



Press release

The Board of Directors of ERG S.p.A. approves the Interim financial report at 30 June 2023

Adjusted consolidated EBITDA¹: EUR 263 million, EUR 272 million in the first half of 2022

Adjusted net profit (loss) from continuing operations: EUR 116 million, EUR 82 million in the first half of 2022

- Operating results down slightly: EBITDA 263 million euros, down 3% compared to 272 million in the previous period, mainly due to very unfavourable wind conditions in the second quarter in a context of prices that experienced a significant decline during the semester compared to the particularly high prices of the same period of 2022. Falling prices averaging 50% across various reference markets, were mitigated by the Group's revenue structure which provides for sales through fixed tariffs, long-term contracts and hedging policies. These effects were partly offset by the contribution of the new capacity in operation.
- Net profit up 40%: profit, net of extraordinary measures, amounted to EUR 116 million, up sharply compared to EUR 82 million in the previous period. The lower contribution of the operating margin was offset by lower financial expenses due to the return on cash in an environment of rising interest rates as well as the elimination of windfall taxes that had burdened the same period in 2022. With regard to net income, the benefit of substantially stable amortisation, despite significant investments, due to the extension of the useful life of certain assets following the implementation of life-time extension programmes, should also be noted.
- Agreement for the sale of the CCGT: ERG takes a key step towards a "Wind & Solar" business model with the agreement with Achernar Assets AG, a Swiss investment holding company, for the sale of the Combined Cycle Gas Turbine (CCGT) cogeneration plant in Priolo, Syracuse. The completion of the transaction is expected by the end of the year.
- First repowering in Italy: construction completed and start-up of the 42 MW Partinico-Monreale wind farm in Palermo, the first in the portfolio to complete repowering. In line with the objective of securing revenues, the clean energy produced will be sold to Essilor-Luxottica through a 12-year Power Purchase Agreement. 274 MW of wind power is under construction in Sicily with energisation planned between 2023 and 2024, and a further 115 MW is authorised in the region for the repowering of the Carlentini wind farm.
- Growth abroad: in line with the geographical and technological diversification objectives of the 2022-2026 Business Plan, ERG continues its consolidation in Spain in the solar sector. A 149 MW photovoltaic plant under construction located in the Castilla and León region has been acquired, in addition to a 25 MW photovoltaic plant in operation located in Extremadura. An auction was awarded in France for two wind farms with a total of 18 MW; a further 28 MW was authorised in Germany, of which 6 MW already by auction.
- ESG recognitions: further confirmation of the validity of the Group's ESG strategy with SBTi approving ERG's greenhouse gas (GHG) emissions reduction target, MSCI upgrading ERG to the "AAA" rating and entry into the top ten of the Integrated Governance Index 2023. The Group's commitment to sustainable finance was also recognised as it became a part of the Nasdaq Sustainable Bond Network, a platform dedicated to Sustainable Finance on the New York electronic stock exchange.

¹ In order to make it easier to understand how the businesses are performing and to provide the most transparent representation possible, the financial results are presented in what is described as "adjusted" format. This means that the results are shown including the effects of the transitional measures (clawback measures/windfall taxes) enacted in various countries to offset electricity price increases, as well as any significant unusual income components (special items). A definition of the indicators and the reconciliation of the amounts involved are provided in the "Alternative Performance Indicators" section of this document.

- **2023 Guidance:** as a consequence of the declining operating results recorded in the second quarter mainly as a result of lower wind speeds in a significantly declining price environment, the guidance for consolidated EBITDA is revised downwards in the range of EUR 480-520 million compared to the previous range of EUR 500-550 million. Capital expenditure is confirmed in the range of EUR 500-600 million, and the debt guidance is also confirmed in the range of EUR 1400-1500 million due to an expected cash flow in line with previous estimates as the lower expected EBITDA is mainly offset by lower financial expenses.

Genoa, 28 July 2023 – The Board of Directors of ERG S.p.A. has today approved the interim financial report at 30 June 2023. The figures of the second quarter, not submitted to approval by the Board of Directors and not subject to audit, are to be considered pro-forma and are provided for the sake of completeness and continuity of information.

2nd Quarter			Performance highlights (Euro million)	1st Half Year		
2023	2022	Var %		2023	2022	Var. %
103	108	-4%	EBITDA adjusted	263	272	-3%
50	54	-7%	EBIT adjusted	155	165	-6%
37	15	151%	Net result from continuing operations adjusted	116	82	41%

	30/06/2023	31/12/2022	Variation
Net financial indebtedness of continuing operations (Euro million)	1,516	1,434	81
Leverage ⁽¹⁾	42%	41%	

⁽¹⁾ Ratio of total net financial indebtedness continuing operations (including project financing) to net invested capital

Paolo Merli, Chief Executive Officer of ERG commented: “The operating results in the second quarter were lower than our expectations mainly due to extraordinarily poor wind conditions. Net profit has significantly increased, thanks to lower financial expenses as well as the absence of windfall taxes. The progress of the Business Plan continued apace in the second quarter, with the start-up of our first repowering plant in Italy and the consolidation of our presence in Spain. During the period, we also made significant progress in the development of the pipeline with the obtaining of a single authorisation for a repowering project totalling 115 MW in Italy, as well as further authorisations in Germany and in France for a total of 46 MW. The agreement for the sale of the CCGT power plant in Priolo, which is expected to be finalised in the second half of the year, marks a fundamental step towards the Group's transformation into a pure renewable operator and the achievement of the “Net Zero” objective set out in the ESG plan. Given the weakness of the results in the second quarter, we opted to revise the EBITDA guidance for the year in the range of EUR 480-520 million, while the guidance on capital expenditure and debt remains unchanged, thanks to an expected cash flow in line with the previous estimate”.

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 implementation of these measures led to refunds that negatively affected EBITDA in the first half of 2023 by approximately EUR 7 million (EUR 6 million on the net result of continuing operations).

