEMENT (1)

(EUR)	Notes	2022	of which with related parties	2021	of which with related parties
Revenue	20	34,272,096	*33,172,849*	38,301,500	*38,301,471*
Other income	21	1,219,063	*384,290*	1,727,695	*167,657*
Purchases	22	(149,905)		(165,310)	
Services and other operating costs	23	(32,848,701)	*(8,709,280)*	(34,079,484)	*(9,850,483)*
Personnel expense	24	(28,077,647)	*(4,248,000)*	(27,000,109)	*(2,351,300)*
GROSS OPERATING LOSS (EBITDA)		**(25,585,094)**		**(21,215,708)**	
Amortisation of Intangible assets	25	(1,579,366)		(1,530,716)	
Depreciation of property, plant and equipment and right-of-use assets	25	(1,826,601)		(2,154,991)	
OPERATING LOSS (EBIT)		**(28,991,061)**		**(24,901,414)**	
Financial income		28,197,885	*21,110,595*	23,742,258	*9,828,211*
Financial expense		(47,198,285)	*(3,344,165)*	(33,338,512)	*(8,114,418)*
NET FINANCIAL EXPENSE	26	**(19,000,400)**		**(9,596,254)**	
Net gains on equity investments		52,482,054		50,728,747	
GAINS ON EQUITY INVESTMENTS	27	**52,482,054**		**50,728,747**	
PROFIT BEFORE TAXES		**4,490,593**		**16,231,080**	
Income taxes	28	7,127,396		4,895,400	
PROFIT FROM CONTINUING OPERATIONS		**11,617,989**		**21,126,479**	
PROFIT FOR THE YEAR		**11,617,989**		**21,126,479**	

(1) The notes commenting on individual items are an integral part of these separate financial statements.

STATEMENT OF COMPREHENSIVE INCOME (1)

(EUR)	Notes	2022	2021
PROFIT FOR THE YEAR		**11,617,989**	**21,126,479**
Changes that will not be reclassified to profit or loss			
Actuarial losses	11	84,217	(42,781)
Related tax	11	(20,212)	10,267
Total		**64,005**	**(32,513)**
Changes that will be reclassified to profit or loss			
Cash flow hedges - effective portion of the fair value change	10	69,498,043	(17,941,343)
Related tax	10	(16,679,530)	4,305,922
Total		**52,818,513**	**(13,635,421)**
Other comprehensive expense net of the tax effect		**52,818,513**	**(13,667,934)**
Comprehensive income for the year		**64,500,507**	**7,458,545**

(1) The notes commenting on individual items are an integral part of these separate financial statements.

STATEMENT OF CASH FLOWS [1]

(EUR)	Notes	2022	of which with related parties	2021	of which with related parties
CASH FLOWS FROM OPERATING ACTIVITIES (A):					
Profit for the year		11,617,989		21,126,479	
Adjustments for:					
- Income taxes		(7,127,396)		(4,895,400)	
- Amortisation, depreciation and impairment of non-current assets	25	3,405,967		3,685,707	
- Accruals to provisions	12 13	2,796,311		1,777,084	
- Capital gains/losses from realisation of non-current assets		(52,428)		(1,400)	
- Dividend income		(50,079,906)	*(50,079,906)*	(50,000,000)	*(50,000,000)*
- Interest income		(18,392,204)	*(5,564,514)*	(13,203,572)	*(9,828,211)*
- Interest expense		31,167,068	*431,576*	17,991,924	-
- Changes in stock option plan and allocation of treasury shares to employees		2,678,333	*2,678,333*	2,493,793	*2,239,426*
- Contribution		4,119,000	*4,119,000*		
- Changes in fair value of financial assets measured at FVTPL		-		(170,115)	
- Changes in fair value of hedging derivatives (ineffective portion)		-		(235,427)	
- Changes to post-employment benefits	11	245,791		(151,081)	
Other non-monetary changes		1,517,145		(302,930)	
		(18,104,329)		**(21,884,939)**	
Change in other current assets and liabilities:					
- Change in trade receivables	7	(9,551,923)	*(9,890,285)*	3,105,567	*2,078,403*
- Change in trade payables	15	185,406	*430,142*	(2,906,308)	*(3,133,068)*
- Net change in other assets/liabilities	6, 8, 14, 17	2, 701,320	*345,955*	(17,378,489)	*(3,676,704)*
Dividends received		50,079,906	*50,079,906*	50,000,000	*50,000,000*
Use of provisions		(2,685,780)		(2,095,661)	
Taxes collected from national tax consolidation scheme		5,073,182		5,455,295	
		45,802,110		**36,180,404**	
CASH FLOWS FROM OPERATING ACTIVITIES (A)		**27,697,781**		**14,295,465**	
CASH FLOWS FROM INVESTING ACTIVITIES (B):					
Acquisition of intangible assets	1	(1,662,867)		(1,662,998)	
Acquisition of property, plant and equipment and right-of-use assets	2, 3	(1,795,808)		(773,222)	
Acquisition of equity investments	4	(184,541)		(184,541)	
Disposals of property, plant and equipment and right-of-use assets	2	260,254		8,822	
Price adjustment from disposal of equity investment		2,645,571		836,795	
Capital injection ERG Power Generation	4	-		-	
Investment in securities	16	(100,000,000)		(299,999,424)	
Securities collection		299,999,424		50,109,469	
Change in loans to subsidiaries		-		(956,030,392)	*(956,030,392)*
		-		-	
Repayment of loans from subsidiaries		707,441,031	*707,441,031*	30,067,795	*30,067,795*
Interest collected		27,515,038	*1,287,472*	7,850,940	*4,824,896*
Other changes in current financial assets		-		337,856	
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B):		**934,218,100**		**(1,169,438,899)**	
CASH FLOWS FROM FINANCING ACTIVITIES (C):					
New loans	16	17,792,653		999,485,117	
Green Bond Issue	16	-		500,000,000	
Repayment of loans	16	(1,209,999,424)		(25,000,000)	
Changes in other current financial liabilities	16	(49,850,515)		-	
Interest paid		(28,026,777)		(16,927,378)	
Fees on revolving		(1,729,197)		-	
Payment of lease liabilities	16	(1,000,141)		(1,102,674)	
Dividends paid		(134,584,128)	*(84,600,000)*	(112,153,440)	*(70,132,911)*
Other changes in equity		-		-	
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C):		**(1,407,397,529)**		**1,344,301,625**	
NET CASH FLOWS FOR THE YEAR (A+B+C)		**(445,481,648)**		**189,158,190**	
OPENING CASH AND CASH EQUIVALENTS	16	**727,578,646**		**538,420,456**	
NET CASH FLOWS FOR THE YEAR		(445,481,648)		189,158,190	
CLOSING CASH AND CASH EQUIVALENTS	16	**282,096,999**		**727,578,646**	
RECLASSIFICATION OF ASSETS/LIABILITIES HELD FOR SALE					
CLOSING CASH AND CASH EQUIVALENTS	16	**282,096,999**		**727,578,646**	

(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	Reserves	Profit for the year	Total Equity
BALANCE AT 31/12/2020		15,032,000	(18,261,584)	(317,607)	1,255,190,053	12,351,928	1,263,994,790
Allocation of the 2020 profit		-			12,351,928	(12,351,928)	-
Share-based payments with equity-linked instruments	10				2,678,333		2,678,333
Distribution of dividends	10	-			(112,153,440)	-	(112,153,440)
Other changes							
Profit for the year	10	-			-	21,126,479	21,126,479
Change in comprehensive income	10	-	13,635,421	32,513		-	13,667,934
Comprehensive income		-	13,635,421	32,513	-	21,126,479	34,794,413
BALANCE AT 31/12/2021		15,032,000	(4,626,163)	(285,094)	1,158,066,875	21,126,479	1,189,314,097

(EUR)	Notes	Share capital	Reserve for other comprehensive income: Hedging reserve	Reserve for other comprehensive income: Actuarial reserve	Reserves	Profit for the year	Total Equity
BALANCE AT 31/12/2021		15,032,000	(4,626,163)	(285,094)	1,158,066,875	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	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)	1,051,406,559	11,617,989	1,126,027,809

(1) The notes commenting on individual items are an integral part of these separate financial statements.

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 Market since 1997, operates, also through its investees, as a major independent operator in the production of electricity from renewable sources, differentiated between non-programmable sources (wind and sun) and programmable sources (thermoelectric and hydroelectric), and diversified in terms of its geographical presence, increasing its share of foreign wind market, mainly in France and Germany.

On 14 March 2023, 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 presentation 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 2022 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 amounts 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 statement**s, 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-endorsed 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-endorsed IFRS standards.
- the **Notes**.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Preparation of financial statements and notes pursuant to the EU-endorsed IFRS requires ERG 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. Making these estimates involves using information available and subjective assumptions.

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 for which subjective assessments are more usually required, in addition to those relating to fair value measurements, described in the specific section, were used, inter alia, for:

- the impairment test of the equity investment in ERG Power Generation with particular reference to the process of identifying and monitoring the triggering events and to the main assumptions for the determination of recoverable amounts;
- the measurement of provisions and contingent liabilities related to civil, administrative and tax 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-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.

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.

The war in Ukraine

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, security and business continuity.

As regards credit risk, there are no open positions directly with Russian and Ukrainian counterparties; however, it should be noted that the main customer of the Group on the Priolo Gargallo site is an Italian company indirectly controlled by a Russian group. In this regard, it has been reported in the media in recent months that Litasco has finalised the details of the sale of the Priolo plants to the Cypriot private equity and asset management fund G.O.I. Energy. Based on publicly available information, the operation should be subject to the occurrence of certain conditions precedent relating, among other things, to obtaining authorisations from all the competent authorities, including the Italian Government, which, moreover, has decreed the plants to be of national strategic interest so as to guarantee their business continuity (including the treatment plants). The transaction is expected to close by the end of March 2023 and should involve G.O.I. Energy concluding exclusive long-term supply and off-take agreements with Trafigura (one of the largest independent traders of oil and petroleum products in the world). These agreements should guarantee a safe supply of oil to the refinery and therefore avoid the sanctions that the European Union has established with reference to the blocking of oil imports by sea from Russia that could have resulted in a stoppage of the plants in the Priolo refinery had ISAB not had replaced the crude oil of Russian origin with imports from different geographical areas (the consequences of the stoppage would have been the potential impact on the sales agreements to the site by ERG Power Generation S.p.A. and ERG Power S.r.l.).

In relation to plant safety, note the position of some of the Group's wind farms in Eastern 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 although, in the event of an escalation, possible risks of cyber attacks that could indirectly have impacts on ERG Group assets, cannot be excluded.

In relation to business continuity with regard to gas procurement, ERG currently procures on the spot market and the criticality is mainly linked to operations that have become more onerous both in terms of procurement prices available on the market and organisational effort.

The geopolitical tensions are significantly impacting the financial and commodities markets, with a sharp increase in rates and gas and electricity prices, in respect of which further regulatory measures in the energy sector cannot be ruled out. Finally, there is a general increase in the prices of raw materials and finished products, aggravated by geopolitical tensions, the effects of which may impact investments of projects under construction in the short/medium term. The uncertainty profiles resulting from the current macroeconomic scenario, with particular reference to interest rate dynamics and possible further regulatory interventions in the sector, may impact the assessment on the recoverability values of assets recognised in property, plant and equipment and intangible assets.

For further details, please refer to what is indicated in the **Directors' Report**.

