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Årsredovisning
Annual Accounts

för
for

ERG Sweden Holding AB
559309-3759

Räkenskapsåret
The financial year

2022-01-01 – 2022-12-31

Fastställelseintyg/ ***Certificate of Adoption***

Undertecknad, styrelseledamot i ERG Sweden Holding AB intygar att resultaträkningen och balansräkningen fastställts på årsstämman den 27 juni 2023. Årstämman beslöt att godkänna styrelsens förslag beträffande det uppkomna resultatet.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

The undersigned, Board member of ERG Sweden Holding AB, certifies that the Income Statement and Balance Sheet have been adopted by the Annual General Meeting held on 27 June 2023. The General meeting decided to adopt the Board of Directors' proposal regarding the allocation of the result.

The undersigned certifies also that the contents of the annual report and the auditors' report are true copies of the original documents.

Stockholm den 27 juni 2023.

Name: Marina Stubbing

Årsredovisning

för

ERG Sweden Holding AB

559309-3759

Räkenskapsåret

2022

Innehållsförteckning

Förvaltningsberättelse	2
Resultaträkning	3
Balansräkning	4
Noter	6
Underskrifter	9

Styrelsen för ERG Sweden Holding AB avger följande årsredovisning för räkenskapsåret 2022.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i hela kronor (kr). Uppgifter inom parentes avser föregående år.

Förvaltningsberättelse

Allmänt om verksamheten

Bolaget har till föremål för sin verksamhet att, direkt eller indirekt, utveckla, konstruera och uppföra vindkraftparker samt producera och sälja elektricitet samt bedriva förenlig verksamhet.

Företaget har sitt säte i Stockholm.

Ägarförhållanden

Bolaget är helägt dotterbolag till ERG Power Generation S.p.A. ,Org. nr IVA 01440590899, säte Genoa. Övergripande koncernredovisning upprättas av ERG S.p.A. ,Org nr IVA 10122410151, säte Genoa.

Flerårsöversikt (Tkr)	**2022**	**2021** (10 mån)
Nettoomsättning	0	0
Resultat efter finansiella poster	-31 698	-6 999
Soliditet (%)	4,6	4,2

För definitioner av nyckeltal, se Not 1 Redovisningsprinciper.

Förändringar i eget kapital

	Aktie-kapital	**Balanserat resultat**	**Årets resultat**	**Totalt**
Belopp vid årets ingång	50 000	30 709 800	-6 998 706	**23 761 094**
Disposition enligt beslut av årets årsstämma:				
Balanseras i ny räkning		-6 998 706	6 998 706	**0**
Erhållna aktieägartillskott		54 450 000		**54 450 000**
Årets resultat			-31 698 384	**-31 698 384**
Belopp vid årets utgång	**50 000**	**78 161 094**	**-31 698 384**	**46 512 710**

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	78 161 094
årets förlust	-31 698 384
	46 462 710
disponeras så att	
i ny räkning överföres	46 462 710
	46 462 710

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter.

Resultaträkning

	Not	2022-01-01 -2022-12-31	2021-03-26 -2021-12-31 (10 mån)
Rörelsens intäkter			
Övriga rörelseintäkter		66 111	0
		66 111	**0**
Rörelsens kostnader			
Övriga externa kostnader		-857 281	-335 268
Övriga rörelsekostnader		-585	0
Summa rörelsekostnader		**-857 866**	**-335 268**
Rörelseresultat		**-791 755**	**-335 268**
Resultat från finansiella poster			
Övriga ränteintäkter och liknande resultatposter	2	11 640 207	2 397 623
Räntekostnader och liknande resultatposter	3	-42 546 836	-9 061 061
Summa finansiella kostnader		**-30 906 629**	**-6 663 438**
Resultat efter finansiella poster		**-31 698 384**	**-6 998 706**
Resultat före skatt		**-31 698 384**	**-6 998 706**
Årets resultat		**-31 698 384**	**-6 998 706**

Balansräkning

	Not	2022-12-31	2021-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	4	438 008 061	329 758 061
Fordringar hos koncernföretag	5	570 287 926	227 815 723
Summa finansiella anläggningstillgångar		**1 008 295 987**	**557 573 784**
Summa anläggningstillgångar		**1 008 295 987**	**557 573 784**
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		0	50 000
Förutbetalda kostnader och upplupna intäkter		0	2 397 618
		0	**2 447 618**
Kassa och bank		104 066	35 214
Summa omsättningstillgångar		**104 066**	**2 482 832**
SUMMA TILLGÅNGAR		**1 008 400 053**	**560 056 616**

Balansräkning

	Not	2022-12-31	2021-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital	6		
Bundet eget kapital			
Aktiekapital		50 000	50 000
Summa bundet eget kapital		**50 000**	**50 000**
Fritt eget kapital			
Balanserad vinst eller förlust		78 161 094	30 709 800
Årets resultat		-31 698 384	-6 998 706
Summa fritt eget kapital		**46 462 710**	**23 711 094**
Summa eget kapital		**46 512 710**	**23 761 094**
Långfristiga skulder	7		
Skulder till koncernföretag		856 089 828	430 458 796
Summa långfristiga skulder		**856 089 828**	**430 458 796**
Kortfristiga skulder			
Leverantörsskulder		31 750	70 589
Skulder till koncernföretag		0	3 543 867
Övriga skulder		105 639 678	97 374 703
Upplupna kostnader och förutbetalda intäkter		126 087	4 847 567
Summa kortfristiga skulder		**105 797 515**	**105 836 726**
SUMMA EGET KAPITAL OCH SKULDER		**1 008 400 053**	**560 056 616**

Noter

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar
Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Årsredovisningen upprättas för första gången i enlighet med BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). Övergången till K3 har inte föranlett några ändringar i resultaträkningen, balansräkningen eller noter och någon effekt i det egna kapitalet har med anledning av övergången till K3 inte uppkommit.

Fordringar och skulder i utländsk valuta
Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Intäktsredovisning
Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Finansiella instrument
Finansiella instrument värderas utifrån anskaffningsvärdet. Instrumentet redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

Andelar i dotterföretag
Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Nedskrivningsprövning av finansiella anläggningstillgångar
Vid varje balansdag bedöms om det finns indikationer på nedskrivningsbehov av någon av de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående och prövas individuellt.

Koncernförhållanden
Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning. Det överordnade moderföretaget ERG S.p.A, organisationsnummer IVA 10122410151 med säte i Genoa upprättar koncernredovisning.

Nyckeltalsdefinitioner

Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Uppskattningar och bedömningar

Upprättandet av bokslut och tillämpning av redovisningsprinciper, baseras ofta på ledningens bedömningar, uppskattningar och antaganden som anses vara rimliga vid den tidpunkt då bedömningen görs. Uppskattningar och bedömningar är baserade på historiska erfarenheter och ett antal andra faktorer, som under rådande omständigheter anses vara rimliga. Resultatet av dessa används för att bedöma de redovisade värdena på tillgångar och skulder, som inte annars framgår tydligt från andra källor. Det verkliga utfallet kan avvika från dessa uppskattningar och bedömningar. Uppskattningar och antaganden ses över regelbundet.

Not 2 Övriga ränteintäkter och liknande resultatposter

	2022	2021-03-26 -2021-12-31
Ränteintäkter och liknande resultatposter som avser fordringar på och andelar i koncernföretag	11 640 207	2 397 623
	11 640 207	**2 397 623**

Not 3 Räntekostnader och liknande resultatposter

	2022	2021-03-26 -2021-12-31
Räntekostnader och liknande resultatposter som avser skulder till koncernföretag	14 651 754	4 761 340
Valutadifferenser	27 895 082	4 299 721
	42 546 836	**9 061 061**

Not 4 Andelar i koncernföretag

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	329 758 061	0
Lämnade aktieägartillskott	108 250 000	329 758 061
Utgående ackumulerade anskaffningsvärden	**438 008 061**	**329 758 061**
Utgående redovisat värde	**438 008 061**	**329 758 061**

Not 5 Fordringar hos koncernföretag

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	227 815 723	0
Tillkommande fordringar	342 472 203	227 815 723
Utgående ackumulerade anskaffningsvärden	**570 287 926**	**227 815 723**
Utgående redovisat värde	**570 287 926**	**227 815 723**

Not 6 Disposition av vinst eller förlust

	2022-12-31
Förslag till vinstdisposition	
Styrelsen föreslår att till förfogande stående vinstmedel:	
balanserad vinst	78 161 094
årets förlust	-31 698 384
	46 462 710
disponeras så att	
i ny räkning överföres	46 462 710
	46 462 710

Not 7 Långfristiga skulder

	2022-12-31	2021-12-31
Skulder som ska betalas senare än fem år efter balansdagen	522 489 824	205 000 000
	522 489 824	**205 000 000**

Not 8 Uppgifter om moderföretag

Bolaget är helägt dotterbolag till ERG Power Generation S.p.A. ,Org. nr IVA 01440590899, säte Genoa.
Övergripande koncernredovisning upprättas av ERG S.p.A , Org nr IVA 10122410151, säte Genoa.

Not 9 Ställda säkerheter

Bolaget har inga ställda säkerheter.

Not 10 Eventualförpliktelser

Styrelsen har inte identifierat några eventualförpliktelser.

Stockholm 2023-06-12

Gösta Lidén
Ordförande

Marina Stubbing

Alessandro Stagnitto

ERG Power Generation

2022 Financial Statements

at 31 December

The Annual Report 2022 constitutes a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815

We ARE #SDGs CONTRIBUTORS

ERG
EVOLVING ENERGIES

CONTENTS

1 DIRECTORS' REPORT

Basic for preparation 4
The group 6
Corporate bodies 6
Business description 7
Geographical segments at 31 December 2022 . 8
Scope of consolidation at 31 December 2022 ... 9
Organizational model 10
Strategy 11
Changes in business scope in 2022 19
Significant events during the year 21
Profit for the period and scenario 26
Comments in the year's performance 27
Reference market 30
Regulatory framework - incentives 31
Relevant legislative and insitutional updating during the year 34
Performance by country 45
Risk and uncertainties 58
Health, safety and environmental 74
Financial statements and other information ... 76
Financial statement 76
Alternative performance indicators 84
ERG Power Generation S.p.A. operating results, financial position and cach flows. 88
Management notes on the main non-consolidated subsidiaries, associates and join venture 93
Management and coordination activities by ERG S.p.A. 94
Significant events after the reporting date 96
Business outlook 97

2 CONSOLIDATED FINANCIAL STATEMENTS

Income statement 100
Statement of comprehensive income 101
Statement of financial position 102
Statement of cash flows 103
Statement of changes in equity 104
Notes to the consolidated financial statements ... 105
I. Introduction 105
II. Operational management 117
III. Investing activities 130
IV. Provisions and contingent liabilities 145
V. Financing activities 147
VI. Taxation 164
VII. Assets held for sale 167
VIII. Other notes 174
Auditors' Report 198

3 FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Statement of financial position 202
Income statement 205
Statement of cashflow 208
Notes to the financial statements at 31 December 2022 210
Analysis of the statement of financial position 229
Income statement analysis 250
Operating results 271
Significant events after the reporting date 274
Proposal by the board of directors 275
Board of statutory auditors' report 276
Auditors' Report 281

Directors' Report

BASIS FOR PREPARATION

OPERATING SEGMENTS

Starting from 2022, following the significant Asset Rotation process launched in 2021 with the sale of the hydroelectric business and which will be completed with the probable sale of the thermoelectric business, the operating results are presented voluntarily and commented on with reference to the various geographical segments in which ERG operates, in line with the new internal methods for measuring the Group's results, and in line with the 2022-2026 Business Plan approved by the Board of Directors on 14 March 2022, aimed at reinvesting the resources deriving from divestments and focusing on the growth strategy in Wind & Solar by means of a policy of geographical and technological diversification. It should be noted that the results, presented by geographical area as from this document, reflect the energy sales carried out on the markets by Group Energy Management, in addition to the application of effective hedges of the generation margin. The above mentioned hedges include, inter alia, the use of instruments by Energy Management to hedge the price risk. In order to give a clearer representation of business by geographic area and, secondarily, by technology, the wind and solar results include the hedging carried out in respect of renewables.

ALTERNATIVE PERFORMANCE INDICATORS (APIS) AND ADJUSTED RESULTS

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

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

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

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

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

FINALISATION OF THE SALE OF THE HYDROELECTRIC BUSINESS

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

AGREEMENT FOR THE SALE OF THE THERMOELECTRIC BUSINESS

In the first half of 2021, the ERG Group assessed the possibility of a potential asset rotation of the thermoelectric plants to aid in further accelerating the growth and development of its business model. Following the close of the first half of 2021, bids from interested operators were received in early July 2021.

Having read the market indications, the Group continued the process of assessing the potential sale of the thermoelectric plant which, at 31 December 2021 (Reporting Date of the 2021 Financial Statements), was still being finalised. However, the thermoelectric plant was not yet available for immediate sale in its current condition at the said Reporting Date.

During 2022, following the in-depth analysis carried out, Group management began negotiations for the sale of the thermoelectric plant, signing an agreement on 9 February with Enel Produzione S.p.A. for the sale of the entire capital of ERG Power S.r.l.

On 23 September 2022, the Italian Antitrust Authority (AGCM) refused authorisation for the aforementioned transaction. Specifically, as a result of the preliminary investigation carried out in recent months the AGCM considered that the transaction would have given rise to the establishment and strengthening of a dominant position with regard to the buyer such as to substantially or indefinitely eliminate or reduce competition in the relevant markets. The AGCM's

non-approval of the transaction thus rendered invalid the agreements signed by ERG Power Generation S.p.A. and Enel Produzione S.p.A. for the sale of the equity investment in ERG Power S.r.l. due to the non-fulfilment of one of the conditions necessary for closing.
Towards the end of 2022, ERG therefore took the necessary steps to initiate a new competitive process aimed at finding a new buyer, evaluating the most efficient alternative path for pursuing the strategic objective of the 2022-2026 Business Plan of focusing on the core business of generating electricity from renewable sources by divesting ERG Power S.r.l.
In consideration of the above, in this Document the result of the Assets held for sale was therefore recorded in the line "Net profit (loss) from assets held for sale" and the Invested Capital of the Assets held for sale was recorded in the financial statements as the conditions set forth in paragraph 12 of IFRS 5 were met.

2021 ADJUSTED INCOME STATEMENT AMOUNTS

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

RISKS AND UNCERTAINTIES IN RELATION TO THE BUSINESS OUTLOOK

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

THE GROUP

CORPORATE BODIES

BOARD OF DIRECTORS

Chairman
VITTORIO GARRONE

Chief Executive Officier
RENATO STURANI

Directors
ITALO GIORGIO ALFIERI
GIORGIO CORAGGIOSO
MICHELE PEDEMONTE
ANDREA NAVARRA

BOARD OF STATUTORY AUDITORS[1]

Chairman
FABRIZIO CAVALLI

Standing Auditors
LUISELLA BERGERO
VINCENZO CAMPO ANTICO

INDEPENDENT AUDITORS

KPMG S.P.A.[2]

1 Appointed by the ERG Power Generation S.p.A. Shareholders' Meeting of 22 April 2021 for the period 2021 – 2023
2 Appointed by the ERG Power Generation S.p.A. Shareholders' Meeting of 22 April 2021 for the period 2021 – 2023

BUSINESS DESCRIPTION

The ERG Group, of which ERG Power Generation is part, is a leading independent operator of clean energy from renewable sources, operating in nine countries at European level.
The leading wind power operator in Italy, and among the top ten in Europe, the Group is also active in solar energy production where it ranks in the top five in Italy.
A major player in the oil market until 2008, ERG radically changed its business portfolio by anticipating long-term energy scenarios through a successful business transformation towards a sustainable development model: today the company is a leading European player in the renewable energy sector.
In 2021, the Group embarked on a major asset rotation to complete its transformation to a pure "Wind&Solar" business model.
On 3 January 2022, ERG completed the sale of its hydroelectric assets to Enel Produzione, with which it subsequently reached an agreement to sell the Priolo Gargallo CCGT plant, whose closing is expected by the first quarter 2022.
Following these important operations, the Group, whose industrial strategy integrates the ESG (Environmental, Social and Governance) plan, in line with the United Nations Sustainable Development Goals (SDGs), will become a 100% Renewable operator.
ERG is therefore a leading player in the decarbonisation process underway at a global level, committed to achieving a fair and inclusive energy transition.

Management of the industrial and commercial processes of the ERG Group is entrusted to the subsidiary ERG Power Generation S.p.A., which carries out:

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

ERG Power Generation S.p.A., with generation facilities of 2,944 MW[3] of installed renewable capacity (2,599 MW wind, 345 MW solar), operates directly or through its subsidiaries, in the following Geographical Segments:

Italy

In Italy, ERG has a total installed capacity of 1,440 MW in the sector of electricity generation from wind and solar sources. Specifically, ERG is the leading operator in the wind power sector in Italy with 1,265 MW of installed capacity, and a leading operator in solar power generation with 175 MW of installed capacity.

Abroad

Outside Italy, ERG has a total installed capacity of 1,504 MW.
In wind power, ERG is one of the leading operators in Europe with a significant and growing presence (1,334 MW operational), particularly in France (522 MW), Germany (327 MW), the UK (157 MW), Poland (142 MW), Romania (70 MW), Bulgaria (54 MW) and Sweden (62 MW).
In addition, ERG operates in France and Spain in the generation of electricity from solar sources with 170 MW of installed capacity, of which 79 MW in France and 92 MW in Spain.

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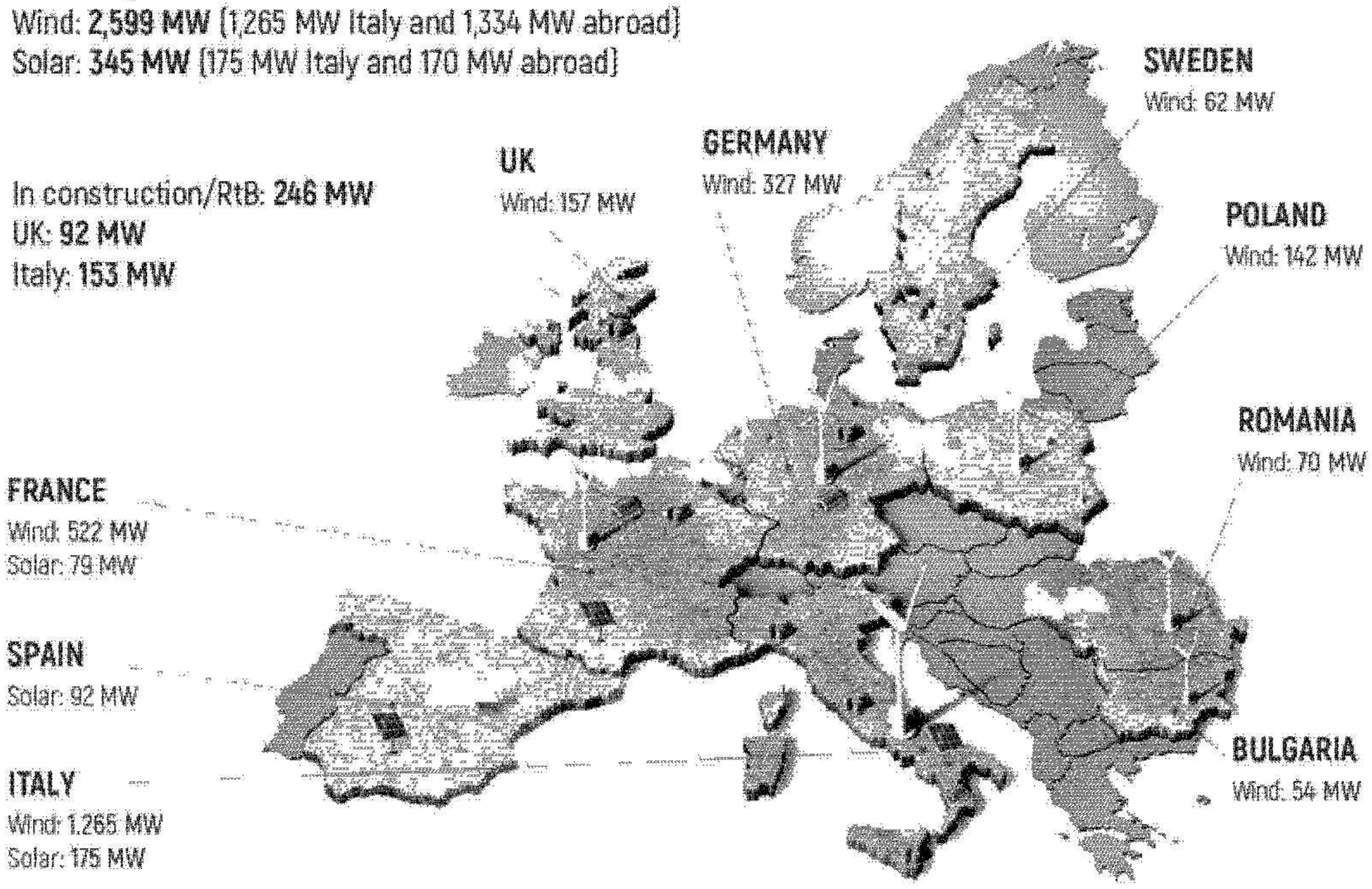
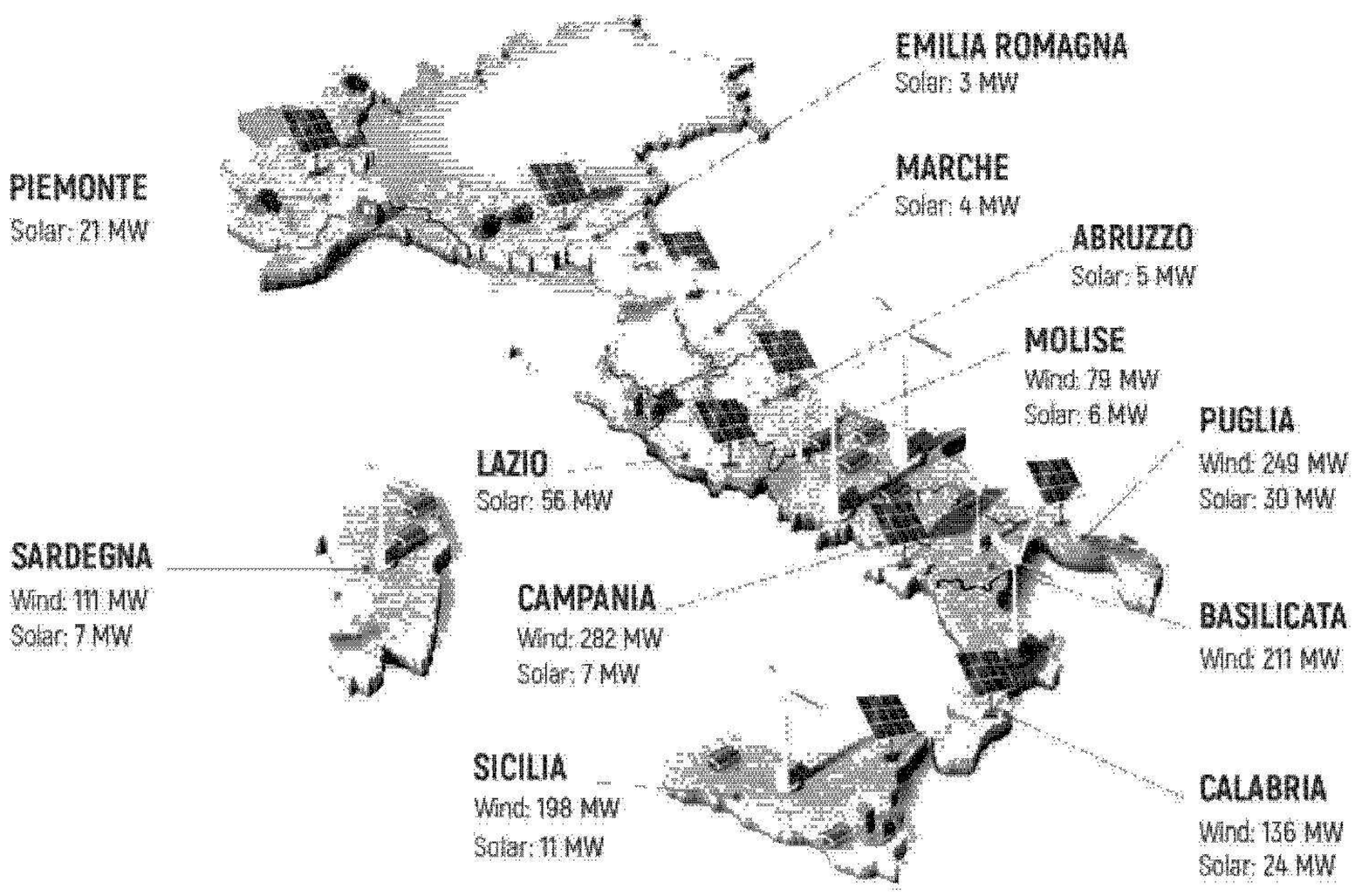
3 The total MW does not include the thermoelectric business, held for sale.