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

FY 2022	2 ^o Quarter 2023	2 ^o Quarter 2022	Variation	(milioni di Euro)	1 ^o Half 2023	1 ^o Half 2022	Variation
749	157	159	(2)	Revenues (gross clawback)	377	374	3
35	1	2	(1)	(-) clawback measures	7	5	2
7	-	-	-	Italy	0	-	0
7	0	-	0	France	2	-	2
2	-	-	-	Germany	-	-	-
19	1	2	(1)	East Europe	5	5	(0)
714	157	157	(1)	Revenues (net clawback)	370	369	1
537	103	110	(6)	EBITDA (gross clawback)	270	277	(7)
35	1	2	(1)	(-) clawback measures	7	5	2
7	-	-	-	Italy	0	-	0
7	0	-	0	France	2	-	2
2	-	-	-	Germany	-	-	-
19	1	2	(1)	East Europe	5	5	(0)
502	103	108	(5)	EBITDA (net clawback)	263	272	(9)
216	38	38	(0)	Net Result continued operations (gross clawback & windfall tax)	121	122	(1)
83	1	23	(23)	(-) clawback measures e windfall tax ⁽¹⁾	6	40	(34)
61	-	22	(22)	Italy	-	36	(36)
5	0	-	0	France	2	-	2
2	-	-	-	Germany	-	-	-
16	1	1	(0)	East Europe	4	4	(0)
133	37	15	22	Net Result from continued operations (net clawback & windfall tax)	116	82	34

⁽¹⁾ The first half of 2022 included windfall tax measures recognised in the tax line of EUR 36 million, deriving from the Italian Decree Law of 21 March 2022.

For the sake of clarity, in this press release the adjusted results will be shown net of these charges and will therefore be understood as "net clawbacks and windfall taxes".

Change in business scope

Solar Spain

On 23 December 2022 ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with Renertia Investment Company for the acquisition of 100% of the share capital of a company that owns a photovoltaic solar plant located in Fregenal de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MW.

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

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

Solar Spain

On 5 May 2023, ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with IBV Solar Parks, B.V., a company belonging to the German group ib vogt GmbH, a global platform for the development of industrial solar plants. The agreement concerns the acquisition of a 100% stake in Garnacha Solar 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 at the Commercial Operating Date was estimated to be EUR 170 million, of which approximately EUR 90 million related to bank loans, and an equity value of EUR 80.5 million. The transaction was completed on 23 June. The newly acquired

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

In light of the above, the impact on net financial debt for “continuing operations” at 30 June 2023 (EUR 152 million) does not reflect the investments still to be made until the plant enters into operation.

It should also be noted that, during the first half of the year, a wind farm in the United Kingdom with a total capacity of 92 MW, developed and constructed in-house, became fully operational.

Moreover, ERG completed construction and started energising the Partinico-Monreale wind farm in Palermo, the first in the group's portfolio to complete repowering operations.

Second quarter 2023

In the second quarter of 2023, **adjusted revenues amounted to EUR 157 million**, in line with the second quarter of 2022 (EUR 157 million), mainly as a result of the lower production and lower market prices, which were in fact offset by the contribution deriving from the acquisitions made 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.

Production amounted to 1.2 TWh, up 92 GWh compared to 2022 (+8%), thanks to the contribution of the new wind farms (154 GWh) which more than offset the lower production due to the poor wind conditions recorded in the period, significantly lower than historical averages. The quarter was also characterised by significantly lower market prices compared to the particularly high prices of 2022, which only marginally affected the results as the group adopts a hedging policy involving sales through fixed rates, PPAs under pre-established conditions and financial hedging agreements.

It should be noted that the adjusted EBITDA amounted to EUR 103 million in the second quarter of 2023 (EUR 108 million in the second quarter of 2022).

ITALY

- **Wind (EUR 41 million):** EBITDA down slightly (EUR -3 million) compared with the second quarter of 2022 (EUR 44 million) due to the lower wind speeds experienced, which were significantly lower than historical averages, and the lower market prices captured, in particular due to the elimination of the incentive value (equivalent to EUR 43 per MWh in 2022), partly offset by the scope effect (+61 GWh) resulting from the acquisition of wind farms in the second half of 2022 and the initial contribution of a repowered farm that came into operation in June. Output amounted to 486 GWh in the second quarter of 2023 compared to 468 GWh in the second quarter of 2022, mainly due to the scope effect.
- **Solar (EUR 25 million):** EBITDA up (EUR +2 million) compared with the second quarter of 2022 (EUR 23 million) due to the acquisition of photovoltaic farms in the second half of 2022 (+9 GWh) partially offset by lower irradiation recorded in the quarter and by revamping/repowering activities on some of the plants. Production totalled 79 GWh in the second quarter of 2023 (77 GWh in the same period of 2022).

ABROAD

- **Wind (EUR 35 million):** EBITDA down slightly (EUR -3 million) compared to the second quarter of 2022 (EUR 38 million) mainly due to the slightly poorer wind conditions than those in the second quarter of 2022 and the lower market prices captured in some geographic areas, partly offset by the contribution of the farms built internally in 2022 and in the early months of 2023. Output amounted to 555 GWh in the second quarter of 2023 compared to 479 GWh in the second quarter of 2022, mainly due to the scope effect.
- **Solar (EUR 8 million):** EBITDA of EUR 8 million in the second quarter of 2023 (EUR 9 million in the same period of 2022), due to lower radiation in Spain and lower market prices captured. Output amounted to 89 GWh in the second quarter of 2023 compared to 93 GWh in the second quarter of 2022.

Overall, the scope effect linked to the new operating MW is EUR 13 million due to the contribution of the plants developed internally and commissioned during 2022 and the first half of 2023, mostly still in the production ramp-up phase, 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 50 million (EUR 54 million in the second half of 2022). Depreciation and amortisation amounted to EUR 52 million, broadly in line with the second quarter of 2022 (EUR 53 million) and reflect the full contribution of the new assets (EUR 10 million), fully offset by both the extension of the useful life of wind power assets in Italy and abroad (EUR 8 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.

