



## Press release

### The Board of Directors of ERG S.p.A. approves the interim financial report at 30 June 2022

**Consolidated EBITDA adjusted<sup>10</sup>: EUR 277 million, EUR 178 million in the first half of 2021**

**proforma<sup>11</sup>**

**Adjusted net profit (loss) from continuing operations: EUR 122 million, EUR 53 million in the first  
half of 2021 proforma**

- Growing results in 1H22: mainly due to the contribution of around 445 MW of new capacity in France, Germany, UK and Spain as a result of acquisitions in the second half of 2021 and early 2022, as well as the entry into operation of internally developed parks.
- Accelerated renewable growth: thanks to the reinvestment of resources from asset rotation and advances in plants under construction, a total renewable installed capacity of about 3,000 MW is expected by the end of 2022.
- Consolidation in the solar sector in Italy: through the agreement for the acquisition of 18 solar plants amounting to approximately 34 MW, concluded in the month of July, the Group consolidates its presence in the Italian photovoltaic market in line with the technological diversification strategy to be adopted in the 2022-2026 Business Plan.
- Leadership in wind power in Italy: ERG strengthens its leadership in the wind power market in Italy through the acquisition of a portfolio of 7 wind farms with a total installed capacity of 172 MW. The recently constructed plants benefit from long-term revenue-stabilisation mechanisms (CFD) in line with the Group's strategy. The closing of the operation is expected by the end of September 2022.
- Progress in repowering: single authorisation obtained for two repowering plants in Italy with a total capacity of about 120MW in June.
- Fitch confirms the BBB- rating: Fitch Ratings confirmed ERG S.p.A.'s Long Term Default Rating (IDR) of BBB- with a stable outlook, underlining the resilience of the business model and the solid financial structure of the Group.
- ESG: ERG continues on its process towards a fair and inclusive energy transition by signing the Women's Empowerment Principles (WEP) and joining the UN Global Compact. Furthermore, MSCI has confirmed ERG's score of "AA" in the "leader" bracket and the Group was included in the TOP 10 of the "Integrated Governance Index 2022", among Italian corporate governance best practices.
- Guidance 2022: consolidated EBITDA guidance is revised upwards to the range of EUR 485-515 million from the previous range of EUR 450-480 million. Investments are revised in the range of EUR 900 million

<sup>10</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.

<sup>11</sup> The figure relating to the first six months of 2021 has been restated, for comparative purposes only, in consideration of the significant transformation of the Group's portfolio, therefore reclassifying the contribution of the hydroelectric and thermoelectric business under the item "Assets held for sale" in application of IFRS 5.

to EUR 1,000 million, up sharply from the previous estimate of a range of EUR 420 million to EUR 480 million to reflect the above-mentioned acquisitions. In light of this, the debt guidance is also revised upwards in the range of 1,400-1,500 million (vs. a previous range of 750-850).

**Genoa, 4 August 2022** – Today the Board of Directors of ERG S.p.A. has approved the interim financial report at 30 June 2022. 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			Key economic data (EUR million)	1st half-year		
2022	2021 Proforma	% change		2022	2021 Proforma	% change
110	79	39%	EBITDA	277	178	55%
56	31	84%	Operating profit (EBIT)	170	80	111%
38	19	105%	Profit (loss) from continuing operations	122	53	132%

	30/06/2022	31/12/2021	Change
Net financial indebtedness continuing operations (EUR million)	1,019	2,051	-1,033
Leverage <sup>12</sup>	34%	57%	

**Paolo Merli, ERG's Chief Executive Officer, commented:** "We are satisfied with the results of the semester, which mainly reflect the contribution of the new solar and wind plants, that entered our portfolio during last 12 months, consolidated from the second half of 2021 against significant investments. The results only partially benefits from the context of higher market prices due to revenue stabilisation mechanism including fixed rates, Power Purchase Agreements, and forward sales carried out in previous years. What matters the most is the quick progress of our growth and re-investment goals. With recent acquisitions, we will strengthen our leadership in the wind sector and our positioning in the solar sector in Italy. In the meantime, we are pursuing an internationalisation path thanks to the new capacity installed in Spain, France and Poland already operational in the period, in addition to the one we are expecting in the UK by the end of the year, when an installed capacity of 3,000 MW is forecast to be reached. In light of the positive results and the strong growth momentum, we are revising our EBITDA guidance upwards for the year, the range of which is now expected to be between EUR 485 and 515 million of Capex, between EUR 900 and 1,000 million, and, consequently, of debt in the range of EUR 1,400 to 1,500million.

## Change in business scope

### • Solar – Valentia

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

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

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

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

### • Hydroelectric

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

<sup>12</sup> Ratio of total net financial indebtedness continuing operations (including project financing) to net invested capital

2021.

- **Thermoelectric**

On 9 February 2022, ERG signed an agreement with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Power S.r.l., which owns the low-environmental-impact and high-efficiency Combined Cycle Gas Turbine (CCGT) cogeneration plant powered by natural gas located at Priolo Gargallo, in the province of Syracuse.

The transaction is expected to be concluded in the third quarter of 2022.

In consideration of the above, in this press release the Net Assets were recorded under Assets held for sale in the financial statements as the conditions set forth in paragraph 12 of IFRS 5 were met.

It should also be noted that, during the half year, two wind farms in the United Kingdom for a total capacity of 70 MW and two wind farms in France for a total capacity of 27 MW, all developed and built internally, entered into full operation. Furthermore, at the end of the half year, the Piotrkow wind farm in Poland for a total of 24.5 MW came into operation.

## Second quarter 2022

In the second quarter of 2022, **adjusted revenue** amounted to EUR 159 million, an increase of EUR 38 million compared to the second quarter of 2021 proforma (EUR 121 million), whose main contribution is due to the increased installed capacity of 366 MW (of which 217 MW from wind and 148 MW from solar) following the foreign acquisitions made in the second half of 2021 and early 2022 as well as the entry into operation of the farms developed internally and operational from the end of 2021 and in June 2022. Production amounted to 1.1 TWh, up 22% (0.2 TWh) compared to the same period of 2021. The higher market prices only partially affected the results for the period due to a hedging policy that provides for sales through fixed rates, PPAs under pre-established conditions and financial agreements. Higher prices had an effect abroad, especially in Germany and East Europe, depending on their specific incentive mechanisms.