GEOGRAPHICAL SEGMENTS AT 31 DECEMBER 2022

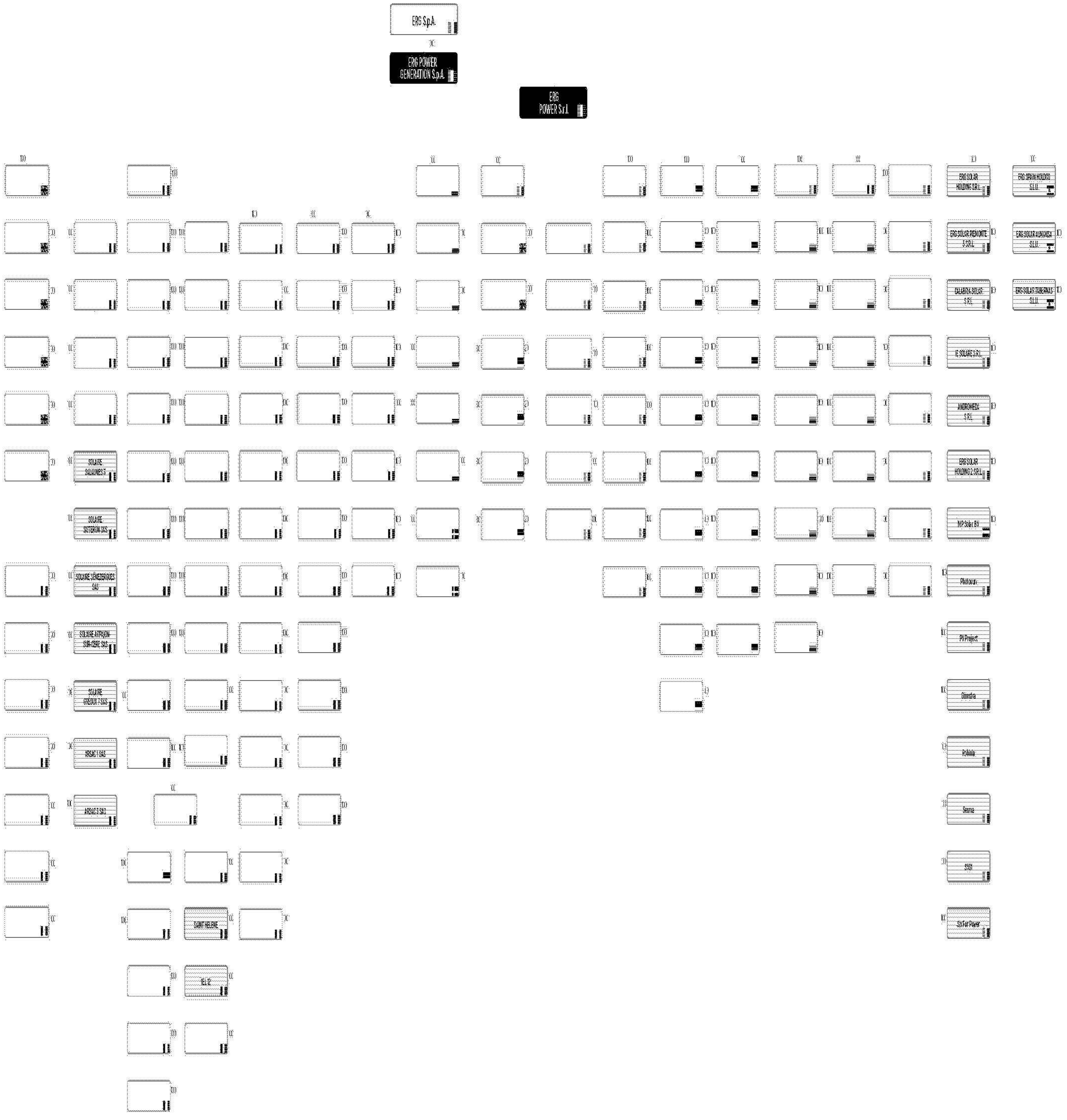
TOTAL: 2,944 MW
Wind: **2,599 MW** (1,265 MW Italy and 1,334 MW abroad)
Solar: **345 MW** (175 MW Italy and 170 MW abroad)

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





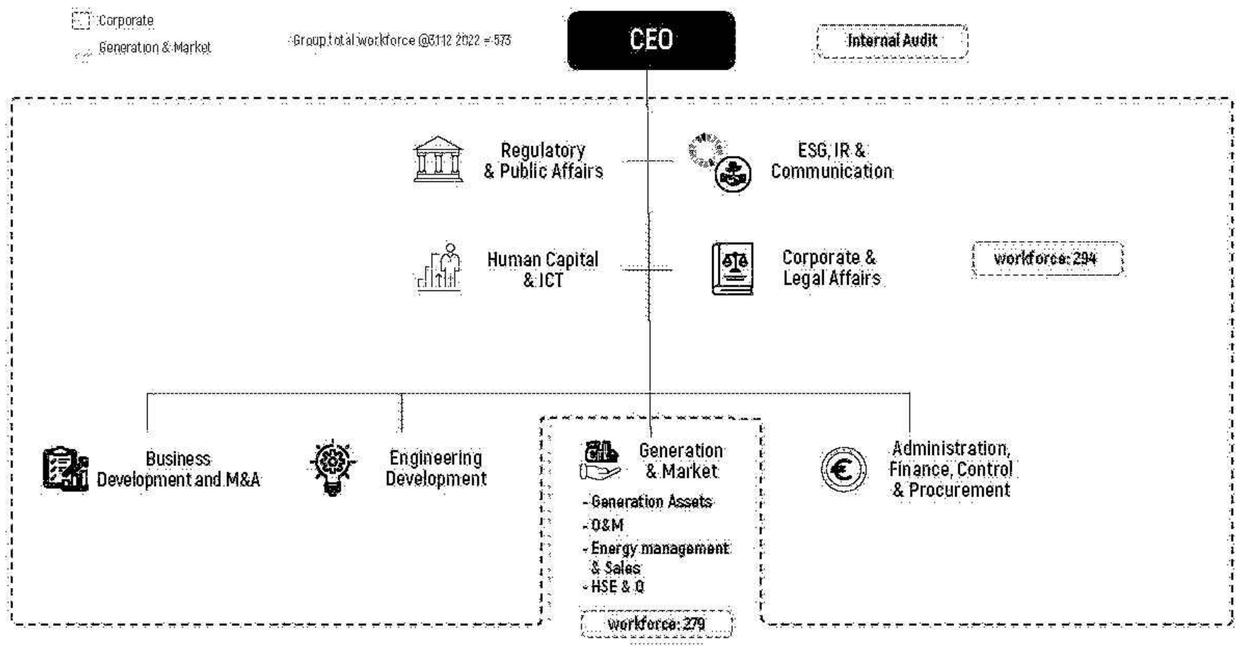
SCOPE OF CONSOLIDATION AT 31 DECEMBER 2022



ORGANISATIONAL MODEL

The Group's organisational structure features a strong focus on process logic and the implementation of strategic business leverages, and provides for the definition of two macro-roles:

- ERG S.p.A. – Corporate, which ensures the strategic direction, is directly responsible for business development and ensures management of all business support processes. The company is organised in the following areas:
  - Business Development and Mergers & Acquisitions;
  - Engineering Development
  - Administration, Finance, Control & Procurement
  - Human Capital & ICT
  - Regulatory & Public Affairs
  - Corporate & Legal Affairs
  - ESG, IR & Communication.
- ERG Power Generation S.p.A., which is assigned responsibility for the Group's industrial and commercial processes, organised into:
  - Wind, Solar and Thermo[4] generation technologies, which in turn are organised into production units on a geographical basis;
  - Energy Management & Sales, as a single entry point to organised markets and the main clients/counterparties;
  - a centre of process engineering technological excellence;
  - a structure dedicated to managing health, safety, quality and environmental protection issues for the entire Group.



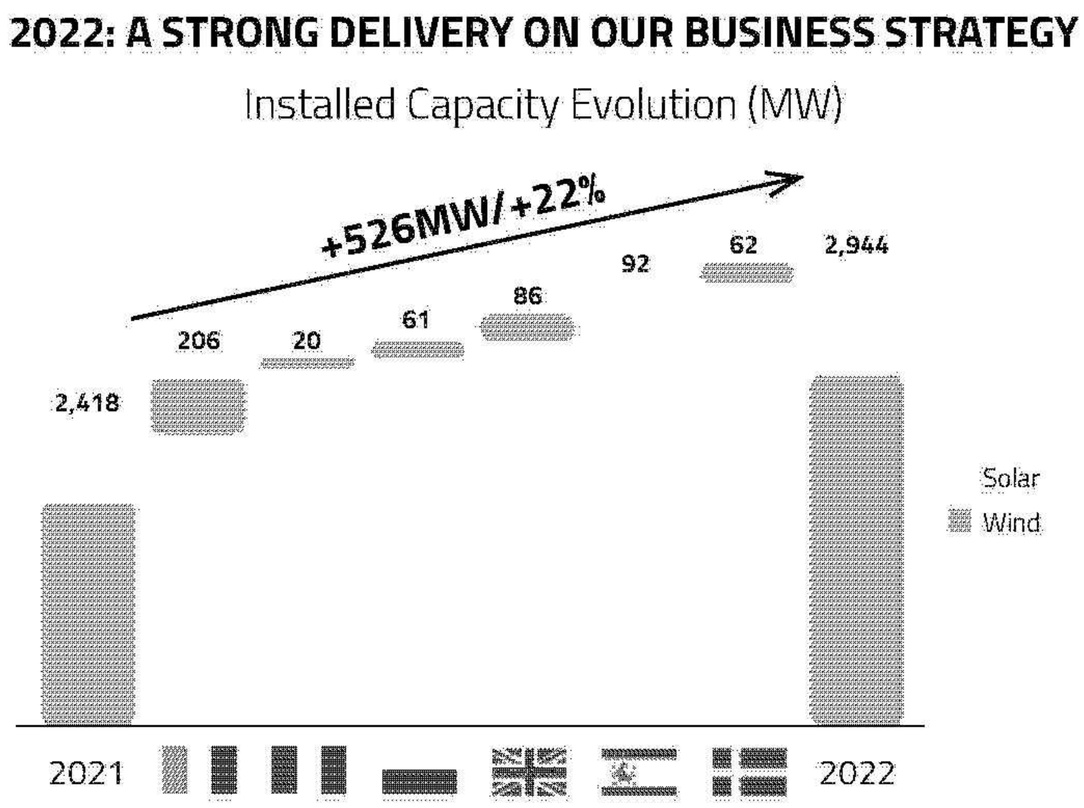
In order to continue the path of growth started and to achieve the ambitious targets set in the Business Plan, the Group has, since February 2022, implemented a business model that although well-established within the various companies remains flexible. It takes into account both geographical and technological diversification, particularly in the solar business. As a result, within the Business Development and M&A Organisational unit, two macro areas have been set up at European level – Central West Europe & Nordics and Central East Europe – bringing together the Country Business Development and M&A organisational structures. These remain responsible for identifying, coordinating and finalising organic development and M&A initiatives at local level. Similarly, two new Administration, Finance, Control & Procurement areas were established in France and Germany from July 2022. These are responsible for processes at local level while maintaining a functional relationship with the central Organisational Units.

4. Thermoelectric Business held for sale.

STRATEGY

THE RESULTS ACHIEVED IN 2022

In 2022, ERG took important steps on its strategic path to decarbonise and grow its RES portfolio.



Growth and securing of the RES portfolio:

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

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

There was also significant progress in repowering and green field projects in Italy in 2022, with around 100 MW authorised and auctioned. The "revenue securitisation" objective was also pursued by signing long-term contracts for around 0.5 TWh in the UK and in Italy through the 12-year agreement with Luxottica for around 0.9 TWh of green power that will be generated by the Partinico-Monreale wind farm, ERG's first to complete repowering operations.

2022-2026 BP – RESULTS TO DATE

	OBJECTIVES OF THE 2022-2026 BP	RESULTS TO DATE
RES portfolio growth	▪ **+2.2 GW** through RPW, Greenfield and M&A	▪ +526 MW in 2022 ▪ +100 MW secured at Late Breach Italy
Securing of revenue	▪ **85-90%** regulated	▪ PPA with Engie in Scotland for 0.3 TWh ▪ PPA with EssilorLuxottica for a total of 0.5 TWh
Geographical diversification	▪ **Increased geographical diversification**	▪ Increased presence in the UK (+86 MW), Sweden (+62 MW) and Poland (+60 MW).
Solar as a strategic pillar	▪ **+625 MW of solar power**	▪ +125 MW[5] in solar power
Investment in innovation	▪ **+50 MW in storage**	▪ Progress on some storage projects in Italy
Asset Rotation for Conventional Sources	▪ **Asset rotation opportunities**	▪ Completion of the closing for the sale of the Hydro portfolio to Enel
Recognition of ESG commitment	▪ **ESG Plan**	▪ Top Tier in the main ESG ratings

5 34 MW Siena – Italy; 92 MW Valencia – Spain

CONSOLIDATION OF THE PURE "WIND & SOLAR" MODEL

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

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

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

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

UPDATE OF THE 2022-2026 BUSINESS PLAN

A crisis unprecedented in size and severity hit the energy system in 2022. The gradual relaxation of the measures to limit the spread of COVID-19, the effects of the war in Ukraine, rising global inflation and the reduction of gas supplies from Russia influenced energy prices and generated a highly volatile environment.

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

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

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

1) **Greenfield e co-Development:** ERG intends to continue its growth strategy through the organic development of proprietary pipelines and co-development agreements in Italy and in the main European reference countries.
2) **Repowering of its plants in Italy and abroad:** in view of technological developments in the wind and solar sector, ERG aims to repower assets currently equipped with obsolete technologies, with new latest generation technologies, aimed at increasing energy production, taking advantage of the quality of the most productive sites. The revenues of the new wind farms will be secured through participation in the auction system or through long-term agreements (PPAs).
3) **M&A:** ERG intends to seize opportunities for growth in renewables in the countries of interest to the Group, leveraging the financial resources deriving from asset rotation, the experience acquired during its transformation process and the synergies resulting from the consolidation with its portfolio.

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

- projects commissioned in the first quarter of the year or currently under construction in the UK and Repowering in Italy: +0.4 GW;
- repowering projects in wind in Italy and abroad: +0.1 GW (on a differential basis);
- greenfield projects in wind and solar: +0.4 GW;
- M&A transactions amounting to approximately +0.8 GW.

The expected EBITDA in 2026 will be more than EUR 650 million, 85-90% of which will be quasi-regulated in nature, thanks to long-term power purchase agreements (PPAs) and government CFD schemes.

The investments earmarked for the period 2022-26 increase from approximately EUR 2.9 billion to EUR 3.5 billion, of which EUR 0.9 billion has already been made during 2022. The increase in total MW is attributable to acquisitions made in 2022 on high-quality assets with higher cost per MW and better expected cash generation, as well as higher construction costs per MW in light of the changed market environment (so-called green inflation).

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

ERG can count on a solid financial structure capable of supporting its growth in a sustainable manner, always with the aim of maintaining its Investment Grade rating BBB- (Fitch).

Considering the Group's financial strength, and also as a result of the resources deriving from disposals, as well as the positive growth prospects, the new Business Plan envisages an increase in the dividend from EUR 0.90 to EUR 1.00 per share over the Plan period.

A new organisation aimed at international and technological diversification and a re-skilling activity will contribute to the new Plan's success. .

2022-2026 STRATEGIC PLAN OBJECTIVES

	NEW PLAN TARGETS 2022-2026
RES portfolio growth	• >2.2GW in 2022-2026 (vs 2.6GW in 2022) • 4.6GW of installed capacity in 2026 (5.6GW in 2027)
Securing of revenue	• Confirmed objective 85-90% secured out of total EBITDA
Geographical diversification	• 5 countries in 2022-Spain and Sweden started up
Solar as a strategic pillar	• ~ 850 MW of solar capacity (out of ~2,200 MW) • ~ 25% value of total capacity (in 2026)
Investment in innovation	• Battery Storage: evaluation of opportunity on floating offshore wind
Asset Rotation for Conventional Sources	• Relaunch of the O.C. rate
Incorporation of ESG matters	• Improved objectives
Dividend policy	• EUR 1 per share (+ 5% vs previous)

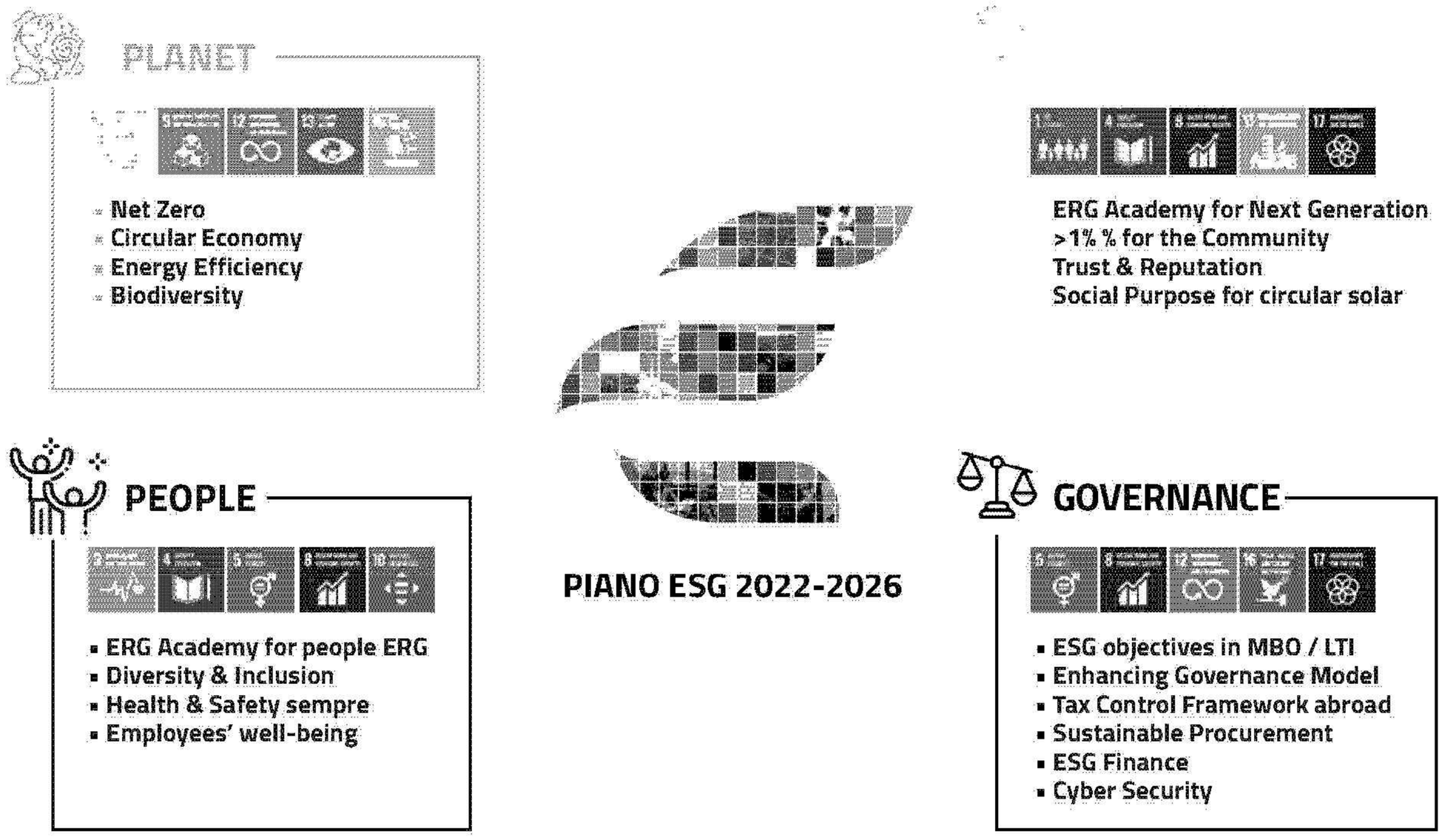
THE ESG PLAN

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

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

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

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



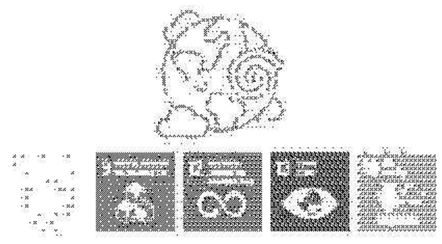
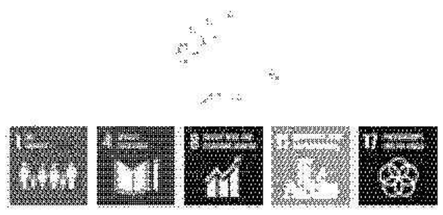
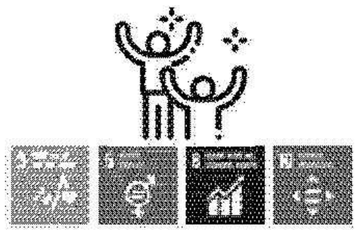
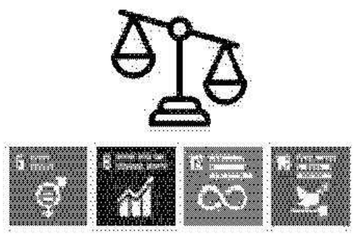
In the **Planet Pillar**, we confirm the goal of becoming Net Zero by 2040, and reaffirm our commitment to the circular economy with the objective of recovering materials from the dismantling of all our wind and solar plants. For photovoltaic panels in good condition, this environmental goal is also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

In the **Engagement Pillar**, we will continue to be committed to supporting our local areas, with a contribution at least equal to 1% of turnover to the communities where we operate with our plants.
During 2023, we will launch our ERG Academy with education programmes for the Next Generations on sustainability and renewable energy issues and the goal is to reach at least 20,000 students by 2026; the Academy will also include all development and training programmes for our people.

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

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

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

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

CHANGE IN BUSINESS SCOPE IN 2022

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

Solar - Valentia

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

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

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

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

Solar – Siena Project

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

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

Wind – Donatello Project

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

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

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

SIGNIFICANT EVENTS DURING THE YEAR

ITALY

Date	Sector	Significant event
Press release of 3 January 2022		ERG ha perfezionato il closing con Enel Produzione S.p.A. per la cessione dell'intero capitale di ERG Hydro S.r.l..
Press release of 26 January 2022	**Corporate/ESG**	ERG has been included in Bloomberg's Gender Equality Index (GEI).
Press release of 31 January 2022	**Wind**	ERG has been awarded a tariff for 20 years on 97.2 MW of new wind capacity as part of the seventh auction called by GSE (Gestore dei Servizi Elettrici).
Press release of 9 February 2022	**Thermoelectric**	ERG has signed an agreement with Enel Produzione S.p.A. to sell the entire share capital of ERG Power S.r.l., which owns the Combined Cycle Gas Turbine (CCGT) cogeneration power plant.
Press release of 10 February 2022	**Corporate/ESG**	ERG enters the CDP (Carbon Disclosure Project) "Suppliers Engagement Leaderboard"
Press release of 23 February 2022	**Storage**	ERG enters the storage market with two projects for a total of 22 MW of installed capacity in the Centre-South and Sicily.
Press release of 15 March 2022	**Corporate**	ERG's Board of Directors approves the 2022-2026 Business and ESG Plan.
Press release of 13 May 2022	**Corporate**	L'agenzia di rating Fitch Ratings ("Fitch") ha confermato per ERG S.p.A. un Long Term Issuer Default Rating (IDR) di BBB- stable outlook ed un senior unsecured rating BBB-
Press release of 1 June 2022	**Solar**	ERG has entered into an agreement to acquire 100% of the capital of MP Solar B.V., owner of eighteen photovoltaic plants in operation with a total installed capacity of 33.8 MW.
Press release of 15 June 2022	**Corporate/ESG**	ERG rafforza il suo impegno in ambito ESG. Firma dei Women's Empowerment Principles e ingresso nello United Nations Global Compact. MSCI conferma il rating "AA". Il Gruppo inoltre entra nella Top 10 del "Integrated Governance Index 2022".
Press release of 7 July 2022	**Solar**	Completion of the acquisition from ABN AMRO Sustainable Impact Fund PE B.V. of 100% of the capital of MP Solar B.V., owner, through seven Italian companies, of eighteen photovoltaic plants in operation with a total installed capacity of 33.8 MW.

Press releases of 29 July 2022 and 9 September 2022	Wind	ERG has acquired from EDP Renewables Italia Holding S.r.l. the entire share capital of seven companies, owners of seven wind farms located in Italy with an installed capacity of 172 MW.
Press release of 23 September 2022	**Thermoelectric**	Regarding the transaction for the sale to Enel Produzione S.p.A. of ERG Power Generation S.p.A.'s equity investment in ERG Power S.r.l., owner of the cogeneration power plant (CCGT) located in Priolo Gargallo, subject to the approval of the transaction by the competent Antitrust Authorities (see press release of 9 February 2022), we hereby announce that the Italian Antitrust Authority (AGCM), by order dated 23 September 2022, has not authorised the aforesaid transaction.
Press release of 30 September 2022	**Corporate/ESG**	Moody's ESG Solutions (previously Vigeo Eiris), one of the leading international ESG rating agencies, has confirmed ERG's Advanced Rating, the highest on its rating scale, with a score of 65/100, rewarding the Group's continued growth in ESG performance over the last 3 years. ERG thus enters the top 2% of Moody's ESG Solutions global ranking, which includes 4906 companies, obtaining 100th place and recording an increase of two points on the rating scale.
Press release of 27 October 2022	**Corporate**	Signing, with a pool of Italian and international banks, of a "Sustainability-Linked" revolving credit line for an amount of EUR 600 million with a three-year duration and an option to extend it for a further two years. The loan, in line with the Sustainability-Linked Loan Principles, provides for an adjustment of margins to achieve specific ESG objectives, included in the Group's 2022-2026 business plan. In particular, the ESG objectives refer to the growth of the renewable portfolio and to Diversity & Inclusion. The transaction, the first of its kind for ERG, strengthens the Group's financial structure, increasing its flexibility and liquidity profile and, at the same time, contributes to the Group's sustainable development.
Press release of 3 November 2022	**Corporate**	ERG confirms its sustainable commitment and strengthens the governance system aimed at developing its inclusive culture with the introduction of the "Policy to combat Violence, Harassment and Bullying in the workplace".
Press release of 26 November 2022	**Corporate**	ERG has won the 2022 Financial Statements Oscar in the "Medium and small listed companies" category. The award is given to companies whose financial statements not only report their operations, but also show their willingness to share results and goals with their stakeholders through timely and transparent communication.
Press release of 29 November 2022	**Corporate**	ERG enters the FTSE MIB index, the primary benchmark index of Euronext Milan – a regulated market organised and managed by Borsa Italiana S.p.A. – consisting of the 40 largest securities in terms of liquidity and trading volume, representing around 80% of domestic market capitalisation.
Press release of 13 December 2022	**Corporate/ESG**	ERG enters the 'A List' of CDP (Carbon Disclosure Project), the global non-profit organisation that, by monitoring performance in the fight against climate change, guides companies and governments towards reducing greenhouse gas emissions.

ABROAD

Date	Geographical segment	Settore	Fatto di rilievo
Press release of 31 January 2022	Spain	Solar	ERG acquired from GEI Subasta 1 SA 100% of the capital of two Spanish project companies owning two operational solar plants of 50.0 MW and 41.6 MW respectively.
Press release of 24 March 2022	UK	Wind	ERG, through its subsidiaries in the United Kingdom, reached an agreement with ENGIE UK Markets Ltd, for the signing of two Power Purchase Agreements (PPAs) with a ten-year duration.
Press release of 9 June 2022	France	Wind	ERG announced the commissioning of the Les Bouchats wind farm in France, situated in the Grand-Est region, with a total capacity of 19.8 MW.
Press Release of 7 July 2022	Poland	Wind	Commissioning of the Piotrkòw wind farm, located in the northern part of Poland, for a total of 24.5 MW.
Press release of 13 October 2022	UK	Wind	ERG announces the start-up of the first 50 MW of the Sandy Knowe wind farm in Dumfries & Galloway in the south of Scotland. The remaining 36 MW will enter into operation during the third quarter of 2023.
Press release of 14 October 2022	UK	Wind	ERG has completed the acquisition of 100% of the shares of the company Corlacky Energy Ltd., wholly owned by RES, which holds the permits for the construction and operation of the Corlacky wind farm in Northern Ireland. The project will consist of 11 turbines for an expected total installed capacity of up to 47 MW.
Press release of 24 October 2022	Poland	Wind	ERG has announced the start-up of the Laszki wind farm in Poland (36 MW). The wind farm was developed and built internally and consists of 18 Vestas V100 2.0 MW turbines with a total installed capacity of 36 MW and overall output of around 90 GWh per year when fully operational, preventing the annual emission of 76 kt of CO_2.
Press release of 25 November 2022	Sweden	Wind	ERG has completed the construction and started the energisation of the wind farm at Furuby (62 MW), in the south of Sweden. The wind farm consists of 10 latest generation Siemens Gamesa turbines of 6.2 MW with estimated annual output of approximately 210 GWh, equal to almost 3,400 equivalent hours and roughly 140 kt of CO2 emissions avoided each year.
Press release of 16 December 2022	UK	Wind	Sandy Knowe wind farm extension completed (36 MW).
Press release of 23 December 2022	Spain	Solar	ERG has signed an agreement with Renertia Investment Company for the acquisition of 100% of the share capital of a company that owns a photovoltaic solar plant located in Fregenal de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MWp. The plant, built in 2022, is in the testing and commissioning phase and is scheduled to enter into operation in early 2023.