The **adjusted net result from continuing operations** amounted to EUR 37 million (EUR 15 million in the second quarter of 2022) and reflects, in addition to the above, also financial expenses of EUR 2 million (EUR 6 million in the second quarter of 2022), a significant decrease as a result of the optimisation of the capital structure and the improved remuneration of liquidity.

As already indicated in the introduction, the item reflects the clawback measures and windfall taxes, which, due to the sharp and sudden drop in electricity prices in all reference markets below the various “revenues caps”, resulted in refunds with a negligible negative impact estimated at EUR 1 million on the net result (EUR 23 million in the second quarter of 2022).

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 34 million, up compared to the result for the second quarter of 2022 (EUR 14 million).

First Half of 2023

In the first half of 2023, **adjusted revenues** amounted to EUR 370 million, substantially in line with the first half of 2022 (EUR 369 million), as a result of the full contribution deriving from the acquisitions made 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 in all countries and lower wind and solar production in the half-year.

Production amounted to 3.0 TWh, up 0.3 TWh compared to 2022 (+13%), thanks to the contribution of the new wind farms which more than offset the lower production due to the poor wind conditions recorded compared to the same period of 2022. The first half was characterised by significantly lower market prices compared to the particularly high prices of 2022, which only marginally affected the results as the group adopts a hedging policy involving sales through fixed rates, PPAs under pre-established conditions and financial agreements.

It should be noted that the **adjusted EBITDA** amounted to EUR 263 million in the first half of 2023 (EUR 272 million in the first half of 2022).

ITALY

- **Wind (EUR 110 million):** EBITDA down slightly compared with the first half of 2022 (EUR 113 million) due to 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 in 2022), partly offset by the scope deriving from the acquisition of wind farms carried out in the second half of 2022 and by the first contributions from the farm that came into operation in June. Output amounted to 1,224 GWh in the first half of 2023 compared to 1,129 GWh in the first half of 2022, mainly due to the scope effect (+170 GWh).
- **Solar (EUR 38 million):** EBITDA up compared with the first half of 2022 (EUR 36 million) due to the acquisition of photovoltaic farms in the second half of 2022 (+21 GWh) partially offset by lower irradiation recorded in the half-year. Output amounted to 125 GWh in the first half of 2023 compared to 122 GWh in the first half of 2022.

ABROAD

- **Wind (EUR 114 million):** EBITDA down slightly compared to the first half of 2022 (EUR 121 million) mainly due to lower market prices captured in some geographic areas, partly offset by the contribution deriving from the farms built internally in 2022 and in the early months of 2023. The change also reflects higher refunds (clawback measures) of approximately EUR 2 million. Output amounted to 1,499 GWh in the first half of 2023 compared to 1,266 GWh in the first half of 2022, mainly due to the scope effect (+222 GWh).

- **Solar (EUR 12 million):** EBITDA down slightly compared to the first half of 2022 (EUR 14 million), due to lower market prices partly compensated by better irradiation in Spain. Output amounted to 141 GWh in the first half of 2023 compared to 138 GWh in the first half of 2022.

Overall, the scope effect linked to the greater capacity is EUR 37 million due to the full contribution of the plants built internally 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 155 million (EUR 165 million in the first half of 2022). Depreciation and amortisation amounted to EUR 109 million, broadly in line with the first half of 2022 (EUR 107 million) and reflect the full contribution of the new assets (EUR 19 million), fully offset by both the extension of the useful life of wind power assets in Italy and abroad (EUR 11 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 6 million) also as a result of the start of Repowering investments.

It should be noted that the **adjusted net result from continuing operations** amounted to EUR 116 million in the first half of 2023 (EUR 82 million in the first half of 2022) and reflects, in addition to the above, also financial expenses of EUR 5 million (EUR 12 million in the first half of 2022), a significant decrease as a result of the optimisation of the capital structure and the improved remuneration of liquidity.

As already indicated in the introduction, the item reflects the clawback measures and windfall taxes, which resulted in refunds with a negative impact (net tax) estimated at EUR 6 million on the net result (EUR 40 million in the first half of 2022, including windfall taxes of EUR 36 million, in application of Article 37 of the Decree Law of 21 March 2022²).

Adjusted profit attributable to the owners of the parent, also including the contribution of ERG Power S.r.l.³, owner of the CCGT plant recognised in discontinued operations in accordance with IFRS 5 rules, amounted to EUR 107 million, up compared to the result for the first half of 2022 (EUR 81 million).

The Group net profit amounted to EUR 79 million. The figures for the first half of 2022 (EUR 405 million) 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 half of 2023 reflects the special items, including in particular the write-down of the CCGT plant for an amount of EUR 38 million.

Adjusted net financial indebtedness of "continuing operations" totalled **EUR 1,516 million**, up (EUR +81 million) compared to 31 December 2022 (EUR 1,434 million). The change mainly reflects the effect of the acquisitions of two photovoltaic parks in Spain (EUR 182 million), capital expenditure for the period (EUR 130 million) mainly related to the development of Repowering projects in Italy, and dividends distributed to shareholders (EUR 152 million) partially offset by the positive cash flow for the period (EUR 316 million⁴), which includes the collection following the financial settlement of certain hedging derivatives.

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 23 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 174 million at 30 June 2023.

² This impact was calculated on the basis of a rate equal to 25% for the period between 1 October 2021 and 30 April 2022. The amount shown took into consideration the scope of the continuing operations, not including an additional EUR 4 million related to the thermoelectric business, which is in the process of being sold, recognised in discontinued operations.

³ Note that the adjusted results of discontinued operations include the full contribution of the amortisation and depreciation of the thermoelectric business and the effects of the write-down of the CCGT plant being sold (EUR 38 million). It should be noted that the EBITDA of the CCGT in the first half of 2023 was approximately EUR 5 million.

⁴ Includes the adjusted EBITDA, the change in working capital and financial income (expense).

