



## Press Release

# The Board of Directors of ERG S.p.A. approves the consolidated results for the first quarter of 2023

*Adjusted consolidated EBITDA (gross clawback)<sup>1</sup>: EUR 167 million, EUR 168 million in the first quarter of 2022*

*Adjusted profit (loss) from continuing operations (gross clawback)<sup>1</sup>: EUR 84 million, EUR 84 million in the first quarter of 2022*

*Guidance confirmed, EBITDA between EUR 500 and EUR 550 million*

- **Solid results in the first quarter** - Results in line with the same period of 2022 thanks to the full contribution derived from the acquisitions made in the second half of 2022 and the gradual entry into operation of wind farms developed internally in Italy and abroad (526 MW), which offset a strong downward price scenario compared to 2022.
- **The RES Portfolio continues to grow** – The 149 MWp solar power plant under construction in Spain was acquired and the Creag Riabhach wind farm in Scotland became operational, with an installed capacity of 92.4 MW.
- **PPA** – As part of the strategic objective of stabilisation EBITDA, 2.9 TWh of green energy secured through a PPA signed with EssilorLuxottica Furthermore, signed a volume increase of the pre-existing PPA with TIM in Italy, updating the economic terms. The solar plant acquired in Spain will be secured through a PPA with a leading corporate counterpart.
- **Financial strategy** – Fitch affirmed ERG S.p.A.'s Long-Term Issuer Default Rating (IDR) and senior unsecured rating at BBB- with a stable outlook, reflecting the solidity of the Group's business model and its renewable portfolio. New loans for a total of EUR 330 million to cover the 2023 maturities and the early repayment of project financing; the loans benefit for a 75% from forward interest rate hedges just over 0%.

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<sup>1</sup> In order to facilitate an understanding of the operating 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". A definition of the indicators and the reconciliation of the amounts involved are provided in the "Alternative Performance Indicators" section of this document. For the sake of clarity, in line with what was already stated during the 2022 financial year, in this document the adjusted results (gross clawback), unless otherwise indicated, are represented gross of the effects of the transitional measures (clawback measures), isolated as special items.

- **ESG** - The success of the Group's ESG strategy is confirmed with the assignment by Sustainalytics of a 'Low Risk' Rating, which enhances the Group's risk profile, and the confirmation of its presence in the Bloomberg Gender Equality Index. ERG was included in the "Global 100 Most Sustainable Corporations in the World" of Corporate Knights, ranking first among the Italian companies.
- **2023 Guidance** - EBITDA guidance for 2023 is confirmed in the range between EUR 500 and 550 million, net of clawbacks. Following the acquisition in Spain, investments are expected to rise in the range between EUR 500 and EUR 600 million (compared to the previous EUR 400-500), as a result of which debt is up and currently stands in the range of EUR 1,400 to EUR 1,500 million.

**Genoa, 12 May 2023** – The Board of Directors of ERG S.p.A., in its meeting yesterday, approved the consolidated results for the first quarter of 2023.

Paolo Luigi Merli, Chief Executive Officer of ERG, commented:

*"Amid a still volatile and uncertain environment, ERG is demonstrating its industrial and financial resilience and reports results in line with the previous year, notwithstanding a strong downward price scenario, thanks to the full contribution of new capacity, both as a result of acquisitions and organic development. ERG also remained committed to its path of technological and geographical diversification with the acquisition of the Garnacha solar power plant in Spain, the largest in terms of capacity in the Group's renewable portfolio. The path towards the strategic target of 85-90% of the Group's stabilised EBITDA also continues with the signing of two important PPAs in Italy with leading Corporate counterparties that allow us to optimise the risk profile in the management of the renewable portfolio. Our infrastructural model was also recognised by Fitch, which affirmed the BBB-investment-grade rating, highlighting the solidity of ERG's business model".*

## REGULATORY MEASURES TO CURB ENERGY PRICE RISES (CLAWBACK MEASURE AND WINDFALL TAX)

During 2022, measures were introduced in Italy and abroad to contain the effects of price increases in the electricity sector, as already described in the Group Financial Statements at 31 December 2022.

The application of these measures resulted in refunds with a negative impact in the quarter of approximately EUR 7 million on EBITDA (EUR 5 million on the net profit from continuing operations).

For the sake of clarity, in line with what was already stated during the 2022 financial year, in this document the adjusted results are shown gross of these charges, isolated as special items (gross clawback) given the extraordinary and temporary nature of the relevant rules.

The table below summarises the different impacts of the aforementioned measures on EBITDA and net profit:

Year 2022	(EUR million)	1st quarter 2023	1st quarter 2022	Delta
537	<b>EBITDA (GROSS CLAWBACK)</b>	<b>167</b>	<b>168</b>	<b>(0)</b>
35	<b>(-) clawback measures</b>	7	3	3
7	Italy	1	-	1
7	France	2	-	2
2	Germany	-	-	-
19	East Europe	4	3	1
502	<b>EBITDA (NET CLAWBACK)</b>	<b>161</b>	<b>165</b>	<b>(5)</b>
216	<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS (GROSS CLAWBACK)</b>	<b>84</b>	<b>84</b>	<b>(0)</b>
83	<b>(-) clawback measures <sup>(1)</sup></b>	5	17	(12)
61	Italy	0	14	(13)
5	France	2	-	2
2	Germany	-	-	-
16	East Europe	3	3	0
133	<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS (NET CLAWBACK)</b>	<b>78</b>	<b>67</b>	<b>11</b>

(1) The first quarter 2022 included windfall taxes measures recognised in income tax deriving from the Italian Decree Law of 21 March 2022 for EUR 14 million.

# HIGHLIGHTS

<b>Adjusted <sup>(2)</sup></b>		<b>Reported <sup>(1)</sup></b>		<b>Adjusted <sup>(2)</sup></b>	
<b>Year</b>		<b>1st quarter</b>		<b>1st quarter</b>	
<b>2022</b>	(EUR million)	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>ADJUSTED MAIN INCOME STATEMENT FIGURES <sup>(2)</sup></b>					
749	Revenue	213	215	220	215
537	EBITDA (gross clawback) <sup>(3)</sup>	164	166	167	168
502	EBITDA (net clawback) <sup>(4)</sup>	164	166	161	165
308	Operating profit (EBIT)	106	104	111	114
216	Net profit (loss) from continuing operations (gross clawback) <sup>(3)</sup>	77	59	84	84
133	Net profit (loss) from continuing operations (net clawback) <sup>(4)</sup>	77	59	78	67
236	Net profit	76	388	78	89
232	of which profit attributable to owners of the parent	76	388	78	89
<b>ADJUSTED MAIN FINANCIAL FIGURES <sup>(2)</sup></b>					
3.357	Net invested capital of continuing operations <sup>(5)</sup>	3,408	2,871	3,257	2,738
2.059	Equity	2,187	2,160	2,192	2,163
1.434	Net financial indebtedness of continuing operations <sup>(5)</sup>	1,363	1,027	1,206	890
212	of which non recourse Project Financing <sup>(6)</sup>	106	230	106	230
41%	Financial leverage	38%	32%	35%	29%
72%	EBITDA Margin %	77%	77%	76%	78%

(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 figure does not include the effects of the transitional measures (clawback) introduced during 2022 in various countries. The impact on EBITDA of refunds is estimated at EUR 7 million in the first quarter of 2023 (EUR 3 million in the first quarter of 2022), while on the Net profit from continuing operations it amounted to EUR 5 million in the first quarter of 2023 (EUR 17 million in the first quarter of 2022).

(4) The figure includes the effects of the transitional measures (clawback) introduced in 2022 in various countries, the impacts of which are indicated in the previous note.

(5) Adjusted net financial indebtedness of continuing operations and Adjusted net invested capital of continuing operations are presented net of the effects deriving from the application of IFRS 16.