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

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

Specifically, in Italy reference is made to Art. 37 of Italian Decree Law No. 21 of 21 March 2022[6], the impact of which was estimated at EUR 41 million (of which approximately EUR 4 million relating to the thermoelectric business), and the extraordinary contribution for 2023, introduced by the 2023 Budget Law (Italian Law No. 197 of 29 December 2022), the impact of which was estimated at EUR 19 million, both recognised in the Taxes line and isolated as special items.

With reference to Art. 15-bis of Italian Decree Law No. 4/2022 (Sostegni-Ter)[7], it should be noted that during 2022, the application of the legislation entailed charges of approximately EUR 7 million for the solar companies. These charges were accounted for in EBITDA and recognised as a special item.

As regards abroad, note the application of the "Windfall Tax" legislation in Romania and the regulations on the price cap[8] in Europe, which led to higher charges in 2022 for EUR 28 million (EUR 15 million in Romania[9], EUR 7 million in France, EUR 2 million in Germany, EUR 2 million in Bulgaria and EUR 1 million in Poland), accounted for in EBITDA and recognised as a special item.

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

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

(EUR million)

Country	Extra-profits (Italian Decree Law no. 21 March 2022)	Temporary solidarity contribution (Italian Law no. 197 of 29 December 2022)	Sostegni-Ter (Art. 15 bis Italian Law Decree no. 4/2022)	Windfall taxes/Price Cap Europe	Total
Italy*	37	19	7	-	63
France	-	-	-	7	7
Germany	-	-	-	2	2
Romania	-	-	-	15	15
Poland	-	-	-	1	1
Bulgaria	-	-	-	2	2
Total	37	19	7	28	91

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

6 converted into law by Italian Law No. 51 of 20 May 2022

7 converted into law by Italian Law no. 25 of 28 May 2022

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

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

THE WAR IN UKRAINE

In view of the war that broke in Ukraine at the end of February 2022, management is monitoring any critical issues and impacts that the conflict could have on the ERG Group, in particular with reference to credit risk, security and business continuity.

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

In relation to **plant safety**, note the position of some of the Group's wind farms in Eastern Europe (Poland and Romania) close to the Ukrainian border: since these are countries that are part of NATO, there are currently no risks directly linked to the conflict although, in the event of escalation, possible risks of cyber attacks that could indirectly impact our facilities cannot be ruled out.

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

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

PROFIT FOR THE PERIOD AND SCENARIO

(EUR million)		Reported (2) Year 2022	Reported (2) Year 2021	Adjusted (1) Year 2022	Adjusted (1) Year 2021
MAIN INCOME STATEMENT DATA					
Revenue		713	594	748	591
Gross operating profit (EBITDA)		**527**	**419**	**554**	**415**
Operating profit (EBIT)		**253**	**196**	**331**	**220**
Net profit (loss)		132	206	249	153
of which profit attributable to owners of the parent		424	204	265	228
MAIN FINANCIAL DATA					
Net invested capital (3)		**3,551**	**3,343**	**3,401**	**3,247**
Equity		3,536	2,578	3,531	2,576
Total net financial indebtedness (3)		157	767	2	668
of which non recourse Project Financing (4)		212	237	212	237
EBITDA Margin %		**74%**	**71%**	**74%**	**70%**
OPERATING DATA					
Installed capacity at the end of the period – Italy	MW			**1,440**	**1,234**
Electricity output – Italy	GWh			2,312	2,295
Installed capacity at the end of the period – France	MW			**600**	**581**
Electricity output – France	GWh			1,076	889
Installed capacity at the end of the period – Germany	MW			**327**	**327**
Electricity output – Germany	GWh			556	428
Installed capacity at the end of the period – UK and Sweden	MW			**219**	**70**
Electricity output – UK	GWh			226	-
Installed capacity at the end of the period – Spain	MW			**92**	**-**
Electricity output – Spain	GWh			171	-
Installed capacity at end of period – Sweden	MW			**-**	**-**
Electricity output – Sweden	milioni di kWh			-	-
Installed capacity – East Europe	MW			**266**	**206**
Electricity output – East Europe	GWh			615	546
Capital expenditure (6)	EUR million				
Employees at the end of the period (7)	Units			**943**	**614**
				369	356
NET UNIT REVENUE (8)					
Italy – Wind	EUR/MWh			134	149
Italy – Solar	EUR/MWh			346	335
France – Wind	EUR/MWh			98	88
France – Solar	EUR/MWh			96	90
Germany – Wind	EUR/MWh			172	112
UK and Sweden – Wind	EUR/MWh			150	-
Spain – Solar	EUR/MWh			126	-
East Europe – Wind	EUR/MWh			169	119

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

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

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

(4) Net financial indebtedness from continuing operations and Net Invested Capital from continuing operations do not include the 2022 contribution of the thermoelectric business held for sale; the 2021 reported values do not include the contribution of the hydroelectric business, sold in January 2022. The adjusted values are also shown net of the effects deriving from the application of IFRS 16.

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

(6) In property, plant and equipment and intangible assets. They also include Merger & Acquisition investments of EUR 638 million in 2022 and EUR 390 million in 2021..

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

COMMENTS ON THE YEAR'S PERFORMANCE

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

In 2022, **adjusted revenue** amounted to EUR 748 million, up EUR 157 million compared to 2021 adjusted[10] (EUR 591 million), mainly due to the recent acquisitions in Italy[11] and the full contribution of the capacity installed during the previous year, as well as the acquisitions completed abroad and the entry into operation of the farms developed internally and entered into operation gradually throughout the year. Generation amounted to 5.0 TWh, up by 19% (0.8 TWh) compared to 2021, as a result of the volumes deriving from the greater capacity. The higher market prices only partially affected the results as the group adopts a hedging policy that provides for sales through fixed rates, PPAs under pre-established conditions and financial hedging agreements. Higher prices had an effect abroad, especially in Germany and East Europe, depending on their specific incentive mechanisms. In Italy, unit revenues are down slightly compared with 2021, since a large part of generation is sold at pre-set prices through contracts stipulated in previous years, while there is a significant decrease in the unit value of the GRIN incentive.

Adjusted EBITDA[12], net of special items, came to EUR 554 million, up EUR 138 million from the EUR 415 million recorded in 2021 adjusted. In summary:

ITALY

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

10 It should be noted that following the significant Asset Rotation process undertaken by the Group, the comparative data for 2021 do not include the contribution of the hydroelectric business, sold in January 2022, and the thermoelectric business, held for sale.

11 It should be noted that the solar plants acquired from ABN Amro Sustainable Impact PE B.V. (for a total of 34 MW) are consolidated on a line-by-line basis as of 1 July 2022, while the wind farms acquired from EDP Renewables Italia Holding S.r.l. (for a total of 172 MW) are consolidated on a line-by-line basis as of 1 August 2022.

12 Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 12 million, as well as other negative effects of special items for approximately EUR 42 million. It should also be noted that the adjusted EBITDA does not include the contribution of the thermoelectric business (EUR 57 million), held for sale and reclassified to the item "Net profit (loss) from assets held for sale".

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

ABROAD

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

Overall, the scope effect linked to the new operating MW is EUR 118 million due to the full contribution of the new plants that entered into operation or were acquired in 2021, as well as the acquisitions and energisations carried out in 2022.

It should be noted that the total gross operating profit (EBITDA) is impacted by the electricity price hedging policies implemented in line with the Group's risk policies.

Adjusted EBIT amounts to EUR 331 million (EUR 220 million in 2021 adjusted) after depreciation and amortisation of EUR 223 million, up compared to 2021 (EUR 195 million) mainly as a result of the full contribution of the new internally developed wind farms that have come into operation in the United Kingdom, France and Poland, as well as the significant contribution of wind and photovoltaic assets acquired during 2022 in Italy and abroad, only partly offset by lower depreciation due to the end of the useful life of some components of wind farms in Italy.

The **adjusted net profit (loss) from continuing operations** amounted to EUR 249 million, a significant increase compared to 2021 adjusted (EUR 153 million) in consideration of the aforementioned operating results and lower financial expense, which were reduced as a result of the full contribution of the liability management operations carried out in 2021, only partly offset by a scope effect following the acquisitions in 2022. It should be noted that the item does not include the impact (EUR -23 million, net of the related tax) of the[13] price cap regulations in Europe, the effects of the application of Article 15-bis of Italian Decree Law no. 4/2022 (Sostegni-Ter) (expense of EUR 5 million, net of the related tax), the impact deriving from Article 37 of Italian Decree Law no. 21/2022 in Italy equal to approximately EUR 37

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

million and the Extraordinary Contribution in Italy for EUR 19 million; these items, of an extraordinary and temporary nature, totalling EUR 83 million, have been isolated as special items.

Adjusted profit (loss) attributable to the owners of the parent, also including the contribution of ERG Power S.r.l.[14], owner of the CCGT plant recognised in discontinued operations in accordance with IFRS 5 rules, amounted to EUR 265 million, significantly higher than the 2021 result (EUR 228 million), in view of the already discussed improved operating results and lower financial expenses.

In 2022, **capital expenditure** totalled EUR 943 million (EUR 614 million in 2021 adjusted) and refers mainly to the acquisition of solar farms (EUR 115 million) and wind farms (EUR 396 million) in Italy and solar farms in Spain (EUR 100 million) in January 2022, to the acquisition of a company holding permits for the construction and operation of a wind farm in Northern Ireland (EUR 27 million) and to organic development activities (EUR 282 million compared to EUR 215 million in 2021 adjusted), in particular in relation to the completion of the wind farms in the UK for approximately 179 MW (of which 50 MW became operational at the end of October and 36 MW in mid-December), Poland for 61 MW (of which 24.5 MW became operational in June and 36 MW in October), France for 20 MW (which became operational in June) and Sweden for 62 MW (which became operational at the end of November), and to the start of the construction in Italy for 47 MW Greenfield and Repowering on Italian plants for approximately 193 MW of new wind capacity. In solar Italy, plant revamping activities continue (EUR 15 million), aimed at ensuring greater plant efficiency.

Adjusted net financial indebtedness of "continuing operations" totalled **EUR 1.4 million**, down significantly (EUR -1,192 million) compared to 31 December 2021 (EUR 1,193 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 559 million[15]), partly offset by the acquisitions in Italy, Spain and the UK (EUR 638 million), capital expenditure for the period (EUR 304 million), the capital contribution following the waiver of the financial receivable from the parent company ERG S.p.A. (EUR 517 million), the dividends distributed to shareholders (EUR 54 million), the payment of taxes (EUR 90 million)[16] and the change of the consolidation scope with the exit of the hydroelectric and thermoelectric businesses, the latter reported under discontinued operations. It should be noted that ERG Power S.r.l., owner of the CCGT plant, has a cash position at 31 December 2022 equal to EUR 98 million.
It should also be noted that the indebtedness at the end of the period reflects the negative fair value of commodity futures of roughly EUR 153 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 EUR 155 million at 31 December 2022.

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14 Note that the adjusted results of discontinued operations include the full contribution of the amortisation and depreciation of the thermoelectric business.
15 Includes the adjusted EBITDA, the change in working capital and net financial income (expense).
16 The amount includes the payment of the deposit pursuant to Article 37 of Italian Decree Law no. 21/2022 equal to approximately EUR 39 million, as well as payments of direct taxes.

REFERENCE MARKET

PRICE SCENARIO

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

(1) Single National Price: Italian electricity reference price

REGULATORY FRAMEWORK – INCENTIVES

INCENTIVES ITALY

Wind

- Plants that entered into operation before 2013: feed-in premium (FIP) equal to 180 EUR/MWh -P-1) x 0.78 where P-1 is the average annual value of the sale price of the electricity of the previous year. Duration of the incentive: 15 years
- Plants that entered into operation from 2013: FIP against a reference rate awarded through participation in Dutch auctions. With the Italian Ministerial Decree of 4 July 2019, wind power and photovoltaic compete for the same quota both for the registries and for the auctions and the FIP is a "two-way CfD". Duration of the incentive: 20 years.
- Plants subject to complete reconstruction (Repowering) can participate in auctions, competing directly with the new plants (starting from the sixth auction even if they have not adhered to the so-called "Spalmaincentivi") although with a 5% increase in the discount offered. In addition, a "D grade" coefficient of 0.9 is applied to the incentive component of the tariff due.

Solar

- Incentives for photovoltaic systems are paid through a FIP tariff on the energy fed into the grid for a duration of 20 years.
- The feed-in tariff was introduced in Italy with the Interministerial Decrees of 28 July 2005 and of 6 February 2006 (1st Feed-in Premium) which provided for a financing system for electric power generation operating expenses.
- New measures were introduced with the Italian Ministerial Decree of 19 February 2007 (2nd Feed-in Premium) such as the application of the incentive tariff on all energy produced by the plant and differentiation of tariffs also based on the type of architectural integration and the size of the plant.
- In 2010, the 3rd Feed-in Premium came into effect with the Italian Ministerial Decree of 6 August 2010, applicable to plants in operation from 1 January 2011 to 31 May 2011, which introduced specific tariffs for integrated photovoltaic plants with innovative characteristics. Italian Law No. 129/2010 (so-called "save Alcoa law") then confirmed the 2010 tariffs of the 2nd Feed-in Premium for all plants able to certify the conclusion of works by 31 December 2010 and become operational by 30 June 2011.
- The Italian Ministerial Decree of 5 May 2011 (4th Feed-in Premium) defined the incentive mechanism relating to plants coming into operation after 31 May 2011 and introduced an annual cumulative cost limit for incentives, set at EUR 6 billion.
- The Italian Ministerial Decree of 05 July 2012 (5th Feed-in Premium) partly confirmed the provisions of Italian Ministerial Decree of 5 May 2011 and fixed the cumulative cost of incentives at EUR 6.7 billion. The incentive provisions of the Feed-in Premium were no longer applied after 6 July 2013 when the ceiling of EUR 6.7 billion was reached.
- The Italian Ministerial Decree of 17 October 2014 (so-called "spalmaincentivi" decree) made it mandatory for producers to choose, by November 2014, a method for remodulating the incentive:
  a) extension of the incentive period by a further 4 years with simultaneous reduction of the unit incentive by a value of between 17% and 25%, depending on the residual life of the right to incentives;
  b) an initial period of incentive reduction followed by a subsequent period of increase thereof for an equivalent amount;
  c) flat reduction applied for the remaining incentive period, variable between 6% and 8% depending on the size of the plant.
- The Italian Ministerial Decree of 4 July 2019 allows photovoltaic plants to access the incentives, for 20 years, through auctions and registries together with the wind power quota provided that:
  a) they are authorised;
  b) they use new components;
  c) they comply with the prohibition on installing ground-mounted modules in an agricultural area; this prohibition does not apply to agrovoltaic plants which, in compliance with the provisions of Article 65, paragraph 1-quater, of Italian Decree Law no. 1 of 24 January 2012, use innovative supplementary solutions that do not compromise the continuity of agricultural and pastoral cultivation activities. Access to incentives for agrovoltaic plants is also subject, in compliance with the provisions of Article 65, paragraph 1-quinquies, of Italian Decree Law no. 1 of 24 January 2012, to the simultaneous implementation of monitoring systems that make it possible to verify the impact on crops, water savings and agricultural productivity.

FOREIGN INCENTIVES

Germany Wind	• Plants that entered into operation by July 2014: feed-in tariff (FIT) and, on an optional basis, FIP plus a management premium (EEG 2012). • Plants that entered into operation from August 2014 to December 2016: FIP (EEG 2014). • Plants authorised by the end of 2016 and in operation by 2018: a transition period is provided for, in which it is possible to continue to benefit from the tariffs set out in the EEG 2014 of declining value in relation to the actual new power installed during the period. • Plants that entered into operation from 2017 onwards: FIP incentives allocated through Dutch auctions (EEG 2017, EEG 2021 and EEG 2023). The duration of the incentive is approximately 20 years. The value of the incentive is determined on the basis of a 1-way Contract for Difference (CfD) and the tariff awarded in the auction is adjusted according to the 'Referenzertrag' formula.
Germany Solar	• Plants that entered into operation from 2017 onwards: FIP incentives allocated through Dutch auctions (EEG 2017, EEG 2021, EEG 2023). Ground-mounted photovoltaic systems up to a capacity of 20 MW can access the auctions. • The value of the incentive is determined on the basis of a one-way Contract for Difference (CfD) for around 20 years.
France Wind	• Plants that stipulated the application to purchase electricity generation by December 2015: a feed-in tariff (FIT) for 15 years, defined based on the year the application to purchase electricity generation was made and updated annually according to a formula tied to the index of hourly labour cost and to the index of the generation prices of industrial products. After 10 years of operation, it will be reduced for the subsequent 5 years of the incentive based on the wind farm's actual load factor if the annual number of hours of operation exceed 2,400. • Plants that stipulated the application to purchase electricity generation in 2016: feed-in premium (FIP). The FIP is divided into several components: the incentive component (complément de rémunération), calculated as the difference between the current FIT and the average monthly price of energy weighted on the national wind power profile, plus a management premium to cover the costs for managing the sale of energy. • New plants that do not fall into the above categories: recognition of incentives occurs through auction procedures (for the awarding of incentives with a duration of 20 years partially adjusted to inflation indices on an annual basis) or direct access in the case of plants with a capacity of less than 18 MW and wind turbines with a unit capacity of no more than 3 MW and meeting specific criteria.
France Solar	• A FIT system introduced in 2000 and from 2011 auctions for photovoltaic plants with a capacity of between 250 kW and 17 MW. • From 2018, auctions for photovoltaic plants with a capacity exceeding 500 kW for the assignment of a two-way CfD, of 20-year term, partially adjusted for inflation indices on an annual basis
Bulgaria Wind	• A feed-in tariff (FIT) in brackets based on hours of operation, which is constant in nominal terms. The duration of the incentive varies based on the date of entry into operation, and can be equal to 12 years or 15 years. From 1 January 2019, for existing plants with capacity of over 4 MW, the incentive scheme moved from a FIT structure to a FIP structure. The incentive is calculated as the difference between the value of the FIT, as previously recognised, and a Reference Price calculated on the estimate of the future price of electricity adjusted on the wind profile. From 1 October 2019, existing plants with capacity between 1 MW and 4 MW also moved to the FIP.
Poland Wind	• Plants in operation by July 2016: Certificates of Origin (CO). The Substitution Fee (the penalty applied in the event of non-compliance with the CO purchase obligation) is calculated on the basis of the weighted annual average of the prices of the COs recorded the previous year, plus 25%. • From 2018 onwards, a multi-technology Dutch auction system was reintroduced, i.e. wind – photovoltaic. The quotas and the starting auction prices are defined by the Government. The incentive, which has a 15-year duration, is calculated as the difference between the awarded price, inflated on a yearly basis, and the average daily price of electricity (two-way CfD).

Romania Wind	• Green Certificates with a duration of 15 years with delayed assignment with respect to the underlying electricity output. Specifically: a) recovery period of the Green Certificates (GCs) held from 1 July 2013 to 31 March 2017 (it takes place at constant instalments through the years 2018-2025); b) the period of validity of the GCs, which is planned until 31 March 2032 (only GCs issued before 31 March 2017 maintain the validity of 12 months). • The cap and the floor between which the price of the GCs may fluctuate were set respectively at 35 EUR/MWh and 29.4 EUR/MWh. • From 2018 onwards, the mandatory quota for the electricity consumers shall be determined according to a pre-set fixed volume of GCs on the market and a maximum average expense on the end consumer.
Spain Solar	• *Regimen Especifico*, where the main element of revenue supplementation is the "*Retribución a la Inversión*" (Return on Investment), expressed in EUR/MW, calculated on an annual basis and paid for the entire duration of the incentive period of 30 years, based on the plant's capacity. An additional element of revenue supplementation is also envisaged, expressed in EUR/MWh, if necessary, to cover operating costs, the "*Retribucion a la Operacion*" (Return on Operation). • From 2016: the introduction of the auction mechanism for the recognition of "Retribución a la Inversión" (Return on Investment), calculated on an annual basis and paid for the entire duration of the incentive period of 25 years, based on the plant's capacity and the winning bid. Discount offered on the standard value of the initial investment (EUR/MW), which represents the main remuneration parameter for calculation of the Return on Investment. • From 2020, abandonment of the previous incentive system, based on a Return Asset Base system, in favour of the adoption of a system based on remuneration of the electricity produced. The incentive is calculated as the difference between the awarded price and the average daily price of electricity (two-way CfD). The remuneration period is not fixed but lasts for a period no less than 12 years and up to the attainment of the maximum volume of energy subject to incentives.

RELEVANT LEGISLATIVE AND INSTITUTIONAL UPDATES DURING THE YEAR

EUROPEAN UNION

- **European Commission - New Climate, Energy and Environmental Aid Guidelines.**
  In December 2021, the European Commission approved the new Climate, Energy and Environmental Aid Guidelines (CEEAG).
  The new guidelines will apply to all economic aid decisions taken by Member States starting from January 2022; however, the support instruments must be adapted to the new guidelines, where materially applicable, by 31 December 2023.

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

- **REPowerEU package.**
  Following the invasion of Ukraine by Russia and the resulting sharp contraction in imports of Russian natural gas into Europe, in May 2022 the European Commission published the "REPowerEU" communication to make Europe more resilient in terms of energy and independent of Russian fossil fuels well before 2030.
  The main measures and actions proposed for renewable energy include the proposal to raise the European target from 40% to 45% by 2030, and a target to install 320 GW photovoltaic by 2025 and around 600 GW by 2030.
  Above all, European guidelines are envisaged to shorten and simplify authorisation procedures for both renewable energy plants and grid infrastructures within "go-to areas" with low environmental risk and half the authorisation time.
  The Commission's REPowerEU communication was followed by the adoption of several temporary European Council regulations relating to different areas of the energy sector. The main measures are summarised below, in chronological order.

- In August 2022, Regulation (EU) 2022/1369 was published to coordinate gas demand reduction in the Member States for the 2022-2023 winter season. There is a voluntary target to reduce gas demand by 15%, which becomes mandatory in each Member State in the event that an EU alert is declared should there be a gas shortage, or exceptionally high demand for gas.

- In October 2022, **Regulation (EU) 2022/1854 of 6 October 2022** was published. Specifically, this envisages:
  - **the establishment of a cap on market revenues from electricity produced with technologies defined as "infra-marginal";**
  - **a solidarity contribution from the oil, natural gas and coal sectors;**

  A cap of EUR 180 per MWh is set on unit "market revenues" from the generation of electricity from "infra-marginal" sources, including wind and solar. This limit applies throughout the European Union and entails the return of surplus revenues.
  "Market revenues" refer to income deriving from the sale and supply of electricity, regardless of the contractual form, therefore including PPAs or other financial hedging products.
  Member States may, under specific conditions, maintain or introduce additional restrictions on revenues aimed at addressing the energy crisis, or set higher caps (i) for technologies with a higher LCOE or (ii) in the event of a risk of an increase in CO2 and/or decrease in renewable energies. They may also choose not to apply the cap for revenues from services/redispatching and to subject 90% of the surplus revenues to distribution.
  The timing of calculation of these surpluses is decided by each Member State on the basis of the timing of settlement of the energy exchange (for example, every hour) or subsequently.
  The cap does not apply to 2-way Contracts for Difference, feed-in tariffs and other forms of revenue limitation not related to the ongoing energy crisis.
  The Commission was tasked with providing guidance to the Member States for the implementation of this measure.
  The cap shall apply from 1 December 2022 to 30 June 2023, with the possibility of extension and/or amendment following an appropriate assessment by the European Commission (see summary table for specific applications in the countries where ERG operates).

- In December 2022, **Regulation (EU) 2022/2577** was published, laying down a framework to accelerate the deployment of renewable energy.

The measure remains in force for 18 months from 30 December 2022; if deemed appropriate, the Commission proposes to extend its validity.
The Regulation measures are applicable to new projects, however Member States may choose to apply the Regulation also to ongoing permit-granting processes if not already concluded on the same date.
Subject to certain conditions, Member States may exempt renewable energy projects and the related storage/grid projects from environmental impact assessments (EIA) and from species protection assessments, provided that the project is located in a dedicated area appropriately defined by the Member States ("eligible area") and that the area has undergone a Strategic Environmental Assessment (SEA).
Specifically for the repowering of existing plants with an increase in capacity, the entire permit-granting process including the works for connection to the grid shall not exceed 6 months including the EIA; this is reduced to 3 months in the event of an increase in capacity not exceeding 15%. The EIA, if requested, shall be limited to changes or extension with respect to the initial project.
Photovoltaic revamping projects that do not involve the use of additional space shall be exempted from EIA screening under certain conditions.
For roof-top photovoltaic or similar on existing structures created for purposes other than solar energy, the entire permit-granting process shall not exceed 3 months. These plants are exempt from EIA screening or from the EIA itself, under certain conditions.
In the same month, Regulation no. 2022/2578 was issued, establishing a dynamic limit on the price of natural gas. The mechanism is applicable from 15 February 2023 until 1 February 2024. In summary, there is a dynamic price cap applicable to the trading of TTF derivatives, automatically activated and deactivated when certain conditions are met.
The provisions of the Regulation do not apply to trading and contracts on TTF derivatives concluded before 1 February 2023;

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

Below is a summary of the specific measures adopted by the Member States in compliance with Regulation (EU) no. 2022/1854 of 6 October 2022, based on the current understanding of the texts approved to date.

COUNTRY	Ref. Law	Price cap applicable to onshore wind farms and PV plants	Revenues (over the price cap) to be repaid (%)	Calculation method	Period of applicability
ITALY	Law no. 197 of 29 December 2022 (2023 budget law)	180 EUR/MWh (monthly)	100%	monthly	01/12/22-30/06/23
FRANCE	Law no. 1726 of 30 December 2022 (finances for 2023)	100 EUR/MWh	90%	to be defined by decree	01/12/22-31/12/23
GERMANY	Law of 20 December 2022 on electricity price brake (Strompreisbremsegesetz – StromPBG)	• Incentivised plants: tariff + 30 EUR/MWh + 6% of the price captured specific for the technology in Germany • Merchant plants: 130 EUR/MWh + 6% of the price captured specifically for the technology in Germany • Plants that have ended the incentive period: 100 EUR/MWh + 6% of the specific price captured for the technology in Germany	90%	monthly	01/12/22-30/06/23
POLAND	Law of 27 October 2022 on emergency measures to limit electricity prices, subsequently amended by the Law of 15 December 2022 Ordinance of the Council of Ministers of 8 November 2022 on methods for calculating the price cap, subsequently amended by the Ordinance of the Council of Ministers of 15 December 2022	• Plants with CfD incentive assigned through auction: price awarded (specific for plant) • Merchant plants: reference price in the auction system in force at the calculation date + 50 PLN/MWh	100%	daily	01/12/22-31/12/23
BULGARIA	Law of 30 December 2022 on the implementation of the provisions of the state budget law for 2022 Order of the Council of Ministers of 11 January 2023	• Plants with FiP incentive: FIP tariff (plant-specific) • Merchant plants: 350 BGN/MWh on an hourly basis (approx. 180 EUR/MWh)	• 90% for plants with FiP incentive • 100% for merchant plants	hourly	01/12/22-31/12/23

ITALY

- **Italian Legislative Decree no. 199/2021 transposing Directive no. 2018/2001 (RED II)**
  In November 2021, Italian Legislative Decree no. 199/2021, for the implementation of European Directive no. 2018/2001 on the promotion of the use of energy from renewable sources (RED II), was published.
  Included in the main provisions is the possibility of support for the production of electricity from renewable sources, which, for plants with a capacity of more than 1 MW, is achieved through downward auctions, aimed at the award of contracts for two-way difference and planned for at least five years. Lagging behind the legal provisions, this provision has not yet been implemented.
  For quotas not awarded through the tenders envisaged by the Italian Ministerial Decree of 4 July 2019 (RES 1 Ministerial Decree), other auction sessions will be held after 2021, until all available capacity has been used.
  The concept of "Suitable areas" for the installation of renewable energy plants is introduced, understood as areas with "high renewable potential", identified by the Regions through regional law on the basis of implementation criteria defined by the Government. Also in this case, the related provisions have not yet been implemented by the central institutions, nor by the Regions.
  Areas for repowering projects qualified as "non-substantial" according to the "Semplificazioni 2021" Decree Law are considered suitable.
  Authorisation simplification for renewable energy projects is implemented in these areas, including the mandatory but non-binding expression of Superintendencies and the Ministry of Culture for the environmental impact assessment.