**Adjusted EBITDA**<sup>13</sup>, net of special items, amounted to EUR 110 million, up by EUR 30 million compared with EUR 79 million recorded in 2021 proforma. In summary:

### ITALY

- **Wind:** EBITDA of EUR 44 million, in line with the second quarter of 2021 pro forma due to the higher wind level experienced (468 GWh in the second quarter of 2022 compared to 454 GWh in 2021), partly offset by the negative effect on captured prices characterised by the lower value of the incentive and the prices prefixed with hedging derivatives.
- **Solar (EUR + 1 million):** EBITDA of EUR 23 million, a slight increase compared to the second quarter of 2021 proforma (EUR 22 million) due to the higher volumes recorded (77 GWh in the second quarter of 2022 compared to 74 GWh in 2021). The sales prices captured are in line with the same quarter of 2021.

### ABROAD

- **Wind (+EUR 21 million):** EBITDA of EUR 40 million, up from the second quarter of 2021 pro forma (EUR 19 million), mainly due to the contribution of the 231 MW of new capacity and the better prices captured in certain regions, partly offset by less windiness in France and Germany.
- **Solar (EUR +9 million):** EBITDA of EUR 9 million in the second quarter of 2022 thanks to the full contribution of the farms consolidated in France (79 MW) between June and October 2021 and the new farms acquired in Spain (92 MW) in January 2022.

Overall the perimeter effect linked to the new operating MW is approximately 20 million.

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. It should be noted that, in compliance with the risk policy, the entire merchant generation for the year 2022 is sold forward, therefore the operating results do not include any

<sup>13</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 approximately EUR 5 million. It should be noted that the adjusted EBITDA does not include the contribution of the thermoelectric business, in the process of being sold, reclassified to the item "Profit (loss) from assets held for sale".

penalising effect deriving from the application of Italian Law no. 25 of 28 March 2022, which provides for two-way compensation mechanisms on the basis of a reference price, substantially in line with the prices of existing hedges.

**Adjusted operating profit** was EUR 56 million (EUR 31 million in the second quarter of 2021 proforma) after amortisation and depreciation of EUR 53 million, a slight increase compared to 2021 (EUR 49 million in the second quarter of 2021 proforma) mainly as a result of the full contribution of the wind and solar assets acquired in the second half of 2021, the contribution of the new plants acquired in Spain in January 2022 and the contribution of the new farms in the United Kingdom, French and Poland developed internally.

The **adjusted net profit (loss) from continuing operations** amounted to EUR 38 million, a significant increase compared to the second quarter of 2021 proforma (EUR 19 million) in consideration of the aforementioned operating results and lower financial expense, which were reduced as a result of the full contribution of the liability management operations carried out in 2021. It should be noted that the item does not include the impact of the application in Romania of the "Windfall Tax" legislation (expense of EUR 1 million) and in Italy the impact deriving from Article 37 of the Italian Decree Law no. 21/2022 equal to approximately EUR 22 million<sup>14</sup>; these items, of an extraordinary and temporary nature, have been isolated as special items.

**Adjusted profit attributable to the owners of the parent**, including also the contribution of ERG Power S.r.l., owner of the CCGT plant in the process of being sold and recognised in discontinued operations under IFRS 5 rules, was EUR 46 million, a significant increase compared to the 2021 result (EUR 35 million), in view of the aforementioned better operating results and lower financial expense.

## First half of 2022

In the first semester of 2022, **adjusted revenue** amounted to EUR 374 million, an increase of EUR 115 million compared to the first semester of 2021 proforma (EUR 259 million), whose main contribution is due to the increased capacity of 366 MW (of which 217 MW from wind and 148 MW from solar) following the foreign acquisitions made in the second half of 2021 and early 2022 as well as the entry into operation of the farms developed internally and operational from the end of 2021 and in June 2022. Generation amounted to 2.7 TWh, up by almost 30% (0.5 TWh) compared to 2021, also as a result of the better wind conditions recorded in the period. The higher market prices only partially affected the results as the group adopts a hedging policy that provides for sales through fixed rates, PPAs under pre-established conditions and financial agreements. Higher prices had an effect abroad, especially in Germany and East Europe, depending on their specific incentive mechanisms.

**Adjusted EBITDA**<sup>15</sup>, net of special items, came to EUR 277 million, up EUR 99 million from the EUR 178 million recorded in 2021 pro forma. In summary:

### ITALY

- **Wind (EUR +8 million):** EBITDA of EUR 113 million, up from the first half of 2021 pro forma (EUR 105 million) entirely as a result of the increased wind levels experienced (1,129 GWh in the first half of 2022 compared to 1,070 GWh in 2021). Captured sales prices were in line since the price scenario effect was offset by the lower value of the incentive and hedging derivatives.
- **Solar (EUR + 3 million):** EBITDA of EUR 36 million, up from the first half of 2021 pro forma (EUR 34 million) due to higher volumes recorded (122 GWh in the first half of 2022 compared to 115 GWh in 2021). The price scenario effect, net of hedging derivatives, was neutral.

### ABROAD

- **Wind (EUR +74 million):** EBITDA of EUR 127 million (about 50% of the total), up from the first half of 2021 pro forma (EUR 52 million) due to the contribution of the 218 MW of new capacity, as a result of the better prices captured in some geographic areas and the higher wind level experienced.
- **Solar (EUR +14 million):** EBITDA of EUR 14 million in the first half of 2022 thanks to the full contribution of

<sup>14</sup> The impact detected in the second quarter is the consequence of the changes introduced by the "Aid" decree which increased the rate from 10% to 25% and extended the relevant time observation period for determining the tax base also to April 2022.