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

Year 2022				1° trimestre	
				2023	2022
OPERATING DATA					
2,944	Total installed capacity at the end of the period	MW	3,036	2,509	
4,956	Total electricity output	GWh	1,780	1,538	
1,440	Installed capacity at the end of the period – Italy	MW	1,440	1,234	
2,312	Electricity output – Italy	GWh	784	706	
600	Installed capacity at the end of the period – France	MW	600	581	
1,076	Electricity output – France	GWh	396	322	
327	Installed capacity at the end of the period – Germany	MW	327	327	
556	Electricity output – Germany	GWh	203	207	
219	Installed capacity at the end of the period – UK & Nordics	MW	311	70	
226	Electricity output – UK & Nordics	GWh	132	66	
92	Installed capacity at the end of the period – Spain	MW	92	92	
171	Electricity output – Spain	GWh	35	27	
266	Installed capacity at the end of the period – East Europe	MW	266	206	
615	Electricity output – East Europe	GWh	230	209	
946	Capital expenditure <sup>(7)</sup>	EUR million	66	146	
573	Employees at the end of the period <sup>(8)</sup>	Units	589	564	
NET UNIT REVENUE <sup>(9)</sup>					
134	Italy – Wind	EUR/MWh	116	124	
346	Italy – Solar	EUR/MWh	339	333	
98	France – Wind	EUR/MWh	99	86	
96	France – Solar	EUR/MWh	94	100	
172	Germany – Wind	EUR/MWh	152	146	
150	UK & Nordics – Wind	EUR/MWh	83	195	
126	Spain – Solar	EUR/MWh	143	168	
169	East Europe – Wind	EUR/MWh	116	171	

(7) In property, plant and equipment and intangible assets. The figure for the first quarter of 2022 also included investments relating to Merger & Acquisition transactions amounting to EUR 96 million following the acquisition of two photovoltaic farms in Spain (92 MW).

(8) The number of employees does not include the people dedicated to ensuring the operation of the CCGT cogeneration plant.

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

## COMMENTS ON THE PERFORMANCE FOR THE PERIOD

As reported in the paragraph “**Regulatory measures to curb energy price rises (clawback measure and windfall tax)**”, in this document, in line with what was already stated during the year 2022, the adjusted results of the Group do not include the effects of the transitional measures (clawback measures), introduced in several countries in order to counter the increase in electricity prices, which, in the first quarter of 2023, led to refunds with a negative impact estimated at around EUR 7 million on EBITDA and approximately EUR 5 million on the net profit (loss) from continuing operations.

In the first quarter of 2023, adjusted revenues amounted to EUR 220 million, up slightly compared to the first quarter of 2022 (EUR 215 million), mainly as a result of the full contribution deriving from the acquisitions made in Italy in the second half of 2022, and the entry into operation of the wind farms developed internally and gradually becoming operational during the second half of 2022 and at the beginning of 2023, substantially offset by lower market prices.

Production amounted to 1.78 TWh, up 0.24 TWh compared to 2022 (+16%), thanks to the contribution of the new wind farms which more than offset the lower production due to the poor wind conditions recorded in the period compared to the very positive conditions in the same period of 2022. The quarter was characterised by significantly lower market prices compared to the particularly high prices of 2022, which only partly affected the results as the group adopts a hedging policy involving sales through fixed rates, PPAs under pre-established conditions and financial agreements.

**Adjusted EBITDA (gross of clawbacks)**<sup>2</sup>, net of special items, stood at EUR 167 million, in line compared to EUR 168 million recorded in the first quarter of 2022. In summary:

It should be noted that the **adjusted EBITDA (net of clawbacks)**<sup>3</sup> amounted to EUR 161 million in the first quarter of 2023 (EUR 165 million in the first quarter of 2022).

### ITALY

- **Wind:** EBITDA of EUR 69 million, in line with the first quarter of 2022 (EUR 69 million) due to the acquisition of wind farms in the second half of 2022 (+126 GWh) offset by the lower wind speeds experienced and the lower market prices captured, in particular due to the elimination of the incentive value (equivalent to EUR 43 per MWh

<sup>2</sup> Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 3 million, as well as other negative effects of special items for EUR 7 million.

<sup>3</sup> Inclusive of the effects of the transitional measures (clawback measures).

in 2022). Output amounted to 738 GWh in the first quarter of 2023 compared to 661 GWh in the first quarter of 2022, mainly due to the consolidation scope.

- **Solar:** EBITDA of EUR 13 million, in line with the first quarter of 2022 (EUR 13 million) due to the acquisition of photovoltaic farms in the second half of 2022 (+8 GWh) offset by lower irradiation recorded in the quarter. Output amounted to 46 GWh in the first quarter of 2023 compared to 45 GWh in the first quarter of 2022.

## ABROAD

- **Wind:** EBITDA of EUR 86 million, substantially in line with the first quarter of 2022 (EUR 87 million) mainly due to the contribution of 321 MW of new capacity deriving from the farms built internally in 2022 and in the first few months of 2023 offset by the lower wind speeds recorded compared to the particularly high speeds recorded in the first quarter of 2022 and by the lower market prices captured in some geographic areas. Output amounted to 944 GWh in the first quarter of 2023 compared to 787 GWh in the first quarter of 2022, mainly due to the consolidation scope.
- **Solar:** EBITDA of EUR 5 million, in line with the first quarter of 2022 (EUR 5 million), due to better irradiation in Spain, offset by lower market prices captured. Output amounted to 97 GWh in the first quarter of 2023 compared to 90 GWh in the first quarter of 2022.

Overall, the scope effect linked to the new operating MW is EUR 25 million due to the full contribution of the new plants that entered into operation, as well as the acquisitions 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** amounted to EUR 111 million (EUR 114 million in the first quarter of 2022) after depreciation and amortisation of EUR 56 million, up slightly compared to the first quarter of 2022 (EUR 54 million) mainly as a result of the full contribution deriving from acquisitions carried out in Italy during the second half of 2022 (EUR 7 million) and the entry into operation of the wind farms developed internally and gradually becoming operational during the second half of 2022 and in the first quarter of 2023 (EUR 3 million). These effects were partially offset by both the extension of the useful life of Italian wind power assets (EUR 3 million) as a result of the Life-Time-Extension programmes and the end of the useful life of some wind farm and photovoltaic components (EUR 3 million) also as a result of the start of Repowering investments.

**Adjusted net profit (loss) from continuing operations (gross of clawbacks)** amounted to EUR 84 million, in line with the first quarter of 2022 (EUR 84 million) in view of the already commented operating results and lower financial charges, which decreased as a result of the improved remuneration of Group liquidity resulting from the trend in interest rates.

It should be noted that the **adjusted net result from continuing operations (net clawback)**<sup>4</sup> amounted to EUR 78 million in the first quarter of 2023 (EUR 67 million in the first quarter of 2022). The item includes the impact (EUR -5 million, net of the related taxes) of the regulations relating to the application of the price cap in Europe (clawback measures). These extraordinary measures had an impact of EUR 17 million in the first quarter of 2022, including clawbacks of EUR 3 million and windfall taxes of EUR 14 million. These extraordinary and temporary items were isolated as special items.

**Adjusted profit attributable to the owners of the parent**, also including the contribution of ERG Power S.r.l., owner of the CCGT plant recognised in discontinued operations in accordance with IFRS 5 rules, amounted to EUR 78 million, down compared to the result for the first quarter of 2022 (EUR 89 million).

The Group's net result amounted to EUR 76 million, down compared to EUR 388 million in the first quarter of 2022, which included the net capital gain recognised following the sale of the Terni hydroelectric complex (equal to approximately EUR 324 million). The result for the first quarter of 2023 includes the costs related to the liability management operations carried out in the first quarter of 2023 (equal to approximately EUR 4 million), the aforementioned effects related to urgent tax measures to contain energy prices (clawback), (equal to EUR 0.4 million in Italy and EUR 5 million abroad), as well as the gain related to the price adjustment of the sale of the Terni hydroelectric complex (EUR 2 million) and the contribution of ERG Power S.r.l., owner of the CCGT plant, reclassified under "Assets held for sale".

In the first quarter of 2023, **capital expenditure** amounted to EUR 66 million (EUR 146 million in the first quarter of 2022) and refer mainly to **investments in property, plant and equipment and intangible assets** related to construction activities in Italy for 47 MW Greenfield and Repowering on Italian farms for approximately 193 MW of new wind capacity, as well as the completion of the construction of the wind farms that entered into operation between the end of 2022 and the beginning of 2023 in the UK for approximately 179 MW and Sweden for 62 MW. The construction of two Greenfield farms in France for 50 MW has also been started.