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

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

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

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

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

- **Introduction of a new market session prior to the MGP**
  With resolution no. 517/2021, ARERA approved Terna's proposal to add a new market session, prior to the Day-Ahead Market, regarding tertiary replacement reserve exchange.

All Dispatching Users authorised to participate in the MSD must submit – every day of the year – offers for this market session.
In the event of participation in the Capacity Market, the quantities offered contribute towards the obligation to offer on the market.

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

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

- **"Sostegni-ter" Decree containing measures to limit the effects of price increases in the electricity sector – "aiuti-bis" Decree – "aiuti-ter" Decree – "aiuti-quater" Decree and the related conversion laws.**
On 27 January, Italian Decree Law no. 4/2022 "sostegni-ter", converted into law in March with Law no. 25/2022, was published. Among other things, this introduced measures to contain the effects of price increases in the electricity sector.
A specific article, later replaced by a similar provision contained in the subsequent Decree no. 13/2022 "Anti-Fraud", provides that from 1 February 2022 and until 31 December 2022, a two-way compensation mechanism on the price of energy shall be applied on electricity produced by certain renewable energy plants.
This mechanism applies exclusively to photovoltaic production incentivised up to the fourth Feed-in Premium, as well as to all non-incentivised production of RES plants (solar, hydroelectric, geothermal and wind), provided that they entered into operation prior to 1 January 2010. These types of production are excluded from the scope of application of the rules if they are the subject of energy sales contracts concluded before 27 January 2022, at a fixed price, not dependent on market fluctuations and provided that the price is not 10% higher than the reference prices indicated in a table annexed to the decree.
With the subsequent Italian Decree Law no. 115/2022 ("aiuti-bis"), published in August 2022 and converted into law in September with Law no. 142/2022, the extension to 30 June 2023 of the aforementioned compensation mechanism was ordered. It is also specified that in the case of producers belonging to a corporate group that have sold the electricity injected into the grid "infra-group", only the contracts entered into between the companies of the group, including non-producing, and subjects outside the group are relevant. In the event of failure to pay the extraordinary contribution, the penalties originally envisaged are doubled.
The subsequent Italian Decree Law no. 144/2022 "aiuti-ter", published in September 2022 and converted into law in November, amended the payment method for the two-way compensation mechanism pursuant to Italian Decree Law no. 4/2022.
Italian Decree Law no. 176/2022 "aiuti-quater", published in December 2022 and converted into law in January 2023, allocated additional funds against high energy prices. In continuity with the previous measures, the measures concern in particular tax concessions for energy-intensive and gas-intensive companies and funds for the relaunch of national gas production. In order to accelerate the development of renewable energies, provisions are made for the PNRR-PNIEC Technical Committee, with an increase in the number of Committee members from the current 40 to 70.

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

The adjustment of the economic items is carried out by May 2023 on the basis of the final figures.
Following a series of legal actions undertaken by multiple operators in the sector against ARERA Resolution no. 266/2022 (over 1,000), some "pilot" cases were discussed in November 2022 and then decided by the Lombardy Regional Administrative Court at the beginning of December 2022. More specifically, the Lombardy Regional Administrative Court cancelled ARERA Resolution no. 266/2022, initially however disclosing only the ruling relating to its decision (i.e. the decision, without the reasons). ARERA therefore challenged the ruling and requested the suspension of its enforceability; this request for suspension was accepted by order of the Council of State and, as a result, the Resolution became effective again.
On 9 February 2023, the reasons for the decision of the Regional Administrative Court were published and on 2 March ARERA consequently resolved to supplement its appeal against the aforementioned rulings of the Lombardy Regional Administrative Court.

- **"Energy" Decree providing for further measures to contain the electricity and natural gas costs and develop renewable energy, and related conversion law.**

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

- **"Ucraina-bis" or "Taglia prezzi" decree and related conversion law - "Aiuti" decree-law as well as relevant conversion laws.**

On 20 May, the law converting Italian Decree Law no. 21 2022 (known as "Ucraina-bis" or "Taglia prezzi") on "Urgent measures to counter the economic and humanitarian effects of the Ukrainian crisis" was published in the Official Journal.
The law contains provision on the "Extraordinary contribution against high utility bills", later amended by a further Italian Decree Law - no. 50/2022 - converted by Italian Law no. 91 of 15 July 2022 on national energy policies and the Ukrainian crisis'" (known as "Aiuti").
The provision sets forth an additional taxation of profits for each company of an industrial group active in the energy sector, based on the increase in the balance between active and passive transactions in the period from 1 October 2021 to 30 April 2022, compared to the balance of the same period in the previous year.
The value of the applied rate, initially 10%, has been increased to 25% and applies if the aforementioned increase exceeds EUR 5,000,000. The contribution is not due if the increase is less than 10%.
Through the 2023 Budget Law, it was confirmed that the balances deriving from the sale and purchase of shares, bonds or other securities not representative of goods and shares that exist between the recipients of the measure are excluded from the additional taxation, just as active transactions not subject to VAT due to not meeting the territorial prerequisite do not contribute to the calculation, if and to the extent that the purchases to be related are not territorially relevant for VAT purposes.
The law also contains some **provisions in favour of the development of renewable energies.**
Among the interventions subject to a sworn declaration of commencement of work (DILA), the replacement of the rotor is included for wind power plants if the increase in blade size is limited to 20%.
In the case of ground-mounted photovoltaic systems, on the other hand, interventions are subject to DILA if they involve the replacement of modules and other components, even if the layout of the system is modified, but entail a change in the maximum height above ground of no more than 50%.
The threshold above which to carry out the Environmental Impact Assessment (EIA) and EIA screening procedure for certain types of photovoltaic projects is raised to 20 MW.
With regard to the "suitable" areas, the Prime Minister's Office has the power of substitution in the event of failure to adopt the regional law, or non-compliance with the national identification criteria.
Areas that (i) do not include assets under protection by the Ministry of Culture and (ii) do not fall within the "buffer zone" of such assets are considered temporarily eligible;
The General Directorate of the Ministry of Culture must establish uniform and objective criteria for the evaluation of renewable projects.
During the meetings of the NRRP PNIEC Technical Commission, the Ministry of Culture participates in the work but without voting rights.
ARERA has published on its website the Resolution of 21 June 2022, no. 266/2022/R/eel containing the detailed provisions in compliance with Art. 15-bis of the Italian Decree Law no. 4 of 27 January 2022.

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

- **Budget Law 2023 – implementation of Regulation (EU) no. 2022/1854 on the cap on revenues from electricity.**
  At the end of December 2022, the Italian State published its Budget Law 2023. The law includes the provisions with which Italy intends to implement Regulation (EU) no. 2022/1854 on an emergency intervention to address high energy prices.
  From 1 December 2022 until 30 June 2023, a "cap" is applied to market revenues obtained from the production of electricity fed into the grid by "infra-marginal" plants, therefore including wind and photovoltaic plants, not included in the scope of application of Art. 15-bis of the "Sostegni ter" Decree Law.
  A one-way compensation mechanism obliges the producer to pay to GSE the difference (calculated by GSE itself), if negative, between 180 EUR/MWh and the monthly average, weighted on the production profile of each plant, of the hourly market zonal price. Exceptions to the limit of 180 EUR/MWh are envisaged for sources with higher generation costs. The revenue cap applies to any market revenue of producers and intermediaries participating in wholesale markets.
  This mechanism does not apply, inter alia, to energy subject to supply contracts concluded before 1 December 2022 if not linked to the trend in the prices of the energy spot markets and stipulated at an average price below the cap, to electricity subject to withdrawal contracts concluded by GSE pursuant to the Electricity release law, to renewable source plants with active incentive contracts regulated with two-way mechanisms and to renewable source plants with contracts that provide for the withdrawal of energy at "all-inclusive tariff", as well as electricity shared within energy communities and self-consumption.
  The methods by which the mechanism is implemented will be governed by ARERA in continuity with the operating methods defined in implementation of the provisions set forth in Article 15-bis of the "Sostegni ter" Decree Law.
  The solidarity contribution to be paid by the fossil fuel and petroleum products sectors provided for by Regulation no. 2022/1854 is also envisaged. The Italian provision, however, also makes this contribution obligatory for those carrying out electricity production or resale activities within the territory of the State, despite the fact that this sector is already subject to the "cap" of 180 EUR/MWh.
  The contribution, which is not tax deductible, is applied on a temporary basis in 2023 to 50% of the portion of taxable income relating to the tax period prior to the one in progress at 1 January 2023, exceeding by at least 10% the average total income achieved in the four tax periods prior to the one in progress at 1 January 2022. The total amount cannot exceed 25% of the value of the equity.

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

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

GERMANY

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

For the year 2022, the onshore wind quota was increased from 2.9 GW to 4 GW; the photovoltaic quota was up from 1.9 GW to almost 6 GW, of which 3,600 MW on ground-mounted plants and 2,300 MW on roof-top installations. There is also a quota adjustment mechanism to ensure competitiveness in the auctions.

- **EEG Reform 2023**
  The EEG reform approved by the German federal government, known as "EEG2023", was published at the end of July 2022. It entered into force from the date of approval, with some amendments applicable from 1 January 2023.
  The targets for renewable installations by 2030 are increased, establishing a capacity of 215 GW for solar plants, 115 GW for onshore wind and 30 GW for offshore wind. The onshore wind quota was therefore increased to 12.8 GW for 2023, and by 10 GW from 2024 to 2028, with reallocation of the unused quota to the following year.
  On 15 December 2022, a new amendment expanded the powers of the Federal Network Agency (BNetzA), raising the possible increase in the auction-based tariff to 25%, instead of the 10% already approved, in the event of significant increases in the average costs of the energy production of plants that will go into operation.
  On 27 December 2022, the reference price of the 2023 onshore wind auctions was set at 73.5 EUR/MWh (vs. the 58.8 EUR/MWh reference price of the 2022 auctions), adjusting it to the maximum permitted values and the reference price of the 2023 photovoltaic auctions was set at 73.7 EUR/MWh (vs 59.0 EUR/MWh).

- **Implementation of Regulation (EU) no. 2022/1854 on the cap on revenues from electricity**
  In implementation of Regulation (EU) no. 2022/1854, the German government also adopted a "cap" on unit revenues from the sale of electricity produced with infra-marginal technologies, therefore including renewables such as wind and photovoltaic.
  The cap will be applied to renewable sources from 1 December 2022 to 30 June 2023, extendable until 30 April 2024, subject to approval by the Bundestag/Bundesrat. It will not be applied to plants with installed capacity of less than 1 MW, to electricity supplied from storage, and to electricity consumed off-grid.
  For plants incentivised with market premium or awarded an auction, the cap is set at 30 EUR/MWh (so-called "safety margin") in addition to the FIP set forth in the agreement.
  For non-incentivised plants, whose electricity is sold on the free electricity market, the cap is set at 100 EUR/MWh plus the safety margin of 30 EUR/MWh.
  For plants operating on the free market that have ended the incentive period, the cap is set at 100 EUR/MWh (without safety margin).
  For wind and photovoltaic plants, the safety margin of 30 EUR/MWh is increased by 6% of the average German monthly price captured by the same technology.
  Electricity producers will have to pay 90% of profits exceeding the cap, calculated on the monthly average of the price captured in Germany by the same technology, to the network operator.

UK

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

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

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

- **Restriction on revenues from the sale of electricity (Electricity Generator Levy)**
  At the end of December, some indications were published on the calculation of the Electricity Generator Levy (EGL), aimed at limiting revenues from the sale of electricity for producers from "infra-marginal" technologies such as wind and photovoltaic.
  According to the Electricity Generation Levy supplementary note published in December 2022, the measure applies from 1 January 2023 to April 2028 and is aimed at industrial groups or individual companies that generate more than 50 GWh/year of electricity. The technologies involved are nuclear, renewable

sources (including biomass) and waste. However, electricity sold through contracts for differences (CfD) awarded at auction and incentive mechanisms such as ROC and REGO are excluded. Imbalances and income from the ancillary services market and from the Capacity Market are excluded from the calculation.
The limitation is applied in the form of an additional tax of 45% on profits exceeding a limit calculated according to a formula that takes into account revenues from electricity generation and production, a Reference price, a range of eligible costs and an exemption.
The Reference Price is equal to 75 GBP/MWh from 2023 until April 2024, while the exemption is GBP 10 million per year at corporate group level.
The Reference Price is indexed each year to the Consumer Price Index of the previous year.

FRANCE

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

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

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

- **2023 Budget Law – application of a cap on revenues from electricity**
  At the end of December 2022, the 2023 Budget Law was published; as in the Italian case, the Law includes the measure on the "revenue cap" for infra-marginal technologies governed by Regulation (EU) no. 2022/1854.
  Specifically, the revenue cap is set at 100 EUR/MWh for wind and photovoltaic technology; the return of revenues exceeding the revenue cap is applied to 90% of the total..
  The measure applies retroactively from 1 July 2022 to 31 December 2023, with three different payment periods for economic items.
  All revenues deriving from the sale on the market of energy produced by renewable plants awarded by auction before the start of the envisaged Contract for Difference (CfD) are excluded from the calculation. Conversely, revenues deriving from intragroup/intercompany contracts are included.

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

POLAND

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

customers and introduces a temporary "cap" on the revenues of electricity producers.
The revenue cap will be applied to all infra-marginal energy producers – including wind and photovoltaic technologies therefore – with an installed capacity of more than 1 MW, from 1 December 2022 to 31 December 2023.
All revenues from the sale of electricity through centralised platforms or bilateral agreement in the energy and balancing markets, will be returned if higher than the cap values established for each specific technology. Transactions will be settled on a daily basis and revenues will be distributed through payments to a specific fund established by the Government (Price Difference Payment Fund).
On the basis of subsequent regulations issued by the Council of Ministers, the cap for plants that access the auction mechanism is equal to the respective price awarded in the auction (indexed to inflation, as envisaged). For plants that do not access the auction mechanism, the cap is equal to the reference price in the auction system in force at the calculation date.

ROMANIA

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

During 2022, the government issued a series of emergency ordinances, later converted into law (ed. 357/2022) relating to measures to counter the escalation of gas and electricity prices. The final version envisages an extension until 31 March 2025 of the 100% tax applied on the net profit beyond 450 lei/MWh (already introduced from 1 November 2021 at a rate of 80% and increased to 100% from 1 September 2022) for all plants except for cogeneration plants.
In July, the law approving the Government's emergency ordinance was also published. This introduced an obligation for energy producers to sell at least 40% of electricity on forward markets other than the DAM (day-ahead market), ID (intra-day) and balancing markets. The only exemptions concern plants that entered into operation after June 2020.
With Emergency Ordinance no. 153, issued in November 2022 and in the process of being converted into law, the Romanian Government has introduced additional measures to combat high energy prices.
The previous obligation to sell electricity directly until 31 December 2022 is repealed for electricity suppliers with a portfolio of end customers. A new mechanism for the centralised purchase of electricity is also introduced for the period 1.01.2023 – 31.03.2025.
Electricity producers with a capacity exceeding 10 MW will be obliged to sell all available production at a fixed price of 450 lei/MWh.
Exempted from the scope of application of the standard are renewable plants, cogeneration plants, plants with a capacity of less than 10 MW regardless of the technology, as well as plants that entered into production from 1 April 2022.

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

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

BULGARIA

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

With decision No. Ц-44 of 30 December 2021, the Bulgarian Energy Authority (EWRC) set certain limits for the conclusion of transactions on the energy balancing market in force from 1 January 2022.
It also introduced an amendment to the Electricity Exchange Regulation, aimed at eliminating the possibility for balancing groups to calculate imbalances on the basis of the entire portfolio.

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

In December 2022, the amendment to the Budget Extension Law was published in implementation of Regulation (EU) no. 2022/1854 for the introduction of a cap on revenues from the sale of electricity through "infra-marginal" technologies, therefore including wind power and photovoltaic.
For producers from renewable sources with a "premium agreement" in force at October 2022, where the premium is equal to 0 BGN/MWh, the contribution to be paid is defined as the difference between the market price of the electricity captured and a "revenue cap" calculated by applying a reference price that will be determined by the Energy Authority.
For producers with zero premiums, such as ERG, the contribution is calculated as 90% of the difference between the market price of electricity captured by the plant and the "revenue cap" equal to the tariff of the premium agreement.

SPAIN

- **Decree on Mechanisms to contain the cost of electricity**

  In May, Royal Decree no. 10/2022 was published in the Spanish Official Journal, establishing a temporary adjustment mechanism for electricity production costs to reduce the price of electricity in the wholesale market.
  The provision entered into force on 15 June, after approval by the European Commission and will apply until 31 May 2023.
  The plants affected by the measure are combined-cycle gas, coal-fired thermoelectric and cogeneration plants and those that produce energy from waste.
  The measure provides for a notional price to be set for natural gas used for electricity generation, capped at 40 EUR/MWh until November 2022 and then increasing from December 2022 until reaching a maximum of 70 EUR/MWh in May 2023.
  Thermoelectric producers will therefore be reimbursed the difference with respect to the gas price actually paid and the financial coverage will take place through cost sharing with consumers and the increase in congestion income compared to the previous year.

- **Other measures to combat high energy prices and the development of renewable energies**

  From the second half of 2021, the Spanish government introduced a series of measures to counter the high energy prices due to the Russian-Ukrainian crisis.
  Among the main devices on the electricity and gas markets are the suspension of the 7% generation tax extended until 31 December 2023 and an update of the incentive system for renewable plants, with the possibility to exit the mechanism to sell energy through bilateral agreements. The measure on surplus profits adopted in 2021, applicable to non-CO2-emitting and non-incentivised plants larger than 10 MW, is extended to the end of December 2023; the measure applies also to new bilateral agreements and to renegotiated existing agreements if the threshold of 67 EUR/MWh is exceeded.

  As regards the energy transition, various measures are approved, including a new rapid authorisation procedure extended until 31 December 2024 for wind power plants up to 75 MW and for photovoltaic systems up to 150 MW in areas with low environmental impact and with connection within 15 km.

PERFORMANCE BY COUNTRY

ADJUSTED REVENUE

(EUR million)	Year 2022	2021	Δ
Italy	**372**	**391**	**(19)**
Abroad	**376**	**200**	**176**
France	*105*	*78*	*27*
Germany	*96*	*48*	*49*
UK and Sweden	*34*	*0*	*34*
Spain	*22*	*0*	*22*
East Europe	*119*	*74*	*45*
UK	*119*	*74*	*45*
Total adjusted revenue	**748**	**591**	**157**

ADJUSTED EBITDA

(EUR million)	Year 2022	2021	Δ
Italy	**295**	**308**	**(13)**
Abroad	**267**	**116**	**151**
France	*63*	*45*	*17*
Germany	*72*	*28*	*44*
UK and Sweden	*24*	*(2)*	*26*
Spain	*18*	*0*	*18*
East Europe	*90*	*45*	*45*
Corporate ERG Power Generation	*(8)*	*(9)*	*0*
Adjusted EBITDA	**554**	**416**	**138**

ADJUSTED AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(EUR million)	Year 2022	2021	Δ
Italy	**(125)**	**(122)**	**(3)**
Abroad	**(98)**	**(74)**	**(24)**
France	*(46)*	*(37)*	*(9)*
Germany	*(28)*	*(22)*	*(6)*
UK and Sweden	*(4)*	*(0)*	*(4)*
Spain	*(4)*	*0*	*(4)*
East Europe	*(15)*	*(15)*	*(1)*
Corporate ERG Power Generation	*0*	*0*	*0*
Adjusted amortisation, depreciation and impairment losses	**(223)**	**(195)**	**(28)**

ADJUSTED OPERATING PROFIT (LOSS)

(EUR million)	Year 2022	2021	Δ
Italy	**170**	**186**	**(17)**
Abroad	**170**	**43**	**127**
France	*16*	*8*	*8*
Germany	*45*	*6*	*38*
UK and Sweden	*19*	*(2)*	*22*
Spain	*14*	*0*	*14*
East Europe	*75*	*31*	*44*
Corporate ERG Power Generation	*(8)*	*(9)*	*0*
Adjusted amortisation, depreciation and impairment losses	**331**	**220**	**111**

CAPITAL EXPENDITURE	Year		
(EUR million)	2022	2021	Δ
Italy	**653**	**18**	**635**
Abroad	**290**	**596**	**(306)**
France	*11*	*220*	*(209)*
Germany	*1*	*151*	*(149)*
UK and Sweden	*159*	*179*	*(20)*
Spain	*100*	*0*	*100*
East Europe	*20*	*47*	*(27)*
Corporate ERG Power Generation	*0*	*1*	*(1)*
Capital expenditure	**943**	**614**	**328**

1. The 2021 values are restated in application of IFRS 5 by reclassifying the contributions of the thermoelectric and hydroelectric businesses under the item "Net profit (loss) from assets held for sale".
2. Includes investments in property, plant and equipment and intangible assets and M&A investments.

ITALY

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

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

OPERATING RESULTS	2022	2021	Δ
Installed capacity (MW) (1)	**1,440**	**1,234**	**206**
Wind	1,265	1,093	172
Solar	175	141	34
Output (GWh)	**2,312**	**2,295**	**17**
Wind	2,062	2,079	(16)
Solar	250	216	33
Load Factor (2)			
Wind	19%	21%	-2%
Solar	18%	17%	1%
Ricavi netti unitari (Euro/MWh)	**157**	**381**	**(224)**
Wind	53	349	(295)
Solar	346	335	11

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

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

ECONOMIC RESULTS

(EUR million)	2022	2021	Δ
Adjusted revenue	**372**	**390**	**(19)**
Wind	284	317	(33)
Solar	87	73	14
Adjusted EBITDA	**295**	**308**	**(13)**
Wind	218	243	(25)
Solar	77	65	12
Amortisation, depreciation and impairment losses	**(125)**	**(122)**	**(3)**
Wind	(80)	(81)	1
Solar	(45)	(41)	(4)
Adjusted EBIT	**170**	**186**	**(16)**
Wind	138	162	(25)
Solar	32	24	8
Capital expenditure in property, plant and equipment and intangible assets	**653**	**18**	**635**
Wind	522	17	505
Solar	131	1	129
Ebitda Margin % (1)	**79%**	**79%**	**0%**
Wind	77%	77%	0%
Solar	88%	88%	0%

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

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

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

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

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

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

Capital expenditure

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

Relevant legislative and regulatory updates during the period

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

WIND

- **ARERA – Average annual value of electricity for incentive calculation**
  In January 2022, ARERA published resolution no. 26/2022 for the determination of the average price for the sale of electricity for 2021, equal to 125.06 EUR/MWh, for the purpose of calculating the incentive in lieu of Green Certificates. The incentive for 2022 is therefore reduced to 42.85 EUR/MWh, compared to 109.36 EUR/MWh the previous year.

- **Onshore wind power – photovoltaic auctions (Group A): publication of the rankings of the eighth auction session**
  In May 2022, GSE published the ranking list of the eighth call of the RES auctions pursuant to the Ministerial Decree of 4 July 2019, launched to allocate the power not allocated in the previous auctions and until the quota is exhausted, as provided for by Italian Legislative Decree no. 199/2021.
  The participating capacity was significantly lower than the available quota, with photovoltaic plants dominating (87% of the allocated capacity).
  Out of a quota of 2,338 MW available for the auctions of Group A (wind plus photovoltaic), 307 MW of capacity was awarded – divided into 32 photovoltaic and 3 wind projects – with 87% unused.
  Given the large remaining unallocated quota, the opening of the ninth tender took place on 31 May with a reserved quota for Group A auctions of about 1,905 MW unallocated in previous tenders, and a base auction price set at 66.5 EUR/MWh. The outcome was published by GSE at the end of September 2022.
  The ninth auction was also heavily under-participated, with the awarding of approximately 413 GW out of more than 1,904 GW available. Just under two-thirds of the total projects awarded were photovoltaic, while the remainder was awarded to onshore wind power.
  Two repowering projects owned by ERG participated in the auction: Castelvetrano-Salemi (TP) and Greci-Montaguto (AV).
  The Castelvetrano-Salemi project won the auction, while the Greci-Montaguto project, together with some photovoltaic projects of other operators, was withdrawn before the publication of the results due to the progressive misalignment between the prices awarded, the growing cost of plants and the commercial alternatives (first and foremost PPAs – Power Purchase Agreements).

- **Council of Ministers of March and July 2022 – EIA unlocked. RES plants and subsequent measures**
  On 10 March, the Italian government's Council of Ministers exercised its statutory power of substitution by approving the Environmental Impact Assessment (EIA) of renewable plant projects totalling 418 MW.
  The projects involved include the repowering of the 121.5 MW ERG "Nulvi - Ploaghe" (Sassari) wind farm.
  The EIA Approval Decree for ERG's repowering was subsequently published in May 2022, only to be challenged at the end of June by the Region of Sardinia before the Regional Administrative Court of Sardinia, which in late November 2022 upheld the Region's claims, effectively annulling the EIA Decree. At present, the proceedings are pending before the Council of State following the appeal filed in December 2022.

The Council of Ministers held at the end of July 2022 also approved the environmental impact assessment of several wind farms – for a total capacity of approximately 452 MW – which had not obtained the EIA Decree in agreement between the Ministry of Ecological Transition (MiTE) and the Ministry of Culture (MIC).
The projects approved include the repowering project owned by ERG in Motta Volturara in the province of Foggia.

SOLAR

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

ABROAD

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

ERG is one of the ten leading operators in the wind power sector in Europe with a significant and growing presence, with capacity at the end of the period of 1,504 MW operational, mainly in France (522 MW), Germany (327 MW), Poland (142 MW), the UK (157 MW), Romania (70 MW), Bulgaria (54 MW) and Sweden (62 MW).

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

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

France

OPERATING RESULTS	2022	2021	Δ
Installed capacity (MW) (1)	**600**	**581**	**20**
Wind	521	502	20
Solar	79	79	0
Output (GWh)	**1.076**	**889**	**187**
Wind	982	865	117
Solar	94	24	70
Load Factor % (2)			
Wind	21%	19%	2
Solar	14%	11%	n.a.
Net unit revenue (EUR/MWh)	**98**	**78**	**20**
Wind	99	79	20
Solar	96	90	n.a.

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

In **2022**, **electricity output** in France amounted to 1,076 GWh, of which 982 GWh from wind sources and 94 GWh from photovoltaic plants, an increase compared to 2021 (865 GWh) due to the scope effect (+221 GWh) deriving from the acquisition of wind and solar plants consolidated between June and October 2021 and from the entry into operation of two internally developed farms. This scope effect is partially offset by the lower wind speeds encountered in the period.