<sup>15</sup> Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 6 million, as well as other negative effects of special items for approximately EUR 8 million. It should be noted that the adjusted EBITDA does not include the contribution of the thermoelectric business, in the process of being sold, reclassified to the item "Profit (loss) from assets held for sale".

the farms consolidated in France (79 MW) between June and October 2021 and the new farms acquired in Spain (92 MW) in January 2022.

Overall the perimeter effect linked to the new operating MW is approximately 46 million.

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. It should be noted that, in compliance with the risk policy, the entire merchant generation for the year 2022 is sold forward; therefore the operating results do not include any penalising effect deriving from the application of Italian Law no. 25 of 28 March 2022, which provides for two-way compensation mechanisms on the basis of a reference price, substantially in line with the prices of existing hedges.

**Adjusted operating profit** was EUR 170 million (EUR 80 million in the first half of 2021 proforma) after amortisation and depreciation of EUR 107 million, a slight increase compared to 2021 (EUR 98 million in the first half of 2021 proforma) mainly as a result of the full contribution of the wind and solar assets acquired in the second half of 2021, the contribution of the new plants acquired in Spain in January 2022 and the contribution of the new farms in the United Kingdom, France and Poland developed internally.

The **adjusted net profit (loss) from continuing operations** amounted to EUR 122 million, a significant increase compared to the first half of 2021 proforma (EUR 53 million) in consideration of the aforementioned operating results and lower financial expense, which were reduced as a result of the full contribution of the liability management operations carried out in 2021. It should be noted that the item does not include the impact of the application of the "Windfall Tax"<sup>16</sup> legislation (expense of EUR 4 million) in Romania and the impact deriving from Article 37 of the Italian Decree Law of 21 March 2022 in Italy equal to approximately EUR 36 million; these items, of an extraordinary and temporary nature, have been isolated as special items.

**Adjusted Group net profit**, also including the contribution of ERG Power S.r.l., owner of the CCGT plant currently being sold and recognised in discontinued operations in accordance with IFRS 5 rules, amounted to EUR 135 million, significantly higher than the 2021 result (EUR 100 million), in consideration of the already commented improved operating results and lower financial expenses.

**Profit attributable to the owners of the parent** was EUR 405 million, an increase compared to EUR 92 million in 2021 proforma. The result includes primarily the net capital gain recognised following the sale of the Terni hydroelectric complex on 3 January 2022 (equal to approximately EUR 324 million), as well as the impairment of the wind assets subject to repowering (equal to approximately EUR 5 million) and the costs related to the liability management operations carried out in the first half of 2022 (equal to approximately EUR 2 million), as well as the aforementioned effects linked to the urgent tax measures regarding the containment of energy prices, in particular in Italy and Romania and the contribution of ERG Power S.r.l., owner of the CCGT plant being sold.

**Adjusted net financial indebtedness of "continuing operations"** totalled **EUR 1,019 million**, down significantly (EUR -1,033 million) compared to 31 December 2021 (EUR 2,051 million). The change mainly reflects the proceeds from the sale of the Terni hydroelectric complex (EUR 1,265 million) and the positive cash flow for the period (EUR 307 million<sup>17</sup>), partly offset by the investments for the period (EUR 218 million), the dividends distributed to shareholders (EUR 136 million), the payment of taxes (EUR 46 million)<sup>18</sup> as well as the change of the consolidation scope with the exit of the hydroelectric and thermoelectric businesses, the latter reported under discontinued operations. It should be noted that ERG Power, owner of the CCGT plant, has a cash position at 30 June 2022 equal to EUR 9 million.

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

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 142 million at 30 June 2022.

<sup>16</sup> This impact is calculated on the basis of a rate equal to 25% for the period between 1 October 2021 and 30 April 2022. The amount shown considers the scope of the continuing operations, not including an additional EUR 4 million related to the thermoelectric business, which is in the process of being sold, recognised in discontinued operations.

<sup>17</sup> Includes the adjusted EBITDA, the change in working capital and net financial income (expense).

<sup>18</sup> The amount includes the payment of the deposit pursuant to Italian Legislative Decree no. 50/2022 equal to approximately EUR 14 million.

## Capital expenditure

2nd Quarter		(Euro Million)	1st Half Year	
2022	2021		2022	2021
30	5	Italy	51	9
4	151	France	9	151
0	0	Germany	0	0
11	52	UK	22	72
0	0	Spain	96	0
19	44	Sweden	26	44
6	22	Est Europa	13	25
1	0	Corporate	1	1
<b>71</b>	<b>274</b>	<b>Total Investments</b>	<b>218</b>	<b>301</b>

In the first half of 2022, **capital expenditure** totalled EUR 218 million (EUR 301 million in the first half of 2021 proforma) and mainly refers to the acquisition of solar farms in Spain (EUR 96 million) in January 2022 and to organic development activities (EUR 122 million compared to EUR 113 million in the first half of 2021 proforma), in particular the construction of wind farms in the UK for approximately 179 MW, Poland for 61 MW (of which 24.5 became operational in June), France 20 MW (which became operational in June) and Sweden for 62 MW, the start of the construction in Italy for 47 MW Greenfield and Repowering on Italian plants for approximately 193 MW of new wind capacity. In solar Italy, plant revamping activities continue, aimed at ensuring greater plant efficiency.

### ITALY

- **First half of 2022 (EUR 51 million, of which EUR 30 million in the second quarter):** capital expenditure mainly refers to the start of construction of the Roccapalumba plant (47 MW) and to the repowering activities (193 MW) on the Camporeale, Partinico-Monreale, Mineo-Militello and Vizzini plants in addition to the usual maintenance aimed at further increasing the efficiency of the plants. In Solar, the revamping of the plants has begun, aimed at ensuring greater efficiency of the same.