IMPAIRMENT TESTS ON EQUITY INVESTMENTS

Definition and recognition 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 2,603 million (EUR 2,086 million at 31 December 2021). 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 2021 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 2022 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;
- the distribution of dividends during 2022, amounting to EUR 50 million, by ERG Power Generation to ERG S.p.A.;
- the stock market capitalisation of ERG S.p.A. at 31 December 2022 amounting to EUR 4.4 billion (EUR 4.3 billion at 31 December 2021). It is noted in this regard that the fair market value of ERG Power Generation 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

Definition 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
BALANCE AT 31/12/2020	**1,499**	**789**	**2,288**
Changes for the year:			
Acquisitions	854	809	1,663
Capitalisations/reclassifications	722	(750)	(28)
Disposals and divestments	-	-	-
Amortisation	(1,531)	-	(1,531)
Other changes	-	-	-
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	(1,579)	-	(1,579)
Other changes	-	-	-
BALANCE AT 31/12/2022	**1,646**	**724**	**2,371**

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

Definition 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**	**911**	**12,378**	**68**	**30,672**
Depreciation and impairment losses	(10,586)	(518)	(9,483)	-	(20,587)
Balance at 31/12/2020	**6,729**	**393**	**2,895**	**68**	**10,085**
Changes in the year					
Acquisitions	-	38	209	(24)	224
Capitalisations	-	2	50	(24)	28
Reclassifications	-	-	-	-	-
Disposals and divestments (cost)	-	-	(2)	-	(2)
Disposals and divestments (provision)	-	-	2	-	2
Other changes	-	-	-	-	-
Depreciation	(507)	(65)	(490)	-	(1,062)
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**

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

Definition 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 3 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	**2,043**	**1,640**	**3,683**
Depreciation and impairment losses	(1,151)	(674)	(1,826)
BALANCE AT 31/12/2020	**892**	**966**	**1,858**
Changes in the year			
Acquisitions of right-of-use assets	25	524	549
Capitalisations	-	-	-
Reclassifications	-	-	-
Disposals and divestments of right-of-use assets (cost)	-	(117)	(117)
Disposals and divestments of right-of-use assets (provision)	-	110	110
Other changes	-	-	-
Depreciation right-of-use assets	(591)	(502)	(1,093)
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 right-of-use assets	(371)	(527)	(898)
Historical cost	**3,115**	**2,288**	**5,403**
Depreciation and impairment losses	(2,114)	(1,337)	(3,451)
BALANCE AT 31/12/2022	**1,001**	**951**	**1,952**

NOTE 4 – EQUITY INVESTMENTS

Definition 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 31/12/2020	**2,085,717**	**465**	**2,086,182**
Changes in the year:			
Acquisitions/share capital increases/revaluations	-	-	-
Disposals and divestments	-	-	-
Other changes	185	-	185
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**

In order to strengthen the equity/financial structure of the subsidiary of ERG Power Generation, the Board of Directors of the Company resolved, on 11 November 2022, to waive part of the amont due under the existing loan agreement, equal to EUR 517 million, and convert it into a capital injection in favour of ERG Power Generation.

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 Transactions**, as described more in detail in the "Treasury shares" section.

The list of equity investments is provided 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%	3,278,158	3,278,158	2,603,086
ERG Petroleos S.A.	Madrid (Spain)	3.050	100%	(7,032)	(7,032)	-
Total Subsidiaries						**2,603,086**
Other companies						
CAF Interregionale Dipendenti S.r.l.[2]	Vicenza	276	0%	1,046	0	0
Meroil S.A.[2]	Barcelona (Spain)	19.077	1%	87,786	764	310
R.U.P.E. S.p.A.[2]	Genoa	3.058	5%	3,028	147	155
Total Other companies						**465**
TOTAL EQUITY INVESTMENTS						**2,603,551**

(1) Data referring to the last financial statements approved at the date of the Board of Directors meeting for other companies and associated companies.
(2) Data referring to the financial statements at 31/12/2021.

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 7.0 million has been recognised, of which EUR 243 thousand allocated in 2022. During the year, this provision was used to cover 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 2022.

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

Definition 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 deems it likely that the deferred tax assets recognised at 31 December 2022 will be recovered.

	31.12.2022		31.12.2021	
(EUR thousand)	Temporary differences	Tax effect	Temporary differences	Tax effect
Provisions for risk and charges	31,446	7,547	29,081	6,979
Loss allowance	1,610	386	1,610	386
Derivatives	-	-	6,087	1,461
Other temporary differences	3,435	824	6,232	1,488
Total Deferred tax assets		**8,758**		**10,315**
Offsettable deferred taxes		**-**		**(21)**
Total deferred tax assets after offsetting		**8,758**		**10,294**

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 2022 is supported by reasonable elements of certainty regarding their recoverability in the years in which they are expected to be released. This assumption is based on the Group's expected taxable income, by virtue of ERG's adoption of the tax consolidation system.

The rate used for the calculation of the deferred tax assets is the same as the nominal IRES rate of 24%.

Deferred tax assets at 31 December 2022, amounting to EUR 8.8 million (EUR 10.3 million at 31 December 2021), 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 for EUR 1.5 million to the reduction of the hedging reserve recognised against the fair value of the derivative contracts entered into by ERG.

Deferred tax liabilities

	31.12.2022		31.12.2021	
(EUR thousand)	Temporary differences	Tax effect	Temporary differences	Tax effect
Unrealised exchange gains	47	11	74	18
Derivatives	63,411	15,219	-	-
Other deferred tax liabilities	95	23	13	3
Total deferred tax liabilities		**15,253**		**21**

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 taxes at 31 December 2022 amounted to EUR 15.3 million (EUR 21 thousand at 31 December 2021). The increase compared to the previous year is essentially due to the recognition of deferred taxes on the change in the hedging reserve (EUR +15.2 million). The remaining deferred taxes are attributable to unrealised exchange differences and unpaid interest income and IAS post-employment benefits.

NOTE 6 – OTHER NON-CURRENT ASSETS

Other non-current assets amount to EUR 2,311 thousand and include EUR 1,729 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 2021.

The item also includes non-current assets due from others in the amount of EUR 175 thousand, which mainly include security deposits on lease agreements and remain unchanged compared to 31 December 2021.

NOTE 7 – TRADE RECEIVABLES

Initial recognition takes place at fair value, subsequently they are measured using the amortised cost criterion.
Trade receivables and other 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)	31/12/2022	31/12/2021
Receivables from customers	1,768	2,107
Receivables from Group companies	10,376	486
Loss allowance	(1,450)	(1,450)
Total	**10,695**	**1,143**

"Receivables from customers" essentially include trade receivables amounting to EUR 1,722 thousand and invoices to be issued amounting to EUR 47 thousand.
The item includes in particular prior year 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 decrease in this item is attributable to the derecognition of previous items.
"Receivables from group companies" includes all receivables from subsidiaries. More specifically, receivables due from subsidiaries mainly include chargebacks to subsidiaries for around EUR 9,059 thousand and the adjustment of the service contract with ERG Power Generation S.p.A. for EUR 1,600 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)	31/12/2022	Accruals	Utilisations	Other changes	31/12/2021
Loss allowance	1,450	-	-	-	1,450
Total	**1,450**	**-**	**-**	**-**	**1,450**

There were no uses of the allowance in 2022.

(EUR thousand)	31/12/2022	31/12/2021
Receivables from third parties not past due and intragroup receivables	**10,376**	**486**
Past due receivables from third parties:		
within 30 days	-	-
within 60 days	-	-
within 90 days	-	-
after 90 days	319	657
Total	**10,695**	**1,143**

NOTE 8 – OTHER CURRENT ASSETS

(EUR thousand)	31/12/2022	31/12/2021
Tax assets	14,515	15,572
Other amounts due from Group companies	4,282	2,291
Other assets	12,687	11,975
Total	**31,484**	**29,838**

Tax assets relate mainly to other amounts due 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 to advances on electricity and gas excise duties (EUR 1,062 thousand).

It should be noted that ERG S.p.A. has not renewed its participation in the group VAT scheme for the year 2022. Starting from 1 January 2022, payment of the ERG group VAT is entrusted to the subsidiary ERG Power Generation S.p.A.

"Other amounts due from Group companies" mainly include the amount due of ERG S.p.A. from the parent company SQ Renewables regarding the Special Grant disbursed of approximately EUR 4 million. For further details, please refer to the **Additional information** in **Note 30 – Related parties**.

The increase in the item "Other assets" is mainly due to deferrals pertaining to costs for non-recurring transactions not yet completed at the reporting date and to payments made on a provisional basis in the course of litigation relating to retained matters in connection with the sale of the equity investment in TotalERG.

NOTE 9 – CURRENT TAX ASSETS

(EUR thousand)	31/12/2022	31/12/2021
Current tax assets	27,844	75,688
Total	**27,844**	**75,688**

The item "Current tax assets" essentially includes IRES amounts 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 2022 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 2021).

The shareholding structure of ERG S.p.A. following the closing of the transaction aimed at creating the long-term partnership between San Quirico S.p.A. and the investment fund IFM Net Zero Infrastructure Fund SCSp, which took place on 15 September 2022, is shown below.

At 31 December 2022, SQ Renewables S.p.A. owns 94,000,000 shares, equal to 62.533%.

Treasury shares

Definition 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.

The Ordinary Shareholders' Meeting held on 26 April 2022 has authorised the Board of Directors, pursuant to Article 2357 of the Italian Civil Code - subject to revocation, for the period still remaining, of the previous authorisation resolved upon by the Shareholders' Meeting held on 26 April 2021 – for a period of 18 months from 26 April 2022, to repurchase treasury shares up to a revolving maximum (i.e. the maximum amount of treasury shares held in the portfolio at any time) of 30,064,000 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 stock 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 made by using distributable profits and the available reserves resulting from the latest approved Financial Statements, in accordance with Article 132 of the Consolidated Finance Act and with the methods envisaged by Article 144-bis, paragraph 1, subsection b) of the Issuers' Regulation and namely "on regulated markets or on multilateral trading systems based on operating methods set out in the organisation and management regulations of the markets themselves, which do not allow direct matching of buy orders with predetermined sell orders". By revoking, for the period still remaining, the previous authorisation resolved by the Shareholders' Meeting on 26 April 2021, the Shareholders' Meeting also authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, for 18 months as from 26 April 2022, to sell, all at once or in several steps, and with any procedures deemed appropriate in relation to the purposes, which the disposal is attempting to achieve, treasury shares at a unit price no lower than

10% below the closing price of the stock on the day immediately preceding each individual sale.

There were 782,080 treasury shares at the date of preparation of this document.

Reserves

(EUR thousand)	31/12/2022	31/12/2021
Share premium reserve	69,166	69,166
Legal reserve	3,236	3,236
IFRS transition reserve and retained earnings	179,830	293,288
Hedging reserve	48,192	(4,626)
Other reserves	798,954	792,093
Total	**1,099,378**	**1,153,156**

- 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. This reserve was used for:
  - 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.
- The **"IFRS transition reserve and retained earnings"** consists of the adjustments made to the ERG S.p.A. Separate Financial Statements at the transition 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 2022 is positive by EUR 48,192 thousand and reflects the effect of the derivatives hedging ongoing loans.
- "**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 Transactions** 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 64 thousand;
- Non-repayable disbursement of EUR 4.1 million by SQ Renewables S.p.A. to fund the Special Contribution discussed in **Note 30 – Related parties**.

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	69,166	A B C	69,166	
Legal reserve	3,236	B	-	
FTA reserve and retained earnings	179,830	A B C	179,830	
Hedging reserve	48,192		-	
Other reserves	798,954	A B C	798,954	254,851
Profit for the year	11,618		11,618	
Total	**1,126,028**		**1,059,568**	**269,883**

Legenda
A – for share capital increase.
B – for loss coverage.
C – for distribution to shareholders.

As a result of the statement of financial position 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 2022 (EUR 134.6 million) and in 2021 (EUR 112.2 million), as resolved upon approval of the Financial Statements for the previous years, amounted respectively to EUR 0.90 and EUR 0.75.

On 14 March 2023, the Board of Directors proposed the payment to shareholders of a dividend of EUR 1 per share from the profit for the year and, for the remaining part, via the use of retained earnings. The dividend will be paid, after approval by the Shareholders' Meeting, as from 24 May 2023, with an ex-dividend date as from 22 May 2023 and record date of 23 May 2023.

Proposal of the Board of Directors of 14 March 2023

Dear Shareholders, in relation to the results achieved, we invite you to resolve upon the following:

- to approve the Financial Statements of your company at 31 December 2022, which show a profit of EUR 11.617.988,94;
- to resolve to pay to the Shareholders a dividend of EUR 1 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, via the profit for the year and, for the remaining part, via use of the retained earnings reserve;
- to approve the payment of the dividend as from 24 May 2023, with an ex-dividend date as from 22 May 2023 and record date of 23 May 2023.

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 2022.