ECONOMIC RESULTS

(EUR million)	2022	2021	Δ
Adjusted revenue	105	78	27
Wind	96	76	20
Solar	9	2	7
Adjusted EBITDA	63	45	17
Wind	58	44	14
Solar	5	1	4
Amortisation, depreciation and impairment losses	(46)	(37)	(9)
Wind	(42)	(36)	(6)
Solar	(4)	(1)	(3)
Adjusted EBIT	16	8	8
Wind	15	8	7
Solar	1	(0)	1
Capital expenditure in property, plant and equipment and intangible assets	11	220	(209)
Wind	11	146	(135)
Solar	0	74	(74)
EBITDA Margin % (1)	59%	58%	2%
Wind	60%	58%	2%
Solar	55%	0%	55%

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

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

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

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

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

Capital expenditure

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

Relevant legislative and regulatory updates during the period

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

- **Cahiers des charges on "CRE 4" and "PPE 2"**
  In August 2022, the Energy Authority (CRE) published amendments for the renewable auctions awarded, aimed at allowing operators that were successful in the auctions held up to 31 December 2021 and that entered into operation between 1 September 2022 and 31 December 2024 to absorb part of the increase in plant costs, extending the period of sale of electricity to the market before the start of the two-way contract awarded by auction. The extent of this extension varies in relation to the expected date of entry into commercial operation of the plants (COD).
  For the same category of plants, it is also possible to increase the capacity up to 140%, provided it is compatible with the plant's environmental authorisation.

- **Change in 2016 FIP, 2017 FIP and CfD tariff scheme**
  Law no. 1157-2022 of 16 August 2022, amending the 2022 Finance Act, introduces a change to the 2016 FIP, 2017 FIP and CfD format "complement de remuneration" agreement, awarded up until the December 2019 auction. Notably, the financial threshold for the return of the tariff contribution is removed with retroactive effect from 1 January 2022, in cases where the market price is higher than the tariff. This threshold, envisaged for all plant technologies, was equal to the sum of the contributions received from the start of the contract (in the hours in which the market price was lower than the tariff).
- At the end of December 2022, a further decree established the price levels applicable as the threshold for reimbursement: in cases where the market price is higher than the tariff (negative premium), the tariff contribution will be reimbursed up to the threshold price. For the years 2022-2042, the threshold prices are increasing from 44.78 EUR/MWh in 2022 to 66.55 EUR/MWh in 2042.

WIND

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

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

- **Wind – new provisions for 2017 FIP**
  At the end of April 2022, new regulations were published introducing specific and more stringent conditions for access to the 2017 FIP for new onshore wind projects.
  From 1 July 2022, the 2017 FIP will be reserved for new wind farms with a maximum number of 6 turbines with a nominal capacity not exceeding 3 MW each, provided that (i) the maximum height is limited to 137 m due to civil or military aviation or radar constraints or (ii) they are executed through participatory investments targeting local communities.
  These conditions must be fulfilled for the duration of the agreement.
  At the end of December, a new amending decree introduced the possibility, for plants that submitted an application for FIP 2017 by 1 July 2022 and expected to be operational between 1 September 2022 and 31 December 2024, to extend the deadline for the completion of the plant and to sell electricity on the market before the start of the Agreement. In addition, starting from 1 January 2023, a new tariff adjustment coefficient will be applied to new projects that will request FIP-2017 to take into account the increases in costs and financial resources between the date of the FIP 2017 request and the 12 months before the completion of the plant.

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

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

SOLAR

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

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

Germany – Wind

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

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

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

ECONOMIC RESULTS

(EUR million)	2022	2021	Δ
Adjusted revenue	96	48	49
Adjusted EBITDA	72	28	44
Amortisation, depreciation and impairment losses	(28)	(22)	(6)
Adjusted EBIT	45	6	38
Capital expenditure in property, plant and equipment and intangible assets	1	151	(149)
EBITDA Margin % (1)	75%	59%	16%

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

Revenue recorded **in 2022** was up compared to 2021, due to the aforementioned better wind conditions, the increase in energy sale prices and the scope of the farms acquired in 2021.
Net unit revenue for wind in Germany, equal to 172 EUR/MWh, was significantly higher than in 2021 (112 EUR/MWh), as the fixed sales rate, once exceeded, allows for the capture of the market price.

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

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

Capital expenditure

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

UK and Sweden – Wind[17]

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

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

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

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

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

Revenue recorded in **2022** amounted to EUR 34 million, with net unit revenues amounting to 150 EUR/MWh in 2022, since the application of the PPA agreement, which was signed in 2021, envisages a market price until 30 June and from 1 July at a price fixed up to a shared threshold, while the plants being energised at the end of the year in Scotland and Sweden capture the imbalance price.

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

Capital expenditure

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

Relevant legislative and regulatory updates during the period

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

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[17] As already indicated in the Introduction, the Group's management measures the Group's results for the various geographical areas in which it operates. For the purposes of these Financial Statements, in consideration of the insignificant results of the wind farm launched in Sweden at the end of 2022, the results of the country Sweden are merged into the UK.

Spain – Solar

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

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

In **2022**, **electricity output** in Spain amounted to 87 GWh and related to the solar plants acquired in January 2022 (92 MW).

ECONOMIC RESULTS

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

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

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

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

Capital expenditure

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

Relevant legislative and regulatory updates during the period

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

- **2023 auction base price increase**
  In December, the energy authority updated the auction base price for 2023, providing for an increase of up to 25% for onshore wind and photovoltaic, to take into account the increase in the overall cost of capital expenditure.
  On this basis, the base price for onshore wind for the 2023 auctions increased from 58.8 EUR/MWh to 73.5 EUR/MWh.
  The prices assigned must then be adjusted according to the formula (Referenzertrag), which makes it possible to increase the tariffs up to 42% (up compared to the previous 35%) for sites with low wind speeds.
  On 25 January 2023, the auction base price for 2023 for photovoltaic plants >1MW was also adjusted to 73.7 EUR/MWh, incorporating a 25% increase compared to the 2022 auction base price (59 EUR/MWh).

East Europe - Wind

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

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

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

ECONOMIC RESULTS

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

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

Revenue recorded **in 2022** was up compared to 2021, due to the aforementioned better wind conditions and the increase in energy sale prices.
The average net unit revenue in East Europe amounted to 169 EUR/MWh, up compared to 2021 (65 EUR/MWh), as most of the installed capacity is incentivised with a certified system that is added to the market price of energy.

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

Capital expenditure

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

Relevant legislative and regulatory updates during the period

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

Poland

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

Romania

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

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

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

Bulgaria

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

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

RISKS AND UNCERTAINTIES

The main Risk Assessment and Management activities carried out as part of Enterprise Risk Management include: (i) the identification and assessment of the main risks associated with the Business Plan, as well as the definition of the respective Risk Policies; (ii) continuous verification of the functioning and effectiveness of the risk management process; (iii) sharing of the results of the half-yearly Risk Assessments with all of Group management. The ERM model is subject to periodic updates in line with the evolution of the Group and the context in which it operates and applies to all ERG Group Companies.

Enterprise Risk Management is aimed at contributing in a proactive and integrated manner to safeguarding the share capital of the ERG Group and to managing the business efficiently and effectively in line with the strategies defined by the Board of Directors, giving adequate consideration to current and prospective risks, including medium and long term risks, with an organic and comprehensive vision.

It should be pointed out that, at the date of preparation of this Report, no particular risks and uncertainties are envisioned, in addition to those mentioned in the document, which may determine significant consequences on the operating results, financial position and cash flows of the ERG Group.

In view of the war that broke in Ukraine at the end of February 2022, management is monitoring any critical issues and impacts that the conflict could have on the ERG Group, in particular with reference to credit risk, security and business continuity.

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

In relation to plant safety, note the position of some of the Group's wind farms in Eastern Europe (Poland and Roma-

nia) close to the Ukrainian border: since these are countries that are part of NATO, there are currently no risks directly linked to the conflict.

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

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

The geopolitical tensions are significantly impacting the financial and commodities markets, with a sharp increase in gas and electricity prices, in respect of which further regulatory measures in the energy sector cannot be ruled out. There has also been a reversal in the monetary policies of central banks with interest rates rising sharply and a general increase in the prices of raw materials and finished products, aggravated by geopolitical tensions, the effects of which may impact the capex of projects under construction in the short/medium term.

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

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

STRATEGIC RISKS

Availability of renewable resources

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

The risk is mitigated through:

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

The use of statistical risk analysis models is also envisaged, as they enable quantification of the economic impacts over the term of the plan. It should be noted that, following the divestment of the Hydro business, the Group will no longer be subject to the volatility of the availability of water resources which, in the past, has proved to be more volatile than that of wind and solar resources.

Evolution of the regulatory framework

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

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

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

- the reform of the Electricity Market both at European level and in the various countries in which the Group operates;
- the reform of the incentive systems for Renewable Energy Sources in the countries in which the Group operates (e.g. transition from FIT to FIP; changes in the auction systems; European Directives; Guidelines on State aid for the environment and energy);
- energy savings certification within the White Certificates mechanism by Gestore dei Servizi Energetici (GSE);
- the implementation of the European Green Deal and the other packages adopted at EU level for the decar-

bonisation and security of energy supply, as well as the related national implementation plans;

- the rules for obtaining and maintaining the authorisations and permissions for the construction and operation of Renewable energy plants, as well as the incentives associated with them.

Climate Change

Climate change risk is the possibility that climate changes in the short, medium and long term may have impacts on ERG's business with economic/financial consequences in terms of (some examples): decreased availability of renewable resources (wind and sun); limitations or impediments to operations, increased O&M costs, increased insurance costs, higher compliance costs, etc.

To combat the climate change already underway, the Intergovernmental Panel on Climate Change (IPCC) has highlighted in its publications the effects that global warming may have and in part is already having on the planet (among others – intensification of heat waves and of extreme weather events, rising sea levels, thinning Arctic sea ice and continental glaciers) and the importance of keeping the rise of average temperatures under 2°C. The path to reach this goal requires timely interventions in all sectors of the economy and industry on a global scale and the Energy sector is one of the key factors to assure the planet's sustainability.

In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published a series of recommendations on the reporting on risks and the related opportunities, also issued by the European Commission in the publication of June 2019. The TCFD guidelines require providing disclosure with respect to four broad topic areas: Governance; Strategy; Risk Management; Metrics & Targets.

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

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

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

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

- Change in the contributions from renewable sources (wind and sun) which may have impacts on ERG's business with consequences from an economic-financial point of view in the medium/long term deriving from possible lower output. In light of the uncertainties regarding the potential effects of a worsening of weather conditions in the areas in which ERG is present and the potential compensatory effects deriving from the Group's increasing geographical complementarity, it was not considered appropriate to reflect any negative effects in the medium-term (Market Plan) and long-term (impairment test) Business Plans. It should be noted that, following the sale of the Hydro business, the Group is no longer subject to the volatility of the availability of water resources, which, in the past, have been more volatile than wind and solar power.
- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural

events that could cause damage to production plants, impacting Business Continuity. The "acute" phenomena category includes risks characterised by a remote probability of occurrence but a potentially catastrophic impact, including: fires; earthquakes, volcanic phenomena, hurricanes, tsunamis/floods; while the increase in average temperature, rise in sea level, reduction in rainfall fall into the category of "chronic" events.

- Regulatory and market changes referring in particular to any changes in subsidies and incentives, change in the regulatory framework, uncertainty in the demand for electricity, increased competitive pressure.

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

- the reduction of the impacts related to catastrophic events through Business Continuity Management processes (for the physical protection of assets) and Disaster Recovery Plans, in particular in the ICT field;
- technological diversification of renewable energy plants (e.g. Wind and Solar) and the geographical diversification of generation facilities, which reduce both the impact and the probability of the risk occurring;
- the planning of renewable plant shutdowns on the basis of periods of low utilisation of renewables, thus reducing their impact;
- the use of more accurate weather forecasting tools (Wind and Sun) to define generation plans and further improve Volume Risk Management strategies in the short term;
- the use of statistical risk analysis models, which make it possible to quantify the economic impacts over the life of the Plan;
- the transfer of risks to the insurance market. In particular, all extreme meteorological phenomena are covered (fires; earthquakes; volcanic phenomena; hurricanes; tsunamis/floods);
- the reduction of the impacts linked to the change in contributions from renewable sources and regulatory and market changes mainly through geographical diversification which allows the Group to make the most of synergies in the areas in which its assets are located, and consequently to mitigate the impacts of the aforementioned risks.

It should also be noted that the Group uses management, prevention and protection strategies to reduce the possible impacts on the areas surrounding its assets. Furthermore, the assets most exposed to extreme weather events or natural disasters are regularly checked and maintained in order to ensure that they are in the best possible condition to cope with extreme weather events.

All of the Group's production sites located in Italy are also subject to ISO environmental certifications and potential sources of risk are monitored so that any critical issues can be detected promptly.

In addition, over the years the Group has demonstrated its ability to anticipate radical changes in the context in which it operates, promptly modifying its growth strategy. Over the years, ERG has transformed from an operator in the refinement and distribution of fuels to a primary operator in Italy and Europe in the generation of electricity from renewable sources. ERG is committed, through its own targets of investment in "zero emission" green technologies and in particular in wind and in solar power, to providing its own contribution to the fight against climate change in line with the objectives of COP21 and the recent COP27.

New Capital Expenditure

This risk refers to uncertain events originating from various factors, for example, scenario-related (micro/macro-economic, political, regulatory, business), technical, operational, financial or organisational, which may impact the success of a new investment.

Risks are mainly attributable to the impossibility of developing certain economic and financial forecasts over the period of the Plan or the life of a Project (in the event of a specific initiative), with resulting income statement or financial position losses, or worsening of the Group's image.

Some examples of risks that can be included in this type are: (i) the possibility that the envisaged Capex targets will not be achieved in the time and/or cost defined in the strategic plan due to changing market conditions with possible delivery delays due to difficulties procuring from strategic suppliers/sub-suppliers and requests for price adjustments on existing agreements; (ii) the possibility that the plan Opex will also undergo an increase; (iii) as a consequence of inflationary pressures and/or tensions on the financial and commodities markets, impairment issues, and more generally impairment of assets, linked in addition to the potential negative effects in terms of EBITDA, to the increase in returns requested by investors.

To minimise risk, in accordance with company policies, the ERG Group has defined specific structured processes for the selection of investments, providing for a series of subsequent levels of review and approval carried out on the basis, inter alia, of internal and external support studies, benchmark analyses, legal-regulatory analysis and financial assessment/planning models. For all relevant projects, the main risks are associated with:

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

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

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

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

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

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

Reputational Risk

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

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

trust, reliability and/or credibility.

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

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

FINANCIAL RISKS

(Commodity) Price Risk

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

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

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

- An aggregate view by portfolio, which permits the allocation of risks where they can be more effectively managed, benefiting from the offsetting of positions with opposite signs;
- The definition of risk exposure limits and of an associated escalation process if the limits are exceeded, identifying the persons responsible for defining/authorising actions to return below the limits;
- The definition of processes and responsibilities for monitoring the exposure level using appropriate indicators (e.g., P@R, V@R, Stop Loss, Profit Taking, Open positions);
- The definition of minimum and maximum hedging quantities (Hedging Ratios) on electricity sales over the life of the plan;
- The use of derivative instruments to stabilise cash flows generated, contributing to guaranteeing the Group's economic and financial equilibrium. The use of derivative instruments is authorised only if there is an underlying asset to pursue the reduction of the economic impacts tied to price volatility on the financial market and it is constantly monitored;
- Where possible, balancing of the purchase formulas (for example, for natural gas) with chargeback to end customers and/or transfer into sales agreements of the higher costs arising from fluctuations in prices, including specific clauses reducing emerging costs (e.g., linked to the profile).

Liquidity

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

ERG mitigates the risk through the pursuit of a balanced financial structure in terms of duration and composition,

constant monitoring of the financial balance and systematic generation of cash by its business activities. The Group's objective is to maintain the subject risk profile at extremely low levels through implementation of a financial planning process having the following objectives:

- Enabling the Group to be solvent both under normal conditions of conducting business and under crisis conditions, optimising the related opportunity cost;
- Ensuring an adequate level of operational elasticity, optimising the cost of funding in relation to the current and future market conditions; the Group uses a prudent approach in estimating the projected cash inflows and outflows, taking into account the impact assessments of various scenarios, including stress-based ones, which identify the risk factors that could alter the cash flows envisaged in the Financial Plan (e.g. changes in scenarios, postponements of disposals) and define and implement the relative mitigation measures;
- Maintaining a balance in terms of duration and composition of debt, also thanks to an operating structure based on assigned limits that undergo periodic revision and approval, and a second-level control structure, autonomous from the first, which verifies its functioning;
- To guarantee an adequate distribution of credit lines, cash deposits and the relative financial assets among the major Italian and international banks.

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

Commercial Credit Risk

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

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

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

Moreover, the Group has defined the types of guarantees

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

Credit Risk towards Financial Counterparties

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

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

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

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

Interest Rate Risk

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

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

pursuing the following objectives:

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

Currency Risk

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

- Profits, as a result of (i) the different percentage of costs and revenue expressed in a foreign currency with respect to when the price conditions were defined

(economic risk); (ii) the translation of trade receivables or payables or financial assets or liabilities denominated in a foreign currency (transaction risk);

- On the consolidated financial statements (profit and equity) by effect of the conversion of assets and liabilities of companies that prepare their financial statements in another currency (translation risk).

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

- The acceptance of exchange rate risk, without prejudice to the possible mitigation actions referred to in the following points, in consideration of the reduced exposure that the ERG Group has at the date of approval of this policy. For the purposes of this policy, a level of exposure understood as EBITDA@Risk, calculated at the 95th percentile, higher than 5% of the Group's EBITDA, is considered a warning signal to be submitted to the Risk Committee.
- The review or confirmation at least once a year of the adequacy of the aforementioned exchange rate risk acceptance strategy in light of developments in Wind/Solar technology and/or changes in the macroeconomic scenario.
- The definition of processes and responsibilities for the regular monitoring of the EBITDA@Risk of Foreign Operations in currencies other than the functional currency for the ERG Group, taken individually and in aggregate.
- Where possible, the pursuit of a balance between assets and liabilities expressed in foreign currencies, thereby minimising net exposure, and financing capital expenditures at M/L term in the local currency, the profitability and cash flows of which are mainly expressed in said currency.
- The definition of processes and responsibilities for the approval of any measures to mitigate the level of risk if the periodic monitoring, the annual risk budget or the approval of a strategic investment suggest their implementation. As for monitoring, any mitigation actions must be assessed on the basis of their impact in a consolidated view of the Group and not of the individual subsidiary, subject to exceptions related to specific situations (e.g. financial covenants to be met, loans in foreign currency during the construction phase, commitments under loan agreements) and approved by the Chief Executive Officer;
- The use of financial instruments for risk hedging, authorised by the Chief Executive Officer after consulting the Risk Committee, exclusively in the event of the existence of an underlying asset and if they come under the following:
  - Spot transactions;
  - Currency swaps;
  - Outright forwards;
  - NDF (non-deliverable forwards);
  - Currency futures;
  - Currency options.
- The repatriation, as soon as possible, of the net cash generated in foreign currency by Foreign Operations, within the limits of the liquidity necessary to support their operations, in compliance with the contractual restrictions of project financing and consistently with the expiration dates of any hedging derivatives that may have been approved.

Disputes

This risk refers to the possibility that one of the companies of the ERG Group (or its employees) may be involved in civil and/or administrative and/or tax proceedings and/or in legal actions deriving from potential violations of laws or regulations, from contractual or extra-con-

tractual liability or from other controversies (e.g., labour disputes), which could result in damages or sanctions, or damage the Group's reputation. The risk refers also to the possibility that a Group company may impugn an act or a measure harming its own interests, promulgated by institutions or administrative bodies or by independent authorities.

The ERG Group implements a risk mitigation strategy which involves:

- The oversight, delegated to specific corporate departments, of the reference legislation (legal, tax, etc.);
- Management of the pre-litigation phase with the support of specialists in the legal and tax areas;
- Management of litigation by outside law firms of high standing, experienced in the specific matters;
- Constantly monitoring the evolution of ongoing litigation and assessing the probability of loss; for risks for which loss is deemed likely, an estimate of the economic impact is made, which takes into consideration all possible consequences and a provision is allocated in the financial statements;
- Preparation and submission of periodic reports providing updates on the disputes, also through 231 flows to the Supervisory Bodies.

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

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

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

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

OPERATIONAL RISKS

Health, Safety and Environment (HSE) Risk

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

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

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

- adopt principles and behaviours defined in specific

sustainability guidelines that require all Group companies to comply with all regulations in force;

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

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

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

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

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

Information & Communication Technology risks

In the ICT field, the main risks concern attacks on systems with data breaches, security breaches, or the interruption of IT services due to hacker attacks or system malfunctions. In other words, anything that compromises the availability, confidentiality or integrity of the data. Through its ICT systems, ERG adopts a risk-based approach in order to define both preventive and reactive security measures, and specific continuous improvement programmes aimed at increasing corporate resilience with respect to cyber security risk, including:

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

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

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

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

It is also worth noting that the adoption of remote working has been supported by the investments made by the Group in recent years as part of the ONE ICT plan for the modernisation and digitalisation of processes: innovative mobile solutions, hybrid cloud platforms, high-capacity remote collaboration and videoconferencing systems, modern and mobility-oriented personal technological equipment, with a focus on utmost attention to security.

As regards this latter aspect, the Group has had in place for some years now specific solutions, processes and resources for the management of system security and company data, using a risk-based approach and with the aim of guaranteeing business continuity and maximum resilience in the face of both incidents and cyber attacks.

Continuity of service

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

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

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

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

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

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

Human Capital

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

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

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

[...]

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

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

Procurement and Supply Chain

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

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

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

- the price of copper, for which the significant increase in prices seems to be structural, with impacts primarily on cables for BoP and connections.
- the price of steel, the impact of which relates in particular to WTGs and was limited for ERG thanks to the mitigations negotiated as part of the Framework Agreements (FA) signed. In particular, the Vestas FA provides for a "steel" clause with fixed prices for 15 months from September 2020 and, for all WTG ex-works deliveries from January 2022, indexing to the price of steel limited only to the weight of the tower (excluding nacelles, rotor/hub, drive train, other components).

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

RISCHI COMPLIANCE

Risk of violation of Anti-Corruption Regulations

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

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

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

Country Risk

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

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

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

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

HEALTH, SAFETY AND ENVIRONMENT

Introduction

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

The principles adopted with regard to health, safety and the environment are stated in the Sustainability Policy, which outlines the values, commitments and objectives that ERG aims to pursue in terms of sustainability with respect to all stakeholders.
In line with its Code of Ethics and Human Rights Policy, ERG guides the activities of the entire Group, combining the objective of creating sustainable value over time with that of respect of the environment and attention to both internal and external stakeholders.

Health and Safety

The ERG group has continued to pursue the objective of "zero accidents", implementing a whole series of preventive measures with the aim of minimising the number of accidents.
The efforts made in 2022 made it possible to contain the number of accidents despite a significant increase in the group's operating activities, both in terms of the capacity commissioned and the number of construction sites managed by the group throughout Europe. In particular, there were two accidents for the Group's internal staff in Italy in the Wind & Solar sector, and six accidents to employees of third-party companies as part of the activities contracted out at the various sites of the group, one of which in France, two in the UK, two in Germany and one in Poland. It should be noted that one of the two events that occurred in Italy was particularly serious, as it was an electrocution during extraordinary maintenance activities in one of our substations.

With regard to the COVID emergency, we have seen a relaxation of prevention measures in general externally to our group, both in Italy and in the other countries of interest to the group; however, it should be borne in mind that in Italy regulations are still in force that suggest that employers maintain prevention protocols, therefore some prevention measures are still maintained in the ERG Group.
As in other years, the ERG Group offered the flu vaccine to all staff, something that is always of particular importance given the concomitance of symptoms between the annual flu and COVID-19 disease.
Also in 2022, the "Leadership in Safety" project continued to be rolled out across the Group, aimed at promoting the adoption of behavioural leadership models in relation to safety matters by those in charge of operations and their

collaborators, starting from top management and down to the local supervisors who directly manage the workers' operating activities. In 2022, the focus was on internal operating personnel, both in Italy and abroad (France and Germany); during the workshops, the Health & Safety leadership models were re-proposed, reaffirming the basic concept of the project, i.e. the importance of individual behaviour as a tool for preventing accidents from occurring.

Environment

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

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

Management Systems and Certifications

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

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

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

FINANCIAL STATEMENTS AND OTHER INFORMATION

FINANCIAL STATEMENTS

INCOME STATEMENT

This section contains both the reported operating results, calculated on the basis of the figures presented in the Notes to the Condensed Interim Consolidated Financial Statements, and 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 process for the sale of the thermoelectric business and the finalisation of the sale of the hydroelectric business, which took place on 3 January 2022, therefore reclassifying to the line "Net profit (loss) from assets held for sale" the result of the Thermo business for 2022, and the result of the Hydro business for 2021.

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

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

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

		Reported		Adjusted	
(EUR million)		2022	2021	2022	2021
Revenue	1	713	594	748	591
Other income	2	12	6	12	6
Total revenue		**725**	**600**	**760**	**597**
Purchases and change in inventories	3	(15)	(10)	(15)	(6)
Services and other operating costs	4	(156)	(149)	(165)	(156)
Personnel expense		(27)	(23)	(26)	(21)
Gross operating profit (EBITDA)		**527**	**419**	**554**	**415**
Amortisation, depreciation and impairment of non-current assets	5	(273)	(222)	(223)	(195)
Operating profit (EBIT)		**253**	**196**	**331**	**220**
Net financial income (expense)	6	(16)	(41)	(10)	(20)
Net gains (losses) on equity investments		(0)	(0)	0	(0)
Profit before taxes		**237**	**155**	**321**	**199**
Income taxes	7	(106)	(38)	(72)	(46)
Net profit (loss) from continuing operations		**131**	**118**	**249**	**153**
Net profit (loss) from discontinued operations		296	88	20	77
Profit (loss) for the period		**428**	**206**	**269**	**230**
Non-controlling interests		(4)	(2)	(4)	(2)
Profit attributable to the owners of the parent		**423**	**204**	**265**	**228**
Tax Rate		**45%**	**24%**	**22%**	**23%**

1 - Revenue

Revenue from sales consists mainly of:

- sales of electricity produced by wind farms, solar installations. The electricity is sold on wholesale channels, and to customers via bilateral agreements. Specifically, electricity sold wholesale includes sales on the IPEX electricity exchange, both on the "day-ahead market" (MGP) and on the "intraday market" (MI), as well as the "dispatching services market" (MSD), in addition to sales to the main operators of the sector on the "over the counter" (OTC) platform and Power Purchase Agreements (PPAs), long-term energy sale contracts at pre-established prices, currently active in the wind sector in Italy, France and the United Kingdom.
- incentives related to the output of wind farms in operation and solar installations.

Reported revenue in 2022 amounted to EUR 713 million, up significantly from EUR 594 million in 2021 adjusted, mainly due to the new wind farms acquired in Spain and the contribution of the wind and solar farms acquired during the second half of 2021 in France and Germany, as well as the contribution of the new wind farms that became operational in the UK and France at the end of 2021, higher production as a result of the better anemological conditions recorded during the period, partly offset by the decrease in the unit value of the incentive in Italy (from 109.4 to 42.9 EUR/MWh).
It should be noted that adjusted revenues do not include the effects related to the urgent measures to contain the effects of price increases in the electricity sector, already described in the regulatory and institutional updates, amounting to approximately EUR 35 million.