### ABROAD

- **Second quarter of 2022 (EUR 40 million):** capital expenditure mainly relates to organic development activities, in particular the construction of wind farms in the UK for approximately 179 MW, Poland for 61 MW (of which 24.5 went into operation in June), France 20 MW (went into operation in June) and Sweden 62 MW.
- **First half of 2022 (EUR 165 million):** capital expenditure refers to the acquisition of the two solar farms totalling 92 MW in Spain in January (EUR 96 million). The remaining investments are related to organic development activities.



## Operational Data by Country

2022	4th quarter			Electricity Output (GWh)	2022	First Half		
	2021	Δ	Δ%			2021	Δ	Δ%
<b>545</b>	<b>527</b>	<b>18</b>	<b>3%</b>	<b>Power output in Italy</b>	<b>1.252</b>	<b>1.184</b>	<b>67</b>	<b>6%</b>
468	454	15	3%	- wind	1.129	1.070	60	6%
77	74	4	5%	- solar	122	115	8	7%
<b>572</b>	<b>385</b>	<b>187</b>	<b>48%</b>	<b>Power output Abroad</b>	<b>1.404</b>	<b>925</b>	<b>479</b>	<b>52%</b>
479	385	94	24%	- wind	1.266	925	341	37%
93	0	93		- solar	138	0	138	
<b>1.117</b>	<b>912</b>	<b>205</b>	<b>22%</b>	<b>ERG plants total output</b>	<b>2.655</b>	<b>2.109</b>	<b>546</b>	<b>26%</b>

### ITALY

- **In the second quarter of 2022**, electricity output in Italy amounted to 545 GWh, of which 468 GWh from wind power and 77 GWh from photovoltaic plants, an increase compared to the same period in 2021 (527 GWh of which 454 GWh from wind power and 74 GWh from solar power), due to both greater windiness (+3%) and better irradiation (+5%).
- **In the first half of 2022**, electricity output in Italy amounted to 1,252 GWh, of which 1,129 GWh from wind sources and 122 GWh from photovoltaic systems, an increase compared to the same period in 2021 (1,184 GWh of which 1,070 from wind sources and 115 GWh from solar sources), due to both greater wind speeds (+6%) and better irradiation (+7%).

### ABROAD

- **In the second quarter of 2022**, electricity output abroad amounted to 572 GWh, of which 479 GWh from wind power and 93 GWh from photovoltaic plants, an increase compared to the same period of 2021 (385 GWh from wind power alone) due to the increase in the scope resulting from foreign acquisitions made in the second half of 2021 and the beginning of 2022, as well as the entry into operation, during the period, of the wind farms developed internally and entered into operation (209 GWh).
- **In the first half of 2022**, electricity output abroad amounted to 1,404 GWh, of which 1,266 GWh from wind power and 138 GWh from photovoltaic plants. These outputs were up sharply compared to the same period in 2021 (925 GWh from wind power), mainly as a result of the perimeter effect (424 GWh) from the new assets, as well as the higher windiness in East Europe (+19%) and Germany (24%) compared to the same period in 2021.

## Main events during the half-year

Date	Geographic segment	Sector	Significant event
Press release of 3 January 2022	Italy	Hydroelectric	ERG finalised the closing with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l.
Press release of 26 January 2022	Italy	Corporate	ERG has been included in Bloomberg's Gender Equality Index (GEI)
Press release of 31 January 2022	Italy	Wind	ERG has been awarded a tariff for 20 years on 97.2 MW of new wind capacity as part of the seventh auction called by GSE (Gestore dei Servizi Elettrici).
Press release of 31 January 2022	Spain	Solar	ERG acquired from GEI Subasta 1 SA 100% of the capital of two Spanish project companies owning two operational solar plants of 50.0 MW and 41.6 MW respectively.
Press release of 9 February 2022	Italy	Thermoelectric	ERG signed an agreement with Enel Produzione S.p.A. to sell the entire share capital of ERG Power S.r.l., which owns the Combined Cycle Gas Turbine (CCGT) cogeneration power plant.
Press release of 10 February 2022	Italy	Corporate	ERG enters the CDP (Carbon Disclosure Project) "Suppliers Engagement Leaderboard"
Press release of 23 February 2022	Italy	Storage	ERG enters the storage market with two projects for a total of 22 MW of installed capacity in the Centre-South and Sicily.
Press release of 15 March 2022	Italy	Corporate	ERG's Board of Directors approves the 2022-2026 Business and ESG Plan.
Press release of 24 March 2022	UK	Wind	ERG, through its subsidiaries in the United Kingdom, reached an agreement with ENGIE UK Markets Ltd, for the signing of two Power Purchase Agreements (PPAs) with a ten-year duration.
Press release of 26 April 2022	Italy	Corporate	The Shareholders of ERG S.p.A. approved the 2021 Financial Statements, resolved on the payment of a dividend of EUR 0.90 per share and appointed the new Board of Statutory Auditors.
Press release of 13 May 2022	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 01 June 2022	Italy	Solar	ERG has entered into an agreement to acquire 100% of the capital of MP Solar B.V., owner of eighteen photovoltaic plants in operation with a total installed capacity of 33.8 MW
Press release of 09 June 2022	France	Wind	ERG announced the commissioning of the Les Bouchats wind farm in France, situated in the Grand-Est region, with a total capacity of 19.8 MW.
Press release of 15 June 2022	Italy	Corporate	ERG strengthens its ESG commitment. Signature of the Women's Empowerment Principles and entry into the United Nations Global Compact MSCI confirms the Group's "AA" rating The Group also enters the Top 10 of the "Integrated Governance Index 2022".