NOTE 11 – EMPLOYEE BENEFITS

DeDefinition 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
		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
IThe benefits due to the employees for the termination of employment 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)	31/12/2022	31/12/2021
Opening balance	**1.411**	**1.594**
Increases	269	129
Actuarial revaluation	(84)	(43)
Other changes	(3)	(270)
Closing balance	**1.593**	**1.411**

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.

	2022	2021
Discount rate	3.8%	1.0%
Inflation rate	3.0%	1.0%
Average turnover rate	3.0%	3.0%
Average rate of salary increase	1.5%	1.5%
Average age	47	47

The following table shows the impact on the liability as a result of a +/-0.5% change in the discount rate.

(EUR thousand)	2022	2021
+0.5% change in discount rate: lower liability	(17)	(37)
-0.5% change in discount rate: higher liability	18	40

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

Definition 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)	31/12/2022	Increases	Decreases	Reclassifications	31/12/2021
Provision for disposed businesses	76,244	2,513	(1,172)	-	74,903
Total	**76,244**	**2,513**	**(1,172)**	**-**	**74,903**

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 stake 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 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 upholding 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.

  Starting from 2007, the reference taxes have been 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 Roadstead. The request is unlawful and has therefore been contested before the Administrative Courts (the hearing for the presentation of the arguments has yet to be set).

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 Augusta Roadstead; 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 Roadstead (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, which has already been challenged by ERG Power S.r.l. and ERG Power Generation S.p.A.;

ERG S.p.A. is not party to the proceedings, but the environmental issues relating to the Augusta Roadstead arise in the context of the environmental guarantees present in the various contracts with ENI and Lukoil;

- with reference to the sale of **TotalErg** and in particular to the guarantees connected to the buyer on 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 for the year refer mainly to monetary adjustments to the underlying risk and the provision made for future charges arising from the redefinition of the Group's strategic structure in application of the 2022-2026 Business Plan.

The decrease of EUR 1,172 thousand to the provision for disposed businesses is mainly due to the settlement of certain prior liabilities.

NOTE 13 – OTHER PROVISIONS

Definition 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)	31/12/2022	Increases	Decreases	Reclassifications	31/12/2021
Other provisions	889	-	(170)	-	1,058
Total	**889**	**-**	**(170)**	**-**	**1,058**

The amount of the provisions for non-current liabilities and charges is equal to EUR 889 thousand (EUR 1,058 at 31 December 2021). The item mainly refers to the Reorganisation Provision in addition to other minor provisions. Uses refer to the Reorganisation Provision.

Other current provisions

(EUR thousand)	31/12/2022	Increases	Decreases	Reclassifications	31/12/2021
Provision for legal risks	44				44
Other provisions	1,175	40	(1,344)		2,479
Total	**1,219**	**40**	**(1,344)**	**-**	**2,523**

The amount of the provisions for current liabilities and charges at 31 December 2022 is deemed sufficient to address any future risks and charges.

The "provision to cover losses of investees" refers to the provision for the equity investment in ERG Petroleos S.A. and was increased at the end of 2022 by EUR 243 thousand to cover the losses for the deficit of that company. The provision was therefore reclassified to cover the loan asset from the subsidiary in order to disclose its receivable recoverable amount at the end of the liquidation.

The increase in Other provisions refers mainly to:

- Commitments for donations. Specifically, these include:
  - Charges in support of Valpolcevera: on the occasion of the celebration of its 80th anniversary, ERG committed to donate EUR 1 million to the Municipality of Genoa to help with the renovation and sustainable development projects in Valpolcevera following the collapse of the Morandi bridge in August 2018. The provision was used in the amount of EUR 400 thousand in 2020 and EUR 100 thousand in 2021; at 31 December 2022, EUR 500 thousand remained.
  - Provision for donations due to the emergency in Ukraine: EUR 478 thousand was disbursed 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.

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 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 Financial Statements, there are no obligations falling within the definition described above.

NOTE 15 – TRADE PAYABLES

Definition 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)	31/12/2022	31/12/2021
Trade payables	8,305	8,549
Payables to Group companies	510	80
Total	**8,815**	**8,629**

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

Definition 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 measurement 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 loan assets 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)	31/12/2022	31/12/21
A. Cash	*282,097*	*727,579*
B. Cash equivalents	*-*	*-*
C. Other current financial assets	*140,778*	*1,582,110*
D. Cash (A+B+C)	**422,875**	**2,309,688**
E. Current financial indebtedness	*(49,589)*	*(1,049,485)*
E. Current financial debt - instruments measured at Fair Value	*-*	*(8,114)*
F. Current portion of non-current financial liabilities - loans, borrowings	*(275,425)*	*(264,169)*
F. Current portion of non-current financial liabilities - current lease liabilities	*(622)*	*(760)*
G. Current financial indebtedness (E+F)	**(325,635)**	**(1,322,528)**
H. Net current financial indebtedness (G-D)	**97,239**	**987,160**
I. Non-current financial liabilities	*-*	*(248,977)*
I. Non-current financial liabilities - Non-current lease liabilities	*(1,331)*	*(559)*
J. Bonds issued	*(1,593,007)*	*(1,591,093)*
K. Trade payables and other liabilities (instruments measured at fair value)	*-*	*(6,087)*
K. Trade payables and other liabilities	*-*	*-*
L. Non-current financial indebtedness (I+J+K)	**(1,594,338)**	**(1,846,716)**
M. Net financial indebtedness (H+L)	**(1,497,098)**	**(859,556)**

The net financial position, 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 1,497 million, up by EUR 638 million compared to 31 December 2021 mainly as a result of the capital injection to the subsidiary Erg Power Generation S.p.A.

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 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 as compliant with Green Bond Principles 2021 and in line with best market practices.

At 31 December 2022, the sources of Sustainable Finance, equal to EUR 1,600 million out of a total of financial sources equal to a nominal amount of EUR 1,850 million (EUR 1,950 million at 31 December 2021 out of a total of financial sources equal to a nominal amount of EUR 2,110 million), include:

- *Green Bonds*, for a total of EUR 1,600 million (EUR 1,600 million at 31 December 2021), intended for the financing and refinancing of the construction and/or acquisition of wind and solar projects that have recently become part of the ERG Group portfolio;
- *Non-current senior unsecured Environmental, Social and Governance-linked loans* ("ESG Loans"), for a total of EUR 0 million (EUR 350 million at 31 December 2021); These loans were repaid early in 2022.

Cash and cash equivalents

Definition 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 282,097 thousand at 31 December 2022 (EUR 727,579 thousand at 31 December 2021) 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 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 35,755 thousand at 31 December 2022 (EUR 8,118 thousand at 31 December 2021), includes receivables for derivatives referring to the 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 27,789 million at 31 December 2022 (EUR 0 thousand at 31 December 2021) includes derivatives with positive fair value of the Prehedge hedging interest rate risk (IRS).

The following is an overall breakdown of current and non-current financial assets measured at fair value at 31 December 2022.

In line with CONSOB provisions, this item is not included in the Net Financial Position table.

Issuing bank	Agreement	Maturity	Receivable for fair value
(EUR thousand)			**31/12/2022**
Mediobanca	IRS	30/06/23	1,728
Commerzbank	IRS	30/09/29	8,983
Unicredit	IRS	31/12/27	11,099
Credit Agricole	IRS	31/12/27	11,512
Barclays	IRS	31/12/27	11,415
Unicredit	IRS	30/09/29	9,423
UBI	IRS	30/09/29	9,382
Total			**63,544**

Other current and non-current financial assets

Other current financial assets

This item, equal to EUR 140,778 thousand at 31 December 2022 (EUR 1,573,992 thousand at 31 December 2021), mainly consists of the current portion relating to the use of liquidity (EUR 100 million) and of receivables deriving from the financing activities of ERG Power Generation S.p.A. (EUR 40,159 thousand). The significant decrease in 2022 is primarily due to the decrease in the financial receivable from the subsidiary ERG Power Generation mainly following the collection of the equity investment of the company ERG Hydro (now Enel Appenino), which took place on 3 January 2022 and the conversion into payment for future capital increase in 2022 for an amount of EUR 517 thousand.

The item also includes financial accrued income relating to the portion of interest income on liquidity and intragroup financing.

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

Definition 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 325,013 thousand at 31 December 2022 (EUR 1,313,654 thousand at 31 December 2021).

The item mainly includes:

- short-term positions referred to current accounts of credit lines for EUR 49,589 thousand;
- the current portion of loans including the current portion of the amortised cost and the IFRS 9 gain on loans for an amount equal to EUR 249,438 thousand;
- The current portion of liabilities 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 7,007 thousand;
- Liabilities to the subsidiary ERG Power Generation for the cash pooling relationship for EUR 18,224 thousand;

In line with CONSOB provisions, in the Net Financial Position table this item is included in the item "E Current financial liabilities" for current credit lines (EUR 49,589 thousand) and in the item "F Current portion of non-current financial liabilities – loans and borrowings) for the residual amount of EUR 275,425 thousand.

Other non-current financial liabilities

This item amounted to EUR 1,593,007 thousand at 31 December 2022 (EUR 1,840,070 thousand at 31 December 2021).

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 1,593,007 thousand).

Bonds

The bonds issued, amounting to EUR 1,600 million at 31 December 2022 (EUR 1,600 million at 31 December 2021), include:

(EUR thousand)

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-April-19	11-April-25	99.67%	1.93%	Fitch: BBB-	500,000	505,019
Green Bond	XS2229434852	0.500%	11-Sept-20	11-Sept-27	99.21%	0.62%	Fitch: BBB-	500,000	496,340
Green Bond	XS2229434852	0.500%	23-Dec-20	11-Sept-27	101.10%	0.33%	Fitch: BBB-	100,000	100,582
Green Bond	XS2386650274	0.875%	15-Sept-21	15-Sept-31	99.75	0.90%	Fitch: BBB-	500,000	498,070
								1,600,000	**1,600,013**

The liability for bonds is presented net of commissions and other borrowing costs for an amount of EUR 8.9 million. These costs were recognised in the 2022 financial expense using the amortised cost method in the amount of EUR 1.9 million.

The carrying amount of the financial liability includes approximately EUR 8.9 million of interest accrued in the year.

Loans and borrowings

This item, amounting to EUR 249 million, mainly refers to:

- Two ***bilateral corporate loans*** with Mediobanca S.p.A. (EUR 150 million) and UBI Banca S.p.A. (now Intesa Sanpaolo Group) (EUR 100 million) subscribed in the first half of 2016.

During 2022, the two non-current Environmental, Social and Governance loans ("ESG Loans") of EUR 100 million with Banca Nazionale del Lavoro and EUR 100 million with Crédit Agricole and the corporate loan with Commerzbank of EUR 60 million, were repaid early.

The loans indicated above are recognised net of ancillary costs, recognised with the amortised cost method (EUR 0.2 million) and the effect of the renegotiation of borrowing (EUR 0.8 million).

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

(EUR thousand)

Disbursement	Type of loan	Lending bank	Deadline	Rate	Carrying amount	Nominal amount
2016	Bilateral corporate loan	Mediobanca	2023	IRS: Euribor + Spread	149,584	150,000
2016	Bilateral corporate loan	Ubi Banca	2023	IRS: Euribor + Spread	99,854	100,000
					249,438	**250,000**

Current and non-current financial liabilities measured at fair value

Current financial liabilities measured at fair value

The item was zero at 31 December 2022. Note that at 31 December 2021, the item included liabilities for SWAP derivatives referring to the fair value liability on derivatives hedging commodity price risk in relation to a derivative contract entered into on behalf of the subsidiary ERG Power Generation S.p.A. for an amount of EUR 8.1 million, closed at the end of 2022.

In line with CONSOB provisions, in the Net Financial Position table this item is included in the item "E –Current financial liabilities – Instruments measured at fair value".

Non-current financial liabilities measured at fair value

This item was nil at 31 December 2022 (EUR 6,087 thousand at 31 December 2021). It should be noted that at 31 December 2021 this item included the fair value on derivatives hedging the variable interest rates of loans.

In line with CONSOB provisions, in the Net Financial Position table this item was included in the item "K – Trade payables and other liabilities (instruments measured at fair value)".

Please refer to Note **31 – Financial instruments** for further details.

Lease liabilities

Financial liabilities arising as a result of the application of IFRS 16 totalled EUR 1,953 thousand, EUR 1,330 thousand of which non-current and EUR 622 thousand current.