**Adjusted net financial indebtedness of "continuing operations"** totalled **EUR 1,206 million**, down significantly (EUR -228 million) compared to 31 December 2022 (EUR 1,434 million). The change mainly reflects the positive cash flow for the period (EUR 260 million<sup>5</sup>), which includes the collection following the financial settlement of some hedging derivatives, partly offset by investments in the period (EUR 66 million) mainly linked to the development on the Repowering projects in Italy, the development of wind farms in France.

It should also be noted that the indebtedness at the end of the period reflects the negative fair value of commodity futures of roughly EUR 40 million (EUR 153 million at 31 December 2022).

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

<sup>4</sup> Inclusive of the effects of the transitional measures (clawback measures).

<sup>5</sup> Includes the adjusted EBITDA, the change in working capital and net financial income (expense).



# BASIS FOR PREPARATION

## Quarterly report

This press release on the consolidated results of the ERG Group relating to the first quarter of 2023 has been prepared on a voluntary basis in compliance with the provisions of Article 82-ter of the Issuers' Regulation (CONSOB resolution no. 11971 of 14 May 1999 and subsequent amendments).

Unless otherwise indicated, the income statement, balance sheet and cash flow information has been prepared in compliance with the valuation and measurement criteria established by International Financial Reporting Standards (IFRS). The recognition and measurement criteria adopted in preparing the results for the first quarter of 2023 are the same as those adopted in preparing the 2022 Annual Financial Report to which reference is made.

Unless otherwise indicated, the amounts included in this document are expressed in Euro.

## 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 in 2023, the operating results are presented and commented on with reference to the various geographical segments in which ERG operates, in line with the 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, shown by geographical area, 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 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". "Reported results" are also defined as results that include significant income components of an exceptional nature (special items).

A definition of the indicators and the reconciliation of the amounts involved are provided in the "Alternative Performance Indicators" section.

## 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 during the preceding 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.

ERG has therefore put in place, starting from the end of 2022, the activities necessary to launch a new competitive process aimed at identifying a new buyer, evaluating the most efficient alternative path. In consideration of the above, in this Document the result of ERG Power 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 continued to be met.

## 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.

**Certification from the Manager in charge of Financial Reporting**

The Manager in charge of Financial Reporting, Michele Pedemonte, declares, pursuant to paragraph 2, Article 154-bis of the

Consolidated Finance Act, that the accounting information this document contains matches the documentary records, books and accounting entries.

This press release, issued on 12 May 2023, is available to the public on the Company's website ([www.erg.eu](http://www.erg.eu)) in the "Media/Press Releases" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).

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# PERFORMANCE BY COUNTRY

Year 2022	(EUR million)	1st quarter		
		2023	2022	Δ
ADJUSTED REVENUE				
372	Italy	105	99	6
376	Abroad	115	115	(0)
105	France	39	28	11
96	Germany	31	30	1
34	UK & Nordics	11	13	(2)
22	Spain	5	5	1
119	East Europe	28	39	(11)
34	Corporate	8	9	(1)
(33)	Intra-segment revenue	(8)	(7)	(0)
749	Total adjusted revenue	220	215	5
ADJUSTED EBITDA				
295	Italy	82	82	0
267	Abroad	90	91	(1)
63	France	29	18	10
72	Germany	28	25	3
24	UK & Nordics	8	12	(4)
18	Spain	4	4	0
90	East Europe	23	33	(10)
(25)	Corporate	(5)	(6)	1
537	Adjusted EBITDA	167	168	(0)
ADJUSTED AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES				
(127)	Italy	(30)	(29)	(1)
(98)	Abroad	(26)	(24)	(2)
(46)	France	(12)	(11)	(0)
(28)	Germany	(7)	(7)	0
(4)	UK & Nordics	(2)	(1)	(2)
(4)	Spain	(1)	(1)	(0)
(15)	East Europe	(4)	(4)	(1)
(3)	Corporate	(1)	(1)	1
(229)	Adjusted amortisation, depreciation and impairment losses	(56)	(54)	(2)

Year 2022	(EUR million)	1st quarter		
		2023	2022	Δ
ADJUSTED EBIT				
167	Italy	53	53	(1)
170	Abroad	64	68	(3)
16	France	17	7	10
45	Germany	21	18	3
19	UK & Nordics	5	11	(6)
14	Spain	3	3	0
75	East Europe	18	29	(11)
(28)	Corporate	(6)	(7)	1
308	Adjusted EBIT	111	114	(3)
CAPITAL EXPENDITURE <sup>(1)</sup>				
653	Italy	39	21	19
290	Abroad	26	125	(99)
11	France	11	5	6
1	Germany	-	0	(0)
159	UK & Nordics	16	18	(2)
100	Spain	-	96	(96)
20	East Europe	-	6	(6)
3	Corporate	0	0	0
946	Total capital expenditure	66	146	(80)

(1) Includes investments in property, plant and equipment and intangible assets and M&A investments (EUR 96 million in the first quarter of 2022).

## REFERENCE MARKET

### PRICE SCENARIO

Year 2022		1st quarter	
		2023	2022
Base load price scenario (EUR/MWh)			
Italy			
304	Single National Price <sup>(1)</sup>	157	249
43	Feed-In Premium (FIP) (former Green Certificates) – Italy	0	43
121	TTF	55	96
80	CO <sub>2</sub>	87	82
Abroad			
276	France	130	232
235	Germany	115	185
207	Poland	176	189
167	of which Electricity	130	135
40	of which Certificates of Origin	47	54
253	Bulgaria	129	210
295	Romania	158	249
265	of which Electricity	129	219
29	of which Green Certificate	29	29
226	Northern Ireland	155	225
241	Great Britain	144	240
168	Spain	96	229
152	Sweden SE4	89	111

(1) Single National Price: Italian electricity reference price

### ITALY

The ERG Group operates in Italy through its companies that own wind and solar farms. Aside from the availability of plants, the performance of each wind farm is influenced by the wind speed profile of the site on which the farm is located, by the sale price of electricity, which can vary in relation to the geographical areas where the plants are located, by the incentive systems for renewable energy sources and by the regulations of organised energy markets. ERG is active in the generation of electricity in Italy, with an installed capacity of 1,265 MW in wind and 175 MW in solar.

Compared to the first quarter of 2022, the installed capacity in Italy has increased by 206 MW.

Year		1st quarter		
2022		2023	2022	Δ
Operating Results				
1,440	Installed capacity (MW) <sup>(1)</sup>	1,440	1,234	206
1,265	Wind	1,265	1,093	172
175	Solar	175	141	34
2,312	Output (GWh)	784	706	78
2,062	Wind	738	661	77
250	Solar	46	45	1
Load Factor % <sup>(2)</sup>				
20%	Wind	27%	28%	-1%
18%	Solar	12%	15%	-3%
157	Net unit revenue (EUR/MWh)	0	138	(138)
134	Wind	116	124	(8)
346	Solar	339	333	6

(1) capacity of plants in operation at the end of the period.

(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 the **first quarter of 2023**, **electricity output** in Italy amounted to 784 GWh, of which 738 GWh from wind power and 46 GWh from photovoltaic plants, up compared to the same period in 2022 (706 GWh, of which 661 GWh from wind power and 45 GWh from solar power), thanks to the consolidation of the wind and photovoltaic farms acquired during 2022 (+126 GWh from wind power and +8 GWh from solar power) as a result of both lower wind speeds and lower radiation.

Year 2022	(EUR million)	1st quarter		Δ
		2023	2022	
	Operating results			
372	Adjusted revenue	105	99	6
284	Wind	89	84	5
87	Solar	16	15	1
295	Adjusted EBITDA	82	82	0
218	Wind	69	69	0
77	Solar	13	13	(0)
(127)	Amortisation, depreciation and impairment losses	(30)	(29)	(1)
(82)	Wind	(17)	(19)	1
(45)	Solar	(12)	(10)	(2)
167	Adjusted EBIT	53	53	(1)
136	Wind	52	50	1
32	Solar	1	3	(2)
653	Capital expenditure in property, plant and equipment and intangible assets	39	21	19
522	Wind	38	20	19
131	Solar	1	1	(0)
79%	EBITDA MARGIN % <sup>(1)</sup>	78%	83%	-5%
77%	Wind	78%	82%	-5%
88%	Solar	82%	87%	-5%

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

**Revenues recorded in the first quarter of 2023** were up due to the full scope deriving from the acquisitions made in 2022 (+206 MW, of which 172 MW in wind and 34 MW in solar), partly offset by lower wind and photovoltaic production in Italy and the unit value of the GRIN incentive, which in 2023 was zero compared to 43 EUR/MWh in 2022. The lower market prices are mitigated by hedges carried out in line with the group's risk policies.