<b>Press release of 16 June 2022</b>	<b>Italy</b>	<b>Corporate</b>	San Quirico and IFM Investors announced the establishment of a long-term strategic partnership concerning ERG S.p.A. The family office of the Garrone-Mondini family and IFM NZIF have signed a landmark agreement under which IFM NZIF and its respective affiliated companies will acquire an initial 35% interest in a new holding company to be established, which in turn will hold approximately 62.5% of ERG.
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### Significant events after the reporting date

Date		Sector	Significant event
<b>Press release of 07 July 2022</b>	<b>Poland</b>	<b>Wind</b>	ERG announces the commissioning of the Piotrków wind farm, located in the northern part of Poland, for a total of 24.5 MW.
<b>Press release of 07 July 2022</b>	<b>Italy</b>	<b>Solar</b>	ERG has finalised the acquisition from ABN AMRO Sustainable Impact Fund PE B.V. of 100% of the capital of MP Solar B.V., owner, through seven Italian companies, of eighteen photovoltaic plants in operation with a total installed capacity of 33.8 MW.
<b>Press release of 29/07/2022</b>	<b>Italy</b>	<b>Wind</b>	ERG signed an agreement with EDP Renewables Italia Holding S.r.l. for the acquisition of the entire share capital of seven companies, owners of seven wind farms located in Italy with an installed capacity of 172 MW. All the plants benefit from a 20-year "CfD" (Contract for Difference) pricing scheme with the GSE beginning from their entry into operations.

### Business outlook

In a context of high market prices due to the energy crisis and rising natural gas prices, 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, at prices considerably lower than current prices. 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 outlook for the main operating and performance indicators in 2022 is as follows:

#### ITALY

**Gross operating profit (EBITDA)** in Wind is expected to decrease compared to 2021 as a result of the lower value of the incentive, determined by difference taking into account the average energy prices for the year 2021. This reduction will be partly offset by the consolidation of the acquisition of 172 MW, already in operation, which is expected to be contributed from the fourth quarter of 2022.

The gross operating margin of **Solar** is expected to increase mainly following the recent acquisition of 34 MW

and due to the higher production encountered. On the basis of the hedge allocation criteria referred to in the introduction, it is expected that a large majority of sales in Italy exposed in any way to market risk will be forward valued at an average price of approximately 65 EUR/MWh.

**Wind & Solar gross operating profit (EBITDA) for 2022 is expected to slightly decrease compared to 2021.**

## ABROAD

In a context of rising market prices, **gross operating profit (EBITDA)** is expected to increase compared to 2021 thanks to the full contribution of the wind and solar farms acquired in the course of 2021 in France and Germany and at the beginning of 2022 in Spain as well as the organic development of two plants in Northern Ireland (70 MW) and one in France (7 MW), which came into operation at the end of 2021, in addition to new plants in France and Poland, of 20 MW and 24.5 MW respectively, which came into operation during the first half of the year. The results will also reflect the contribution of new plants in the UK (142 MW) and Poland (36 MW), expected to come into operation in 2022.

**Gross operating profit (EBITDA) for Wind & Solar abroad is therefore expected to increase significantly compared to 2021.**

## 2022 GUIDANCE

For the year 2022, at Group level **EBITDA is estimated in the range between EUR 485 million and 515 million**, an increase compared to the previous range of EUR 450 million and EUR 480 million. The reference figure for 2021 on a like-for-like basis is EUR 399 million.

Investments are in a range of between EUR **900** and **1,000** million, an increase of approximately EUR 500 million compared to the previous range between **420** and **480** million (EUR 617 million in 2021 on a like-for-like wind & solar basis). They include acquisitions made during the year and construction activities related to both the repowering of Italian wind farms and projects developed in-house for a total of 500 MW, of which 250 MW are expected to come into operation in 2022.

**Net financial indebtedness** at the end of 2022 is expected to be in the range of EUR **1,400** to **1,500** million (EUR 2,051 million at the end of 2021), including the distribution of the ordinary dividend of EUR 0.90 per share, up from the previous guidance forecast mainly due to new acquisitions planned for the year.

As regards the thermoelectric business, the sale of the assets is expected by the end of 2022. For this reason, the relative results are not included in the continuing operations commented on above and are classified in the half year condensed interim consolidated 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 of the first half-year will be explained to analysts and investors today at 2:30 pm during a conference call with relevant webcasting that can be followed by connecting to the Company's website ([www.erg.eu](http://www.erg.eu)); its 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](http://www.emarketstorage.com)) 15 minutes before the conference call.*

*This press release, issued on 4 August 2022, 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)). The Interim Financial Report at 30 June 2022, 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](http://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](http://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 document are different from the financial indicators expressly provided for by the IAS/IFRS adopted by the Group.

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

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

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

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

### **Finalisation of the sale of the Hydroelectric Business**

On 3 January 2022, ERG concluded its transaction with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l., as announced on 2 August 2021, following the approval of the Italian Antitrust Authority and the successful completion of the golden power procedure at the Italian Presidency of the Council of Ministers. The consideration totalled approximately EUR 1,265 billion, including the mark-to-market valuation of some hedging derivatives included in the scope and relating to part of the energy produced in the future by ERG Hydro S.r.l. plants. The sale and purchase agreement envisages a further price adjustment mechanism during 2022 based on the actual values, recorded at the closing date, of the net working capital, the net financial position and the actual level of water reserves of some of ERG Hydro S.r.l.'s reservoirs.

### **Agreement for the sale of the Thermoelectric Business**

In the first half of 2021, the ERG Group implemented an evaluation process relating to the opportunity for 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.

The Group, having read the market indications, 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. Furthermore, at the Reporting Date, the thermoelectric plant was not yet available for immediate sale in its current condition.

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. The consideration in terms of Enterprise Value, at 31 December 2021, is EUR 188 million and will be subject to a price adjustment at the closing. This will include, among other things, a monthly décalage mechanism consistent with the expected cash flows of the business plan. It will also include the mark-to-market valuation at the closing of some hedging derivatives included in the scope and relating to part of the energy produced in the future by ERG Power's plants.

The transaction is expected to be concluded in the third quarter of 2022.

In consideration of the above, in this Document the Net Assets were recorded under Assets held for sale in the financial statements as the conditions set forth in paragraph 12 of IFRS 5 were met.