Capital expenditure

2nd Quarter		(Euro Million)	1st Half Year	
2023	2022		2023	2022
54	30	Italy	94	51
1	4	France	11	9
0	0	Germany	0	0
7	30	UK & Nordics	22	48
182	0	Spain	182	96
0	6	East Europe	0	13
1	1	Corporate	1	1
246	71	Total Investments	311	218

In the first half of 2023, **capital expenditure** totalled EUR 311 million (EUR 218 million in the first half of 2022) and mainly refers to the acquisition of two solar farms in Spain (EUR 182 million) in June 2023 and to organic development activities (EUR 130 million compared to EUR 122 million in the first half of 2022), related to construction activities in Italy for 47 MW Greenfield and Repowering activities on Italian wind farms for around 269 MW of new wind power capacity, as well as the completion of construction activities on wind farms that will come into operation between the end of 2022 and the beginning of 2023 in the UK for around 179 MW and Sweden for 62 MW. The construction of two Greenfield farms in France for 50 MW has also been started.

ITALY

Capital expenditure in the **first half of 2023 (EUR 94 million)** mainly refers to the start of construction of the Roccapalumba greenfield plant (47 MW) and to the repowering activities (269 MW) on the Camporeale, Partinico-Monreale, Mineo-Militello and Vizzini plants in addition to the usual maintenance aimed at further increasing the efficiency of the plants. In Solar, the Revamping of the plants has begun, aimed at ensuring greater efficiency of the same.

ABROAD

FRANCE

Capital expenditure in the **first half 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.

UK & NORDICS

Investments in the UK & Nordics area in the **first half of 2023 (EUR 22 million)** 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

Capital expenditure in the **first half of 2023 (EUR 182 million)** refers to the recent acquisitions of photovoltaic plants in June 2023, of which 149 MW under construction with COD expected at the end of the year and 25 MW in the start-up phase.

Operational Data by Country

2023	2nd Quarter			Electricity Output (GWh)	2023	First Half		
	2022	Δ	Δ%			2022	Δ	Δ%
565	545	20	4%	Power output in Italy	1.349	1.252	97	8%
486	468	18	4%	- wind	1.224	1.129	95	8%
79	77	2	3%	- solar	125	122	3	2%
644	572	73	13%	Power output Abroad	1.640	1.404	237	17%
555	479	77	16%	- wind	1.499	1.266	234	18%
89	93	-4		- solar	141	138	3	2%
1.209	1.117	92	8%	ERG plants total output	2.989	2.655	334	13%

ITALY

In the **second quarter of 2023**, **electricity output** in Italy amounted to 565 GWh, of which 486 GWh from wind power and 79 GWh from photovoltaic plants, up compared to the same period in 2022 (545 GWh, of which 468 GWh from wind power and 77 GWh from solar power), thanks to the consolidation of the wind and photovoltaic farms acquired during 2022 and the first contributions from a repowered wind farm that went into operation in June, in the face of both lower wind speeds and lower radiation. The contribution deriving from the scope is +62 GWh of wind and +13 GWh of solar.

In the **first half of 2023**, **electricity output** in Italy amounted to 1,349 GWh, of which 1,224 GWh from wind power and 125 GWh from photovoltaic plants, up compared to the same period in 2022 (1,252 GWh, of which 1,129 GWh from wind power and 122 GWh from solar power), thanks to the consolidation of the wind and photovoltaic farms acquired during 2022 (+170 GWh from wind power and +21 GWh from solar power) against both lower wind speeds (-7%) and lower radiation (-12%) on the farms.

ABROAD

In the **second quarter** of 2023, **electricity production** abroad amounted to 644 GWh, of which 555 GWh came from wind power and 89 GWh from solar power. This represents an increase compared to the same period in 2022 (572 GWh, with 479 GWh from wind power and 93 GWh from solar power) thanks to the contribution from new plants (+79 GWh), mainly located in Poland, the UK, and Sweden, and to the higher wind conditions in France (+13%). However, this increase was partially offset by lower wind conditions and solar irradiation in other regions during the same period.

In the **first half** of 2023, **electricity production** abroad reached 1,640 GWh, with 1,499 GWh from wind power and 141 GWh from solar power. This represents a growth compared to the first half of 2022 (1,404 GWh, out of which 1,226 from wind power 138 GWh from solar power). The increase in production is mainly attributed to the expansion of capacity (+222 GWh) resulting from the contribution of plants that started operating in 2022 and early 2023. Additionally, the higher wind conditions in France and improved solar irradiation in Spain contributed to the increase, but it was partially offset by lower wind conditions in other regions compared to the first half of 2022. It's worth noting that the wind farm in Sweden (62 MW) is still in the commissioning phase, addressing technical issues that arose during the plant's start-up.

Main events during the half-year

Date	Geographic segment	Sector	Significant event
Press release of 12/01/2023	UK & Nordics	Wind	ERG announces the commissioning of the Creag Riabhach wind farm in the county of Sutherland, in the north of Scotland. The wind farm has a total installed capacity of 92.4 MW and an overall annual 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.
Press release of 18/01/2023	Italy	Corporate	Sustainalytics assigned ERG a 'Low Risk' rating with a score of 14.6 compared to the Medium Risk (20.7) recorded the previous year, improving the ESG risk profile of the Group, which ranks 5th (out of 75) among Independent Power Producers globally. In addition, ERG was included among the "Global 100 most sustainable corporations in the world", ranking 54th in the 2023 index, first among the Italian companies included in the list.
Press release of 31/01/2023	Italy	Corporate	ERG confirmed its position in the Bloomberg Gender Equality Index with a significant improvement in score. The Group enters the first quartile of the ranking.
Press release of 9/03/2023	Italy	Wind	EssilorLuxottica and ERG announce the signing of a long-term agreement for the supply of electricity from renewable sources in Italy.
Press release of 15/03/2023	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.
Press release of 26/04/2023	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.
Press release of 04/05/2023	Italy	Corporate	Fitch ratings agency ("Fitch") confirmed for ERG S.p.A. a Long Term Issuer Default Rating (IDR) of BBB- with stable outlook and a senior unsecured rating of BBB-.
Press release of 05/05/2023	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 was completed on 23 June.
Press release of 09/05/2023	Italy	Wind Solar	New long-term agreement between ERG and TIM for the supply of electricity from renewable sources. The contract provides for the integration of the Power Purchase Agreement previously signed on 14 May 2021 for the supply of 340 GWh/year for 10 years, with an additional volume of 200 GWh per year "baseload" of 100% green energy produced by renewable plants in the ERG portfolio.