2 – Other income

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

3 – Purchases and changes in inventories

Purchases include costs for the purchase of raw materials and spare parts.

4 – Services and other operating costs

Services include maintenance costs, costs for agreements with local authorities, for consulting services, insurance and for services rendered by third parties.
The other operating costs mainly relate to rent, provisions for risks and charges and to taxes other than income taxes.

The 2022 figures do not include the ancillary costs relating to non-recurring transactions equal to EUR 3 million; lease payment charges (lease costs for IFRS 16 purposes) for EUR 12 million are classified under this item of the reclassified income statement. For a more detailed explanation of this classification, please refer to the "IFRS 16" paragraph, available under "Definitions" in the "Alternative Performance Indicators" section.

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

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

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

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

6 – Net financial income (expense)

Reported net financial expense in 2022 amounted to EUR 16 million, down significantly compared to 2021 (EUR 41 million), due to the full contribution of the liability management operations carried out in 2021.

The item includes also the effects of the derivatives hedging against the risk of fluctuations in interest rates.

Lastly, it is specified that the adjusted values do not include the following extraordinary components (special items) linked to liability management operations:

- financial expense (EUR -1.4 million), tied to the reversal effect relating to refinancing operations carried out in previous years in application of IFRS 9;
- financial expense related to the liability recognised upon application of the equity method introduced by IFRS 16 (EUR -5 million).

7 – Income taxes

Reported income taxes amounted to EUR 106 million in 2022, an increase compared to the EUR 68 million in 2021 mainly due to a higher taxable income for the results of the period, the impact of Art. 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 37 million (excluding the impact on the thermoelectric business of EUR 4 million recognised under "Net profit (loss) from assets held for sale") and the 2023 extraordinary contribution of EUR 19 million.

Adjusted income taxes amounted to EUR 72 million, a significant increase compared to EUR 46 million in 2021 mainly as a consequence of the higher taxable income due to the above-mentioned results in the period. It should be noted that the item does not include the aforementioned impact deriving from Article 37 of the Italian Decree Law of 21 March 2022 and the 2023 Extraordinary Contribution. These taxes were separated as a special item.

The adjusted tax rate for 2022, obtained from the ratio between taxes and pre-tax profit, was 22% (23% in 2021).

STATEMENT OF FINANCIAL POSITION

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

Shown below are the values at 31 December 2022, which do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 155 million with a balancing entry in net invested capital amounting to approximately EUR 151 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.

	Reported		Adjusted	
(EUR million)	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Non-current assets	3,656	3,049	3,503	2,924
Net operating working capital	96	105	96	105
Employee benefits	(3)	(3)	(3)	(3)
Other assets	485	541	487	542
Other liabilities	(683)	(596)	(683)	(596)
Net invested capital of continuing operations	**3,551**	**3,097**	**3,401**	**2,972**
Net invested capital of assets held for sale	**235**	**683**	**235**	**683**
Net invested capital	**3,786**	**3,780**	**3,636**	**3,656**
Equity attributable to the owners of the parent	3,522	2,449	3,526	2,452
Non-controlling interests	9	10	9	10
Net financial indebtedness	157	1,391	2	1,263
Current net financial indebtedness	98	(69)	98	(69)
Equity and financial indebtedness	**3,786**	**3,780**	**3,636**	**3,656**

1 - Non-current assets

(EUR million)	Intangible assets	Property, plant and equipment	Financial assets	Total
Non-current assets at 31/12/2021	**967**	**2,038**	**45**	**3,049**
Capital expenditure	4	303	4	**312**
Change in the consolidation scope	443	275	1	**719**
Divestments and other changes	5	(13)	1	**(7)**
Amortisation	(65)	(173)	0	**(238)**
IFRS 5 Reclassification	(0)	(194)	(12)	**(206)**
Variation IFRS 16	0	28	0	**28**
Non-current assets at 31/12/2022	**1,354**	**2,264**	**38**	**3,656**
Adjustment for impact of IFRS 5				
Adjustment for impact of IFRS 16	0	(153)	0	**(153)**
Adjusted non-current assets at 31/12/2022	**1,354**	**2,111**	**38**	**3,503**

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

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

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

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

2 – Net operating working capital

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

3 – Other assets

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

4 – Other liabilities

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

5 – Non-controlling interests

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

6 – Net financial indebtedness

Adjusted indebtedness does not include the financial payable related to the application of IFRS 16 of approximately

EUR 155 million (EUR 129 million at 31 December 2021).

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

NON-CURRENT FINANCIAL INDEBTEDNESS

(EUR million)	2022	2021
Non-current bank loans and borrowings - -	-	-
Current portion of bank loans and borrowings - -	-	-
Non-current financial liabilities	2	17
Total	**2**	**17**
Non-current Project Financing	212	237
Current portion of Project Financing	(55)	(27)
Non-current Project Financing	**156**	**210**
IFRS 16 financial liabilities (non-current)	**150**	**122**
Reported non-current financial indebtedness	**308**	**349**
Adjustment IFRS 16	**(150)**	**(122)**
Adjusted non-current financial indebtedness	**158**	**227**

- The payables for "Project Financing" of EUR 212 million at 31 December 2022 relate to:
  - EUR 94 million in loans relating to the company acquired by Soles Montalto in 2019;
  - EUR 117 million in loans disbursed for the construction of wind farms, recognised for a total net of ancillary costs, recorded for accounting purposes with the amortised cost method (EUR 3 million) and the effect of the renegotiation of loans (EUR 3 million) following the application of IFRS 9. It should be noted that in the first quarter of 2023, the project financing in Poland was repaid in the amount of EUR 24 million.

The breakdown of current net financial indebtedness is shown below:

CURRENT FINANCIAL INDEBTEDNESS (AND CASH AND CASH EQUIVALENTS)

(milioni di Euro)	2022	2021
Current bank loans and borrowings	0	0
Current portion of bank loans and borrowings	-	-
Other current financial liabilities	26	1.269
Current financial liabilities	**26**	**1.270**
Cash and cash equivalents	-	(167)
Securities and other current financial assets	(128)	(128)
Current financial assets	**(128)**	**(295)**
Current Project Financing	55	27
Cash and cash equivalents	(111)	(35)
Project Financing	**(55)**	**(8)**
IFRS 16 financial liabilities (current)	**6**	**6**
IFRS 5	**(98)**	**69**
Current financial indebtedness (and cash and cash equivalents))	**(249)**	**1.041**
Adjustment IFRS 16	**(6)**	**(6)**
IFRS 5	**98**	**(69)**
Adjusted current financial indebtedness	**(157)**	**966**

Current financial assets include deposits to guarantee transactions on futures derivatives.

Cash flows

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

	Anno	
(EUR million)	2022	2021
Adjusted IAS EBITDA	554	596
Change in working capital	14	(55)
Cash flows from operations	**568**	**541**
Investments in property, plant and equipment and intangible assets	(304)	(257)
Asset acquisitions and business combinations	(638)	(389)
Collection from the sale of ERG Hydro	1,265	-
Capital expenditure on non-current financial assets	(6)	(0)
Divestments and other changes	(11)	(3)
Cash flows from investments/divestments	**306**	**(649)**
Adjusted financial income (expense)	(10)	(21)
Financial expense for closing loans	-	(15)
Net gains (losses) on equity investments	0	0
Collection distribution reserves ERG Power	75	-

Cash flows from financing activities	**66**	**(35)**
Cash flows from tax management	**(90)**	**(26)**
Distribution of dividends	(54)	(52)
Capital account payment, ERG Power Generation	517	-
Other changes in equity	(46)	(304)
Cash flows from Equity	**417**	**(356)**
Change in the consolidation scope	**(69)**	**-**
Cash Flow Thermo 2022	**(104)**	**-**
Opening net financial indebtedness	**1,194**	**668**
Net change	*(1,094)*	*525*
Closing net financial indebtedness	**100**	**1,194**
(Net financial position Thermo)	*(98)*	*-*
Net financial indebtedness "Continuing operations"	**1**	**1,194**

Cash Flows from operations in 2022 are positive for EUR 568 million, up by EUR 28 million compared to the corresponding period of 2021 (EUR 541 million), mainly due to the changes in working capital.

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

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

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

Cash flows from Equity refer to the changes in the hedging reserve tied to derivative financial instruments, to the translation reserve and to the dividends distributed to the parent company ERG S.p.A.

ALTERNATIVE PERFORMANCE INDICATORS

Definitions

On 3 December 2015, CONSOB issued Communication no. 92543/15, which transposes the Guidelines regarding the use and presentation of Alternative Performance Indicators in the context of regulated financial information, issued on 5 October 2015 by the European Securities and Markets Authority (ESMA). The Guidelines, which updated the CESR Recommendation on Alternative Performance Indicators (CESR/05 – 178b), aim to promote the usefulness and transparency of alternative performance indicators so as to improve their comparability, reliability and comprehensibility.

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

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

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

Since the composition of these indicators is not regulated by the applicable accounting standards, the method used by the Group to determine these indicators may not be consistent with the method used by other operators and so these might not be fully comparable.

Definitions of the APIs used by the Group and a reconciliation with the items of the Financial Statements templates adopted are as follows:

- **Adjusted revenue** is revenue, as indicated in the Interim Financial Statements, with the exclusion of significant special income components of an exceptional nature (special items);
- **EBITDA** is an indicator of operating performance calculated by adding "Amortisation, depreciation and impairment of non-current assets" to the Operating Profit (EBIT). EBITDA is explicitly indicated as a subtotal in the Interim Financial Statements;
- **Adjusted EBITDA** is the gross operating profit (loss), as defined above, with the exclusion of significant special income statement components of an exceptional nature (special items) and with the reclassification of the impact tied to the IFRS 16 application;
- **Adjusted EBIT** is the net operating profit, explicitly indicated as a subtotal in the Interim Financial Statements, with the exclusion of significant special income statement components of an exceptional nature (special items) and with the reclassification of the impact tied to the IFRS 16 application;
- **EBITDA margin** is an indicator of the operating performance calculated by comparing the adjusted EBITDA to the Revenue from sales and services of each individual business segment;
- **Adjusted tax rate** is calculated by comparing the adjusted amounts of taxes and profit before tax;

- **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 11 million;
- an increase (approximately EUR 155 million) in the net financial indebtedness and the net invested capital (approximately EUR 151 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation (EUR 7 million) and greater financial expense (EUR 5 million) linked to the application of the above-mentioned method.

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

GROSS OPERATING PROFIT (EBITDA)

(EUR million)	12 months 2022	12 months 2021
EBITDA from continuing operations	**527**	**423**
Special items exclusion		
- IFRS 16 reclassification	*(11)*	*(8)*
Italy		
- Reversal of ancillary charges on non-recurring operations (Special Projects)	*3*	*0*
- Reversal for allocation for Provision for Disposed Businesses	*1*	*0*
- Reversal Clawback Measures	*7*	*0*
Abroad		
- Reversal Clawback Measures	*28*	*0*
Adjusted EBITDA	**554**	**416**

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(EUR million)	12 months 2022	12 months 2021
Amortisation, depreciation and impairment losses	**(273)**	**(223)**
Amortisation, depreciation and impairment losses		
- Adjustment impact IFRS 16 (1)	*7*	*5*
- Reversal of write-down Repowering Wind Italy (2)	*43*	*22*
Adjusted depreciation and amortisation	**(223)**	**(195)**

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

(EUR million)	12 months 2022	12 months 2021
Profit attributable to owners of the parent	**131**	**195**
Special items exclusion		
Exclusion of IFRS 5 adjustment on ERG Hydro amortisation	*0*	*1*
Exclusion of IFRS 16 impact	*1*	*1*
Exclusion of ancillary charges on loan prepayments	*0*	*13*

Exclusion of ancillary charges on non-recurring transactions [3]	*2*	*0*
Exclusion of write-down Repowering Wind Italy	*31*	*16*
Exclusion of expenses related to disposed businesses [4]	*(0)*	*1*
Exclusion of impact clawback measures [5]	*83*	*0*
Exclusion of substitute tax Solar Italy	*(1)*	*0*
[6]Exclusion of the net gain on refinancing (IFRS 9)	*1*	*1*
Adjusted profit attributable to owners of the parent	**249**	**228**

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

(2) Impairment of the net residual value of the property, plant and equipment and intangible assets of wind farms in Italy following the authorisation of a Repowering project and a photovoltaic plant following the authorisation of a Revamping project.

(3) Oneri accessori relativi ad altre operazioni di natura non ricorrente comprensivi anche delle premialità straordinarie riconosciute nel 2022.

(4) Ancillary costs relating to other non-recurring transactions also including the extraordinary bonuses paid in 2022.

(5) Exclusion of the impacts of the urgent measures to contain the effects of price increases in the electricity sector for EUR 83 million, already including (in addition to the aforementioned clawback and windfall tax measures of EUR 28 million) the extraordinary contribution envisaged by Art. 37 of Italian Decree Law no. 21/2022 for EUR 37 million for the Continuing Operations scope and the Contribution Extraordinary 2023 for EUR 19 millioni.

(6) 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 a net expense of approximately EUR 2 million being accounted for in 2021. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted income statement financial expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.

Below is the reconciliation between the Financial Statements and the adjusted statements shown and commented upon in this Report:

INCOME STATEMENT YEAR 2022

(EUR million)	Financial Statements	Reversal IFRS 5 adjustment Thermo	Adjustment for impact of IFRS 16	Adjustment for impact of IFRS 9	Reversal of special items	Adjusted Income Statement
Revenue	713	-	-	-	35	748
Other income	12	-	-	-	-	12
Total revenue	**725**	**-**	**-**	**-**	**35**	**760**
Purchases and change in inventories	(15)	-	-	-	-	(15)
Services and other operating costs	(156)	-	(11)	-	2	(165)
Personnel expense	(27)	-	-	-	1	(26)
Gross operating profit (EBITDA)	**527**	**-**	**(11)**	**-**	**38**	**554**
Amortisation, depreciation and impairment of non-current assets	(273)	-	7	-	43	(223)
Operating profit (EBIT)	**253**	**-**	**(4)**	**-**	**82**	**331**
Net financial income (expense)	(16)	-	5	1	-	(10)
Net gains (losses) on equity investments	(0)	-	-	-	0	0
Profit before taxes	**237**	**-**	**1**	**1**	**82**	**321**
Income taxes	(106)	-	-	(0)	34	(72)
Net profit (loss) from continuing operations	**131**	**-**	**1**	**1**	**116**	**249**
Net profit (loss) from discontinued operations	296	(280)	-	-	4	20
Profit (loss) for the period	**428**	**(280)**	**1**	**1**	**120**	**269**
Non-controlling interests	(4)	-	-	-	-	(4)
Profit attributable to the owners of the parent	**423**	**(280)**	**1**	**1**	**120**	**265**

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

The separate financial statements of ERG Power Generation S.p.A. for the year ended 31 December 2022 were drafted in accordance with the National Accounting Standards and with prevailing law governing the drafting of financial statements, interpreted and added to the accounting standards issued by the National Board of Chartered Accountants and the Italian Accounting Body, and take account of the revisions and updates of prevailing Italian accounting standards.

INCOME STATEMENT

(EUR thousand)	2022	2021
Revenue from sales and services	1,128,858	828,512
Increases in non-current assets for internal work	(279)	(4,849)
Other revenue and income	11,090	1,994
TOTAL REVENUE	**1,139,669**	**825,607**
Purchases	(1,095,276)	(850,818)
Change in inventories	(194)	291
Services and other operating costs	(98,569)	(181,477)
Personnel expense	(21,929)	(29,614)
GROSS OPERATING PROFIT (EBITDA)	**(76,299)**	**(243,011)**
Economic-technical amortisation, depreciation and impairment	(2,483)	(2,158)
OPERATING PROFIT (EBIT)	**(78,782)**	**(245,169)**
Net financial income (expense)	616,149	406,522
Value adjustments to financial assets and liabilities	(228,276)	19,739
NET PROFIT (LOSS) FROM ORDINARY OPERATIONS	**309,091**	**181,093**
Income taxes	59,238	61,356
PROFIT FOR THE YEAR	**368,329**	**242,449**

Revenue from sales and services

Revenues from sales and services, amounting to EUR 1,129 million, mainly consist of revenues from the sale of energy produced by the wind farms and solar plants of its Italian subsidiaries, and also include revenues from sales of electricity, steam, gas and other utilities essentially to GME, ISAB S.r.l. and other customers in the industrial district of Priolo only for the first quarter of 2022, since the transfer of the thermoelectric business to its subsidiary ERG Power S.r.l. took effect from 1 April 2022.

Revenue from sales includes the negative impact of the hedging transactions carried out during the year.

Revenues reflect a decrease due to the transfer of the Thermo business unit finalised on 1 April 2022, more than offset by an increase in revenues mainly due to the scenario. It should be noted that with effect from 1 January 2022, the formula for the energy sale price for electricity supply contracts from the SPVs to the Company was amended to also

take into account the effects of the hedging contracts stipulated centrally by the Company's Energy Management in order to achieve more adequate margins for both contractual parties. For this reason, the margins in 2022 also improved compared to 2021.

Revenue from services, equal to EUR 59.2 million, includes services rendered to subsidiaries for Operation & Maintenance and BoP, i.e., management and maintenance of the wind aerogenerators and substations.

Revenue from services also includes operation and maintenance management services under the Operation & Maintenance service agreement, provided during the first quarter of 2022 to ERG Power S.r.l., Priolo Servizi S.C.p.A. and ISAB S.r.l.

The subject item also includes revenue for technical services and central staff services provided to the subsidiaries.

This item also includes revenue for Energy Management services provided, predominantly to third parties and to Terna.

Increases in fixed assets under construction

In 2022, this item includes the change for the period in engineering costs, purchases of blades and ancillary charges including internal personnel costs incurred for the implementation of Repowering & Reblading projects, net of chargebacks made to the subsidiaries owning the wind farms (in particular relating to the Repowering of the Camporeale and Salemi-Castelvetrano wind farms (located in Sicily).

Other revenue and income

The item "revenue other than the above" increased in 2022 as it mainly includes the consideration obtained from third parties for the settlement of the arbitration proceedings originating from some disputes that arose in connection with the purchase of an equity investment in previous years.

It also includes the positive effect of the closure of accounting items relating to previous years.

Purchases

Costs for purchases include mainly costs for the purchase of electricity, primarily from GME and from the subsidiaries, as well as, for the first quarter of 2022 and from 1 October to 31 December 2022, purchases of gas, primarily from Edison and ENI for the CCGT plant owned by ERG Power S.r.l., and are up significantly compared to 2021 mainly as a result of the increase in prices due to the scenario effect.

Costs for purchases include the positive effect of the gas hedging transactions carried out during the first quarter of 2022.

Purchases include costs for raw materials acquired from third parties and subsidiaries to conduct maintenance on the wind aerogenerators on behalf of the subsidiaries.

Services and other operating costs

This item is down significantly compared to 2021, mainly because:

- The charge-back of the "Tolling fee", paid to the subsidiary ERG Power S.r.l. as part of the tolling agreement, is limited to the first quarter of 2022, due to the transfer of 1 April 2022;
- Transport costs for electricity purchases are low since the contracts with end customers ended on 31 December 2021.

The costs also include maintenance costs essentially referring to costs for assistance, management and maintenance services for the wind farms owned by subsidiaries.
Lastly, the item includes staff services rendered by the company ERG S.p.A..

Personnel expense

Personnel costs decreased compared to 2021 due to the transfer of part of the employees to the Company ERG Power S.r.l. following the transfer of 1 April 2022.

Amortisation, depreciation and impairment losses

During the year, EUR 1.8 million was allocated to the provision for amortisation of intangible assets, and EUR 0.6 million to the provision for depreciation of property, plant and equipment, while receivables deemed uncollectable were written off by EUR 0.2 million.

Net financial income (expense)

This item includes mainly income from equity investments for dividends, distributions of reserves from subsidiaries for approximately EUR 359.2 million, and interest income from subsidiaries (for EUR 32.4 million). The item also includes the capital gain, net of ancillary costs, realised with the sale of the equity investment in ERG Hydro on 3 January 2022 for EUR 231.1 million.
This item also includes financial expense accrued on the loan taken out with the parent company ERG S.p.A. for approximately EUR 5.6 million and other minor expenses.

Value adjustments to financial assets

The net item includes mainly the fair value of derivative instruments open at 31 December 2022 and the changes in fair value of non-hedging instruments made during 2022.
The item "impairment losses" also includes the effect of the closure of the hedging derivatives already stipulated on the production of the hydro-electricity business sold on 3 January 2022.

Income taxes

Taxes on the net profit for the year amounted to EUR 59.2 million.

STATEMENT OF FINANCIAL POSITION

(EUR thousand)	31/12/2022	31/12/2021
Non-current assets	3,262,197	2,685,466
Net operating working capital	39,570	939,092
Employee benefits	(1,939)	(2,608)
Other assets	320,457	383,891
Other liabilities	(198,870)	(215,507)
Net invested capital	**3,421,415**	**3,790,335**
Equity	3,278,158	2,267,746
Non-current financial indebtedness	-	(0)
Current financial indebtedness	143,257	1,522,589
Equity and financial indebtedness	**3,421,415**	**3,790,335**

The net invested capital amounted to EUR 3,421 million at 31 December 2021.

Non-current assets

Non-current assets primarily comprise financial assets, which include the shareholdings held in fully-owned subsidiaries, and long-term financial receivables from Subsidiaries.

Net operating working capital

Net operating working capital consists mainly of trade receivables and payables from and to group companies and third parties and of spare parts inventories. It should be noted that on 3 January 2022, the sale of the equity investment in ERG Hydro S.r.l. was finalised, which in 2021 had been reclassified to Current Assets in anticipation of the sale and which was worth EUR 1,026 million.

It should be noted that at 31 December 2022 the item includes the equity investment in the subsidiary ERG Power S.r.l. of EUR 34.5 million in consideration of the Group's intention to sell the asset in question.

Other assets

These consist mainly of tax assets and amounts due from group companies. The item also includes receivables for commodity hedging derivatives, deferred tax assets, down compared to 2021, and other assets paid as advances for the purpose of potential development of wind farms abroad. It should be noted that in 2021 the item also included prepaid expenses for requirements relating to emission trading in 2022, which was therefore used during the year.

Other liabilities

These mainly comprise short-term tax liabilities, amounts due to Group companies and other liabilities. This item includes also other provisions for risks and charges and provisions related to the negative effects of mainly commodity hedging derivatives.

FINANCIAL INDEBTEDNESS

(EUR thousand)	31/12/2022	31/12/2021
Current bank loans and borrowings	-	-
Financial payables due to Group companies	261,627	1,553,684
Financial payables due to third parties within 12 months	2,419	2,424
Current financial liabilities	**264,046**	**1,556,108**
Cash and cash equivalents	(1,413)	(5,906)
Financial receivables from Group companies	(116,560)	(4,687)
Other current financial receivables	(2,816)	(22,927)
Current financial assets	**(120,789)**	**(33,520)**
Total	**143,257**	**1,522,588**

Net financial indebtedness mainly comprises:

- other financial payables to Group companies, in particular to Subsidiaries for EUR 223 million. The item also includes EUR 38.6 million of financial payable to ERG S.p.A., a significant decrease compared to the previous year, also due to the decision on 11 November 2022 of the Board of Directors of ERG S.p.A., which resolved to waive a portion of the receivable deriving from the Credit Line of EUR 517 million, and convert it into a capital contribution for the same amount;
- loans and borrowings due to third parties primarily include the payable for the acquisition of the equity investment in Laszki for EUR 0.6 million and other minor items;
- financial receivables from Group companies, which include receivables for treasury and cash advances in favour of subsidiaries for EUR 12.5 million and receivables for centralised treasury from the subsidiary ERG Power S.r.l. for EUR 98.3 million;
- other current financial receivables, which mainly comprise receivables from ECC (European Commodity Clearing), for the fair value of contracts stipulated (futures).

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

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

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

The following subsidiary in liquidation is also excluded from the scope of consolidation:

- Eolico Troina S.r.l. in liquidation

MANAGEMENT AND COORDINATION ACTIVITIES BY ERG S.P.A

With reference to the provisions of Article 2497-ter of the Italian Civil Code, we report below the decisions taken by the administrative body of ERG Power Generation S.p.A. subject to management and coordination by ERG S.p.A. - within the remit of Corporate Affairs - which must be included in the financial statements at 31 December 2022 of the afo-rementioned company:

- Board of Directors' meeting of 14 February 2022:
  - agenda item 1. Transfer of business unit to ERG Power S.r.l.; inherent and consequent resolutions

- Board of Directors' meeting of 21 April 2022:
  - agenda item 1. New transaction in the renewable energy sector in Spain; inherent and consequent resolutions
  - agenda item 2. Amendment of the Framework Agreement with Renergetica S.p.A.; inherent and consequent resolutions

- Board of Directors' meeting of 12 May 2022:
  - agenda item 3. Quarterly forecast for the annual investments budget
  - agenda item 4. Remuneration of the Chairman and Chief Executive Officer
  - agenda item 5. New transaction in the renewable energy sector in Italy; inherent and consequent resolutions
  - agenda item 6. Addendum to the Share Purchase Agreement signed with VEI Green S.r.l. in 2017

- Board of Directors' meeting of 13 June 2022:
  - agenda item 1. Settlement agreement with EON; inherent and consequent resolutions
  - agenda item 2. Contracts for the establishment of rights in rem; inherent and consequent resolutions
  - agenda item 2. New contract for the establishment of rights in rem in Spain

- Board of Directors' meeting of 15 July 2022:
  - agenda item 1. New transaction in the renewable energy sector in Italy; inherent and consequent resolutions

- Board of Directors' meeting of 02 August 2022:
  - agenda item 3. Quarterly forecast for the annual investments budget

- Board of Directors' meeting of 29 September 2022:
  - agenda item 2. Procurement of the natural gas necessary for the operation of the ERG Power S.r.l. CCGT plant for the 2022-2023 thermal year; inherent and consequent resolutions

- Board of Directors' meeting of 12 October 2022:
  - agenda item 1. New transaction in the renewable energy sector in Northern Ireland; inherent and consequent resolutions

- Board of Directors' meeting of 10 November 2022:
  - agenda item 3. Quarterly forecast for the annual investments budget
  - agenda item 4. Establishment of new companies in Spain and France; inherent and consequent resolutions
  - agenda item 5. New transaction in the renewable energy sector in Italy; inherent and consequent resolutions

- Board of Directors' meeting of 15 December 2022:
  - agenda item 1. Investment budget for 2023
  - agenda item 2. Exercise of the put option on the shares of the investee Righill Wind Farm Ltd; inherent and consequent resolutions
  - agenda item 3. Transactions in the renewable energy sector in Italy; inherent and consequent resolutions
  - agenda item 4. Contracts for the establishment of rights in rem; inherent and consequent resolutions
  - agenda item 5. Multi-year electricity supply contracts in Italy and Sweden; inherent and consequent resolutions
  - agenda item 6. Calendar of meetings of corporate bodies for 2023

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
Press release of 12 January 2023	Scotland	Wind	ERG announces the commissioning of the Creag Riabhach wind farm in the county of Sutherland, in the north of Scotland. The wind farm has a total installed capacity of 92.4 MW and an overall annual production of 271 GWh at full capacity, avoiding the emission of 125 kt of 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 January 2023	**Italy**	**Corporate**	Sustainalytics assigned ERG a 'Low Risk' rating with a score of 14.6 compared to the Medium Risk (20.7) recorded the previous year, improving the ESG risk profile of the Group, which ranks 5th (out of 75) among Independent Power Producers globally. In addition, ERG was included among the "Global 100 most sustainable corporations in the world", ranking 54th in the 2023 index, first among the Italian companies included in the list.
Press release of 31 January 2023	**Italy**	**Corporate**	ERG confirms its place in the Bloomberg Gender Equality Index. The Group enters the first quartile of the ranking
Press release of 9 March 2023	Italy	Wind	EssilorLuxottica and ERG sign a long-term agreement for the supply of electricity from renewable sources in Italy.