## Highlights

Adjusted <sup>(1)</sup> Year 2021 <sup>(3)</sup>	Adjusted <sup>(1)</sup> 2nd Quarter 2022	Adjusted <sup>(1)</sup> 2021 <sup>(3)</sup>	(EUR million) <b>Key economic data</b>	Reported <sup>(2)</sup> 1st Half 2022	Reported <sup>(2)</sup> 2021 <sup>(3)</sup>	Adjusted <sup>(1)</sup> 1st Half 2022	Adjusted <sup>(1)</sup> 2021 <sup>(3)</sup>
602	159	121	Revenue	374	259	374	259
399	110	79	Gross Operating Profit (EBITDA)	275	177	277	178
198	56	31	Operating Profit (EBIT)	158	77	170	80
127	38	19	Profit from continuing operations	72	46	122	53
203	47	35	Net Profit	407	93	136	100
202	46	35	of which profit attributable to owners of the parent	405	92	135	100
<b>Main Financial data</b>							
3,608	2,655	3,400	Net invested capital of continuing operations <sup>(4)</sup>	2,793	3,510	2,655	3,400
1,556	1,939	1,708	Equity	1,935	1,706	1,939	1,708
2,051	1,019	1,692	Net financial indebtedness of continuing operations <sup>(4)</sup>	1,160	1,804	1,019	1,692
237	225	494	of which non recourse Project Financing <sup>(5)</sup>	225	494	225	494
57%	34%	50%	Financial Leverage	37%	51%	34%	50%
47%	69%	65%	Ebitda Margin %	73%	68%	74%	69%
<b>Operating data</b>							
2,418	2,554	2,188	Total installed capacity at the end of the period	MW		2,554	2,188
4,157	1,117	912	Total electricity output	GWh		2,655	2,109
1,234	1,234	1,234	Installed capacity at the end of the period - Italy	MW		1,234	1,234
2,295	545	527	Electricity output - Italy	GWh		1,252	1,184
581	600	476	Installed capacity at the end of the period - France	MW		600	476
889	224	173	Electricity output - France	GWh		547	435
327	327	272	Installed capacity at the end of the period - Germany	MW		327	272
428	114	88	Electricity output - Germany	GWh		321	208
70	70	-	Installed capacity at the end of the period - UK	MW		70	-
-	49	-	Electricity output - UK	GWh		115	-
-	92	-	Installed capacity at the end of the period - Spain	MW		92	-
-	60	-	Electricity output - Spain	GWh		87	-
206	231	206	Installed capacity at the end of the period - East Europe	MW		231	206
546	125	124	Electricity output - East Europe	GWh		334	282
617	71	274	Investments <sup>(6)</sup>	Euro millions		218	301
808	707	798	Employees at the end of the period	Units		707	798
<b>Net unit Revenue <sup>(7)</sup></b>							
149	122	129	Italy - Wind	Eur/MWh		124	123
335	323	328	Italy - Solar	Eur/MWh		327	326
88	100	88	France - Wind	Eur/MWh		92	89
90	96		France - Solar	Eur/MWh		98	-
112	137	102	Germany - Wind	Eur/MWh		143	97
-	168	-	UK - Wind	Eur/MWh		183	-
-	130	-	Spain - Solar	Eur/MWh		142	-
119	150	84	East Europe - Wind	Eur/MWh		163	81

<sup>(8)</sup> Adjusted economic indicators do not include special items and related applicable theoretical taxes.

<sup>(9)</sup> Reported economic indicators are calculated on the basis of the Financial Statements and include special items and related theoretical taxes.

<sup>(10)</sup> The 2021 proforma values are restated in application of IFRS 5, reclassifying the contributions of the thermoelectric and hydroelectric businesses under the item "Profit (loss) from assets held for sale".

<sup>(11)</sup> Adjusted net financial indebtedness and the adjusted net invested capital are presented net of the effects deriving from the application of IFRS 16 therefore excluding the recognition of assets and the discounting of future lease payments of approximately EUR 142 million from net financial indebtedness and approximately EUR 138 million from net invested capital.

<sup>(12)</sup> Including cash and cash equivalents and excluding the fair value of the derivatives hedging interest rates.

<sup>(13)</sup> In property, plant and equipment and intangible assets. They also include M&A investments of EUR 96 million made in 2022 for the acquisition of companies owning solar farms in Spain. In 2021 investments through Merger & Acquisition transactions amounted EUR 188 million for the acquisition of wind and solar farms in France (EUR 147 million) and a project for the construction of a wind farm in Sweden (EUR 41 million).

<sup>(14)</sup> Net unit revenue is expressed in EUR/MWh and is calculated by dividing the technology output by the revenue achieved on energy markets, inclusive of the impact of hedges, of any incentives due and the relative variable costs associated with generation/sale including, for example, the cost of fuel and imbalance costs.