Liabilities refer to the present value of liabilities due and not paid at the start date of the lease plus implicit interest accrued on said liability and decreased by payments made during the year.

In line with CONSOB provisions, in the Net Financial Position table this item is 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)	31/12/2022	31/12/2021
Tax liabilities	1,328	910
Payables to employees	6,701	4,267
Payables to pension and social security institutions	2,839	1,914
Other current liabilities	3,437	2,863
Total	**14,304**	**9,953**

"Tax liabilities" relate mainly to employee IRPEF deductions for approximately EUR 728 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 2022.

NOTE 18 – CURRENT TAX LIABILITIES

(EUR thousand)	31/12/2022	31/12/2021
Current tax liabilities	19,565	69,535
Total	**19,565**	**69,535**

Current tax liabilities include other current liabilities to the subsidiaries for IRES (EUR 19,565 thousand) that generated deductible amounts within the scope of the "Tax Consolidation Scheme".

NOTE 19 - GUARANTEES, COMMITMENTS AND RISKS

(EUR thousand)	31/12/2022	31/12/2021
Sureties in favour of Group companies	716,436	621,860
Sureties provided in favour of third parties	2	2
Our commitment to third parties	11,275	3,664
Total	**727,713**	**625,526**

Sureties in favour of Group companies refer mainly to the guarantees provided to subsidiaries. Specifically, ERG S.p.A. has issued Parent Guarantees in favour of Group companies relating mainly to the wind business and to Group VAT, and as a guarantee for the VAT reimbursements requested by some subsidiaries for approximately EUR 716 million.

Commitments to third parties consist mainly of commitments for the management of information systems, in particular pertaining to the finance department.

INCOME STATEMENT ANALYSIS

NOTE 20 - REVENUE

Definition 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 the provision of services amounting to EUR 34.3 million (EUR 38.3 million at 31 December 2021) 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)	2022	2021
Other income from Group companies	324	168
Reimbursement of expenses	168	175
Other income	726	1,385
Total	**1,219**	**1,728**

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 also includes the positive effect deriving from the removal of prior entries pertaining to the previous businesses for an amount of approximately EUR 0.3 million.

NOTE 22 – PURCHASES

(EUR thousand)	2022	2021
Purchases	150	165
Total	**150**	**165**

NOTE 23 - SERVICES AND OTHER OPERATING COSTS

(EUR thousand)	2022	2021
Services	24,499	25,252
Rental, lease and hire expenses	2,855	2,707
Accruals of provisions for liabilities and charges	2,513	1,650
Taxes and duties	1,346	1,156
Other operating costs	1,636	3,313
Total	**32,849**	**34,079**

Costs for services are broken down as follows:

(EUR thousand)	2022	2021
Utilities and consumption	1,867	2,008
Insurance	940	900
Consultancy	3,973	4,552
Advertising and promotions	420	424
Directors' and Statutory Auditors' remuneration	8,505	9,473
IT services	4,264	3,754
Personnel services	2,322	1,828
Other services	2,208	2,314
Total	**24,499**	**25,252**

The item includes mainly costs for consultancy services, 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 2022 remuneration to Directors includes also the portion of the cost pertaining to the 2021-2023 long-term incentive plan. In accordance with IFRS 2 – Share-Based Payment transactions, 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**. It should be noted that in 2022 the item includes the Special Contribution relating to the Chief Executive Officer referred to in the comment formulated in the Related parties paragraph and in 2021 the item also included the Termination Indemnity as a result of the changeover of the Chief Executive Officer on 26 April 2021.

NOTE 24 – PERSONNEL EXPENSE

(EUR thousand)	2022	2021
Wages and salaries	20.569	18.737
Social security contributions	5.468	4.985
Post-employment benefits	1.377	1.336
Other costs	664	1.943
Total	**28.078**	**27.000**

Note that, in accordance with **IFRS 2 – Share-Based Payment Transactions**, following implementation of the 2021-2023 long-term incentive plan, with reference to employees the portion of the cost accrued in 2022 and representing the fair value of the instruments 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 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 referring to Group management as per the Related Parties paragraph.

Share-based payment transactions

*It should be noted that, in accordance with **IFRS 2 – Share-Based Payment Transactions**, following the implementation of the 2021-2023 Long-Term Incentive Plan, the portion of the cost accrued in 2022 was recognised.*

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 (322,200, as resolved upon by the Board of Directors of ERG S.p.A.) if the price of the ERG shares is equal to or less than EUR 22.5 ("Target Price"); equal to 200% of the shares allocated if the price is higher than EUR 27.5 ("Cap Price"). If the price is between the Target Price and the Cap Price, shares will be allocated proportionally.

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.

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 Montecarlo 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 ac-

cruals basis in the years of the vesting period. This amount refers, for 56%, to the Directors, and for the remainder to Group employees.Il costo per il trattamento di fine rapporto è relativo principalmente alla porzione di beneficio relativo ai Piani di contribuzione definita. Il costo include anche i contributi versati a piani a contribuzione definita a favore dei dirigenti con responsabilità strategiche, per il dettaglio dei quali si rimanda alla sezione delle Parti Correlate.

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 management personnel, for the details of which please see the Related Parties section.

"Other personnel expense" includes additional post-employment benefits.

The following table shows the breakdown of the ERG S.p.A. personnel (average headcount during the year).

	2022	2021
Executives	24	24
Middle managers	99	115
White-collar staff	81	94
Total	**203**	**233**

At 31 December 2022, the company had a total of 204 employees.

NOTE 25 - AMORTISATION, DEPRECIATION AND IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Definition 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)	2022	2021
Amortisation of intangible assets	1,579	1,531
Depreciation of property, plant and equipment	929	1,062
Depreciation right-of-use assets	898	1,093
Total	**3,406**	**3,686**

Note that the effect deriving from the application of IFRS 16 on the depreciation for the year on leased assets amounts to approximately EUR 0.9 million.

NOTE 26 – NET FINANCIAL INCOME (EXPENSE)

(EUR thousand)	2022 Financial income	2022 Financial expense	2022 Net	2021 Financial income	2021 Financial expense	2021 Net
Bank interest income (expense) on current accounts	1,943	-	1,943	3,255	-	3,255
Interest rate derivatives financial income (expense) - differential	10,806	(11,892)	(1,086)	31	(3,934)	(3,903)
Interest expense on loans/bond issues to third parties	78	(19,102)	(19,023)	-	(15,488)	(15,488)
Liability management transactions	-	(3,008)	(3,008)	-	(1,086)	(1,086)
Liquidity management/Cost of debt	**12,828**	**(34,003)**	**(21,175)**	**3,286**	**(20,508)**	**(17,222)**
Other interest income (expense)	5,565	(440)	5,125	9,917	-	9,917
Change in fair value	8,247	(8,118)	130	8,523	(8,224)	299
Amortised cost on loans and bond issues	91	(2,535)	(2,444)	90	(2,498)	(2,408)
IFRS 9 Income (expense)	1,469	(2,060)	(591)	1,930	(2,089)	(160)
Interest income (expense) on lease liabilities	1	(8)	(6)	(1)	(12)	(13)
Exchange gains (losses)	(3)	(36)	(39)	(4)	(7)	(10)
Other income/(expense)	**15,370**	**(13,196)**	**2,175**	**20,456**	**(12,831)**	**7,625**
Total	**28,198**	**(47,198)**	**(19,000)**	**23,742**	**(33,339)**	**(9,596)**

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 decrease is essentially due to a difference in composition of liquidity between demand deposits and term deposits compared to 31 December 2021, and the return on liquidity which is lower than the previous year.

With reference to **interest expense on bank borrowings and bond issues**, the higher bank interest expense compared to 2021 is mainly due to the effect of the issue of the new green bond in September 2022.

The item **liability management transactions** includes the non-recurring charges linked to the early closure of three corporate loans outstanding at 31 December 2021.

Other interest income mainly includes interest from subsidiaries. The decrease is mainly due to the lower exposure of the subsidiary ERG Power Generation S.p.A.; the increase in other interest expense refers to the debt position relating to the cash pooling agreement entered into during the year with the subsidiary Erg Power Generation S.p.A.

The **change in fair value** includes the effects of derivatives hedging against the risk of interest rate fluctuations and commodity swaps in progress.

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, intragroup loan assets and guarantees.

NOTE 27 - NET GAINS (LOSSES) ON EQUITY INVESTMENTS

(EUR thousand)	2022	2021
Dividends and other income from subsidiaries	50,000	50,000
Dividends and other income from other companies	80	19
Price adjustments on equity investments	2,646	837
Impairment and capital losses from equity investments	(243)	(127)
Total	**52,482**	**50,729**

Dividends and other income from other companies refer mainly 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 2,646 thousand.

Impairment losses include mainly the adjustment of the provisions for charges on equity investments for EUR 243 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

Definition 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.

The amount of the taxes due or to be received, determined on the basis of tax rates enacted or substantially enacted at the reporting date, also includes the best estimate of any portion to be paid or to be received that is subject to uncertainty factors.

Current tax assets and liabilities are offset only when determined criteria are met.

(EUR thousand)	2022	2021
Benefit from tax consolidation and deferred tax assets	(7,307)	(5,438)
Previous year taxes	108	199
Changes in deferred tax assets	72	344
Total	**(7,127)**	**(4,895)**

Taxes for the year, positive in the amount of EUR 7,127 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 2022 tax year (EUR 7,307 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)	31/12/2022	31/12/2021
Due from Group companies (to tax liabilities)	23,824	75,680
Due to Group companies (to tax assets)	(19,565)	(67,380)
Credit (debt) position of ERG S.p.A.	(8,279)	(6,151)
Total	**(4,020)**	**2,149**

Reconciliation between effective and theoretical tax expense

The reconciliation between effective and theoretical tax expense before adoption of IFRS 5 is provided below.

(EUR thousand)	Taxable amount	Tax
IRES		
Profit before taxes	**4,491**	
Theoretical tax charge (24%)		1,078
Permanent tax changes	(27,339)	
taxable amount	**(22,848)**	
IRES rate (24%)		(5,484)
Derecognition of deferred IRES tax assets/other changes		647
Previous year taxes IRES		108
Gain on transfer of interest expense to tax consolidation scheme		(2,398)
IRAP		
Operating loss	(28,991)	
Costs and revenue without relevance for IRAP purposes	28,078	
Theoretical basis of taxation for IRAP purposes	(913)	
Theoretical tax charge (5.57% rate)		(51)
Permanent tax changes	(33,181)	
Theoretical IRAP taxable amount	**(34,094)**	
Theoretical IRAP in the financial statements		(1,899)
Negative IRAP		1,899
Derecognition of deferred tax assets		
TOTAL TAXES IN FINANCIAL STATEMENTS		**(7,127)**

Permanent tax changes consist mainly of dividends from subsidiaries and of impairment losses on equity investments.

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)		2022	of which related parties		2021	of which related parties
Revenue from sales and services		-			-	
Other revenue	1)	(256)			-	
Total revenue - non-recurring items		**(256)**			**-**	
Purchases		-			-	
Change in inventories		-			-	
Services and other operating costs	2)	9,381	2,250	1)	5,990	2,750
Personnel expense	3)	4,241	1,641		-	
Gross operating profit – non-recurring items		**13,366**			**5,990**	
Amortisation, depreciation and impairment of non-current assets						
Operating loss - non-recurring items		**13,366**			**5,990**	
Net financial income (expense)	4)	5,277		2)	2,108	
Net gains (losses) on equity investments	5)	(2,403)		3)	(710)	
Profit (loss) from ordinary operations		**16,241**			**7,388**	
Income taxes	6)	(3,468)		4)	(1,744)	(660)
Profit (loss) from continuing operations of non-recurring items		**12,772**			**5,644**	
Profit (loss) from discontinued operations of non-recurring items		**-**			**-**	
Profit (loss) of non-recurring items		**12,772**			**5,644**	
Non-controlling interests		**-**			**-**	
Profit (loss) of non-recurring item attributable to the owners of the parents		**12,772**			**5,644**	

In **2022**

1) other revenues 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 formulated 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 expense 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.