BUSINESS OUTLOOK

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

It should be noted that ERG, in line with the best practices in the sector and its consolidated risk policy, has in recent years made forward sales, mainly through long-term supply contracts at fixed prices (so-called PPAs) and forward contracts also through derivative financial instruments.

These hedges, carried out with a portfolio approach by the Group's Energy Management through ERG Power Generation S.p.A., are allocated from a management standpoint to the various project companies, which own the Production Units (PUs). The hedge allocation criterion follows a cascade mechanism which, with the idea of mitigating the associated risks, has the following order of priority:

1) electricity produced by PUs that do not have an incentive mechanism and are therefore fully exposed to the risk of market price volatility;
2) electricity produced by PUs that are subject to "Feed in Premium" tariffs, or mechanisms that provide for an incentive that is added to the market price;
3) any residual hedges are finally attributed to the quantities of electricity subject to for-difference incentive mechanisms, such as the former "green certificate" incentive tariffs (GRIN). However, no hedges are envisaged for production subject to two-way for-difference incentive mechanisms.

The expected evolution of the main performance indicators in 2023 compared to 2022 is shown below, net of the best estimate of the impacts deriving from the emergency measures (so-called clawback measures) envisaged in the various countries and/or at European level. It should be noted that the comparison with the previous year is also net of the aforementioned measures.

Italy

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

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

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

Abroad

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

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

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

2023 Guidance

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

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

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

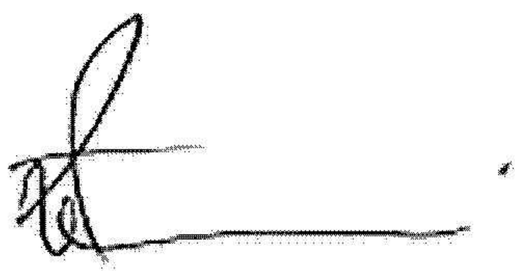
As regards the thermoelectric business, an asset sale process is underway. For this reason, the relative results are not included in the continuing operations commented on above, and will be classified in the financial statements under discontinued operations.

Genoa, 13 March 2023

on behalf of the Board of Directors

The Chief Executive Officer

Renato Sturani



Consolidated Financial Statements

INCOME STATEMENT (1)

(EUR thousand)	Notes	2022	2021
Revenue	1	712,819	593,583
Other income	2	11,743	6,473
Other purchases	3	(15,038)	(9,772)
Services and other operating costs	4	(155,861)	(140,439)
Losses due to impairment of receivables		(300)	(8,420)
Personnel expense	5	(26,811)	(22,601)
GROSS OPERATING PROFIT (EBITDA)		**526,552**	**418,823**
Amortisation of intangible assets	20	(55,031)	(46,450)
Depreciation of property, plant and equipment	20	(174,862)	(150,529)
Reversals of impairment losses (impairment losses)	20	(43,185)	(25,516)
OPERATING PROFIT (EBIT)		**253,472**	**196,329**
Financial income	35	70,306	162,991
Financial expense	35	(86,221)	(204,037)
Net financial income (expense)		**(15,915)**	**(41,046)**
Net gains (losses) on equity-accounted investments	23	(0)	-
Other net gains (losses) on equity investments	23	(188)	(70)
Gains (losses) on equity investments		**(188)**	**(70)**
PROFIT (LOSS) BEFORE TAXES		**237,370**	**155,213**
Income taxes	39	(105,667)	(37,678)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**131,702**	**117,535**
Net profit (loss) from assets held for sale		296,131	88,488
PROFIT FOR THE YEAR		**427,834**	**206,023**
Non-controlling interests		(4,158)	(1,553)
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**423,675**	**204,470**

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

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

STATEMENT OF COMPREHENSIVE INCOME (1)

(EUR thousand)	Notes	2022	2021
Profit for the year		**427,587**	**210,198**
Changes that will not be reclassified to profit or loss			
Actuarial change provisions for employee benefits		79	138
Related tax		(19)	(33)
	13	**60**	**105**
Changes that will be reclassified to profit or loss			
Changes in the hedging reserve		262,844	(368,408)
Related tax		(63,083)	88,418
	27	**199,761**	**(279,990)**
Changes in the translation reserve		(21,195)	5,230
Related tax		4,023	(993)
	27	**(17,172)**	**4,237**
Other comprehensive income (expense) net of the tax effect		**182,649**	**(275,648)**
Comprehensive income for the period		**610,236**	**(65,450)**
Comprehensive income attributable to non-controlling interests		**4,158**	**1,553**
Comprehensive income attributable to the owners of the parent		**606,077**	**(67,003)**

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

STATEMENT OF FINANCIAL POSITION (1)

(EUR thousand)	Notes	31/12/2022	31/12/2021
ACTIVITIES			
Authorisations and Concessions	14	931,901	655,141
Other intangible assets	15	13,813	5,820
Goodwill	16	408,042	306,114
Property, plant and equipment	17	2,111,576	1,912,350
Right-of-use assets	18	152,358	125,356
Equity investments:		1,228	11,653
- carried at equity	22	-	*11,232*
- other equity investments	22	*1,228*	*421*
Financial assets measured at fair value		5,436	-
Other non-current financial assets	24	36,765	32,939
Deferred tax assets	40	150,166	147,291
Other non-current assets	10	53,130	54,088
Non-current assets		**3,864,416**	**3,250,750**
Inventories	7	17,602	32,300
Trade receivables	6	203,789	320,775
Other receivables and current assets	8	92,738	130,295
Current tax assets	40	26,131	14,672
Financial assets measured at fair value	30	105,813	146,037
Current financial assets	31	127,527	128,005
Cash and cash equivalents	29	110,714	132,774
Current assets		**684,315**	**904,858**
Assets held for sale	42	**226,085**	**822,147**
TOTAL ASSETS		**4,774,816**	**4,977,754**
Share capital	27	100,000	100,000
Other Reserves	27	2,536,485	1,870,583
Retained earnings	27	461,887	269,822
Profit for the year	27	423,428	208,645
Equity attributable to the owners of the parent		**3,521,800**	**2,449,050**
Non-controlling interests	28	9,336	9,639
Equity		**3,531,136**	**2,458,689**
LIABILITIES			
Employee benefits	13	2,513	3,261
Deferred tax liabilities	40	191,727	102,609
Provisions for dismantling expenses	19	92,613	60,908
Other non-current provisions	25	31,960	14,724
Financial liabilities measured at fair value	34	(0)	37,692
Non-current financial liabilities	32	158,249	224,018
Non-current lease liabilities	33	149,624	122,104
Other non-current liabilities	12	30,989	31,487
Non-current liabilities		**657,674**	**596,802**
Other current provisions	25	37,572	50,174
Trade payables	8	125,465	246,322
Financial liabilities measured at fair value	34	76,644	170,857
Current financial liabilities	32	120,733	1,299,154
Current lease liabilities	33	5,741	5,522
Other current liabilities	11	78,059	62,870
Current tax liabilities	40	52,373	17,649
Current liabilities		**496,586**	**1,852,547**
TOTAL LIABILITIES		**1,154,260**	**2,449,349**
Liabilities related to assets held for sale	42	**89,420**	**69,716**
TOTAL EQUITY AND LIABILITIES		**4,774,816**	**4,977,754**

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

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

STATEMENT OF CASH FLOWS (1) (2)

(EUR thousand)	Note	2022	2021
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A):			
Profit for the year		427,587	121,710
Amortisation, depreciation and impairment of non-current assets	20	276,258	221,681
Increase in other provisions	19-25-26	33,027	16,581
Decrease in other provisions	19-25-26	(14,695)	(3,653)
Impairment of current assets	6	300	8,420
Gains (losses) on equity investments	23	188	70
Changes to post-employment benefits	13	(116)	457
Financial expense	36	16,162	40,836
Income taxes	40-41	105,667	37,678
Other changes in non-monetary items	28	(177,456)	(22,166)
		666,922	**421,613**
Change in other current assets and liabilities:			
Change in inventories	7	(680)	167
Change in trade receivables	6	99,722	(119,079)
Change in trade payables	8	(78,639)	117,516
- Net change in other receivables/payables and other assets/liabilities	9-10-11-12	(36,207)	(34,843)
Change in fair value of hedging derivatives on commodities with monetary expression	37-38	(34,549)	(321,038)
Tax payment	40-41	(89,795)	(61,278)
		(140,148)	**(418,554)**
CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS (A)		**526,774**	**3,058**
CASH FLOWS FROM OPERATING ACTIVITIES OF ASSETS HELD FOR SALE	43	*(43,594)*	*217,058*
CASH FLOWS FROM OPERATING ACTIVITIES		**483,180**	**220,116**
CASH FLOWS FROM INVESTING ACTIVITIES (B):			
Acquisitions of intangible assets and goodwill	14-15	(2,577)	(3,749)
Acquisitions of property, plant and equipment	17	(308,077)	(222,718)
Acquisitions of equity investments and other non-current financial assets	24	(4,120)	8,320
Net change in other increases/decreases in non-current assets	14-15-16-18	(44,719)	(15,796)
Net change in equity investment consolidation method	22	-	-
Collection from the sale of ERG Hydro	44	1,264,826	-
Disposals of intangible assets and goodwill	14-15	(7,425)	1,885
Disposals of property, plant and equipment and related gains/losses	17	513	2,422
Disposals of equity investments and other non-current financial assets	24-31	(995)	501
Net change in other current financial assets	31-32	39,045	(169,365)
Change in the Consolidation Scope due to business combination (3)	45	(392,232)	(19,247)
Change in the Consolidation Scope due to acquisition of assets (3)	45	(23,467)	(31,612)
CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS (B)		**520,773**	**(449,360)**
CASH FLOWS FROM INVESTING ACTIVITIES OF ASSETS HELD FOR SALE	43	*4,407*	*(31,761)*
CASH FLOWS FROM INVESTING ACTIVITIES		**525,180**	**(481,121)**
CASH FLOWS FROM FINANCING ACTIVITIES (C):			
Decrease in non-current loans	33	(90,218)	(306,848)
Net change in loans to Group companies not consolidated line by line	33	(1,232,347)	925,770
Net change in other current financial assets/liabilities	33	(183,153)	(432,549)
Net change in current bank loans and borrowings	33	-	-
Interest paid	36	(19,780)	(26,062)
Early closure of loans	36	(2,900)	346,135
Capital increase	28	517,000	-
Dividends paid to third parties	28-29	(54,462)	(51,480)
Decrease in lease liabilities	34	(3,747)	(3,047)
CASH FLOWS FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS (C):		**(1,069,607)**	**451,919**
CASH FLOWS FROM FINANCING ACTIVITIES OF ASSETS HELD FOR SALE	43	*29,189*	*(106,230)*
CASH FLOWS FROM FINANCING ACTIVITIES		**(1,040,418)**	**345,689**
FLUSSI FINANZIARI NETTI DEL PERIODO (A+B+C)		**(22,060)**	**5,618**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**132,774**	**117,147**
NET CASH FLOWS FOR THE YEAR		(22,060)	5,618
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**110,713**	**122,765**

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

(2) The figures include the flows generated by the "Assets and liabilities held for sale". The flows generated by the "Assets and liabilities held for sale" are indicated separately for the financial flows deriving from Operating, Investing and Financing activities, respectively. The flows of "Continuing operations" are obtained by adding together the above items.

STATEMENT OF CHANGES IN EQUITY (1) (2)

(EUR thousand)	Share capital	Reserves	Profit (loss) for the year	Equity attributable to the owners of the parent	Non-controlling interests	Equity
BALANCE AT 31/12/2020	**100,000**	**2,323,978**	**142,578**	**2,566,556**	**9,669**	**2,576,225**
Allocation of 2021 profit	-	142,578	(142,578)	-	0	-
Transactions with Shareholders						
Distribution of dividends	-	(50,000)	-	(50,000)	(1,584)	(51,584)
Acquisitions of companies with third parties	0			-	-	-
Other changes	0	(502)	-	(502)	-	(502)
Profit (loss) 2021	-	-	208,645	208,645	1,553	210,198
Actuarial gains (losses)	-	105	-	105	-	105
Changes in the hedging reserve	-	(279,990)	-	(279,990)	-	(279,990)
Changes in the translation reserve	-	4,237	-	4,237	-	4,237
Comprehensive income (expense)	**-**	**(275,648)**	**208,645**	**(67,003)**	**1,553**	**(65,450)**
Balance at 31/12/2021	**100,000**	**2,140,405**	**208,645**	**2,449,050**	**9,639**	**2,458,689**
BALANCE AT 31/12/2021	**100,000**	**2,140,405**	**208,645**	**2,449,050**	**9,639**	**2,458,689**
Allocation of 2022 profit	-	208,645	(208,645)	-	-	-
Transactions with Shareholders						
Distribution of dividends	-	(50,001)	-	(50,001)	(4,461)	(54,462)
Capital increase	-	517,000		517,000	-	517,000
Other changes	-	(327)	-	(327)	-	(327)
Profit (loss) 2021	-	-	423,428	423,428	4,158	427,587
Actuarial gains (losses)	-	60	-	60	-	60
Changes in the hedging reserve	-	199,761	-	199,761	-	199,761
Changes in the translation reserve	-	(17,172)	-	(17,172)	-	(17,172)
Comprehensive income (expense)	**-**	**182,649**	**423,428**	**606,077**	**4,158**	**610,236**
BALANCE AT 31/12/2022	**100,000**	**2,998,370**	**423,428**	**3,521,800**	**9,336**	**3,531,136**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. INTRODUCTION

ERG Power Generation S.p.A. is the entity that prepares the Financial Statements and has its registered office in via De Marini 1, Genoa (WTC Tower), Italy.

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

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

The publication of these Consolidated Financial Statements was authorised by the Board of Directors on 13 March 2023.

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

BASIS OF PREPARATION

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

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

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

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

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

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

BASIS OF PRESENTATION

These Financial Statements consist of:

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

- the **Notes to the Consolidated Financial Statements**.

Furthermore, as required by CONSOB resolution no. 15519 dated 27 July 2006 in **Note 46 – Non-recurring items**, significant income and expense arising from non-recurring transactions or events that do not occur frequently in the ordinary course of business are presented separately in the income statement. Also pursuant to the aforementioned CONSOB resolution, the amounts related to the positions and transactions with related parties, which are not considered significant for these Consolidated Financial Statements, are indicated separately in **Note 47 – Related parties**.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Definition and recognition and measurement criteria

Preparation of the financial statements and notes to the financial statements pursuant to IFRS requires ERG to make estimates and assumptions that affect the carrying values of the assets, liabilities, costs and revenue recognised in the Financial Statements and disclosures relating to contingent assets and liabilities. Available information and subjective evaluations were used to obtain these estimates.

By their very nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that, in subsequent years, the current carrying amounts may differ as a result of the change in the subjective assessments used.
With regard to the sale of the Thermoelectric business, the Regulatory measures to curb energy price rises and the War events in Ukraine, please refer to the following section.

Financial Statement Area	Description of the accounting estimates and assumptions
Impairment testing of goodwill, authorisations and concessions, intangible assets, property, plant and equipment and right-of-use assets	The main assumptions for determining the recoverable amounts concern, in particular: • the identification of expected energy and gas prices; • the assessment of the availability of renewable resources, changes to the regulatory framework; • the identification of macroeconomic variables such as inflation and discount rates. The Group has assessed the existence of indications of possible impairment of recoverable amounts considering available internal and external information sources and has evaluated whether the effects (direct and indirect) of Russia's invasion of Ukraine specifically constituted an indication of impairment. In analysing these factors, the Group has considered three different scenarios that may have an impact on the recoverability of the value of the assets: • the duration of the conflict; • the intensity of the negative effects; • the exposure to the risk of impairment before the conflict. For more details, see **Note 21 – Impairment test**.
Definition of the useful life of Authorisations and Concessions, other intangible assets, property, plant and equipment and the related amortisation and depreciation	Authorisations and Concessions are amortised on the basis of their residual duration. Other intangible assets are amortised over a maximum period of 5 years. The useful life of property, plant and equipment is reviewed annually and adjusted where the most recent estimate differs from those previously. Any changes in estimates relating to useful life are recognised prospectively. If an item of property, plant and equipment comprises various parts having different useful lives, these parts are recognised separately (significant components). Freely transferable assets are depreciated over the estimated life of the asset or the concession term, whichever is shorter. See Section **III. Investing Activities** for more details.
Recoverability of deferred tax assets	These are recognised on the basis of the Group's future taxability of profits as forecast by business plans as well as of the expected settlement and renewal of tax consolidation agreements (**Note 42 – Deferred taxes**).

Financial Statement Area	Description of the accounting estimates and assumptions
Measurement of provisions and contingent liabilities related to civil, administrative and tax proceedings	The valuation processes are based on complex elements that by their nature imply reliance on the Directors' judgement, also taking into account the elements acquired by external consultants, and involve both determining the degree of likelihood of the occurrence of conditions that may entail a cash outlay and hence classification among liabilities or among contingent liabilities, and quantifying the related amount. See section **IV. Provisions and Contingent Liabilities**. In particular, with reference to the Provision for Disposed Businesses the most complex elements and uncertainties are connected with the process and with the measurement procedures related to the risks tied mainly to events dating back in time and pertaining to environmental, legal and tax matters tied to the divested "Oil" businesses of Coastal Refining and integrated Downstream (**Note 25 – Provision for Disposed Businesses**).
Determination of loss allowances and impairment of other assets	Trade receivables and other receivables and assets deriving from contracts with customers are subject to impairment testing in accordance with the provisions of IFRS 9 on expected credit losses. Expected credit losses (ECL) are an estimate of losses weighted on the basis of the probability of default of the counterparty. See **Note 6 – Trade receivables**.
Fair value measurements	Some standards and disclosure obligations require the Group to measure the fair value of financial and non-financial assets and liabilities. The Group has its own structure of appraisers, responsible in general for all significant fair value measurements, including Level 3 measurements (if present). Non-observable input data and valuation adjustments are subjected to regular reappraisal. When information provided by third parties, such as broker quotes or pricing services, is used to determine fair value, the team of appraisers assesses and documents the evidence obtained from third parties to support the fact that such measurements comply with the provisions of EU-IFRS, including the level of fair value hierarchy in which the related measurement has to be classified. The significant aspects relating to the measurement are communicated to the Control and Risk Committee of the Group. See also **Section V. Financing activities**.
Business Combination	Fair value measurement of the consideration transferred (including the contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis if at the Reporting Date the initial accounting for the business combination is still provisional.
Determination of the discount rate of financial liabilities and valuation of the renewal options for Right-of-use assets	The borrowing rate used is the incremental borrowing rate, determined as the sum of the Group's credit spread and the forward curve based on Euro area swap rates. In relation to the renewal options, the Group estimated the term of the related lease agreements taking into account the reasonable certainty that the option will be exercised. See also **Note 18 – Right-of-use assets**.

Sale of the Thermoelectric and Hydroelectric Businesses

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

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

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

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

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

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

(EUR million)

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

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

In particular, in Italy reference is made to:

- the *extra-profit contribution* introduced by Italian Decree Law of 21 March 2022;
- the 2023 temporary solidarity contribution introduced by the Budget Law for 2023 (Italian Law no. 197 of 29 December 2022);
- Art. 15-bis of Italian Decree Law no. 4/2022 (Sostegni-Ter)

Abroad, reference is made to:

- the application of the "Windfall Tax" legislation in Romania;
- price cap regulations.

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

The war in Ukraine

In view of the war that broke in Ukraine at the end of February 2022, management is monitoring any critical issues and impacts that the conflict could have on the ERG Group, in particular with reference to credit risk, security and business continuity.

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

In relation to **plant safety**, note the position of some of the Group's wind farms in Eastern Europe (Poland and Romania) close to the Ukrainian border: since these are countries that are part of NATO, there are currently no risks directly linked to the conflict although, in the event of escalation, possible risks of cyber attacks that could indirectly impact our facilities cannot be ruled out.

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

The geopolitical tensions are significantly impacting the financial and commodities markets, with a sharp increase in rates and gas and electricity prices, in respect of which further regulatory measures in the energy sector cannot

be ruled out. Finally, there is a general increase in the prices of raw materials and finished products, aggravated by geopolitical tensions, the effects of which may impact investments of projects under construction in the short/medium term. The uncertainty profiles resulting from the current macroeconomic scenario, with particular reference to interest rate dynamics and possible further regulatory interventions in the energy sector, may impact the assessment on the recoverability values of assets recognised in property, plant and equipment and intangible assets.

Climate Change risk

Climate change risk is the possibility that climate changes in the short, medium and long term may have impacts on ERG's business with economic/financial consequences in terms of (some examples): decreased availability of renewable resources (wind and sun); limitations or impediments to operations, increased Operation & Maintenance costs, increased insurance costs, higher compliance costs, etc.

To combat the climate change already underway, the Intergovernmental Panel on Climate Change (IPCC) has highlighted in its publications the effects that global warming may have and in part is already having on the planet (among others – intensification of heat waves and of extreme weather events, rising sea levels, thinning Arctic sea ice and continental glaciers) and the importance of keeping the rise of average temperatures under 2°C. The path to reach this goal requires timely interventions in all sectors of the economy and industry on a global scale and the Energy sector is one of the key factors to assure the planet's sustainability.

In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published a series of recommendations on the reporting on risks and the related opportunities, also issued by the European Commission in the publication of June 2019. The TCFD guidelines require providing disclosure with respect to four broad topic areas: Governance; Strategy; Risk Management; Metrics & Targets.

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

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

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

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

- Change in the contributions from renewable sources (wind and sun) which may have impacts on ERG's business with consequences from an economic-financial point of view in the medium/long term deriving from possible lower output. In light of the uncertainties regarding the potential effects of a worsening of weather conditions in the areas in which ERG is present and the potential compensatory effects deriving from the Group's increasing geographical complementarity, it was not considered appropriate to reflect any negative effects in the medium-term

(Market Plan) and long-term (impairment test) Business Plans. It should be noted that, following the sale of the hydroelectric business, the Group is no longer subject to the volatility of the availability of water resources, which, in the past, have been more volatile than wind and solar power.

- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural events that could cause damage to production plants, impacting Business Continuity. The "acute" phenomena category includes risks characterised by a remote probability of occurrence but a potentially catastrophic impact, including: fires; earthquakes, volcanic phenomena, hurricanes, tsunamis/floods; while the increase in average temperature, rise in sea level, reduction in rainfall fall into the category of "chronic" events.
- Regulatory and market changes referring in particular to any changes in subsidies and incentives, change in the regulatory framework, uncertainty in the demand for electricity, increased competitive pressure.

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

- the reduction of the impacts related to catastrophic events through Business Continuity Management processes (for the physical protection of assets) and Disaster Recovery Plans, in particular in the ICT field;
- technological diversification of renewable energy plants (e.g. Wind and Solar) and the geographical diversification of generation facilities, which reduce both the impact and the probability of the risk occurring;
- the planning of renewable plant shutdowns on the basis of periods of low utilisation of renewables, thus reducing their impact;
- the use of more accurate weather forecasting tools (Wind and Sun) to define generation plans and further improve Volume Risk Management strategies in the short term;
- the use of statistical risk analysis models, which make it possible to quantify the economic impacts over the life of the Business Plan;
- the transfer of risks to the insurance market. In particular, all extreme meteorological phenomena are covered (fires; earthquakes; volcanic phenomena; hurricanes; tsunamis/floods);
- the reduction of the impacts linked to the change in contributions from renewable sources and regulatory and market changes mainly through geographical diversification which allows the Group to make the most of synergies in the areas in which its assets are located, and consequently to mitigate the impacts of the aforementioned risks.

It should also be noted that the Group uses management, prevention and protection strategies to reduce the possible impacts on the areas surrounding its assets. Furthermore, the assets most exposed to extreme weather events or natural disasters are regularly checked and maintained in order to ensure that they are in the best possible condition to cope with extreme weather events.

All of the Group's production sites located in Italy are also subject to ISO environmental certifications and potential sources of risk are monitored so that any critical issues can be detected promptly.

In addition, over the years the Group has demonstrated its ability to anticipate radical changes in the context in which it operates, promptly modifying its growth strategy. Over the years, ERG has transformed from an operator in the

refinement and distribution of fuels to a primary operator in Italy and Europe in the generation of electricity from renewable sources. ERG is committed, through its own targets of investment in "zero emission" green technologies and in particular in wind and in solar power, to providing its own contribution to the fight against climate change in line with the objectives of COP21 and the recent COP27.

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

BASIS OF CONSOLIDATION AND CHANGES IN THE SCOPE OF CONSOLIDATION

Definition and recognition and measurement criteria

Consolidation criteria and methods[3]

Subsidiaries are consolidated on a line-by-line basis if, and only if, the Group has:

- *power over the investee;*
- *exposure, or rights, to variable returns deriving from the relationship with the investee;*
- *ability to exercise its power over the investee to affect the amount of its returns.*

When assessing control, IFRS 10 requires judgment and continuous assessment. For details on when the equity interest does not imply de facto control, please refer to ***Note 48 - List of Group companies and transactions during the year.***

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the time the parent starts exercising control until the date on which control ceases.

Associates over which the Group exercises a significant influence (generally corresponding to an equity investment of between 20% and 50%) are accounted for using the equity method.

For the purposes of the disclosure of the nature, extent and financial effects of the Group's interests in subsidiaries, please refer to ***Note 48 – List of Group companies and transactions during the year*** *and* ***Note 29 – Non-controlling interests.***

Translation of financial statements in currencies other than the Euro (i.e. foreign operations) and functional currency

The Group's functional currency is the Euro. The financial statements of subsidiaries expressed in currencies other than the Euro are converted according to the following methods:

- *The assets and liabilities, including goodwill and adjustments to fair value deriving from the acquisition, are translated into Euro using the closing rates.*
- *The revenue and costs of foreign operations in the income statement and in the statement of comprehensive income are converted into Euro using the average rate for the period.*

Exchange differences are recognised in the Statement of comprehensive income and included in the translation reserve, with the exception of the exchange differences that are attributed to non-controlling interests.

The exchange rates used for the translation and the consolidation of financial statements in currencies other than the Euro are as follows:

exchange rate: foreign currency/EUR	***Currency***	***Statement of financial position*** [1]	***Income Statement*** [2]
Poland	**PLN - Zloty**	4.681	4.686
Romania	**RON - Romanian Leu**	4.949	4.931
UK	**GBP - British Pound**	0.887	0.853
Bulgaria	**BGN - Bulgarian LEV**	1.956	1.956
Sweden	**SEK - Swedish Krona**	11.120	10.630

(1) Cambio al 31 dicembre 2022.
(2) Cambio medio del 2022.