Press release of 13/06/2023	Italy	Corporate	ERG joins the Nasdaq Sustainable Bond Network, a platform dedicated to Sustainable Finance of the New York electronic stock exchange that brings together investors, issuers and investment banks. On the issuer's side, joining will allow the Group to further expand the network of potential international investors attentive to sustainability issues.
Press release of 14/06/2023	Italy	Wind	ERG has completed construction and started energising the Partinico-Monreale wind farm in Palermo, the first in the group's portfolio to complete repowering operations. Following the replacement of all obsolete aerogenerators with latest generation models, the farm now has 10 4.2 MW VESTAS V132 turbines with a total installed capacity of 42 MW (compared to the previous 19 turbines for a total of 16 MW) and an estimated annual production of 94 GWh (compared to the previous 27 GWh).
Press release of 16/06/2023	Italy	Wind	MSCI Inc., a leading corporate ESG performance research company, has upgraded ERG to an 'AAA' rating, up from an 'AA' rating in 2022, putting it into the 'Leader' category. ERG ranked among the top 18 Utilities internationally, among the 138 companies in the sector analysed by MSCI for ESG performance, and among the approximately 2900 companies examined globally. ERG is also among the ESG Identity Top Performers, within the "Integrated Governance Index 2023", the index that verifies the degree of ESG factor integration in corporate strategies, placing it among the Italian best practices in corporate governance. The Group reached fourth position, a clear improvement compared to last year's tenth position.
Press release of 29/06/2023	Italy	Thermoelectric	ERG has signed an agreement with Achernar Assets AG, a Swiss investment holding company, for the sale of the entire share capital of ERG Power S.r.l., owner of the Combined Cycle Gas Turbine (CCGT) cogeneration plant. Subject, among other things, to the successful completion of the golden power procedure at the Italian Presidency of the Council of Ministers, the closing of the transaction is expected by the end of this year.
Press release of 30/06/2023	Spain	Solar	ERG, through its subsidiary ERG Spain Holdco, completed the acquisition of 100% of the share capital of Instalación Fotovoltaica Arericsol VIII, a company that owns a photovoltaic plant located in Fregenal de la Sierra with an installed capacity of 25 MW.

Business outlook

The context in which the Group operates is characterised by extreme volatility and uncertainty. Prices for commodities and electricity are extremely volatile and have fallen sharply in the first months of 2023 compared to the high prices of 2022. The regulatory context is constantly evolving and uncertain, particularly as a result of the many and uncoordinated emergency measures that have been taken in recent months, both at the level of individual countries and at European level. In addition, there are demands for a medium-term review of the European electricity market, with more room for long-term energy contracts.

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

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

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

The expected evolution of the main performance indicators in 2023 compared to 2022 is shown below, net of the best estimate of the impacts deriving from the emergency measures (so-called clawback measures) envisaged in the various countries 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

The **EBITDA of Wind is expected to decrease** compared to 2022 due to lower volumes recorded in the period and lower sales prices which, in addition to the lower price scenario, will also be affected in the second half of the year by the zeroing of the GRIN incentive in 2023, following the high PUN values recorded in 2022 (EUR 43 per MWh in 2022). These results will be partly offset by 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).

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

Wind & Solar Italy gross operating profit (EBITDA) for 2023 is expected to decrease compared to 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 partly offset by lower volumes in the first half of the year and 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 480 and EUR 520 million, down from the previous range of EUR 500-550 million as a result of the lower volumes recorded in the second quarter of the year and the continuation of a downward price scenario; substantially in line with 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), in line with the previous range, 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.

Net financial indebtedness at the end of 2023 is expected to be in the range of EUR 1,400 to EUR 1,500 million (EUR 1,434 million at the end of 2022) in line with the previous range.

As regards the thermoelectric business, the sale of the assets is expected by the end of 2023. 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.

With reference to the estimates and forecasts, it should be noted that the actual results may differ significantly from those presented due to a number of factors including: future price trends, the operating performances of plants, wind conditions, irradiation, the impact of energy industry and environmental regulations and other changes in business conditions and competitors' actions.

The format of the Financial Statements corresponds with that of the statements indicated in the Interim Directors' report. Specific explanatory notes illustrate the adjusted result measurements.

The Manager responsible for preparing the Company's financial reports, Michele Pedemonte, declares, pursuant to paragraph 2, Article 154-bis of the Consolidated Finance Act, that the accounting information this press release contains matches the documentary records, books and accounting entries.

The results of the second quarter and the first half year will be explained to analysts and investors today at 14:30 during a conference call with relevant webcasting that can be followed by connecting to the Company's website (www.erg.eu); their presentation will be made available on the same website in the "Investor Relations/Presentations" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) 15 minutes before the conference call.

This press release, issued on 28 July 2023, is available to the public on the Company's website (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). The Interim Financial Report at 30 June 2023, including the Independent Auditors' Report, will be made available to the public within the deadlines provided for by legislation in force at the offices of the Company in Genoa, via De Marini 1, on the Company's website (www.erg.eu) in the "Investor Relations/Financial Statements and Reports" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com).

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Financial Statements and Alternative Performance Indicators

Alternative Performance Indicators (APIs) and adjusted results

Some of the Alternative Performance Indicators (APIs) used in this press release are different from the financial indicators expressly provided for by the IAS/IFRS adopted by the Group.

These alternative indicators are used by the Group in order to facilitate the communication of information on its business performance as well as its net financial indebtedness.

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

The results that include significant income statement components of an exceptional nature (special items) are also defined as "Reported results".

A definition of the indicators and the reconciliation of the amounts involved are provided in the specific section.