In **2021**

1) Services and other costs refer to costs related to the provision for disposed businesses, charges relating to unsuccessful projects and the indemnity for the termination of office of the outgoing Chief Executive Officer;
2) net financial income (expense) includes the financial expense deriving from the liability management transactions carried out in the year and the net financial income recognised, on the basis of IFRS 9, in reference to refinancing transactions completed during the year, net of the reversal effect related to the current year;
3) net income (expense) from equity investments refers to a positive price adjustment relating to the sale of TotalERg and to the increase in the loss allowance relating to the company Petroleos, in liquidation;
4) income taxes refer to the tax effect of the items discussed above.

NOTE 30 – RELATED PARTIES

Definition 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 management personnel and their close relatives, of ERG S.p.A. and of its subsidiaries. Key management personnel 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 2022 amounted to EUR 100 thousand.

For the sake of completeness of information, it should be noted that in January 2023 San Quirico S.p.A. ("SQ") and SQ Renewables S.p.A. ("SQR") notified ERG S.p.A. of SQ's decision to use, through SQR, a gross sum totalling EUR

4,119,000.00 (the "Fund") for the disbursement of a special cash contribution to a selected group of ERG's top managers (including the Chief Executive Officer of ERG and his direct reports, including Key Managers), with a view to rewarding their contribution, as representatives of ERG and in the exclusive interest of the same, to the activities carried out by the ERG Group that generated significant value creation both for the Company itself and for all shareholders and created the conditions for the implementation of the recent partnership between SQ and IFM Investors in relation to ERG (the "Special Contribution").
It should be noted in this regard that SQ made the Fund available to ERG through non-repayable disbursements from SQR and identified at its absolute discretion the names of the beneficiaries and the amounts involved.
The amount of the Special Contribution, which was allocated in the 2022 Financial Statements and paid in March 2023, is broken down as follows: Chief Executive Officer EUR 2,250,000, Key Managers EUR 1,641,000, other beneficiaries EUR 228,000.
The payment of this Special Contribution by ERG on behalf of SQ does not qualify as relevant remuneration for the purposes of the 2022 Remuneration Policy, falling instead within the scope of an action entirely within the availability and expense of SQ, in its capacity as ultimate parent of ERG. The transaction as a whole was the subject of an opinion to the Board of Directors of ERG by the CRSC, pursuant to Art. 4.1 of the Related Party Procedure, which positively assessed the existence of ERG's interest, as well as the convenience and substantial correctness of the related conditions.

Lastly, it should be noted that in 2022 the companies ERG Solar Holding 2 and ERG Wind Holding 2 participated in the ERG S.p.A. tax consolidation scheme.
The companies ERG Power, ERG Eolica Faeto, ERG Eolica Tirreno, ERG Eolica Fossa del Lupo, ERG Eolica Bulgaria, ERG Wind Holding, ERG Power Generation and ERG Eolica San Vincenzo tacitly renewed the consolidation agreement. ERG Hydro left the ERG Group and terminated its tax consolidation relationship with ERG S.p.A.
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 the joint ventures, associates and subsidiaries excluded from the consolidation scope 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:

2022 – STATEMENT OF FINANCIAL POSITION – ASSETS

(EUR thousand)	Trade receivables	Other receivables and current assets	Current tax assets	Current financial assets/ Current financial assets measured at fair value
ERG Power Generation S.p.A.	8,417	-	-	38,872
San Quirico S.p.A.	-	49	-	-
ERG Eolica San Vincenzo S.r.l.	-	-	255	-
ERG Eolica Faeto S.r.l.	-	-	968	-
ERG Eolica Ginestra S.r.l.	-	-	487	-
ERG Eolica Tirreno S.r.l.	-	-	-	-
Green Vicari S.r.l.	-	-	1,358	-
ERG Eolica Fossa del Lupo S.r.l.	-	-	4,240	-
ERG Power S.r.l.	2	-	4,547	-
ERG Eolica Adriatica S.r.l.	-	-	4,727	-
ERG Eolica Campania S.p.A.	-	-	5,754	-
ERG Germany GMBH	-	-	-	-
ERG France S.a.r.l.	3	42	-	-
Brockahboy (UK)	0	-	-	-
Corni Eolian	8	-	-	-
ERG Petroleos	-	-	-	1,571
Epuron S.a.s.	2	-	-	-
ISAB Energy Solare	-	-	48	-
Creagg Riabhach	22	-	-	-
Andromeda S.r.l.	-	-	1,441	-
Craiggore Energy Ltd.	2	-	-	-
ERG UK Holding (GBP)	364	71	-	-
Sandy Knowe (GBP)	40	-	-	-
Evishagaran(GBP)	31	-	-	-
ERG Poland Holding	1	-	-	-
ERG Spain HoldCo	1,482	-	-	-
SQ Renewables S.p.A.	-	4,119	-	-
Total	**10,376**	**4,282**	**23,824**	**40,443**
% of total item	*97.02%*	*13.60%*	*85.56%*	*22.91%*

2022 – STATEMENT OF FINANCIAL POSITION – LIABILITIES

(EUR thousand)	Trade payables	Current financial liabilities	Current tax liabilities	Other current liabilities
ERG Power Generation S.p.A.	510	18,224	19,512	-
ERG Eolica Tirreno S.r.l.	-	-	3	-
ERG Solar Holding 2 S.r.l.	-	-	2	-
ERG Wind Bulgaria S.p.A.	-	-	8	-
ERG Wind Holding S.r.l.	-	-	41	-
Directors and Statutory Auditors	-	-	-	3,053
Key managers	-	-	-	2,401
Total	**510**	**18,224**	**19,565**	**5,454**
% of total item	*5.79%*	*5.61%*	*100.00%*	*38.13%*

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:

- Costs to the Edoardo Garrone Foundation relating to the contribution for 2022.

The impact of related party transactions on income statement items is indicated in the following table:

2022 – INCOME STATEMENT – INCOME

(EUR thousand)	Revenue from sales and services	Other revenue and income	Financial income
ERG Power Generation S.p.A.	33,161	111	21,111
San Quirico S.p.A.	-	49	-
ERG Power S.r.l.	4	7	-
ERG France Sarl	-	42	-
ERG Solar Holding 1 S.r.l.	-	-	-
ISAB Energy Solare	-	33	-
Andromeda S.r.l.	8	-	-
ERG UK Holding (GBP)	-	141	-
Total	**33,173**	**384**	**21,111**
% of total item	*96.79%*	*31.52%*	*74.87%*

2022 – INCOME STATEMENT - EXPENSES

(EUR thousand)	Purchases	Services and other operating costs	Personnel expense	Financial expense
ERG Power Generation S.p.A.	-	104	-	3,344
Edoardo Garrone Foundation	-	100	-	-
Directors and Statutory Auditors	-	8,505	-	-
Key managers	-	-	4,248	-
Total	**-**	**8,709**	**4,248**	**3,344**
% of total item	*0.00%*	*26.51%*	*15.13%*	*7.09%*

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The cost of Directors and Key Managers also includes the special contribution commented on above.

The costs relating to Directors also include the portion of the Special Contribution referring to the Chief Executive Officer, of EUR 2.2 milion, referred to in **Note 23 - Services and other costs**.

Costs for Key Managers also include expenses of EUR 1.6 million relating to the aforementioned Special Contribution.

Details of the remuneration of figures with strategic responsibilities are provided below

DIRECTORS

(EUR thousand)	2022	2021
Short-term benefits	4,590	9,324
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,495	1,495
Total	**6,086**	**10,819**

KEY MANAGERS

(EUR thousand)	2022	2021
Short-term benefits	1,965	2,351
Post-employment benefits	140	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	643	643
Total	**2,748**	**2,993**

NOTE 31 – FINANCIAL INSTRUMENTS

Definition 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 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.

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 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.*

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.

31/12/2022

(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							
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 asstes	-	-	-	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 payables	-	-	-	-	14,304	14,304	14,304
Total liabilities	**-**	**-**	**-**	**-**	**1,943,091**	**1,943,091**	

31/12/2021

(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	-	8,118	-	-	-	8,118	8,118
Current and non-current loan assets	-	-	-	1,273,993	-	1,273,993	1,273,993
Trade receivables	-	-	-	1,143	-	1,143	1,143
Financial securities under current financial assets	-	-	-	299,999	-	299,999	299,999
Other assets	-	-	-	30,416	-	30,416	30,416
Cash and cash equivalents	-	-	-	727,579	-	727,579	727,579
Total assets	**-**	**8,583**	**-**	**2,333,130**	**-**	**2,341,713**	
Loans and borrowings	-	-	-	-	506,057	506,057	512,726
Bonds	-	-	-	-	1,598,169	1,598,169	1,637,193
Current bank loans and borrowings	-	-	-	-	1,049,485	1,049,485	1,049,485
Lease liabilities					1,318	1,318	1,318
Derivative instruments	6,087	8,114	-	-	0	14,202	14,202
Trade payables	-	-	-	-	8,629	8,629	8,629
Other payables	-	-	-	-	9,953	9,953	9,953
Total liabilities	**6,087**	**8,114**	**-**	**-**	**3,173,612**	**3,187,813**	

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	-	63,544	-
- Financial assets measured at fair value	-	-	-
Total	**-**	**63,544**	**-**
Financial liabilities			
- Fair value – FVTPL instruments		-	
- Fair value – Hedging instruments	-	-	-
- Other financial liabilities	1,683,705	253,211	-
Total	**1,683,705**	**253,211**	**-**

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 class provides an estimate of the probability of default of a given counterparty on which the level of credit assigned depends, which is carefully monitored and which must never be exceeded. 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)	2022
AAA Rating	-
AA+/AA- Rating	-
A+/A- Rating	-
BBB+/BBB- Rating	-
BB+/BB- Rating	-
B+/B- Rating	-
CCC- Rating	-
Due from Group companies	10,376
Unassigned	-
Total	**10,376**

The risk position at 31 December 2022 is very small as it is represented exclusively by intragroup positions.

Liquidity risk

The liquidity risk is identified with the risk that the financial resources may not be sufficient to cover all maturing obligations. To date, ERG guarantees the adequate coverage of its financial requirements through the generation of flows and availability of credit facilities, provided by different counterparties.

The following tables summarise the time profile of the financial liabilities of ERG S.p.A., inclusive of interest, at 31 December 2022 and at 31 December 2021 on the basis of non-discounted contractual payments and the relative carrying amount.

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	-	-	-
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**

31/12/2021

(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	1,598,169	1,700,687	-	-	16,983	558,472	1,125,233
Loans and borrowings	506,057	514,186	-	319	1,361	512,507	-
Current bank loans and borrowings	1,049,485	1,049,485	1,049,185	300	-	-	-
Other financial payables	-	-	-	-	-	-	-
Trade payables	8,629	8,629	3,300	5,329	-	-	-
Total non-derivative financial liabilities	**3,162,340**	**3,272,988**	**1,052,485**	**5,948**	**18,343**	**1,070,979**	**1,125,233**
Interest Rate Swap hedging interest rate risk	6,087	6,127	-	969	2,650	3,021	513
Trading derivatives on Commodities	8,114	8,114	-	-	8,114	-	-
Total derivative financial liabilities	**14,202**	**14,241**	**-**	**969**	**10,764**	**3,021**	**513**

Liquidity Risk and Expected Liquidity Losses

ERG 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. Use of short selling is never allowed.

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 or loss (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)	2022
Shock-up (+1% change in interest rate)	2
Shock-down (-1% change in interest rate)	1

IMPACT ON EQUITY

(EUR million)	2022
Shock-up (+1% change in interest rate)	13
Shock-down (-1% change in interest rate)	(15)

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 2022 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 entailing 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 derivatives used

The derivatives entered into by ERG to hedge the exposure to interest rate risk at 31 December 2022 are as follows:

Type	Hedged risk	Reference notional	Fair Value at 31/12/2022" (EUR thousand)
Cash Flow Hedging instruments			
Interest Rate Swaps and Interest Rate Caps	Interest rate risk	649,800 milioni di Euro	63,544
Total cash flow hedging instruments			**63,544**

Cash Flow Hedging instruments

Interest Rate Swaps and Interest Rate Caps and Collars.

Transactions for hedging the "interest rate" risk tied to fluctuations in interest rates on loans.