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 116 EUR/MWh (124 EUR/MWh in the first quarter of 2022).

Net unit revenue relating to photovoltaic plants amounted to 339 EUR/MWh (333 EUR/MWh in the first quarter of 2022).

**Adjusted EBITDA** in Italy for the **first quarter** of **2023** amounted to EUR 82 million, in line with the first quarter of 2022 (EUR 82 million), for the same reasons relating to revenue.

Amortisation and depreciation for the period are substantially in line with the first quarter of 2022, mainly as a result of the full contribution deriving from the acquisitions made in Italy during the second half of 2022 (EUR 7 million). These effects were partially offset by both the extension of the useful life of Italian wind power assets (EUR 3 million) as a result of the Life-Time-Extension programmes and the end of the useful life of some wind farm and photovoltaic components (EUR 3 million) also as a result of the start of Repowering investments.

## Capital expenditure

Capital expenditure in the **first quarter of 2023 (EUR 39 million)** mainly refers to the start of construction of the Roccapalumba plant (47 MW) and to the repowering activities (143 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 and Repowering of the plants has begun, aimed at ensuring greater efficiency of the same.

## ABROAD

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

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

Compared to the first quarter of 2022, the installed capacity abroad increased by 321 MW.

## France

Year 2022		1st quarter		Δ
		2023	2022	
	<b>Operating Results</b>			
600	Installed capacity (MW) <sup>(1)</sup>	600	581	20
522	Wind	522	502	20
79	Solar	79	79	0
1,076	Output (GWh)	396	322	73
982	Wind	379	305	74
94	Solar	17	17	(1)
	Load Factor % <sup>(2)</sup>			
22%	Wind	34%	28%	0
14%	Solar	10%	10%	0%
98	Net unit revenue (EUR/MWh)	7	87	(80)
98	Wind	99	86	13
96	Solar	94	100	(6)

(1) capacity of plants in operation at the end of the period.

(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 the **first quarter of 2023**, electricity output in France amounted to 396 GWh, of which 379 GWh from wind power and 17 GWh from photovoltaic plants, up compared to the same period in 2022 (322 GWh) mainly due to the higher wind levels recorded, in addition to the scope effect (+21 GWh) resulting from the full contribution from the commissioning of a 20 MW internally developed farm.

Year 2022	(EUR million)	1st quarter		Δ
		2023	2022	
	<b>Operating results</b>			
105	Adjusted revenue	39	28	11
96	Wind	37	26	11
9	Solar	2	2	(0)
63	Adjusted EBITDA	29	18	10
58	Wind	28	18	10
5	Solar	1	1	(0)
(46)	Amortisation, depreciation and impairment losses	(12)	(11)	(0)
(42)	Wind	(11)	(10)	(0)
(4)	Solar	(1)	(1)	(0)
16	Adjusted EBIT	17	7	10
16	Wind	17	7	10
1	Solar	(1)	(0)	(0)
11	Capital expenditure in property, plant and equipment and intangible assets	11	5	6
11	Wind	11	5	6
0	Solar	0	0	0
59%	EBITDA Margin % (1)	73%	65%	8%
60%	Wind	75%	67%	8%
55%	Solar	37%	41%	-5%

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



**Revenues** recorded in the **first quarter of 2023** amounted to EUR 39 million, up compared to the same period of 2022 (EUR 28 million) due to the higher volumes recorded, in addition to the change in the scope of consolidation mentioned above.

The net unit revenue from wind power in France of EUR 99/MWh was slightly higher than in the same period of 2022 (EUR 86/MWh) due to the inflation adjustment of fixed sales tariffs, while the net unit revenue of photovoltaic plants totalled EUR 94/MWh.

The **adjusted EBITDA** in France in the **first quarter of 2023** amounted to EUR 29 million, an increase compared to the first quarter of 2022 (EUR 18 million), for the same reasons linked to revenue.

## Capital expenditure

Capital expenditure in the **first quarter of 2023 (EUR 11 million)** mainly refers to the start of development and construction activities for new wind farms (50 MW) to be commissioned between the end of 2024 and early 2025.

## Germany – Wind

Year		1st quarter		
2022		2023	2022	Δ
Operating Results				
327	Installed capacity (MW) <sup>(1)</sup>	327	327	-
556	Output (GWh)	203	207	(5)
19%	Load Factor % <sup>(2)</sup>	29%	29%	-1%
172	Net unit revenue (EUR/MWh)	152	146	6

(1) capacity of plants in operation at the end of the period.

(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 the **first quarter of 2023**, **electricity output** in Germany amounted to 203 GWh, a slight decrease compared to the same period in 2022 (207 GWh) due to the lower wind levels experienced compared to the above-average wind conditions in 2022.

Year		1st quarter		
2022	(EUR million)	2023	2022	Δ
	Operating results			
96	Adjusted revenue	31	30	1
72	Adjusted EBITDA	28	25	3
(28)	Amortisation, depreciation and impairment losses	(7)	(7)	0
45	Adjusted EBIT	21	18	3
1	Capital expenditure in property, plant and equipment and intangible assets	0	0	(0)
75%	EBITDA Margin % <sup>(1)</sup>	89%	83%	6%

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

**Revenues** recorded in the first quarter of 2023 amounted to EUR 31 million, up slightly compared to the same period of 2022 (EUR 30 million), due to the hedging policies adopted, which make it possible to capture high prices despite the reduction in energy sale prices on the market.

Net unit revenue from wind power Germany, equal to EUR 152/MWh, was up compared to the first quarter of 2022 (EUR 146/MWh) due to the hedging policies adopted by the group, which makes it possible to counteract the reduction in market prices.

The **adjusted EBITDA** in Germany in the **first quarter** of **2023** amounted to EUR 28 million, an increase compared to the first quarter of 2022 (EUR 25 million), for the same reasons linked to revenue.

## UK & Nordics - Wind

Year		1st quarter		
2022		2023	2022	Δ
	Operating Results			
219	Installed capacity (MW) <sup>(1)</sup>	311	70	241
226	Output (GWh)	132	66	66
33%	Load Factor % <sup>(2)</sup>	25%	43%	-19%
150	Net unit revenue (EUR/MWh)	83	195	(111)

(1) capacity of plants in operation at the end of the period.

(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 the **first quarter of 2023**, **electricity output** in the UK and the first output in Sweden amounted to 132 GWh, an increase compared to the same period of 2022 (66 GWh), and refer to the contribution deriving from the wind farms developed internally and entered into operation between the end of 2022 and the beginning of 2023 (241 MW). It should be noted, for a better understanding of the Load Factor trend, that all of the aforementioned new wind farms during the period were in a commissioning or production ramp-up phase.

Year		1st quarter		
2022	(EUR million)	2023	2022	Δ
	Operating results			
34	Adjusted revenue	11	13	(2)
24	Adjusted EBITDA	8	11	(4)
(4)	Amortisation, depreciation and impairment losses	(2)	(1)	(2)
19	Adjusted EBIT	5	11	(6)
159	Capital expenditure in property, plant and equipment and intangible assets	16	18	(2)
70%	EBITDA Margin % <sup>(1)</sup>	68%	90%	-22%

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

**Revenues** recorded in the **first quarter of 2023** amounted to EUR 11 million, down compared to the same period of 2022 (EUR 13 million), with net unit revenues amounting to EUR 83/MWh, down compared to the first quarter of 2022

(EUR 195/MWh), which had benefited from market prices significantly higher than the current ones, due to the sale in 2023 through PPAs at fixed prices.

**Adjusted EBITDA** in the UK & Nordics area in the **first quarter** of **2023** amounted to EUR 8 million, for the same reasons linked to revenue.

## Capital expenditure

Investments in the UK & Nordics area in the first quarter of 2023 refer to the completion of the construction activities of the wind farms in Scotland for approximately 179 MW and in Sweden for 62 MW.