Highlights

Adjusted ⁽²⁾ Year	Adjusted ⁽²⁾ 2nd Quarter		(EUR million)	Reported ⁽¹⁾ 1st Half		Adjusted ⁽²⁾ 1st Half	
2022	2023	2022	Key economic data	2023	2022	2023	2022
714	157	157	Revenue	370	369	370	369
502	103	108	Gross Operating Profit (EBITDA)	269	275	263	272
273	50	54	Operating Profit (EBIT)	156	158	155	165
133	37	15	Profit from continuing operations	116	72	116	82
149	35	15	Net Profit	80	407	108	83
145	34	14	of which profit attributable to owners of the parent	79	405	107	81
Main Financial data							
3,357	3,506	2,655	Net invested capital of continuing operations ⁽⁴⁾	3,674	2,793	3,506	2,655
2,059	2,082	1,939	Equity	2,076	1,935	2,082	1,939
1,434	1,516	1,019	Net financial indebtedness of continuing operations ⁽⁴⁾	1,690	1,160	1,516	1,019
212	188	225	of which non recourse Project Financing ⁽⁵⁾	188	225	188	225
41%	42%	34%	Financial Leverage	45%	37%	42%	34%
72%	66%	69%	Ebitda Margin %	73%	73%	71%	74%
Operating data							
2,944	3,087	2,554	Total installed capacity at the end of the period	MW		3,087	2,554
4,956	1,209	1,117	Total electricity output	GWh		2,989	2,655
1,440	1,466	1,234	Installed capacity at the end of the period - Italy	MW		1,466	1,234
2,312	565	545	Electricity output - Italy	GWh		1,349	1,252
600	600	600	Installed capacity at the end of the period - France	MW		600	600
1,076	254	224	Electricity output - France	GWh		650	547
327	327	327	Installed capacity at the end of the period - Germany	MW		327	327
556	103	114	Electricity output - Germany	GWh		306	321
219	311	70	Installed capacity at the end of the period - UK	MW		311	70
226	85	49	Electricity output - UK	GWh		218	115
92	117	92	Installed capacity at the end of the period - Spain	MW		117	92
171	56	60	Electricity output - Spain	GWh		91	87
266	266	231	Installed capacity at the end of the period - East Europe	MW		266	231
615	146	125	Electricity output - East Europe	GWh		376	334
946	246	71	Investments ⁽⁶⁾	EUR million		311	218
573	612	566	Employees at the end of the period	Units		612	566
Net unit Revenue ⁽⁷⁾							
134	117	122	Italy - Wind	Eur/MWh		117	124
317	355	323	Italy - Solar	Eur/MWh		345	327
91	93	100	France - Wind	Eur/MWh		93	92
96	97	96	France - Solar	Eur/MWh		96	98
168	153	137	Germany - Wind	Eur/MWh		152	143
151	83	168	UK - Wind	Eur/MWh		83	183
126	122	130	Spain - Solar	Eur/MWh		130	142
139	103	133	East Europe - Wind	Eur/MWh		100	147

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

⁽⁴⁾ Including cash and cash equivalents and excluding the fair value of the derivatives hedging interest rates.

⁽⁵⁾ In property, plant and equipment and intangible assets. The figure for the first-half of 2023 includes investments relating to Merger & Acquisition transactions for the recent acquisitions in Spain amounting to EUR 182 million, consolidated on an equity basis as from 30 June 2023, while the figure for the first-half of 2022 included investments relating to Merger & Acquisition transactions amounting to EUR 96 million following the acquisition of two photovoltaic plants in Spain (92 MW).

⁽⁶⁾ The number of employees does not include personnel dedicated to ensuring the operation of the CCGT cogeneration plant that is to be divested.

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

Performance by country

Year	2nd Quarter			(Euro million)	1st Half		
2022	2023	2022	Δ	Adjusted Revenue	2023	2022	Δ
365	86	84	3	Italy	191	183	8
348	70	74	(4)	Abroad	179	186	(7)
98	24	22	2	France	61	50	11
94	16	16	0	Germany	47	46	1
34	7	8	(1)	UK & Nordics	19	21	(2)
22	7	8	(1)	Spain	12	12	(0)
100	16	20	(4)	East Europe	40	56	(16)
34	9	8	1	Corporate	16	17	(0)
(33)	(9)	(8)	(0)	Intra-segment revenues	(16)	(16)	(1)
714	157	157	(1)	Total adjusted revenues	370	369	1
Adjusted EBITDA							
288	67	67	(0)	Italy	148	149	(1)
239	42	47	(4)	Abroad	126	135	(8)
55	14	11	3	France	41	30	11
70	8	9	(1)	Germany	36	34	2
24	3	6	(3)	UK & Nordics	11	17	(7)
18	5	7	(2)	Spain	9	11	(1)
72	11	13	(2)	East Europe	30	43	(13)
(25)	(6)	(6)	(0)	Corporate	(11)	(12)	0
502	103	108	(5)	Adjusted EBITDA	263	272	(9)
Adjusted Amortization, depreciation and write-downs							
(127)	(30)	(29)	(1)	Italy	(60)	(58)	(2)
(98)	(22)	(24)	2	Abroad	(48)	(48)	(0)
(46)	(9)	(11)	2	France	(21)	(23)	2
(28)	(4)	(7)	3	Germany	(11)	(14)	3
(4)	(3)	(1)	(2)	UK & Nordics	(5)	(2)	(3)
(4)	(1)	(1)	(0)	Spain	(2)	(2)	(0)
(15)	(4)	(4)	(1)	East Europe	(9)	(7)	(2)
(3)	(1)	(1)	0	Corporate	(1)	(2)	1
(229)	(52)	(53)	1	Adjusted Amortization, depreciation and write-downs	(109)	(107)	(2)
Adjusted EBIT							
160	37	38	(2)	Italy	89	92	(3)
141	20	23	(2)	Abroad	78	87	(9)
9	5	(0)	5	France	20	7	13
42	4	2	2	Germany	25	21	4
19	0	5	(5)	UK & Nordics	5	16	(10)
14	4	6	(2)	Spain	7	9	(1)
57	7	10	(3)	East Europe	21	36	(14)
(28)	(7)	(7)	0	Corporate	(13)	(14)	1
273	50	54	(4)	Adjusted EBIT	155	165	(10)
Investments ⁽¹⁾							
653	54	30	24	Italy	94	51	43
290	189	40	150	Abroad	216	165	50
11	1	4	(2)	France	11	9	2
1	0	0	0	Germany	0	0	(0)
159	7	30	(23)	UK & Nordics	22	48	(26)
100	182	0	182	Spain	182	96	86
20	0	6	(6)	East Europe	0	13	(12)
3	1	1	0	Corporate	1	1	0
946	246	71	174	Total investments	311	218	93