## Performance by country

Year 2021 <sup>(1)</sup>	2nd Quarter		(Euro million)		1st Half		
	2022	2021 <sup>(1)</sup>	Δ	Adjusted Revenue	2022	2021 <sup>(1)</sup>	Δ
390	84	83	1	Italy	183	169	14
200	76	36	40	Abroad	191	84	107
78	22	15	7	France	50	39	12
48	16	9	7	Germany	46	20	26
-	8	-	8	UK	21	-	21
-	8	-	8	Spain	12	-	12
74	22	11	11	East Europe	61	25	36
49	8	12	(4)	Corporate	17	25	(8)
(38)	(8)	(10)	1	Intra-segment revenues	(16)	(18)	3
601	159	121	38	Total adjusted revenues	374	259	115
Adjusted EBITDA							
308	67	66	1	Italy	149	138	11
116	49	19	30	Abroad	140	52	88
45	11	8	4	France	30	24	6
28	9	5	5	Germany	34	12	22
(2)	6	(1)	6	UK	17	(1)	18
-	7	-	7	Spain	11	-	11
45	15	7	8	East Europe	48	17	31
(25)	(6)	(6)	0	Corporate	(12)	(12)	0
399	110	79	30	Adjusted EBITDA	277	178	99
Amortization, depreciation and write-downs							
(124)	(29)	(31)	2	Italy	(58)	(63)	6
(74)	(24)	(17)	(7)	Abroad	(48)	(33)	(14)
(37)	(11)	(8)	(3)	France	(23)	(16)	(7)
(22)	(7)	(5)	(2)	Germany	(14)	(10)	(4)
(0)	(1)	-	(1)	UK	(2)	-	(2)
-	(1)	-	(1)	Spain	(2)	-	(2)
(15)	(4)	(4)	0	East Europe	(7)	(7)	0
(4)	(1)	(1)	0	Corporate	(2)	(2)	(1)
(201)	(53)	(49)	(5)	Amortization, depreciation and write-downs	(107)	(98)	(9)
Adjusted EBIT							
184	38	35	3	Italy	92	75	16
43	25	2	23	Abroad	93	19	74
8	(0)	(0)	0	France	7	8	(1)
6	2	(0)	3	Germany	21	2	19
(2)	5	(1)	5	UK	16	(1)	17
-	6	-	6	Spain	9	-	9
31	12	4	8	East Europe	41	10	31
(29)	(7)	(7)	0	Corporate	(14)	(14)	(0)
198	56	31	26	Adjusted EBIT	170	80	90
Investments <sup>(2)</sup>							
16	30	5	26	Italy	51	9	42
597	40	269	(213)	Abroad	165	292	(114)
221	4	151	(147)	France	9	151	(142)
151	0	0	0	Germany	0	0	0
123	11	52	(42)	UK	22	72	(50)
-	0	-	0	Spain	96	-	96
57	19	44	(24)	Sweden	26	44	(18)
47	6	22	(16)	East Europe	13	25	(12)
3	1	0	0	Corporate	1	1	1
617	71	274	(203)	Total investments	218	301	(84)

<sup>(3)</sup> The 2021 values are restated in application of IFRS 5 by reclassifying the contributions of the thermoelectric and hydroelectric businesses under the item "Profit (loss) from assets held for sale".

<sup>(4)</sup> Includes investments in property, plant and equipment and intangible assets and M&A investments.

## 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.

The 2022 and 2021 figures were presented in accordance with the provisions of IFRS 5 with reference to the agreement for the sale of the thermoelectric business, signed on 9 February 2022 and the finalisation of the sale of the hydroelectric business, which took place on 3 January 2022, therefore reclassifying the result of the Thermo business, which is being sold, to the line "Net result of assets held for sale" for 2022, and the result of the Hydro business for 2021, in addition to the aforementioned Thermo business.

Finally, it should be noted that this document reflects the economic impact of the consolidation of the Spanish companies acquired during the year as from 1 January 2022.

For the definition of indicators, the composition of the financial statements and the reconciliation of the amounts involved, reference is made to that indicated in the Alternative Performance Indicators section below.

2nd Quarter			(Euro million)	1st Half		
2022	2021 Proforma	Δ	Profit & Loss	2022	2021 Proforma	Δ
159	121	38	Revenue	374	259	115
4	2	3	Other income	6	2	4
<b>164</b>	<b>123</b>	<b>41</b>	<b>Total Revenue</b>	<b>380</b>	<b>261</b>	<b>119</b>
(2)	(2)	0	Purchases and change in inventories	(5)	(2)	(3)
(39)	(30)	(9)	Services and other operating costs	(74)	(59)	(14)
(12)	(11)	(1)	Personnel Expense	(24)	(22)	(3)
<b>110</b>	<b>79</b>	<b>30</b>	<b>Gross Operating Profit (EBITDA)</b>	<b>277</b>	<b>178</b>	<b>99</b>
(53)	(49)	(5)	Amortization, depreciation and write-downs	(107)	(98)	(9)
<b>56</b>	<b>31</b>	<b>26</b>	<b>Operating Profit (EBIT)</b>	<b>170</b>	<b>80</b>	<b>89</b>
(6)	(8)	2	Net financial income (expense)	(12)	(15)	3
(0)	0	(0)	Net gains (losses) on equity investments	0	0	(0)
<b>50</b>	<b>23</b>	<b>28</b>	<b>Profit before taxes</b>	<b>158</b>	<b>65</b>	<b>93</b>
(12)	(4)	(8)	Income taxes	(35)	(12)	(23)
<b>38</b>	<b>19</b>	<b>20</b>	<b>Profit from continuing operations</b>	<b>122</b>	<b>53</b>	<b>70</b>
<b>9</b>	<b>17</b>	<b>(8)</b>	<b>Profit (loss) from discontinuing operations</b>	<b>14</b>	<b>47</b>	<b>(33)</b>
<b>47</b>	<b>35</b>	<b>12</b>	<b>Profit (loss) of the period</b>	<b>136</b>	<b>100</b>	<b>36</b>
(1)	(1)	(1)	Non-controlling interests	(2)	(1)	(1)
<b>46</b>	<b>35</b>	<b>11</b>	<b>Profit attributable to owners of the parent</b>	<b>135</b>	<b>100</b>	<b>35</b>



## 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 30 June 2022, which do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 142 million with a balancing entry in net invested capital amounting to approximately EUR 138 million.