## Spain - Solar

Year		1st quarter		
2022		2023	2022	Δ
<b>Operating Results</b>				
92	Installed capacity (MW) <sup>(1)</sup>	92	92	0
171	Output (GWh)	35	27	8
21%	Load Factor % <sup>(2)</sup>	18%	14%	4%
126	Net unit revenue (EUR/MWh)	143	168	(25)

(1) capacity of plants in operation at the end of the period.

(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 the **first quarter of 2023**, **electricity output** in Spain amounted to 35 GWh, up compared to the output recorded in the same period of 2022 due to better irradiation.

Year		1st quarter		
2022	(EUR million)	2023	2022	Δ
<b>Operating results</b>				
22	Adjusted revenue	5	5	1
18	Adjusted EBITDA	4	4	0
(4)	Amortisation, depreciation and impairment losses	(1)	(1)	(0)
14	Adjusted EBIT	3	3	0
100	Capital expenditure in property, plant and equipment and intangible assets	0	96	(96)
84%	EBITDA Margin % <sup>(1)</sup>	78%	84%	-6%

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

**Revenues** recorded in the **first quarter of 2023** amounted to EUR 5 million and were in line with the previous year, with net unit revenues amounting to EUR 143/MWh, down compared to the previous year (EUR 168/MWh) due to lower market prices.

**Adjusted EBITDA** in Spain in the **first quarter** of **2023** amounted to EUR 4 million, for the same reasons linked to revenue.

## East Europe (Poland, Romania e Bulgaria) – Wind

Year		1st quarter		
2022		2023	2021	Δ
Operating Results				
266	Installed capacity (MW) <sup>(1)</sup>	266	206	61
615	Output (GWh)	230	209	21
31%	Load Factor % <sup>(2)</sup>	40%	47%	-7%
169	Net unit revenue (EUR/MWh)	116	171	(55)

(1) Potenza impianti installati a fine periodo.

(2) Produzione effettiva rispetto alla produzione massima teorica (calcolata tenendo conto dell'effettiva entrata in esercizio di ogni singolo parco).

In the **first quarter of 2023**, **electricity output** in East Europe amounted to 230 GWh, up compared to the same period of 2022 (209 GWh) due to the full contribution deriving from the wind farms started up in 2022 in Poland (+47 GWh), partly offset by the poorer wind conditions experienced compared to the very positive conditions in the previous year.

Year		1st quarter		
2022	(EUR million)	2023	2021	Δ
	Operating results			
119	Adjusted revenue	28	39	(11)
90	Adjusted EBITDA	23	33	(10)
(15)	Amortisation, depreciation and impairment losses	(4)	(4)	(1)
75	Adjusted EBIT	18	29	(11)
20	Capital expenditure in property, plant and equipment and intangible assets	0	6	(6)
76%	EBITDA Margin % <sup>(1)</sup>	80%	83%	-4%

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

**Revenues** recorded in the **first quarter of 2023** were down sharply compared to the same period of 2022, due to the reduction in volumes and the reduction in energy sale prices, only partly offset by the scope effect deriving from the full contribution of the wind farms that entered into operation in Poland (+61 MW).

Average net unit revenues in East Europe amounted to EUR 116/MWh, down compared to the first quarter of 2022 (EUR 171/MWh), due to lower market prices.

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

**Adjusted EBITDA** in East Europe for the **first quarter** of **2023** amounted to EUR 23 million, a decrease compared to the first quarter of 2022 (EUR 33 million), for the same reasons linked to revenue.

# SIGNIFICANT EVENTS DURING THE QUARTER

Date	Geographical segment	Sector	Significant event
<a href="#">Press release of 12/01/2023</a>	Nordics	Wind	ERG announces the commissioning of the Creag Riabhach wind farm in the county of Sutherland, in the north of Scotland. The wind farm has a total installed capacity of 92.4 MW and an overall annual production of 271 GWh at full capacity, avoiding the emission of 125 kt of CO2 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.
<a href="#">Press release of 18/01/2023</a>	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.
<a href="#">Press release of 31/01/2023</a>	Italy	Corporate	ERG confirms its place in the Bloomberg Gender Equality Index. The Group enters the first quartile of the ranking.
<a href="#">Press release of 9/03/2023</a>	Italy	Wind	EssilorLuxottica and ERG sign a long-term agreement for the supply of electricity from renewable sources in Italy.
<a href="#">Press release of 15/03/2023</a>	Italy	Corporate	The Board of Directors of ERG S.p.A. has approved the 2022 Draft Financial Statements, the update of the Business Plan and the 2022/26 ESG Plan.

## SIGNIFICANT EVENTS AFTER THE QUARTER

Date	Geographical segment	Sector	Significant event
<a href="#">Press release of 26/04/2023</a>	Italy	Corporate	The Shareholders' Meeting of ERG S.p.A. has approved the Financial Statements 2022, resolved on the payment of a dividend of EUR 1.00 per share, confirmed Renato Pizzolla as Board Member and appointed Monica Mannino as Chairwoman of the Board of Statutory Auditors.
<a href="#">Press release of 04/05/2023</a>	Italy	Corporate	Fitch ratings agency ("Fitch") confirmed for ERG S.p.A. a Long Term Issuer Default Rating (IDR) of BBB- with stable outlook and a senior unsecured rating of BBB-.
<a href="#">Press release of 05/05/2023</a>	Spain	Solar	ERG, through its subsidiary ERG Spain HoldCo SLU, has signed an agreement with IBV Solar Parks, B.V., a company belonging to the German group ib vogt GmbH, a global platform for the development of industrial solar plants. The agreement concerns the acquisition of a 100% stake in Garnacha Solar SL, a company that owns a solar power plant located in the region of Castilla and León, in Northwestern Spain. The plant, currently in an advanced phase of construction for an installed capacity of 149 MW, is expected to enter into commercial operation by the end of 2023. The value of the transaction in terms of enterprise value is EUR 170 million, with an equity value of EUR 80.5 million. The transaction is expected to be closed in the third quarter of 2023.
<a href="#">Press release of 09/05/2023</a>	Italy	Wind Solar	New long-term agreement between ERG and TIM for the supply of electricity from renewables sources. The contract will integrate the PPA (Power Purchase Agreement) signed on 14 May 2021 for the supply of 340GWh/year for ten years, with an additional "baseload" volume of 200 GWh annually of 100% green energy produced by renewable plants in ERG's portfolio.

## BUSINESS OUTLOOK

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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 also on the basis of European regulations. 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 be broadly in line** with 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 offset by lower sales prices, which, in addition to the lower price scenario, will be affected by the cancellation of the GRIN incentive in 2023 as a result of the high PUN (National Single

Price) values recorded in 2022 (EUR 43 per MWh 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 be broadly in line with 2022.

## Abroad

**Wind EBITDA is expected to increase** compared to 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 improved result is 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.

The **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), while no contribution in terms of EBITDA is conservatively assumed from the additional acquisition expected to come in at year-end (149 MW).

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

## 2023 Guidance

For 2023, Group EBITDA is forecast in the range between EUR 500 and EUR 550 million, unchanged from the previous range and 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 500-600 million (EUR 946 million in 2022), up from the previous range of EUR 400-500 million, 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 expected disbursements for the recent acquisitions of solar farms in Spain (partly already estimated in the previous guidance).

Net financial indebtedness at the end of 2023 is expected to be in the range between EUR 1,400 million and EUR 1,500 million (EUR 1,434 million at the end of 2022), up from the previous range of EUR 1,300 and 1,400 to reflect the increase in capital expenditure and 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.



## BUSINESS DESCRIPTION

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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 3,036 MW of installed renewable capacity (2,691 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 1,596 MW.

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

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

# CORPORATE BODIES

## BOARD OF DIRECTORS<sup>6</sup>

Chairman  
EDOARDO GARRONE *(executive)*

Deputy Chairman  
ALESSANDRO GARRONE *(executive<sup>7</sup>)*  
GIOVANNI MONDINI *(non-executive)*

Chief Executive Officer  
PAOLO LUIGI MERLI

Directors  
LUCA BETTONTE *(non-executive)*  
EMANUELA BONADIMAN *(independent<sup>8</sup>)*  
ELENA GRIFONI WINTERS *(independent)*  
FEDERICA LOLLI *(independent)*  
ELISABETTA OLIVERI *(independent)*  
MARIO PATERLINI *(independent)*  
RENATO PIZZOLLA *(non-executive<sup>9</sup>)*

## BOARD OF STATUTORY AUDITORS<sup>10</sup>

Chairman  
MONICA MANNINO<sup>11</sup>

Standing Auditors  
GIULIA DE MARTINO  
FABRIZIO CAVALLI

**MANAGER IN CHARGE OF FINANCIAL  
REPORTING (ITALIAN LAW NO. 262/05)**  
MICHELE PEDEMONTE<sup>12</sup>

**INDEPENDENT AUDITORS**  
KPMG S.P.A.<sup>13</sup>

<sup>6</sup> Board of Directors appointed on 26 April 2021.