At 31 December 2022, the total fair value was a positive EUR 63,544 thousand. The change is recognised in the hedging reserve.

NOTE 33 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
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 confirms its place in the Bloomberg Gender Equality Index. The Group enters the first quartile of the ranking.
Press release of 1 February 2023	**Italy**	**Corporate**	ERG has communicated the figures relating to the shares outstanding and the number of voting rights making up the share capital at 1 February 2023..

NOTE 34 – AUDIT FEES

Based on Article 149-duodecies of the Issuers' Regulation, the 2022 fees relating to the services performed by the independent auditor KPMG S.p.A., auditor of the ERG Group, and by the companies belonging to its related network are set out below.

(EUR thousand)	2022	2021
Audit services	331	298
Non-audit services	179	288
Total	**510**	**586**

Non-audit services refer to:

- certification services for EUR 49 thousand relating to the Green Bond Report on the issues carried out on the Euro Medium Term Note Programme for EUR 30 thousand, unbundling for EUR 15 thousand and tax returns for EUR 4 thousand;
- other services for EUR 130 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 for EUR 30 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 contributions from public administrations to publish the amounts received in the notes to the separate financial statements and, where applicable, the notes to the consolidated financial statements. 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 2022 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" - [Southern tax relief]) for an amount equal to EUR 17,262. No additional contributions are reported for the year 2022 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 amounts due 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 2022

From 1 January 2022, 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 IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) issued on 28 June 2021.

NOTE 37 – IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS, PUBLISHED BUT NOT YET ADOPTED EARLY BY THE COMPANY AT 31 DECEMBER 2022

Below are the new standards or amendments to the standards, applicable for financial years beginning on or after 1 January 2022 and for which earlier application is allowed. However, the Company has decided not to adopt them in advance for the preparation of these Financial Statements.

Entry into force	Description	Issue date	Approved
1 January 2023	IFRS 17 *Insurance Contracts* including Amendments to IFRS 17	19 November 2021	✔
	Amendments to IAS 1 'Presentation of financial statements' on the classification of liabilities	23 January 2020	✔
	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	2 March 2022	✔
	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	2 March 2022	✔
	Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	7 May 2021	✔
	Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative information	9 Decembe 2021	✔
1 January 2024	Amendments to IFRS 16 'Leases' – Lease liability in a sale and leaseback	22 September 2022	
	Amendments 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	

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. (wholly owned by 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. exercise 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 Risks and Sustainability Control 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 2497 bis of the Italian Civil Code, it should be noted that SQ Renewables S.p.A., as a newly established company, has not yet submitted financial statements for the year, and therefore the relevant data cannot be shown.

NOTE 39 – PUBLICATION DATE OF THE FINANCIAL STATEMENTS

On 14 March 2023, 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, 14 March 2023

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 2022 and 31 December 2022.
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 2022 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, 14 March 2023

The Chief Executive	The Manager responsible Officer for preparing the financial reports
Paolo Luigi Merli	**Michele Pedemonte**

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING OF ERG S.P.A., DRAFTED PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/98 ("TUF")

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 on 3 October 2022, 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.

Article 22, paragraph 16, of the Articles of Association provides that the Shareholders' Meeting called on 26 April 2023 vote on the appointment of the Standing Auditors and/or Alternate Auditors necessary to restore the Board of Statutory Auditors to the required number of members.

Pursuant to Article 153 of Italian Legislative Decree no. 58/98, the Board of Statutory Auditors of ERG S.p.A. 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 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: Paolo Prandi (Chairman), Giulia De Martino (Standing Auditor) and Fabrizio Cavalli (Standing Auditor).

During the year ended 31 December 2022, the Board of Statutory Auditors carried out the supervisory activities required by law (Articles 149-151 of the TUF), complying with the related CONSOB provisions on corporate controls and activities of the Board of Statutory Auditors and the indications contained in the Corporate Governance Code (hereinafter also "Corporate Governance Code") approved in January 2020 by the Corporate Governance Committee, to which ERG S.p.A. adheres, also taking into account the principles contained in the Rules of Conduct of the Board of Statutory Auditors of Listed Companies issued by the Italian National Board of Chartered Accountants.

In addition, as ERG 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, since 2017, 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 information required to carry out its supervisory duties by, among other things, attending the meetings of the Board of Directors and the internal board committees recommended by the Corporate Governance Code (the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, hereinafter also referred to as the "Committees"), 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.

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. Its appointment will expire on the date of the Shareholders' Meeting that will be called to approve the Financial Statements at 31 December 2023.

Two lists of candidates were presented for the appointment of the current Board of Directors, one by the 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 and outlined in the Report on Corporate Governance and Ownership presented to the Shareholders' Meeting on 26 April 2022.

Within the Board of Directors, the role of Chairman is held by Edoardo Garrone, that of Executive Deputy Chairman by Alessandro Garrone and Giovanni Mondini, that of Lead Independent Director by Mara Anna Rita Caverni and finally that of Director in charge of the Internal Control System by Alessandro Garrone.

On 13 October 2022, 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.

During the year, the non-executive Director Marco Costaguta resigned, replaced by the Board of Directors by co-optation pursuant to Article 2386, paragraph 1, of the Italian Civil Code, by Renato Pizzolla, in relation to which the Shareholders' Meeting called on 26 April 2023 will be called upon to express its opinion.

Lastly, the Board of Statutory Auditors reports that the Board of Directors meeting on 16 December 2022 approved some amendments and updates to the Code of Conduct for Directors, following the favourable opinion of the Control, Risk and Sustainability Committee. Updating the Code was necessary for various reasons, first and foremost to make it more consistent with the new structure of the Group in which there are companies operating in different legal systems.

Board of Statutory Auditors – Appointment, term of office and operation

As previously indicated, the Board of Statutory Auditors was appointed by the Shareholders' Meeting of 26 April 2022 and restored to the required number of members on 3 October 2022 pursuant to Article 22, paragraph 15 of the Articles of Association.

Pursuant to the Articles of Association (Article 22, paragraph 16), the Shareholders' Meeting which will be convened for the approval of the Financial Statements at 31 December 2022 will, therefore, be called to resolve, among other things, on restoring the Board of Statutory Auditors to the required number of members, which will be done pursuant to the law, with a voting list procedure, but majority shareholders will be not able to submit their own list.

The Board's term will expire on the date of the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2024.

The Board of Statutory Auditors periodically verified the compliance with the criteria of independence, professionalism and integrity, of its members as required, both by law (Article 148, paragraph 3 of the TUF), and by the principles set out in the Rules of Conduct of the Board of Statutory Auditors recommended by the Italian National Board of Chartered Accountants, 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 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 Auditor who took over, this check was carried out on 13 October 2022.

The composition of the Board of Statutory Auditors complies with the gender balance, in accordance with the provisions of the Articles of Association, Italian Law no. 120 of 12 July 2011 "Amendments to the Consolidated Law on Finance, pursuant to Italian Legislative Decree no. 58 of 24 February 1998, concerning equal access to the administration and control bodies of companies listed on regulated markets" and CONSOB resolution no. 18098 of 8 February 2012, also pursuant to Article 123bis of Italian Legislative Decree no. 58/98, updated with the amendments introduced by Italian Law no. 145/2018 and Italian Law no. 160/2019.

With regard to its operation, taking into account that only one Standing Auditor, Fabrizio Cavalli, held office in all twelve months of 2022, 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 Committees; 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 2023 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.

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 25 January 2023 and the related Recommendations of the Committee for the year 2023 have been discussed by the Control, Risk and Sustainability Committee, the Board of Statutory Auditors and the Board of Directors.

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., as described in the 2022 Report on Corporate Governance and the Ownership Structure.

Lastly, the Board of Statutory Auditors acknowledges that the Board of Directors of ERG

approved the 2022 Report on Corporate Governance and the Ownership Structure 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 2022 Report on the evolution of corporate governance of listed companies (10th 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

During the year, 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 (hereinafter also "IFM Fund").

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.

With regard to the supervisory activities carried out during the year, considering the indications provided by CONSOB in its communication of 6 April 2001, amended and supplemented by communication DEM/3021582 of 4 April 2003, and subsequently by communication DEM/6031329 of 7 April 2006, the Board states the following:

As part of its duties, the Board of Statutory Auditors, among other things:

- attended the Shareholders' Meetings and the Board of Directors' and Committee meetings, supervising compliance with the Articles of Association, laws and regulations that govern the operation of the Company's bodies and the enforcement of proper administration standards;
- more specifically, attended the 9 meetings held by the Board of Directors, the 12 meetings held by the Control, Risk and Sustainability Committee and the 9 meetings held by the Nominations and Remuneration Committee;
- held, during the year, 17 meetings with an average duration of approximately 3 hours each;
- met with the Supervisory Body, including during the meetings of the Control, Risk and Sustainability Committee;
- supervised, to the extent applicable, the Company's organisational structure and its correct operation through meetings with top management and the heads of the various departments;
- assessed and monitored the adequacy of both the Internal Control and Risk Management System and the administrative and accounting system, as well as the reliability of the latter to correctly represent the operating events, by, among other things: a) 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; b) using the information made available by the managers of the various company functions; c) examining company documents; d) analysing the Audits and Reports issued by the Internal Audit Function and monitoring the mitigation processes introduced; e) analysing the results of the work carried out by the Independent Auditors with particular regard to the content of the Additional Report, issued on 27 March 2023 pursuant to Article 11 of European Regulation no. 537 of 16 April 2014; f) examining the Report of the Control and Risk Committee, regularly taking part in its work and, in line with previous years, holding regular discussions and exchanges of information with it; g) examining the Reports prepared by the Finance & Group Risk Management Function, aimed at representing the main risks of the Group, and monitoring the related mitigation plans; h) using the information obtained, as part of a continuous exchange of information with the General Counsel and, lastly, i) 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;
- supervised the compliance with information disclosures regarding mandatory and privileged information or information requested by the Supervisory Authorities;
- specifically, oversaw compliance in relation to the "Market abuse" and "Protection of savings" regulations, on "Internal Dealing", with particular reference to the processing of relevant and privileged information and the procedure for the public dissemination of statements and information. In particular, the Board of Statutory Auditors monitored compliance with the provisions of Article 115-bis of the TUF and with the Regulation regarding updates to the Register of People with access to privileged information;

- supervised the detailed analysis process carried out by the Company's Board of Directors aimed at updating the 2022-2026 Business Plan (which includes the 2023 Budget as the first year);
- obtained from the Directors, at least quarterly, adequate information on the activities carried out and the most significant economic, financial and asset-related transactions carried out by the Company and its subsidiaries pursuant to Article 150, paragraph 1 of the TUF.

  In this regard, the Board has placed particular attention on checking that the transactions resolved and carried out were compliant with the law and the Company's Articles of Association and that they were not imprudent or risky, at odds with the resolutions passed by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the company's net worth.

  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.

  As mentioned 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. The Board supervised the adoption and implementation of the Regulations during 2022.

  Lastly, the Board, also in line with the ESG Plan, approved the adoption of the Policy to combat incidents of violence, harassment and bullying in the workplace and also updated the Sustainability Policy and the Anti-Corruption System and Policy;
- held meetings with the Representatives of the Independent Auditors pursuant to Article 150, paragraph 3 of the TUF from which no relevant data and/or information emerged that should be highlighted in this Report;
- exchanged information with the Boards of Statutory Auditors of the most significant companies directly and indirectly controlled by ERG on the most significant events affecting Group companies and on the Internal Control and Risk Management System pursuant to Article 151, paragraphs 1 and 2 of the TUF;
- supervised the methods for the practical implementation of the corporate governance rules set out in the Corporate Governance Code adopted by the Company, as adequately stated in the 2022 Report on Corporate Governance and Ownership approved by the Board of Directors, in accordance with Article 123-bis of the TUF and Article 89-bis of the Issuers' Regulation;
- monitored the compliance of the internal procedure with regard to Related-Party transactions. In particular, the Board acknowledges that the Board of Directors has updated both the list of Key Managers, in line with the new organisational structure and the 2022-2026 Business Plan, and the Procedure for Related-Party Transactions in order to make it consistent with the approval of the Regulation on the limited management and coordination of ERG by the new controlling shareholder SQ Renewables S.p.A.;
- participated in induction sessions aimed primarily at the new Auditors who took over during the year.