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

30/06/2021	Adjusted Reclassified Statement of Financial position	30/06/2022	31/12/2021
	(EUR million)		
3.437	Non - current assets	2.873	3.624
101	Net operating working capital	48	177
(5)	Employees benefits	(3)	(5)
333	Other Assets	356	434
(466)	Other Liabilities	(619)	(623)
<b>3.400</b>	<b>Net invested capital of continuing operations</b>	<b>2.655</b>	<b>3.608</b>
-	<b>Net invested capital of assets held for sale</b>	<b>293</b>	-
<b>3.400</b>	<b>Net invested capital</b>	<b>2.948</b>	<b>3.608</b>
1.699	Equity attributable to the owners of the parent	1.929	1.547
9	Non-controlling interests	10	10
1.692	Net financial indebtedness of continuing operations	1.019	2.051
-	Net financial indebtedness of discontinued operations	(9)	-
<b>3.400</b>	<b>Equity and financial indebtedness</b>	<b>2.948</b>	<b>3.608</b>

## Cash Flow

2nd Quarter		(EUR million)	1st Half	
2022	2021		2022	2021
		Cash Flow		
110	121	Adjusted Gross Operating profit (EBITDA)	277	281
100	(9)	Change in net working capital	44	(6)
<b>209</b>	<b>112</b>	<b>Cash Flow from operations</b>	<b>322</b>	<b>275</b>
(71)	(90)	Investments in property, plant and equipment and intangible assets	(122)	(123)
-	(188)	Company acquisitions (business combinations)	(96)	(188)
-	-	Collection from the sale of ERG Hydro	1,265	-
1	-	Capital expenditure in financial non-current assets	0	-
(6)	4	Divestments and other changes	(7)	7
<b>(77)</b>	<b>(274)</b>	<b>Cash Flow from investments/divestments</b>	<b>1,041</b>	<b>(304)</b>
(6)	(8)	Financial income (expense)	(12)	(16)
-	(0)	Closure of loans	(3)	(2)
-	0	Net gains (losses) on equity investment	-	0
<b>(6)</b>	<b>(8)</b>	<b>Cash Flow from financial management</b>	<b>(15)</b>	<b>(17)</b>
<b>(46)</b>	<b>(23)</b>	<b>Cash Flow from tax management</b>	<b>(46)</b>	<b>(25)</b>
(136)	(113)	Distribution of dividends	(136)	(113)
(73)	(69)	Other changes in equity	(47)	(68)
<b>(209)</b>	<b>(182)</b>	<b>Cash Flow from Shareholders'equity</b>	<b>(183)</b>	<b>(181)</b>
-	-	Change in the consolidation scope	(69)	-
1	-	Cash Flow Termo	(16)	-
<b>890</b>	<b>1,316</b>	<b>Opening net financial indebtedness</b>	<b>2,051</b>	<b>1,439</b>
128	376	Net Change	(1,033)	252
<b>1,019</b>	<b>1,691</b>	<b>Adjusted indebtedness of continuing operations</b>	<b>1,019</b>	<b>1,692</b>
25	-	Net Indebtedness Thermo	(9)	-
<b>1,044</b>	<b>1,691</b>	<b>Totale adjusted indebtedness</b>	<b>1,009</b>	<b>1,692</b>

# 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 2022 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 6 million;
- an increase (approximately EUR 142 million) in the net financial indebtedness and the net invested capital (approximately EUR 138 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation expense (EUR 3 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

Year 2021	2nd Quarter 2022	2021	GROSS OPERATING PROFIT (EBITDA) (Eur million)	Note	1st Half 2022	2021
397	109	76	<b>EBITDA for continuing operations</b>		275	177
			<b>Special items exclusions:</b>			
(9)	(3)	(2)	- IFRS 16 reclassification	1	(6)	(4)
			<b>Italy</b>			
7	1	3	- Reversal of ancillary charges on non-recurring operations	2	3	3
3	-	3	- Reversal termination indemnity CEO	3	-	3
2	0	-	- Reversal for allocation for provision for disposed businesses	4	0	-
			<b>East Europe</b>			
-	2	-	- Reversal of Windfall Tax Romania	5	5	-
399	110	79	<b>Adjusted Gross Operating Profit (EBITDA)</b>		277	178
Year 2021	2nd Quarter 2022	2021	Amortization, Depreciation and impairment losses (Eur million)		1st Half 2022	2021
(228)	(55)	(50)	<b>Amortization, Depreciation and impairment losses</b>		(117)	(100)
			<b>Special items exclusions:</b>			
5	2	1	- IFRS 16 reclassification	1	3	2
22	0	-	- Reversal write-down Repowering Wind Italy	6	7	-
(201)	(53)	(49)	<b>Adjusted amortization, depreciation and impairment losses</b>		(107)	(98)
Year 2021	2nd Quarter 2022	2021	PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT (Eur million)		1st Half 2022	2021
86	14	13	<b>Profit (loss) from continuing operations attributable to the owners of the parent</b>		72	46
			<b>Special items exclusions:</b>			
6	2	3	Exclusion of ancillary charges on non-recurring transactions	2	3	3
2	-	2	Exclusion termination indemnity CEO	3	-	2
1	0	-	Exclusion of expenses related to disposed Businesses	4	0	-
-	23	-	Exclusion of impact of WindFall Tax Romania and 25% Extra-profits contribution	5-7	40	-
16	-	-	Exclusion of write-down Repowering Wind Italy	6	5	-
14	-	0	Exclusion of ancillary charges on loan prepayments	8	2	1
-	(1)	-	Solar Italy substitute tax exclusion	9	(1)	-
2	1	1	Exclusion of impact of gains/losses (IFRS 9)	10	1	1
127	38	19	<b>Adjusted profit (loss) from continuing operations attributable to owners of the parent</b>		122	53

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

12. Ancillary charges relating to other non-recurring transactions and the acquisitions in the first quarter of 2022 relating to operational solar installations in Spain, as well as the unsuccessful acquisitions.

13. Termination indemnity related to the end of office and succession of the Chief Executive Officer, which took place on 26 April 2021.

14. Provisions relating to exceptional items on businesses disposed of by the Group.

15. Impact of "Windfall Tax" legislation application on Corni Eolian SA in Romania.

16. Impairment of the net residual value of the property, plant and equipment and intangible assets of a wind farm in Italy, following the authorisation of a Repowering project.

17. Exclusion of the extraordinary contribution envisaged by Article 37 of the Italian Decree Law of 21 March 2022 for approximately EUR 36 million for the Continuing Operations perimeter.

18. Financial expense related to the early closure of Corporate loans as part of Liability Management transactions.
19. Reversal of the Erg Solar Holding substitute tax benefit
20. The Group renegotiated a number of loans during the period. 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 2022. For the purposes of clearer

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