<sup>7</sup> Director in charge of the Internal Control and Risk Management System.

<sup>8</sup> 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.

<sup>9</sup> Confirmed on 26 April 2023 and expiring together with the other members of the Board of Directors and therefore on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023.

<sup>10</sup> Board of Statutory Auditors appointed on 26 April 2022.

<sup>11</sup> Appointed on 26 April 2023, in the office of Standing Auditor and Chairman of the Board of Statutory Auditors of ERG S.p.A. and expiring, together with the other members of the Board of Statutory Auditors, on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2024.

<sup>12</sup> Appointed on 26 April 2021 at the same time as appointment to the office of Group CFO.

<sup>13</sup> Appointed on 23 April 2018 for the period 2018 – 2026.

# FINANCIAL STATEMENTS AND OTHER INFORMATION

## ADJUSTED INCOME STATEMENT

This section contains the adjusted operating results, presented to exclude the impacts relating to the adoption of IFRS 9 and of special items, and with the reclassification for IFRS 16.

It should be noted that, as indicated in the paragraph "Basis for preparation", the 2023 and 2022 figures were presented in accordance with IFRS 5 with reference to the process aimed at the sale of the thermoelectric business, therefore reclassifying to the line "Net profit (loss) from assets held for sale" for 2023 the result of the first three months of the subsidiary ERG Power S.r.l.

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.

		1st quarter		
(EUR million)		2023	2022	Δ
Revenue	1	220	215	5
Other income	2	6	1	5
<b>TOTAL REVENUE</b>		<b>226</b>	<b>217</b>	<b>10</b>
Purchases and change in inventories	3	(4)	(2)	(2)
Services and other operating costs	4	(43)	(34)	(8)
Personnel expense		(12)	(12)	(0)
<b>GROSS OPERATING PROFIT (EBITDA)</b>		<b>167</b>	<b>168</b>	<b>(0)</b>
Amortisation, depreciation and impairment of non-current assets	5	(56)	(54)	(2)
<b>Operating profit (EBIT)</b>		<b>111</b>	<b>114</b>	<b>(3)</b>
Net financial income (expense)	6	(3)	(6)	3
Net gains (losses) on equity investments		(0)	0	(0)
<b>Profit before taxes</b>		<b>108</b>	<b>107</b>	<b>0</b>
Income taxes	7	(24)	(23)	(0)
<b>Net profit (loss) from continuing operations</b>		<b>84</b>	<b>84</b>	<b>(0)</b>
Net profit (loss) from discontinued operations	8	(6)	5	(11)
<b>Profit for the period</b>		<b>78</b>	<b>89</b>	<b>(11)</b>
Non-controlling interests		0	(0)	0
<b>Profit attributable to owners of the parent</b>		<b>78</b>	<b>89</b>	<b>(11)</b>

### 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) pla-

tform 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.

**Revenues in the first quarter of 2023** amounted to EUR 220 million, up slightly compared to the first quarter of 2022 (EUR 215 million), mainly as a result of the full contribution deriving from the acquisitions made in Italy in the second half of 2022, and the entry into operation of the wind farms developed internally and gradually becoming operational during the second half of 2022 and at the beginning of 2023, substantially offset by lower volumes and lower market prices. It should be noted that the adjusted revenues do not include the effects related to the **Regulatory measures to curb energy price rises (clawback measure and windfall tax)**, which resulted in refunds in the first quarter of around EUR 7 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.

lease payment charges (lease costs for IFRS 16 purposes) for EUR 3 million are classified under this item of the reclassified Income Statement. For a more detailed explanation of this classification, please refer to the "IFRS 16" paragraph, available under "Definitions" in the "Alternative Performance Indicators" section.

## 5 - Amortisation, depreciation and impairment of non-current assets

Amortisation and depreciation refer to wind farms and solar installations. The increase in the period is attributable to the full contribution deriving from the acquisitions made in Italy in the second half of 2022 (EUR 7 million) and the entry into operation of the farms developed internally and entered into operation gradually during the second half of 2022 and in the first quarter of 2023 (EUR 3 million). These effects were partially offset by both the extension of the useful life of Italian wind power assets (EUR 3 million) as a result of the Life-Time-Extension programmes and the reaching of the end of the useful life of some wind farm and photovoltaic components (EUR 3 million) also as a result of the start of Repowering investments.

It should be noted that the figures for the first quarter of 2023 do not include depreciation and amortisation related to the application of IFRS 16 in the amount of approximately EUR 2 million, as already commented in item 4.

## 6 - Net financial income (expense)

**Net financial expense** in the first quarter of 2023 amounted to EUR 3 million, down significantly compared to the first quarter of 2022 (EUR 6 million), mainly as a result of the improved remuneration of Group liquidity resulting from the trend in interest rates. The average cost of non-current liabilities in the first quarter of 2023 stood at 1.1% compared to 1.3% in the first quarter of 2022, due to the same effects described above. The return on liquidity is greater than that of the first quarter of 2022 due to the significant improvement in 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 values do not include the following components of an exceptional nature (special items) linked to liability management operations:

- financial charges (EUR 4 million) relating to the reimbursement of Project Financing by the company Erg Eolica Fossa del Lupo S.r.l. and Project Financing by the company EW Orneta 2 sp. z o.o;
- financial expense (EUR 1 million), tied to the reversal effect relating to refinancing operations carried out in previous years in application of IFRS 9;
- financial expense related to the liability recognised upon application of the equity method introduced by IFRS 16 (EUR 2 million), as previously discussed under item 4.

## 7 - Income taxes

**Adjusted income taxes** amounted to EUR 24 million, in line with EUR 23 million in the first quarter of 2022. It should be noted that in the first quarter of 2022, the item did not include the impact deriving from the Italian Decree Law of 21 March 2022 of EUR 14 million, isolated as a special item.

The tax rate for the first quarter of 2023, obtained from the ratio between income taxes and pre-tax profit, was 22% (22% in first quarter of 2022).

## 8 - Profit (loss) from assets held for sale

The adjusted net result of assets held for sale refers to the result of ERG Power S.r.l., amounting to EUR -6 million; this amount, compared to the reported figures, includes the amortisation and depreciation for the period equal to approximately EUR 5 million (net of tax)<sup>14</sup>. The CCGT's results reflect a substantially breakeven EBITDA as a result of an extraordinarily negative energy scenario for gas generation margins further worsened by measures for the maximization of thermoelectric production not from natural gas provided by D.L. 25 February 2022, n.14 (art. 5bis) and the subsequent Acts of Address of the Minister of the Ecological Transition, which depletes the effects on 1 April 2023 and an extraordinary machine downtime that occurred in early 2023 and has now been resolved.

<sup>14</sup> The adjusted result for the first quarter of 2022 (EUR +5 million) did not include amortisation and depreciation of the period for an amount of EUR-5 million (net tax).

## ADJUSTED STATEMENT OF FINANCIAL POSITION

The reclassified Statement of Financial Position contains the assets and liabilities of the mandatory financial statements, used in the preparation of the annual financial report, highlighting the uses of resources in non-current assets and in working capital and the related funding sources. For the definition of the indicators for the main items used in the Reclassified Statement of Financial Position, reference is made to that indicated in the “Alternative Performance Indicators” section below.

Shown below are the values at 31 March 2023, which 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 152 million. It should also 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.