The Board of Statutory Auditors also reports that:

- following the resignation of a Member of the Supervisory Body, the Body is now composed of Maurizio Bortolotto (External Member and Chairman) and Giovanni Marco Scollo and Gabriello Maggini, respectively Head of Corporate Affairs, Compliance 231 and Privacy and Internal Audit Manager of the Company;
- 231 Model (which includes the Code of Ethics) was published in the General Part only on the Company's website following the latest update approved by the Board of Directors on 16 December 2022.

Having completed its activities, the Board reports that no situations or critical issues have emerged such as to result in the Company's internal control and risk management system, as a whole, being deemed inadequate.

Financial information disclosure process

The Board of Statutory Auditors supervised the existence of regulations and procedures concerning the process for compiling and disclosing financial information.

In this regard the Board highlights that the *Report on Corporate Governance and Ownership Structures* approved by the Board of Directors illustrates the methods used by the Group to define its own Internal Control and Risk Management System in relation to the financial reporting process, with the aim of significantly mitigating risks regarding the reliability and integrity of financial reporting.

The Board acknowledges that the Company has continued to prepare quarterly reports on a voluntary basis in compliance with the deadlines of the previous regulations, and that the Board has given the Manager responsible for preparing the Company's financial reports responsibility for: a) preparing adequate administrative and accounting procedures for the preparation of the financial reporting documents; b) monitoring the application of the procedures and, lastly, c) issuing to the market, together with the Chief Executive Officer, the certification regarding the adequacy and effective application of the administrative and accounting procedures for the purposes of the Group's financial reporting.

With the assistance of the Manager responsible for preparing the financial reports, the Board of Statutory Auditors examined 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 Board of Statutory Auditors also reports that pursuant to the joint Bank of Italy/CONSOB/ISVAP Document no. 4 of 3 March 2010, 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 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.

The results of the impairments tests are adequately detailed in the Notes to the Financial Statements, to which reference is made.

The Manager responsible for preparing the Company's financial reports relies on the support of the AFC Compliance Organisational Unit to verify the operation of the administrative and accounting procedures by testing controls.

The Board of Statutory Auditors, in addition, had evidence of the process that allows the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports to issue the aforementioned 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).

The Board of Statutory Auditors acknowledges that it 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, in accordance with the monitoring and certification obligations to which ERG is subject pursuant to Italian Law no. 262/05.

The Board of Statutory Auditors acknowledged the Risk assessment for 2022, carried out by 262 Compliance, as well as the half-yearly update of the testing activity pursuant to Italian Law no. 262/05.

The Board of Statutory Auditors examined the various Information Flows relating to the organisational, administrative and accounting structure pursuant to Article 2381 of the Italian Civil Code and assessed the adequacy of the administrative and accounting system, including by acquiring information from the heads of the respective functions and analysing the results of the work carried out by the Independent Auditors.

Since no particular critical issues and impediments were found, the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports issued the statement, pursuant to Article 81-ter of the Issuers' Regulation as amended and supplemented and Article 154-bis of the TUF;

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.

Non-financial information disclosure process

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 Director's Report and the Report on Corporate Governance and Ownership Structures 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 (EU) Regulation no. 852 of 18 June 2020.

During the 2022 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 Director's Report.

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.

Effectiveness of the Internal Control and Risk Management System

The Board of Statutory Auditors assessed and oversaw the adequacy and effectiveness of the Internal Control and Risk Management System.

In performing its supervisory activity, the Board of Statutory Auditors maintained an ever open channel of communication with the Control Functions as part of the audits that took place during the year.

The Board of Statutory Auditors acknowledges that it verified the most significant activities carried out as part of the overall Internal Control and Risk Management System – the structure of which was presented to the Board of Statutory Auditors and in particular to the new Auditors who took over during the year – including through participation in meetings of the Control, Risk and Sustainability Committee and meetings, inter alia, with: the Internal Audit Function; the Supervisory Body; the Compliance Function pursuant to Italian Legislative Decree no. 231/2001 and anti-corruption; the Finance & Group Risk Management Function; the Compliance Functions, dedicated to monitoring compliance issues, with particular reference to the monitoring of legal and non-compliance risk, including the risk of the commission of criminal offences against or in the interest of the ERG Group and the Independent Auditors.

The Internal Control and Risk Management System of the ERG Group complies with the principles set out in the Corporate Governance Code in force and, more generally, it is consistent with national and international best practices.

Within the scope of this activity, in particular, the Board of Statutory Auditors received and examined:

- the periodic reports on activities prepared by the Control, Risk and Sustainability Committee and by the Internal Audit Division;
- the annual report of the Control, Risk and Sustainability Committee, presented to the Board, in which the Committee, in light of the activities carried out in 2022, confirmed its positive assessment with regard to the adequacy of the Internal Control and Risk Management System;
- the audit reports issued by the Internal Audit function that did not highlight situations such as to result in ERG's Internal Control and Risk Management System, as a whole, being deemed inadequate, as well as the disclosure on the results of the monitoring and on the implementation of the corrective actions identified;
- the reports prepared within the scope of risk management activities, aimed at describing the Group's main risks and the related mitigation plans. With particular reference to the analysis of risk controls, the Board of Statutory Auditors and the Control and Risk Committee specifically examined, during periodic meetings with the head of the Finance & Group Risk Management function, the updates of the map of the Group's main risks, examined by the Board of Directors, and verified the results of the half-yearly monitoring activities carried out on the Top Risk Indicators;
- the half-yearly reports of the Supervisory Body, established by the Company in compliance with the provisions contained in Italian Legislative Decree no. 231/2001, from which it is noted that no elements have been identified that highlight the inadequacy of the 231 Model updated by the Board of Directors most recently on 16 December 2022. The Board examined the related activity plan and the budget for the year 2022.

The Anti-Corruption System and Policy were updated by the Board of Directors on 11 November 2022.

The Directors' Report, to which reference is made, lists the main risks identified, monitored and managed.

Following the activity carried out in the period, as detailed above, the Board of Statutory Auditors shared the positive assessment expressed by the Control, Risk and Sustainability Committee with regard to the adequacy of the Internal Control and Risk Management System.

Moreover, Supervisory Body notes that the Independent Auditors KPMG S.p.A., engaged to carry out the Company's statutory audit, appointed by the Shareholders' Meeting for the 2018-2026 period, carried out the verifications prescribed by the legal regulations and, in its periodic meetings with the Board of Statutory Auditors, did not highlight any exceptions.

Finally, the Tax Control Framework (TCF), introduced to the Group in 2020 and forming an integral part of the ERG Group's Internal Control and Risk Management System, which became operational in 2021, was extended to the French companies as from 2023 and, by next year, will be extended also to the German companies of the group.

Having completed its activities, the Board reports that no situations or critical issues have emerged such as to result in the Company's Internal Control and Risk Management System, as a whole, being deemed inadequate.

Supervision of the statutory audit of the accounts

In accordance with Article 19 of Italian Legislative Decree no. 39/2010, the Board of Statutory Auditors, identified in such article as the Internal Control and Audit Committee, has performed the prescribed supervision on the activity carried out by the Independent Auditors.

During the year, the Board of Statutory Auditors held numerous meetings with the Representatives of the Independent Auditors, pursuant to Article 150, paragraph 3, of Italian Legislative Decree no. 58/1998, during which appropriate exchanges of information were made and no other facts or situations emerged that were worthy of being highlighted in this Report pursuant to Article 155, paragraph 2 of the TUF.

In particular, the Board of Statutory Auditors: a) analysed the activities carried out by the Independent Auditors, with specific reference to the methodological structure, the audit approach used for the various significant areas of the financial statements and the planning of the audit work and b) shared with the Independent Auditors the issues relating to corporate risks, thus being able to appreciate the adequacy of the response planned by the auditor as regards the structural and risk profiles of the Company and the Group.

Today, the Independent Auditors KPMG S.p.A. issued, pursuant to Article 14 of Italian Legislative Decree no. 39/2010 and Article 10 of the EU Regulation, the Audit Report on the Separate and Consolidated Financial Statements at 31 December 2022.

As regards opinions and representations, in their Report on the Separate and Consolidated Financial Statements the Independent Auditors:

- expressed an opinion, which states that the Financial Statements provide a true and fair view of the equity and financial position at 31 December 2022, of the economic result and of the cash flows for the financial year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued to implement Article 9 of Italian Legislative Decree no. 38/05;
- issued an opinion of consistency and compliance, which states that the Directors' Report and some specific information contained in the "Report on Corporate Governance and the Ownership Structures" indicated in Article 123-bis, paragraph 4 of the TUF, responsibility for which falls on the directors of the Company, are consistent with the financial statements at 31 December 2022 and drafted in compliance with the law;
- declared that they had nothing to report with regard to possible significant errors in the Directors' Report, based on the knowledge and understanding of the company and the related context obtained during the audit;
- declared that the Separate Financial Statements were prepared in XHTML format in accordance with the provisions of the Delegated Regulation (EU) no. 2018/815;

- declared that the Consolidated Financial Statements and Explanatory Notes were prepared in XHTML format and marked up, in all significant aspects, in accordance with the provisions of the Delegated Regulation (EU) no. 2018/815.

The Board also acknowledged that the Independent Auditors KPMG issued the report on 27 March 2023 stating that, on the basis of the work carried out, no issues emerged that would suggest that the CNFS was not drawn up, in all significant aspects, in compliance with the requirements of Articles 3 and 4 of Italian Legislative Decree no. 254/2016. The certification is contained in a specific report separate from the Audit Report, attached to the CNFS and published together with it.

Today, the Independent Auditors also presented the Board of Statutory Auditors with the Additional Report required by Article 11 of the EU Regulation, which reveals that no fundamental issues emerged during the audit nor are there significant deficiencies in the Internal Control and Risk Management System in relation to the financial disclosure process deserving to be brought to the attention of the managers in charge of the Company's governance activities. Pursuant to Article 19, paragraph 1 of Italian Legislative Decree no. 39/2010, this Report will be sent to the Board of Directors, through its Chairman, by the Board of Statutory Auditors, which has made no specific observations.

On the subject of independence of the Auditing Company, the Board of Auditors: a) fulfilled the duties referred to in Article 19, paragraph 1, letter e) of Italian Legislative Decree no. 39/2010 as amended by Italian Legislative Decree no. 135/2016, verifying and monitoring the independence, in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of Italian Legislative Decree no. 39/2010 and Article 6 of EU Regulation no. 537/2014, and the adequacy of the provision of non-audit services in accordance with Article 5 of the aforementioned Regulation, and b) received the declaration regarding independence, as required by Article 6 of the EU Regulation, from which no situation emerged that could compromise its independence.

The Board also examined the Transparency Report published by the Independent Auditors on its website.

With regard to the Fees of the Independent Auditors, the Board of Statutory Auditors refers to what is indicated in the Notes to the Financial Statements.

The Board also acknowledges that in 2019 the Company defined, and in 2020 updated, a specific Operating Note aimed at regulating the assignment of non-audit engagements to the Independent Auditors and its network by the Companies of the ERG Group.

During the 2022 financial year, in compliance with the provisions of Article 19, paragraph 1, letter e), of Italian Legislative Decree no. 39/2010 and Article 5, paragraph 4, of EU Regulation 537/2014, the Board of Statutory Auditors, in its role as Internal Control and Audit Committee, examined in advance the proposals for the assignment of non-audit services to the independent auditors KPMG S.p.A. or entities belonging to the related network subject to its prior analysis.

At the end of the relative preliminary investigation – carried out with the support of the Group Administration function – upon the fulfilment of the conditions envisaged by law and pursuant to the aforementioned Operating Note, the Board of Statutory Auditors approved the transfer of the services proposed by the Company.

The fees for non-audit services rendered in 2022 by the Independent Auditors KPMG S.p.A. or other companies in the network for the ERG Group are detailed in the Notes to the Financial Statements, to which reference is made and in relation to which the Board of Statutory Auditors has no observations.

In conclusion, on the basis of the information acquired and the activities carried out, the Board confirms that no critical aspects arose in relation to the independence of the Independent Auditors and that it has no significant aspects to report to the Shareholders' Meeting.