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

Adjusted Income Statement

This section reports the adjusted results of operations, shown excluding the impacts related to the application of IFRS 9⁵ and special items, as well as the reclassification of IFRS 16.

It should be noted that the 2023 and 2022 figures have been reported in accordance with IFRS 5, with reference to the process for the sale of the thermoelectric business, thus reclassifying the first-half result of the subsidiary ERG Power S.r.l. to the line "Profit from discontinued operations" for 2023.

It should also be noted that the newly acquired Spanish companies, owners of photovoltaic plants, have been consolidated on an equity basis since 30 June 2023.

For the definition of the indicators, the composition of the tables and the reconciliation of the related amounts, please see the following section Alternative Performance Indicators.

2nd Quarter			(Euro millions)	1st Half		
2023	2022	Δ	Profit & Loss	2023	2022	Δ
157	157	(1)	Revenue	370	369	1
6	4	2	Other income	12	6	7
163	162	1	Total Revenue	382	375	7
(2)	(2)	1	Purchases and change in inventories	(6)	(5)	(1)
(45)	(39)	(6)	Services and other operating costs	(88)	(74)	(14)
(13)	(12)	(1)	Personnel Expense	(25)	(24)	(1)
103	108	(5)	Gross Operating Profit (EBITDA)	263	272	(9)
(52)	(53)	1	Amortization, depreciation and write-downs	(109)	(107)	(1)
50	54	(4)	Operating Profit (EBIT)	155	165	(10)
(2)	(6)	4	Net financial income (expense)	(5)	(12)	7
(0)	(0)	0	Net gains (losses) on equity investments	(0)	0	(0)
49	48	0	Profit before taxes	150	152	(3)
(12)	(33)	22	Income taxes	(34)	(70)	36
37	15	22	Profit from continuing operations	116	82	34
(2)	0	(2)	Profit (loss) from discontinued operations	(8)	1	(8)
35	15	20	Profit (loss) of the period	108	83	25
(1)	(1)	0	Non-controlling interests	(1)	(2)	1
34	14	20	Profit attributable to owners of the parent	107	81	26

⁵ With regard to liability management transactions.

Adjusted Statement of Financial Position

The reclassified balance sheet groups together the assets and liabilities of the balance sheet format, used in the preparation of the annual financial report, highlighting the use of resources in fixed assets and working capital and the relative sources of financing. For the definition of the indicators of the quantities used in the Reclassified Balance Sheet, please refer to the following section Alternative Performance Indicators.

Below are the values as of 30 June 2023, which do not include the impact of the application of IFRS 16 equal to about EUR 174 million of higher net financial debt with a balancing entry on Net Invested Capital equal to about EUR 168 million.

It should be noted that, pursuant to IFRS 5, the equity contribution of the thermoelectric business is reclassified under Net invested capital Assets held for sale.

30/06/2022	Reclassified Statement of Financial position	30/06/2023	31/12/2022
	(EUR million)		
2,873	Non - current assets	3,800	3,540
48	Net operating working capital	78	97
(3)	Employees benefits	(4)	(4)
356	Other Assets	305	381
(619)	Other Liabilities	(673)	(657)
2,655	Net invested capital from continuing operations	3,506	3,357
293	Net invested capital from assets held for sale	133	235
2,948	Net invested capital	3,638	3,592
1,929	Equity attributable to the owners of the parent	2,074	2,050
10	Non-controlling interests	8	9
1,019	Net financial indebtedness from continuing operations	1,516	1,434
(9)	Net financial indebtedness from assets held for sale	41	98
2,948	Equity and financial indebtedness	3,638	3,592

Cash Flow

2nd Quarter		(EUR million)	1st Half	
2023	2022		2023	2022
		Cash Flow		
103	108	Adjusted Gross Operating profit (EBITDA)	263	272
(45)	102	Change in net working capital	62	50
58	209	Cash Flow from operations	325	322
(64)	(71)	Investments in property, plant and equipment and intangible assets	(130)	(122)
(182)	(0)	Company acquisitions (business combinations)	(182)	(96)
-	-	Collection from the sale of ERG Hydro	-	1.265
0	1	Capital expenditure in financial non-current assets	1	0
(1)	(6)	Divestments and other changes	(1)	(7)
(246)	(77)	Cash Flow from investments/divestments	(311)	1.041
(2)	(6)	Financial income (expense)	(5)	(12)
-	-	Closure of loans	(4)	(3)
(0)	-	Net gains (losses) on equity investment	(0)	-
(2)	(6)	Cash Flow from financial management	(9)	(15)
(6)	(46)	Cash Flow from tax management	(8)	(46)
(152)	(136)	Distribution of dividends	(152)	(136)
38	(73)	Other changes in equity	74	(47)
(115)	(209)	Cash Flow from Shareholders' equity	(79)	(183)
-	-	Change in the consolidation scope	-	(69)
18	1	Cash Flow Thermo	58	(16)
1,264	890	Opening net financial indebtedness	1,533	2,051
292	129	Net Change	24	(1.033)
1,556	1,019	Adjusted indebtedness of continuing operations	1,556	1,019
(41)	(9)	Net Indebtedness Thermo	(41)	(9)
1,516	1,009	Totale adjusted indebtedness	1,516	1,009