### ADJUSTED RECLASSIFIED STATEMENT OF FINANCIAL POSITION

31/03/2022	(EUR million)		31/03/2023	31/12/2022
2,849	Non-current assets	1	3,549	3,540
92	Net operating working capital	2	73	97
(4)	Employee benefits		(4)	(4)
332	Other assets	3	277	381
(531)	Other liabilities	4	(638)	(657)
<b>2,738</b>	<b>Net invested capital of continuing operations</b>		<b>3,257</b>	<b>3,357</b>
<b>281</b>	<b>Net invested capital of assets held for sale</b>		<b>199</b>	<b>235</b>
<b>3,018</b>	<b>Net invested capital</b>		<b>3,456</b>	<b>3,592</b>
2,153	Equity attributable to the owners of the parent		2,183	2,050
10	Non-controlling interests	5	9	9
890	Net financial indebtedness of continuing operations	6	1,206	1,434
(35)	Net financial indebtedness of discontinued operations	6	58	98
<b>3,018</b>	<b>Equity and financial indebtedness</b>		<b>3,456</b>	<b>3,592</b>

### 1 - Non-current assets

(EUR million)	Intangible assets	Property, plant and equipment	Financial assets	Total
<b>Non-current assets at 31/12/2022</b>	<b>1,380</b>	<b>2,120</b>	<b>40</b>	<b>3,540</b>
Capital expenditure	1	64	(0)	66
Change in the consolidation scope	0	0	-	-
Divestments and other changes	0	0	(1)	(1)
Amortisation and depreciation	(17)	(39)	-	(56)
<b>Non-current assets at 31/03/2023</b>	<b>1,365</b>	<b>2,145</b>	<b>40</b>	<b>3,549</b>

The item “Capital expenditure” refers to the construction activities in Italy for 47 MW of Greenfield and the Repowering of

Italian wind farms for approximately 193 MW of new wind capacity, as well as the completion of the construction of the wind farms that entered into operation between the end of 2022 and the beginning of 2023 in the UK for approximately 178 MW, Poland for 61 MW and Sweden for 62 MW. Construction has also started on two Greenfield farms in France for 50 MW and one in Northern Ireland for 47 MW.

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

## 2 - Net operating working capital

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

## 3 - Other assets

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

## 4 - Other liabilities

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

## 5 – Non-controlling interests

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

## 6 – Net financial indebtedness

Indebtedness does not include the financial liability related to the application of IFRS 16 of approximately EUR 157 million (EUR 157 million at 31 December 2022).

### SUMMARY OF ADJUSTED GROUP INDEBTEDNESS

31/03/2022	(EUR million)	31/03/2023	31/12/2022
1,960	Non-current financial indebtedness	1,915	1,751
(1,070)	Current financial indebtedness (cash and cash equivalents)	(709)	(317)
<b>890</b>	<b>Total indebtedness of continuing operations</b>	<b>1,206</b>	<b>1,434</b>
<b>(35)</b>	<b>Total indebtedness of discontinued operations</b>	<b>58</b>	<b>98</b>
<b>855</b>	<b>Total</b>	<b>1,264</b>	<b>1,533</b>

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



### NON-CURRENT FINANCIAL INDEBTEDNESS

31/03/2022	(EUR million)	31/03/2023	31/12/2022
149	Non-current loans and borrowings	229	-
1,607	Non-current financial liabilities	1,595	1,595
<b>1,756</b>	<b>Total</b>	<b>1,824</b>	<b>1,595</b>
230	Total Project Financing	106	212
(26)	Current portion of Project Financing	(15)	(55)
<b>204</b>	<b>Non-current Project Financing</b>	<b>91</b>	<b>156</b>
<b>1,960</b>	<b>Total non-current financial indebtedness of continuing operations</b>	<b>1,915</b>	<b>1,751</b>
-	<b>Total non-current financial indebtedness of discontinued operations</b>	-	-
<b>1,960</b>	<b>TOTAL</b>	<b>1,915</b>	<b>1,751</b>

The “**Non-current loans and borrowings**” item at 31 March 2023 totalled EUR 229 million and refers to:

- to two bilateral Sustainability linked loans, respectively, with Cr dit Agricole (Ca-cib) (EUR 130 million) and with CaixaBank (EUR 100 million) signed in the first quarter of 2023.

The payables shown above are recognised net of medium/long-term ancillary costs recognised using the amortised cost method (EUR 1.3 million).

“**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 liabilities for “Project Financing” of EUR 106 million at 31 March 2023 relate to:

- loans for EUR 87 million relating to the company Andromeda S.r.l.;
- EUR 19 million in loans issued for the construction of wind farms.

The breakdown of current net financial indebtedness is shown below:

**CURRENT FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)**

31/03/2022	(EUR million)	31/03/2023	31/12/2022
421	Current bank loans and borrowings	148	296
85	Other current financial liabilities	32	38
<b>506</b>	<b>Current financial liabilities</b>	<b>180</b>	<b>334</b>
(894)	Cash and cash equivalents <sup>(1)</sup>	(558)	(424)
(625)	Securities and other current financial assets	(305)	(216)
<b>(1,519)</b>	<b>Current financial assets</b>	<b>(863)</b>	<b>(639)</b>
26	Current Project Financing	15	55
(82)	Cash and cash equivalents	(41)	(68)
<b>(56)</b>	<b>Project Financing</b>	<b>(26)</b>	<b>(12)</b>
<b>(1,070)</b>	<b>Total current financial indebtedness of continuing operations</b>	<b>(709)</b>	<b>(317)</b>
<b>(35)</b>	<b>Total current financial indebtedness of discontinued operations</b>	<b>58</b>	<b>98</b>
<b>(1,105)</b>	<b>TOTAL</b>	<b>(651)</b>	<b>(219)</b>

(1) It 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 Sustainability senior 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), due to mature in the first half of 2023.

**Other short-term loans and borrowings** mainly include:

- liabilities relating to deferred components of considerations for the purchase of assets and authorisations (EUR 12 million).
- accrued interest expense on Bonds and Corporate Loans (EUR 13 million);
- payables for financial leases referring to the acquisition of the Siena Group's photovoltaic companies in Italy (EUR 6 million).

**Short-term financial assets** include short-term cash investments of around EUR 200 million, deposits as collateral for futures derivatives transactions of around EUR 5 million, assets arising from the fair value measurement of interest rate hedging derivatives of EUR 57 million and *financial receivables on non-hedging physical derivatives in the amount of EUR 35 million*.

## Cash flows

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

Year		1st quarter	
		2023	2022
2022	(EUR million)		
537	Adjusted EBITDA	167	168
11	Change in net working capital	100	(55)
<b>548</b>	<b>Cash flows from operations</b>	<b>267</b>	<b>112</b>
(307)	Capital expenditure in property, plant and equipment and intangible assets	(66)	(51)
(638)	Asset acquisitions and business combinations	-	(96)
1,265	Collection from the sale of ERG Hydro	-	1,265
(6)	Capital expenditure on non-current financial assets	1	(1)
(13)	Divestments and other changes	-	(0)
<b>301</b>	<b>Cash flows from investments/divestments</b>	<b>(65)</b>	<b>1,117</b>
(25)	Financial income (expense)	(3)	(6)
(3)	Financial expense for closing loans	(4)	(3)
0	Net gains (losses) on equity investments	(0)	-
<b>47</b>	<b>Cash flows from financing activities</b>	<b>(7)</b>	<b>(9)</b>
<b>(92)</b>	<b>Cash flows from tax management</b>	<b>(2)</b>	<b>-</b>
(139)	Distribution of dividends	-	-
26	Other changes in equity	36	26
<b>(113)</b>	<b>Cash flows from Equity</b>	<b>36</b>	<b>26</b>
<b>(69)</b>	<b>Change in the consolidation scope</b>	<b>-</b>	<b>(69)</b>
<b>(104)</b>	<b>Cash flows Thermo</b>	<b>40</b>	<b>18</b>
<b>2,051</b>	<b>Opening net financial indebtedness "Continuing operations"</b>	<b>1,533</b>	<b>2,051</b>
(519)	Net change	(269)	(1,196)
<b>1,533</b>	<b>Total adjusted indebtedness</b>	<b>1,264</b>	<b>855</b>
(98)	(+ NFP Thermo)	(58)	35
<b>1,434</b>	<b>Adjusted indebtedness of "Continuing operations"</b>	<b>1,206</b>	<b>890</b>

**Cash flows from operations** in the first quarter of 2023 were positive at EUR 267 million, a significant increase (EUR 155 million) compared to the corresponding period of 2022 (EUR 122 million), mainly due to the operating results for

the year and the change in working capital, as well as the financial settlement of certain hedging derivatives.