Transactions and events of particular importance and other events worthy of mention

During 2022, the Board acquired information and analysed, as part of its supervisory activity, the most significant financial and equity transactions carried out by the Company, including through directly owned companies which have been described in a specific section of the Directors' Report, to which reference should be made for a more detailed analysis.

The Board reports the following transactions and events in 2022:

- on 3 January 2022, the sale of ERG Hydro S.r.l. to Enel Produzione S.p.A. was completed, a transaction of great importance for the ERG Group and also for the market, about which extensive information was given in the events subsequent to the financial statements at 31 December 2021 and in the Directors' Report of the 2022 financial statements to which reference should be made;
- on 14 May 2022, the ERG Board of Directors approved the Business Plan and the 2022-2026 ESG Plan which highlights the continued growth in renewables in the name of sustainability through an increase in installed power of 2.2 GW, compared with 1.5 GW in the previously approved Plan, investments of approximately EUR 2 billion in 9-10 different countries and EBITDA at the end of the Plan, around 50% of which will be realised abroad. Lastly, growth in the solar business continued through greenfield development, co-development and M&A activities;
- on 9 February 2022, ERG Power Generation S.p.A. had signed an agreement for the sale of the equity investment held in ERG Power S.r.l., owner of the cogeneration plant (CCGT) located in Priolo Gargallo; in this regard, it is acknowledged that, with a provision of 23 September 2022, the Antitrust Authority (AGCM) denied authorisation of the transaction, resulting in the ineffectiveness of the aforementioned transfer agreement;
- from 29 November 2022, ERG entered the FTSE MIB index, the primary benchmark index of Euronext Milan – a regulated market organised and managed by Borsa Italiana S.p.A. – consisting of the 40 largest securities in terms of liquidity and trading volume, representing around 80% of domestic market capitalisation;
- demonstrating ERG's commitment to combating climate change, during 2022 the Company entered the "A list" of CDP (Carbon Disclosure Project), the global non-profit organisation that, by monitoring performance in the fight against climate change, guides companies and governments towards reducing greenhouse gas emissions.

Based on the information made available to the Board, it can reasonably believe that the aforementioned transactions comply with the law and the Articles of Association and are not manifestly imprudent, risky, or in conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

Significant events after the reporting date

The most significant transactions after the reporting date include:

- the start-up in January of the Creag Riabhach wind farm in the county of Sutherland, in the north of Scotland, for which the energy produced will be largely sold through a 10-year Power Purchase Agreement (PPA) signed with ENGIE UK Markets Ltd during the first quarter of 2022. The wind farm has a total installed capacity of 92.4 MW and an overall annual production of 271 GWh at full capacity, avoiding the emission of 125 kt of CO_2 each year;
- the improvement of the Group's ESG risk profile, which now ranks 5th (out of 75) among Independent Power Producers globally, following the assignment, by Sustainalytics, to ERG, again in January, of the 'Low Risk' Rating with a score of 14.6 compared to the Medium Risk (20.7) recorded the previous year. 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;
- again in January, ERG's position in the Bloomberg Gender Equality Index was confirmed. The Group enters the first quartile of the ranking.

Finally, the Board acknowledges that on 1 February ERG communicated the figures relating to the shares outstanding and the number of voting rights making up the share capital at the same date.

Atypical and/or unusual transactions and reports pursuant to Article 2408 of the Italian Civil Code

As a result of the supervision and control activity carried out during the year, the Board of Statutory Auditors can reasonably attest that:

- in the performance of the activity, no such omissions, irregularities or objectionable or otherwise significant facts emerged, that would require being reported to the supervisory bodies or mentioned herein;
- the Board of Statutory Auditors did not receive any reports in accordance with Article 2408 of the Italian Civil Code;
- no transactions were identified, either with third parties or intra-group and/or with Related Parties, that appeared atypical or unusual by their contents, nature, dimensions and timing;
- it received from the Company a request for information sent from CONSOB pursuant to Article 115, paragraph 1, letter a), of the TUF inherent to any critical issues linked to tensions in the energy market; the Company prepared and sent a document with the requested information, based on which there are no particular significant elements to report.

Opinions and proposals

The Board also acknowledges that it has expressed the following favourable opinions pursuant to the law, the Company's internal regulations or in compliance with the provisions of the Corporate Governance Code for listed companies, promoted by Borsa Italiana, to which the Company has adhered.

In particular, it issued a favourable opinion on:

- the determination of the results of the company objective, the sustainability objective and the individual objective of the Chief Executive Officer, relating to the MBO System, with reference to the year 2022;

- the determination of the target value of the corporate objective (consolidated Group EBT), the sustainability objective and the individual objective of the Chief Executive Officer as well as the related threshold conditions (floor and cap);
- the approval of the new Remuneration Policy for the year 2022;
- pursuant to Article 2389 of the Italian Civil Code, on the proposed remuneration of directors holding specific offices;
- the remuneration paid to the Manager responsible for preparing the Company's financial reports appointed by the Board of Directors.

In addition, the Board expressed a positive opinion:

- with regard to: a) the 2023 Internal Audit Activity Plan and the adequacy of the resources assigned, b) the correct use of accounting standards and their consistency for the purposes of the Separate Financial Statements Report;
- with regard to the proposal to update the Procedure for Related Party Transactions, confirming its compliance with the provisions of the CONSOB Regulation on Related Parties; and
- with regard to the correct application of the criteria and verification procedures adopted by the Board of Directors to assess the independence of Directors.

Lastly, the Board of Statutory Auditors approved the resolution appointing by co-optation the Director Renato Pizzolla, pursuant to Article 2386, paragraph 1, of the Italian Civil Code following the resignation of the Director Marco Costaguta.

Intra-group and Related-Party transactions

During 2022, the Chief Executive Officer provided periodic disclosure to the Board of Directors and the Board of Statutory Auditors on the execution of Related Party Transactions.

The Board of Statutory Auditors verified the intra-group and/or Related-Party transactions which mostly relate to transactions carried out with rationalisation and economic objectives. According to the information disclosed to the Board of Statutory Auditors, these transactions are part of ordinary operations, are regulated at market conditions and are illustrated in the Directors' Report and in the Notes to the Financial Statements.

Pursuant to the Code of Conduct on Internal Dealing, the parties indicated therein (including Directors, Statutory Auditors, Key Managers) in the event of transactions in ERG stock that are relevant for the purposes of the Code, are required to promptly notify the Company so that the aforementioned transactions can be communicated to the market and to CONSOB.

On a half-yearly basis, the Committees analyse the transactions with related parties carried out during the period to identify any anomalies.

The amounts of transactions of a commercial and other nature and of a financial nature with Related Parties are adequately highlighted in the Notes to the financial statements.

The Board of Statutory Auditors was kept constantly informed of the aforementioned transactions and monitored the Company's compliance with the applicable procedures.

As far as the Board is aware, as mentioned above, no atypical and/or unusual transactions were carried out with Group companies, with third parties or with Related Parties.

The Board of Statutory Auditors, in particular: a) participated in the in-depth analyses carried out, on a half-yearly basis, by the Nominations and Remuneration Committee and by the Control, Risk and Sustainability Committee, to the extent of its competence, on transactions with Related Parties carried out in the reference period.
The Control, Risk and Sustainability Committee also a) monitored – reporting periodically to the Board of Directors – the alignment and update of the Company's procedure on Related Party transactions, also in light of the regulatory changes adopted by CONSOB with resolution no. 21624 of 10 December 2020, which entered into force on 1 July 2021, in order to adapt the secondary legislation to the new European Shareholder Rights Directive II ("SHRD II") and b) supervised compliance with the procedural rules adopted by the Board of Directors, as well as compliance with the provisions on transparency and disclosure to the public, in order to verify compliance with the reference regulations of the procedural framework prepared by the Company, as well as on the correct application of the same when carrying out transactions with Related Parties.
In particular, on 3 March 2022 the Board of Statutory Auditors, in the context of its participation in the Control, Risk and Sustainability Committee, examined and shared the document containing the main income data of the intra-group service agreements for the 2022 financial year, considering as adequate the analysis carried out to identify the criteria for allocating costs to the individual companies based on the services used. In this regard, the Board of Statutory Auditors points out that some intra-group contracts were revised following the change in the scope of the Group and the increase in services provided to foreign subsidiaries.
The Board of Statutory Auditors considers the information provided by the Board of Directors in the Director's Report with regard to intra-group transactions and transactions with Related Parties to be adequate. The Internal Audit Function, on the basis of the annual audit Plan approved by the Board, after consulting the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System, carries out monitoring activities on the application of this regulation.
For the sake of completeness, it should be noted that in January 2023 San Quirico S.p.A. and SQ Renewables S.p.A. notified ERG S.p.A. of SQ's decision to use, through SQR, a gross sum totalling EUR 4,119,000 for the disbursement of a special cash contribution to a selected group of ERG's top managers (including the Chief Executive Officer of ERG and his direct reports, including KeyManagers), with a view to rewarding their contribution, as representatives of ERG and in the exclusive interest of the same, to the activities carried out by the ERG Group that generated significant value creation both for the Company itself and for all shareholders and created the conditions for the implementation of the recent partnership between SQ and IFM Investors in relation to ERG.
It should be noted in this regard that SQ made the Fund available to ERG through non-repayable disbursements from SQR and identified at its absolute discretion the names of the beneficiaries and the amounts involved. The amount of the Special Contribution, which was allocated in the 2022 Financial Statements and paid in March 2023, is broken down as follows: Chief Executive Officer EUR 2,250,000, Key Managers EUR 1,641,000, other beneficiaries EUR 228,000.
For further details, please refer to the Remuneration Report for the year 2022.

Treasury shares

At 31 December 2022, ERG holds 782,080 ordinary treasury shares, equal to 0.52% of its share capital.

Remuneration Policy

On 14 March 2022, the Company updated the Policy on the remuneration of members of the Board of Directors and Key Management Personnel, which provides for the inclusion of specific sustainability targets for management in the MBO System and in the 2021-2023 LTI System and increasing elements of transparency in line with best practices.

The Board of Statutory Auditors verified the adequacy and compliance with the regulatory framework of the remuneration policies and practices adopted by ERG.

Proposal to the Shareholders' Meeting

On the basis of the supervisory activity carried out, the Board of Statutory Auditors found no specific critical issues, omissions, objectionable facts or irregularities, and does not deem it necessary to exercise the right to make proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of the TUF.

Having therefore acknowledged the results expressed in the Financial Statements and the content of the Directors' Report, the content of the certification of the Financial Statements signed by the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports as well as the Report prepared by the Independent Auditors, the Board of Statutory Auditors expresses a favourable opinion on the approval of the Financial Statements at 31 December 2022 and has no objections with regard to the proposed resolution presented by the Board of Directors as expressed in the Directors' Report.

Genoa, 27 March 2023

The Board of Statutory Auditors

Chairman Paolo Prandi

Standing Auditor Fabrizio Cavalli

Standing Auditor Giulia De Martino

INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
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(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 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant 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 2022 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 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 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.

KPMG

ERG S.p.A.
Independent auditors' report
31 December 2022

Measurement of the provision for disposed businesses

Notes to the separate financial statements: Use of estimates - Risks and uncertainties, Note 12 - Provision for disposed businesses

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2022 include the provision for disposed businesses of €76 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 civil, administrative and tax proceedings, 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 this provision 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 relevant controls; • analysing the discrepancies between past years' estimates of the effect of legal disputes and actual figures resulting from their subsequent settlement, in order to understand the accuracy of the estimation process; • sending written requests for information to the advisors assisting the company and discussing with 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 businesses; • assessing the appropriateness of the disclosures provided in the notes to the separate financial statements about this provision.

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.

KPMG

ERG S.p.A.
Independent auditors' report
31 December 2022

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.

KPMG

ERG S.p.A.
Independent auditors' report
31 December 2022

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 our auditors' 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 2022 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 2022 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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 the directors' report and the report on corporate governance and ownership at 31 December 2022 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 indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

KPMG

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Independent auditors' report
31 December 2022

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership referred to above are consistent with the company's separate financial statements at 31 December 2022 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, 27 March 2023

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit

ERG S.P.A.

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Company Register Genoa

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Company subject to limited management

and coordination by SQ Renewables S.p.A.

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This publication is available in pdf format at www.erg.eu

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