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). Gross operating profit (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;
- The **adjusted tax rate** is calculated by comparing the adjusted amounts of taxes and profit before taxes;
- **Profit (loss) from continuing operations** does not include the result from assets held for sale relating to the thermoelectric and hydroelectric businesses reclassified under the item "Profit (loss) from assets held for sale";
- **Profit (loss) adjusted from continuing operations** is the profit (loss) from continuing operations, with the exclusion of significant income statement components of an exceptional nature (special items) and with the reclassification of the impact tied to the application of IFRS 16, net of the related tax effects;
- **Adjusted profit attributable to the owners of the parent** is the profit attributable to the owners of the parent, with the exclusion of significant special income statement components of an exceptional nature (special items), and with the reclassification of the impact tied to the IFRS 16 application, net of the related tax effects;
- **Capital expenditure** are the sum of capital expenditure in property, plant and equipment and intangible assets;
- **Net operating working capital** is the sum of Inventories, Trade Receivables and Trade Payables;
- **Net invested capital** is the sum of Non-current assets, Net operating working capital, Liabilities related to Post-employment benefits, Other assets and Other liabilities;
- **Adjusted net invested capital** is Net invested capital, as defined above, with the exclusion of the impact relative to the application of IFRS 16 mainly linked to the increase in right-of-use assets;
- **Net financial indebtedness** is an indicator of the financial structure and is determined in accordance with ESMA Guidelines 32-382-1138 (Guidelines on Prospectus disclosures) and CONSOB Warning Notice no. 5/2021, including the portion of non-current assets relative to derivative financial instruments;
- **Adjusted net financial indebtedness of continuing operations** is the net financial indebtedness, as defined above, net of the liability linked to the discounting of future lease payments, following the application of IFRS 16;
- **Financial leverage** is calculated by comparing the adjusted net financial indebtedness (including Project Financing) to the adjusted net invested capital;
- **Special items** include significant special income components of an exceptional nature. These include:
 - income and expense connected to events whose occurrence is non-recurring, i.e. those transactions or events that do not frequently re-occur over the normal course of business;
 - income and expense related to events that are not typical of normal business activities, such as restructuring and environmental costs;
 - capital gains and losses linked to the disposal of assets;
 - significant impairment losses recognised on assets following impairment tests;
 - income and the associated reversals recognised in application of IFRS 9, in relation to the restructuring of loans in place.

IFRS 16

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

The application of the standard has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as depreciation of the right-of-use assets and as financial expense correlated to the liability linked to the discounting of future lease payments. Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially when the relative lease payments were made.

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

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 7 million;

- an increase (approximately EUR 174 million) in the net financial indebtedness and the net invested capital (approximately EUR 168 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation expense (EUR 4 million) and greater financial expense (EUR 4 million) linked to the application of the above-mentioned method.

Based on the above, and given the typical nature of the item, in order to best present the business profitability, it has been deemed opportune to recognise, in the adjusted Income Statement, the depreciation of the right-of-use assets during the period and the financial expense on the IFRS 16 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

Year 2022	2nd Quarter 2023	2nd Quarter 2022	GROSS OPERATING PROFIT (EBITDA) (EUR million)	1st Half 2023	2022
499	105	109	EBITDA for continuing operations	269	275
			<i>Special items exclusions:</i>		
(12)	(4)	(3)	- IFRS 16 reclassification	1	(7)
			<i>Italy</i>		
14	1	1	- Reversal of ancillary charges on non-recurring transactions	2	1
1	1	0	- Reversal for allocation for provision for disposed businesses	3	0
502	103	108	Adjusted Gross Operating Profit (EBITDA)	263	272

Year 2022	2nd Quarter 2023	2nd Quarter 2022	AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES (EUR million)	2023	2022
(279)	(55)	(55)	Amortization, Depreciation and impairment losses	(113)	(117)
			<i>Special items exclusions:</i>		
7	2	2	- IFRS 16 reclassification	1	4
43	-	-	- Reversal impairment losses recognised on Repowering Wind Italy	4	-
(229)	(52)	(53)	Adjusted amortization, depreciation and impairment losses	(109)	(107)

Year 2022	2nd Quarter 2023	2nd Quarter 2022	PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT (EUR million)	2023	2022
89	39	14	Profit from continuing operations attributable to the owners of the parent	116	72
			<i>Special items exclusions:</i>		
0	0	0	IFRS 16 reclassification	1	0
11	1	2	Exclusion of ancillary charges on non-recurring transactions	2	1
(2)	(3)	0	Exclusion of expenses related to disposed Businesses	3	(5)
31	-	-	Exclusion of impairment losses recognised on Repowering Wind Italy	4	-
2	-	-	Exclusion of ancillary charges on loan prepayments	5	3
(1)	-	(1)	Solar Italy substitute tax exclusion	6	-
3	-	1	Exclusion of impact of gains/losses (IFRS 9)	7	1
133	37	15	Adjusted net profit from continuing operations attributable to the owners of the parent	116	82

1. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.
2. Ancillary charges relating to other non-recurring transactions and other acquisitions in the first half of 2023 related to the newly acquired photovoltaic companies in Spain, as well as unsuccessful acquisitions.
3. Provisions relating to exceptional items on businesses disposed of by the Group. In the first half of 2023, the amount refers to the price adjustments relating to the sale of the Terni hydroelectric complex (EUR 2 million) and the integrated downstream business (EUR 3 million).
4. Impairment losses recognised on the carrying amount of the property, plant and equipment and intangible assets of wind farms in Italy following the authorisation of a Repowering project and a photovoltaic plant following the authorisation of a Revamping project.
5. Financial expense related to the early closure of Corporate loans as part of Liability Management transactions.
6. Reversal of the Erg Solar Holding S.r.l. substitute tax benefit.
7. IFRS 9 does not allow for the deferment of the positive economic effects of the renegotiation of loans on the residual life of the liability: this resulted in net financial expense of approximately EUR 1 million being accounted for in the first half 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.