**Cash flows from investments** in the first quarter of 2023 were mainly linked to investments in the period (EUR 66 million) aimed at the development of wind farms in the United Kingdom, France and Sweden as well as the developments on the Repowering and Reblading projects in Italy.

**Cash flows from financing activities** refer to the interest accrued in the period and to the financial expense incurred within the scope of the Liability Management activities, related to the early repayment of project financing in the first quarter of 2023.

**Cash flows from Tax Management** refer to the payment of direct taxes during the period.

**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.

# 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";
- **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;
- **Investments** are the sum of investments in property, plant and equipment and intangible assets;
- **Net operating working capital** is the sum of Inventories, Trade Receivables and Trade Payables;
- **Net invested capital** is the sum of Non-current Assets, Net Operating Working Capital, Liabilities related to Post-employment Benefits, Other Assets and Other Liabilities;
- **Adjusted net invested capital** is Net invested capital, as defined above, with the exclusion of the impact relative to the application of IFRS 16 mainly linked to the increase in right-of-use assets;
- **Net financial indebtedness** is an indicator of the financial structure and is determined in accordance with ESMA Guidelines 32-382-1138 (Guidelines on Prospectus disclosures) and CONSOB Warning Notice no. 5/2021, including the portion of non-current assets relative to derivative financial instruments;
- **Adjusted net financial indebtedness of continuing operations** is the net financial indebtedness, as defined above, net of the liability linked to the discounting of future lease payments, following the application of IFRS 16;
- **Financial leverage** is calculated by comparing the adjusted net financial indebtedness (including Project Financing) to the adjusted net invested capital.
- **Special items** include significant special income components of an exceptional nature. These include:
  - income and expense connected to events whose occurrence is non-recurring, i.e. those transactions or events that do not frequently re-occur over the normal course of business;
  - income and expense related to events that are not typical of normal business activities, such as restructuring and environmental costs;
  - capital gains and losses linked to the disposal of assets;
  - significant impairment losses recognised on assets following impairment tests;
  - income and the associated reversals recognised in application of IFRS 9, in relation to the restructuring of loans in place.

### IFRS 16

The Group, as lessee, has recognised new liabilities for leases and higher right-of-use assets related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory.

The application of the standard has changed the presentation in the Income Statement of costs for operating leases: these costs are now recognised as depreciation of the right-of-use assets and as financial expense correlated to the liability linked to the discounting of future lease payments.

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

The application of IFRS 16 in the first quarter of 2023 has therefore led to:

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 3 million;

- an increase (approximately EUR 157 million) in the net financial indebtedness and the net invested capital (approximately EUR 152 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation expense (EUR 2 million) and greater financial expense (EUR 2 million) linked to the application of the above-mentioned method.

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

## Reconciliation with adjusted operating results

### GROSS OPERATING PROFIT (EBITDA)

Year	(amounts in millions)	Notes	1st quarter	
			2023	2022
499	EBITDA from continuing operations		164	106
<b>Special items exclusion:</b>				
(12)	- IFRS 16 reclassification	1	(3)	(3)
<b>Italy</b>				
14	- Reversal of ancillary charges on non-recurring operations (Special Projects)	2	0	1
1	- Reversal for allocation for Provision for Disposed Businesses	3	-	-
7	- Reversal Clawback Measures	4	1	
<b>East Europe</b>				
28	- Reversal Clawback Measures & Windfall tax	4	6	3
537	Adjusted EBITDA		167	168

### AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Year	(amounts in millions)	Note	1st quarter	
			2023	2022
(228)	Amortisation, depreciation and impairment losses		(58)	(62)
<b>Special items exclusion:</b>				
7	- IFRS 16 reclassification	1	2	1
0	- Reversal of expenses related to Disposed Businesses	3	0	-
43	- Reversal of write-down Repowering Wind Italy	5	-	7
(229)	Adjusted depreciation and amortisation		(56)	(54)

**PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT**

Year 2022	(amounts in millions)	Notes	1st quarter	
			2023	2022
89	<b>Profit (loss) from continuing operations attributable to the owners of the parent</b>		77	59
	<b>Special items exclusion:</b>			
0	IFRS 16 reclassification	1	0	-
11	Exclusion of ancillary charges on non-recurring transactions	2	0	1
(2)	Exclusion of expenses related to Disposed Businesses	3	(2)	0
83	Exclusion of the impact of Clawback measures, solidarity contribution and 25% Extra-profits	4	5	17
31	Exclusion of write-down Repowering Wind Italy	5	-	5
2	Exclusion of ancillary charges on loan prepayments	6	3	2
(1)	Exclusion of substitute tax Solar Italy	7	-	
3	Exclusion of impact of gains/losses (IFRS 9)	8	1	1
216	<b>Adjusted net profit (loss) from continuing operations attributable to owners of the parent</b>		84	84

1. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.
2. Ancillary charges relating to other non-recurring transactions.
3. Provisions relating to exceptional items on businesses disposed of by the Group. In the first quarter of 2023, the amount refers to the price adjustment relating to the sale of the Terni hydroelectric complex.
4. Impact of Clawback Measures & Windfall tax.
5. 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.
6. Financial expense related to the early closure of project financing and Corporate loans as part of Liability Management transactions.
7. Reversal of the ERG Solar Holding S.r.l. substitute tax benefit
8. 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 1 million being accounted for in the first quarter of 2023. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted Income Statement financial expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.

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

### Income Statement 1st Quarter 2023

(EUR million)	Financial Statements	Reclassification of IFRS 16 impact	Adjustment for impact of IFRS 9	Reversal of special items	Adjusted Income Statement
Revenue	213	-	-	7	220
Other income	6	-	-	-	6
<b>Total revenue</b>	<b>220</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>226</b>
Purchases and change in inventories	(4)	-	-	-	(4)
Services and other operating costs	(39)	(3)	-	0	(43)
Personnel expense	(12)	-	-	-	(12)
<b>Gross operating profit (EBITDA)</b>	<b>164</b>	<b>(3)</b>	<b>-</b>	<b>7</b>	<b>167</b>
Amortisation, depreciation and impairment of non-current assets	(58)	2	-	-	(56)
<b>Operating profit (EBIT)</b>	<b>106</b>	<b>(2)</b>	<b>-</b>	<b>7</b>	<b>111</b>
Net financial income (expense)	(9)	2	1	4	(3)
Net gains (losses) on equity investments	2	-	-	(2)	(0)
<b>Profit before taxes</b>	<b>98</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>108</b>
Income taxes	(21)	-	(0)	(2)	(24)
<b>Net profit (loss) from continuing operations</b>	<b>77</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>84</b>
Net profit (loss) from assets held for sale	(1)	-	-	(5)	(6)
<b>Profit for the period</b>	<b>76</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>78</b>
Non-controlling interests	0	-	-	-	0
<b>Profit (loss) attributable to the owners of the parent</b>	<b>76</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>78</b>

### Reclassified Statement of Financial Position at 31 March 2023

(EUR million)	Reported Statement of Financial Position	Adjustment for impact of IFRS 16	Adjusted Statement of Financial Position
Intangible assets	1,365	-	1,365
Property, plant and equipment	2,299	(154)	2,145
Equity investments and other non-current financial assets	40	-	40
<b>Non-current assets</b>	<b>3,703</b>	<b>(154)</b>	<b>3,549</b>
Inventories	17	-	17
Trade receivables	153	-	153
Trade payables	(97)	-	(97)
Excise duties payables to tax authorities	0	-	0
<b>Net operating working capital</b>	<b>73</b>	<b>-</b>	<b>73</b>
Employee benefits	(4)	-	(4)
Other assets	275	2	277
Other liabilities	(638)	-	(638)
<b>Net invested capital of continuing operations</b>	<b>3,408</b>	<b>(152)</b>	<b>3,257</b>
<b>Net invested capital of assets held for sale</b>	<b>199</b>	<b>-</b>	<b>199</b>
<b>Net invested capital</b>	<b>3,607</b>	<b>(152)</b>	<b>3,456</b>
Equity attributable to the owners of the parent	2,177	5	2,183
Non-controlling interests	9	-	9
Non-current financial indebtedness	1,363	(157)	1,206
Net financial indebtedness Assets held for sale	58	-	58
<b>Equity and financial indebtedness</b>	<b>3,607</b>	<b>(152)</b>	<b>3,456</b>