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

SOLAR

- on **31 January 2022** ERG, through its Spanish holding, completed the acquisition from GEI Subasta 1 SA of 100% of two companies under Spanish law owning two solar plants in operation located in southern Spain for a total of 91.6 MW. The consideration for the transaction amounted to EUR 96 million.
- On **7 July 2022**, ERG, through its subsidiary ERG Solar Holding 2 S.r.l., finalised the acquisition from ABN AMRO Sustainable Impact Fund PE B.V. of 100% of the capital of MP Solar B.V., owner, through seven Italian companies, of eighteen operational photovoltaic plants located in Puglia, Molise, Lazio and Sardinia. The plants, with a total installed capacity of 33.8 MW and a total annual output of 46 GWh, came into operation between the end of 2010 and 2011 and benefit from the tariff regime under the so-called Feed-in Tariff (II, III and IV). The transaction fee in terms of enterprise value at 31 December 2021 was approximately EUR 128 million, and the 2021 EBITDA was EUR 17 million.

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

WIND/

- On 9 September 2022, ERG, through a subsidiary, completed the acquisition from EDP Renewables Italia Holding S.r.l. of the entire share capital of seven companies, owners of seven wind farms located in Italy. The agreement envisages that a minority interest in one of the aforementioned companies be sold to ERG directly by a third party investor. The plants are located in Basilicata, Campania and Calabria and have a total installed capacity of 172 MW, corresponding to an estimated annual production of approximately 400 GWh.
  All the plants benefit from a 20-year "CfD" (Contract for Difference) pricing scheme with the GSE beginning from their entry into operations, occurring between 2018 and the end of 2021.
  The transaction fee in terms of enterprise value at 31 December 2021 was approximately EUR 420 million. The portfolio recorded an EBITDA of approximately EUR 36 million for the first half of 2022. The wind farms, acquired by EDP Renewables Italia Holding S.r.l.,

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

In the current year, therefore, a capital gain was recognised, determined on the basis of the provisional price commented above, of approximately EUR 326 million, net of ancillary sale and organisational restructuring costs and the related taxes.

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

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

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

The table above provides a breakdown of the assets acquired and the liabilities assumed inclusive of the impacts of the adoption of IFRS 16.

*The impact on the Net Financial Position relates to the following items: cash and cash equivalents (which includes the consideration paid for the acquisition), non-current financial liabilities, non-current lease liabilities and current financial liabilities.

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

II. OPERATIONAL MANAGEMENT

This section discusses the items in the Consolidated Financial Statements strictly related to the operating and current management of the Group's assets as well as the reporting by operating segment. In particular, it discusses the income statement items that make up the gross operating profit (EBITDA) and the statement of financial position items relating to the operating working capital as well as other assets and liabilities.

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

REPORTING BY BUSINESS SEGMENT

Definition and recognition and measurement criteria

Following the aforementioned Asset Rotation process, starting from 2022, the operating results are presented and commented on with reference to the various geographical segments in which the Group operates, in line with the new internal methods for measuring the Group's results, and in line with the 2022-2026 Business Plan approved by the Board of Directors on 14 March 2022, aimed at reinvesting the resources deriving from divestments and the growth strategy in Wind and Solar through a policy of geographical and technological diversification.

It should be noted that the results, shown by geographical area as from 2022, drawn from this document, reflect the energy sales on markets by Group Energy Management, in addition to the application of effective hedges of the generation margin. The above mentioned hedges include, inter alia, the use of instruments by Energy Management to hedge the price risk. In order to give a clearer representation of business by geographic area and, secondarily, by technology, the wind and solar results include the hedging carried out in respect of renewables ("RES").

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

This information structure corresponds to the reporting structure periodically analysed by the Management and the Board of Directors of the Parent for the purposes of monitoring and managing business performance. The tables below show the information by geographic area and segment of the results indicated in the financial statements.

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

Please note that in the Report on Operations in order to facilitate an understanding of the operating segments' performance, the operating results are also shown with the exclusion of significant special income components of an exceptional nature (non-recurring items, reclassifications and other): these results are indicated with the term "adjusted".

For more information on the operating segment performance and the measurement and reconciliation of adjusted results and other alternative performance indicators, please refer to the Directors' Report and to ***Note 46 – Non-recurring items.***

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

Gross operating profit (EBITDA) and operating profit (EBIT) are determined by the operating activities of the Group that generate continuing revenue and by the other income and costs related to the operating activities. Gross operating profit (EBITDA) does not include net financial income and expense, gains and losses on equity investments, income taxes, amortisation, depreciation, reversals of impairment losses and impairment losses on:

- *Authorisations and concessions;*
- *Other intangible assets;*
- *Property, plant and equipment;*
- *Right-of-use assets.*

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

Reporting by geographical area

2022

(EUR million)	TOTAL	of which Italy	France	Germany	Poland	Bulgaria	Romania	UK	Spain	Sweden
Revenue	**713**	399	98	94	25	36	39	34	22	-
Gross operating profit (EBITDA)	**527**	281	58	73	18	26	28	24	18	(0)
Amortisation, depreciation and impairment losses	**(273)**	(172)	(47)	(29)	(6)	(4)	(5)	(5)	(4)	-
Operating profit (EBIT)	**253**	109	10	44	12	22	23	20	14	(0)
Capital expenditure in non-current assets	**304**	114	11	1	20	0	0	123	-	36

2021

(EUR million)	TOTAL	of which Italy	France	Germany	Poland	Bulgaria	Romania	UK	Spain	Sweden
Revenue	**594**	419	85	45	19	12	13	-	-	-
Gross operating profit (EBITDA)	**419**	298	59	31	15	9	8	(1)	-	-
Amortisation, depreciation and impairment losses	**(222)**	(139)	(35)	(34)	(6)	(4)	(5)	(0)	-	-
Operating profit (EBIT)	**196**	159	25	(3)	9	5	3	(1)	-	-
Capital expenditure in non-current assets	**227**	36	7	-	47	-	-	123	-	16

Reporting by segment

2022

(EUR million)	TOTAL	of which Wind	Solar	Corporate
Revenue	713	602	111	-
Gross operating profit (EBITDA)	527	443	94	(10)
Amortisation, depreciation and impairment losses	(273)	(196)	(77)	-
Operating profit (EBIT)	253	247	17	(10)
Capital expenditure in non-current assets	304	289	15	-

2021

(EUR million)	TOTAL	of which Wind	Solar	Corporate
Revenue	594	557	38	-
Gross operating profit (EBITDA)	419	358	66	(5)
Amortisation, depreciation and impairment losses	(222)	(180)	(42)	-
Operating profit (EBIT)	196	178	24	(5)
Capital expenditure in non-current assets	227	223	1	2

REVENUES AND OPERATING MARGINS

NOTE 1 - REVENUE

Definition and recognition and measurement criteria

Revenue from contracts with customers is recognised in accordance with IFRS 15.

The main types of revenue of the Group that generate separate performance obligations, pursuant to IFRS 15, are:

1. *Revenue from the sale of commodities;*
   - *Sales of electricity on the electricity exchange;*
   - *Sale of electricity through Power Purchase Agreements (PPAs).*
2. *Revenue for incentivising tariffs (feed-in tariff, auctions, feed-in premiums, etc.) on electricity;*
3. *Revenue for green certificates (foreign companies) and guarantees of origin.*

The Power Purchase Agreements (PPAs) are long-term and characterised by a defined price and aim to guarantee a revenue structure with a medium/low level of risk and to ensure a stable return on the investments made to realise the aforementioned growth plan.
The Group stipulates commodity derivatives to manage the risk of volatility in the price of electricity. Revenue includes also income and expenses deriving from the reclassification of the hedging reserve relating to derivative instruments with the objective of hedging Power and Gas sales. For further details, please refer to ***Note 38 – Disclosure on financial risks****.*
As regards revenue for the ***feed-in premium****, with a duration between 10 and 20 years, this may be invoiced to the customer together with the electricity transferred, or applied separately by the Regulators to the company (in Italy typically by the GSE). These agreements are considered to be distinct performance obligations from the supply of energy and, in the event that they are billed together with the price for energy sold to the customer, the revenue from the customer excludes the feed-in premium portion. The feed-in premium performance obligation is fulfilled at a point in time (when the specific conditions agreed with the Regulator are met/reached: production of electricity from renewable sources), since none of the criteria for fulfilment over time has been met. However, in view of the fact that the electricity is produced and sold at essentially the same time, the accounting of revenue for the feed-in premium corresponds to that of the revenue for the sale of electricity.*
With particular reference to revenues for the feed-in premium regulated with auctions and the two-way incentive mechanism, such incentives could take the form of derivative financial instruments under certain conditions. It should be noted that, at the date of this Document, there are no two-way incentive mechanisms falling within the definition of derivative financial instrument (IFRS 9).
As regards ***revenue for certificates****, with a duration between 10 and 20 years, this derives from the fact that the Group has mainly renewable generation assets (Wind and Solar) for whose production the Regulators assign certificates to the Group. Certificates are therefore instruments to encourage the demand (Certificates of Origin) and supply (Green Certificates) of renewable energy.*
Green Certificates are awarded substantially for each MWh of electricity produced. A Guarantee of Origin (GO) is an electronic certificate attesting to the renewable origin of the sources used by IGO qualified plants, and for each MWh of renewable electricity fed into the network by IGO qualified plants, the GSE issues a "GO" certificate.
The Group considers the certificate to have been essentially assigned at the moment the renewable energy is produced, and revenue is recognised when the energy is produced.
The following information is also noted in relation to the disclosure requirements of IFRS 15:

- *there are no contracts with significant financing components;*
- *there are no contracts with variable fees;*
- *as a practical measure, the entity recognised the incremental costs to obtain the contract as expenditure in the moment in which they were incurred, since the period of depreciation of the assets that the entity would otherwise recognise does not exceed one year.*

As previously mentioned, it should be noted that following the sale of the Thermoelectric Business, the contribution of the Thermoelectric Business has been shown in this document under the item "Net profit of assets held for sale", in accordance with IFRS 5.
Furthermore, again in application of IFRS 5, the 2021 comparative data relating to the thermoelectric and hydroelectric contribution are restated under item "Net profit of assets held for sale".

2022

(EUR thousand)	Wind Italy	Solar Italy	Wind Abroad	Solar Abroad	Corporate	Total
Revenue from sales						
Energy to the market	204,282	20,880	142,290	-	-	367,452
Incentive rate - Feed in Tariff	73,149	76,457	159,819	9,036	-	318,461
Green Certificates abroad	-	-	14,060	-	-	14,060
Total Revenue from sales	**277,431**	**97,337**	**316,169**	**9,036**	**-**	**699,973**
Revenue from the provision of services						
Other - Services	-	-	-	-	12,845	12,845
Total Revenue for services	**-**	**-**	**-**	**-**	**12,845**	**12,845**
Total Revenue	**277,431**	**97,337**	**316,169**	**9,036**	**12,845**	**712,819**

The increase in the item compared to 2021 is mainly due to the contribution of the new photovoltaic and wind plants acquired and those that entered into operation in Italy and abroad, as well as the higher volumes resulting from the increased capacity.

For further details regarding the prices and quantities sold, please refer to the comments in the **Directors' Report**.

Revenue from energy sales to the market includes the net negative impact of EUR 114 million (negative EUR 142 million in 2021) of commodity hedging derivatives. Please refer to **Note 38 – Disclosure on financial risks for further details**.

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

The timeframe for the collection of receivables related to revenue depends on the type of revenue. Receivables for energy sold to the market have average realisation times of less than three months, for contracts with end customers and for transport revenue the time-frame varies according to the counterparty.

As regards the timeframe for the distribution of incentives in Italy for the generic "m" month the payment, following publication of the report highlighting the incentives due for the month "m+1", takes place by the end of the "m+2" month.

As early as 2021, the Group, as a leader in the generation of electricity from renewable sources and based on a strategic plan geared towards growth in installed capacity in Italy and abroad, began to enter into medium/long-term supply contracts on the basis of which the counterparty acquires, for a contractually predetermined period, the output of one or more identified farms.

The Power Purchase Agreements (PPAs) are long-term and characterised by a defined price and aim to guarantee a revenue structure with a medium/low level of risk and to ensure a stable return on the investments made to realise the aforementioned growth plan.

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

COUNTRY	START DATE/ DURATION	COUNTERPARTY	VOLUME	TIPOLOGIA	PRICE	PLANTS/ CAPACITY	ACCOUNTING
ITALY	January 2022 / 10 years	TIM	≈340 GWh Baseload / Pay as produced	PHYSICAL	COLLAR	WIND ITALY Portfolio / 77 MW	IFSR 15
ITALY	January 2023 - January 2024 / 12 years	LUXOTTICA	≈70 GWh Baseload	PHYSICAL since January 2024	FIXED	Partinico / Monreale 42 MW	IFSR 15
FRANCE	May - September 2021 /5 years	ENGIE	≈45 GWh Pay as produced	PHYSICAL	FIXED	Bois Bigot / Bois de l'Arche / 21 MW	IFSR 15
FRANCE	October - Dicember 2021 /5 years	ENGIE	≈100 GWh Pay as produced	PHYSICAL	FIXED	Theta Portfolio / 55 MW	IFSR 15
UK	January 2022 /6 years	ELECTROROUTE	≈240 GWh Pay as produced	PHYSICAL	FIXED	Evishagaran / Craggoire / 70 MW	IFSR 15
UK	January 2023 - January 2024 / 10 years	ENGIE UK	≈530 GWh Baseload	PHYSICAL	FIXED	Sandy Knowe/ Crreagh Riabhach/ 179 MW	IFSR 15

With regard to the PPA signed with Luxottica, see the Press Release of 9 March 2023

NOTE 2 - OTHER INCOME

Other income mainly includes insurance reimbursements, compensation and expense repayments, immaterial chargebacks to third parties and grants related to income.

(EUR million)	2022	2021
Indemnities	1,717	1,029
Other income	1,934	3,778
Non-recurring income	7,534	1,123
Reimbursement of expenses	558	543
Total	**11,743**	**6,472**

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

NOTE 3 - OTHER PURCHASES

This item, amounting to EUR 15,188 thousand (EUR 5,939 thousand in 2021), includes costs for the purchase of plant components (spare parts) with a useful life of not more than one year and consumables mainly in relation to wind farms, as well as energy purchase costs, recognised net of the net positive impact of EUR 11 million (positive EUR 43 million in 2021) of commodity hedging derivatives.

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

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

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

(EUR million)	2022	2021
Services	139,980	115,258
Accruals of provisions for liabilities and charges	1,313	9,862
Rental, lease and hire expenses	2,344	2,120
Taxes and duties	11,463	9,531
Impairment of receivables	300	8,420
Other operating costs	3,760	3,669
Total	**156,161**	**148,859**

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

The item "Provisions for risks and charges" mainly refers to disputes with local authorities and risks on potential higher contractual charges. Note that in 2021, the provision referred to disputes with local authorities and risks on potential higher contractual charges.

Taxes and duties refer mainly to the municipal taxes on Italian and foreign wind farms, and other taxes and duties in Italy and abroad.

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

Costs for services are broken down as follows:

(EUR million)	2022	2021
Costs for services from Group companies not consolidated line by line	32,761	38,771
Maintenance and repairs	39,921	33,412
IT services and overheads	21,375	13,595
Consultancy	11,383	7,671
Insurance	4,675	3,931
Royalties and surface rights	10,316	11,091
Costs for electricity transport	989	(0)
Utilities and consumption	12,738	4,794
Commercial, distribution and transport costs	2,765	1,967
Advertising and promotions	57	97
Total	**136,980**	**115,258**

- **Maintenance and repairs** consist mainly of the costs for routine maintenance of electricity generation plants. The increase refers to business combinations (acquisitions) carried out during the year as well as to the contribution of the wind farms that came into operation in the United Kingdom and in France.
- **Information Technology (IT) services and overheads** relate to IT services, bank expenses, overheads, security and cleaning services and ancillary personnel and HSE costs.
- **Consultancy services** includes mainly expenses for legal, technical and professional consultancy as well as expenses incurred for non-recurring transactions.
- **Utilities and supplies:** the change in the year mainly refers to the increase in utilities due to the fact that in 2021 some Italian companies were purchasing energy for utilities from ERG Power Generation S.p.A. while in 2022 the power for utilities was purchased from some third-party suppliers.

NOTE 5 - PERSONNEL EXPENSE

(EUR million)	2022	2021
Wages and salaries	19,282	14,799
Social security contributions	5,188	5,529
Post-employment benefits	1,066	925
Other personnel costs	1,275	1,348
Total	**26,811**	**22,601**

At 31 December 2022, the total number of employees[4] was 369 (356 in 2021).

The cost for post-employment benefits pertains mainly to the portion of benefits relating to defined contribution plans. The cost also includes the contributions paid to defined contribution plans in favour of key management, for the details of which please see **Note 47 – Related Parties**.

Costs in 2022 include charges of EUR 0.9 million relating to an extraordinary bonus paid to some Group employees for the special contribution made in 2022 for the purpose of implementing the Group's Business Plan.

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

WORKING CAPITAL AND OTHER ASSETS AND LIABILITIES

(EUR thousand)	Notes	31/12/2022	31/12/2021
Trade receivables	7	203,789	320,775
Inventories	8	17,602	32,300
Trade payables	9	(125,465)	(246,322)
Operating working capital		**95,927**	**106,753**
Other receivables and current assets	10	92,738	130,295
Other non-current assets	11	53,130	54,088
Other non-current liabilities	13	(30,989)	(31,487)
Other current liabilities	12	(78,059)	(62,870)
Employee benefits	15	2,513	3,261
Other assets (liabilities)		**39,333**	**93,288**

NOTE 6 - TRADE RECEIVABLES

Definition and recognition and measurement criteria

Initial recognition takes place at fair value, subsequently they are measured using the amortised cost criterion.

Trade receivables and other receivables and assets deriving from contracts with customers are subject to impairment testing in accordance with the provisions of IFRS 9 on expected credit losses. Expected credit losses (ECL) are an estimate of losses weighted on the basis of the probability of default of the counterparty.

For customers, the Group individually assesses the time frame and amount of the write-down on the actual expectation of recovery. It should be noted that in application of IFRS 5, the comparative data at 31 December 2021 include the reclassifications of thermoelectric trade receivables under "Assets held for sale".

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

(EUR thousand)	31/12/2022	31/12/2021
Receivables from customers	157,159	257,892
Receivables for incentives	58,722	72,254
Receivables from Group companies not consolidated on a line-by-line basis	595	3,033
Loss allowance	(12,687)	(12,404)
Total	**203,789**	**320,775**

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

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

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

The loss allowance changed as follows:

(EUR thousand)	31/12/2022	Increases	Decreases	31/12/2021
Loss allowance	(12,687)	-	(283)	(12,404)
Total	**(12,687)**	**-**	**(283)**	**(12,404)**

The Group assesses the existence of objective evidence of impairment on an individual basis. The impairment tests are checked at individual company level by the Credit Committee, which meets periodically to analyse the situation of past due trade receivables and any critical issues related to their collection.

The analysis of the trade receivables existing at year end follows.

The ageing brackets are presented net of the related loss allowance.

(EUR thousand)	31/12/2022	31/12/2021
Receivables not past due	**202,803**	**316,845**
Receivables past due:		
within 30 days	-	1,635
within 60 days	55	520
within 90 days	42	490
after 90 days	889	1,284
Total	**203,789**	**320,775**

NOTE 7 - INVENTORIES

Definition and recognition and measurement criteria

Spare parts

Inventories are recognised at cost, determined using the weighted average cost method, or market value (replacement cost), whichever is lower. The cost includes direct materials and, where applicable, direct labour costs and overheads that have been incurred to bring the inventories to their current position and condition.

The cost is calculated using the weighted average cost method. For the net realisable value, the replacement cost is normally taken as reference or, where available, the net realisable value of the assets.

(EUR thousand)	31/12/2022	31/12/2021
Quotas of deferred purchases of CO2	-	9,144
Inventories of spare parts	17,602	23,157
Total	**17,602**	**32,300**

The change in the year is attributable to the reclassification to "Assets held for sale" of around EUR 6 million in spare parts inventory of the CCGT plant in addition to the 2021 CO2 quotas of the company ERG Power S.r.l. (owner of the CCGT plant) purchased to cover future years.

NOTE 8 - TRADE PAYABLES

Definition and recognition and measurement criteria

These are liabilities deriving from commercial transactions and are payable within the next year.

These refer mainly to payables for investments, purchases of components and electricity.

Initial recognition takes place at fair value, subsequently they are measured using the amortised cost criterion.

*The Group proceeds with the derecognition when the obligation has been fulfilled, cancelled or expired; for further details, see the comments on financial assets and liabilities in Section **V. Financing activities** in the **Net Financial Position** section.*

(EUR thousand)	31/12/2022	31/12/2021
Payables to suppliers	93,984	225,719
Group companies not consolidated on a line-by-line basis	31,481	20,604
Total	**125,465**	**246,322**

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

NOTE 9 - OTHER CURRENT ASSETS AND RECEIVABLES

(EUR thousand)	31/12/2022	31/12/2021
VAT receivables	37,574	36,627
Tax assets	2,532	2,581
Receivables from Group companies	20,640	68,680
Portions of deferred charges	26,581	18,764
Other receivables	5,411	3,643
Total	**92,738**	**130,295**

Tax assets relate to tax-related assets such as VAT and other taxes. The item does not include receivables relating to direct taxes, for which reference is made to **Note 41 – Current tax assets and liabilities**.

The **portions of deferred charges** refer mainly to lease payments to municipalities, surface rights and insurance premiums for approximately EUR 8 million and for approximately EUR 7 million to deferred charges relating to development projects.

The change in **sundry receivables** refers, among other things, to the collection of receivables for "tax consolidation" from ERG Hydro S.r.l. (now Enel Hydro Appennino Centrale S.r.l.) for EUR 42 million.

NOTE 10 - OTHER NON-CURRENT ASSETS

Other non-current assets, amounting to EUR 53,130 thousand (EUR 54,088 thousand at 31 December 2021) relate mainly to:

- the portion still to be collected (EUR 19 million) of the grants per Italian Law no. 488/92 relating to wind farms acquired with the ERG Wind transaction. With respect to the aforesaid receivables, a liability of an equal amount has been allocated and it was recognised in the 2013 Consolidated Financial Statements as part of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (**Note 12 – Other non-current liabilities**);
- amounts of EUR 10 million due as compensation for the liability tied to interest and revaluations on the grants under Italian Law no. 488/1992 relating to wind farms acquired with the ERG Wind transaction and revoked by the Italian Ministry of Economic Development as discussed more thoroughly in **Note 26 – Other Provisions**;
- deferred tax charges relating to subsequent years (EUR 7 million), relating mainly to the substitute tax on the Andromeda PV S.r.l. goodwill exemption.

NOTE 11 - OTHER CURRENT LIABILITIES

(EUR thousand)	31/12/2022	31/12/2021
Tax liabilities	2,034	(39,362)
Group companies not consolidated on a line-by-line basis	23,834	77,989
Payables to employees	4,134	-
Payables to pension and social security institutions	1,692	2,600
Portions of income deferred to subsequent years	22,690	11,498
Other current liabilities	23,674	10,145
Total	**78,059**	**62,870**

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

NOTE 12 - OTHER NON-CURRENT LIABILITIES

(EUR thousand)	31/12/2022	31/12/2021
Liabilities for prior year taxes from merger of foreign companies	18,594	18,594
Price of Wind Group acquisition	11,539	11,436
Portions of income deferred to subsequent years	810	1,412
Other minor items	45	1,660
Total	**30,989**	**31,487**

NOTE 13 - EMPLOYEE BENEFITS

Definition and recognition and measurement criteria
Employee benefits include the estimated liability relating to the benefits payable to employees when they terminate their employment.

Short-term benefits for employeesi
Short-term benefits for employees are recognised as a cost at the time at which the service that gives rise to such benefits is performed. The Group recognises a liability for the amount expected to be paid when there is a present, legal or constructive obligation to make these payments as a consequence of past events and it is possible to make a reliable estimate of the obligation.

Post-employment benefits
These are provided through:

- *defined contribution plans: contributions paid to independent institutions that deal with their administrative and financial management are recognised as a cost in profit/(loss) over the period in which the employees work;*
- *defined benefit plans: the sum of future obligations under these plans is based on actuarial assumptions using the projected unit credit method. The calculation is performed by an independent actuary. This calculation is based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the specific economic conditions of each country or Group company. The discount rates are determined, at the measurement date, with reference to the yield of investment grade corporate bonds in the relevant geographical area (or of government bonds in countries where there is no representative market for these corporate bonds).*

Below is a schematic representation of the cases pertaining to the classification of post-employment benefits for IAS 19 purposes based on the main types of post-employment benefits in the light of the introduction of Italian Law no. 296 of 27 December 2006.

Types of Post-employment benefits	Personnel employed in 2006*	IAS 19 classification
Post-employment benefits vested up to 31 December 2006**	>50 employees	Defined benefit plan
	<50 employees	Defined benefit plan
Post-employment benefits accrued since 1 January 2007**	>50 employees	Defined contribution plan
	<50 employees	Defined benefit plan

* for newly incorporated companies, the number taken as a reference relates to the first year of business.

** Without prejudice to the options to allocate the post-employment benefits to supplemental pension plans.

Termination benefits

- *The benefits due to the employees for the termination of employment are recognised as a cost when the Group has committed without possibility of withdrawal to offer said benefits or, if prior, when the Group recognises the restructuring costs. Benefits entirely due beyond twelve months from the reporting date are discounted.*

(EUR million)	31/12/2022	31/12/2021
Balance at the beginning of the year	**3,261**	**4,213**
Liabilities held for sale	(748)	(883)
Revaluation	0	0
Decreases in the year	0	(69)
Closing balance	**2,513**	**3,261**

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

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

III. INVESTING ACTIVITIES

NOTE 14 - AUTHORISATIONS AND CONCESSIONS

Definition and recognition and measurement criteria

Authorisations and Concessions include concessions, authorisations and rights to operate wind and solar plants, including any rights to feed-in tariffs, amortised based on their residual useful life. These intangible assets are recognised at purchase cost, inclusive of all related charges net of amortisation and any impairment losses as indicated in Note 21 – Impairment Test.

(EUR thousand)	Authorisations and concessions
Historical cost	980,111
Amortisation	(324,970)
BALANCE AT 31/12/2021	**655,141**
Assets held for sale	-
Changes for the year:	
Change in the consolidation scope	337,727
Capital expenditure	(0)
Capitalisations and reclassifications from/to intangible assets	1,101
Reclassifications from other items	-
Disposals and divestments	-
Amortisation	(53,757)
Impairment losses	(8,311)
Other changes	-
Assets held for sale	**-**
Historical cost	1,328,260
Amortisation	(396,358)
BALANCE AT 31/12/2022	**931,901**

For greater comprehension, changes during the year relating to reclassifications, disposals and divestments and other changes are shown net of the related accumulated depreciation and impairment losses.

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

NOTE 15 - OTHER INTANGIBLE ASSETS

Definition and recognition and measurement criteria

Other intangible assets refer mainly to software licences. Intangible assets are recognised at purchase cost, including all related ancillary charges.

Other intangible assets are amortised over a maximum period of 5 years.

For greater comprehension, changes during the year relating to reclassifications, disposals and divestments and other changes are shown net of the related accumulated depreciation and impairment losses.

The line "Change in the scope of consolidation" refers to the sale of the company ERG Hydro S.r.l. (now Enel Hydro Appennino Centrale S.r.l.), which took place on 3 January 2022.

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

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

NOTE 16 - GOODWILL

Definition and recognition and measurement criteria

Goodwill acquired in a business combination is not amortised, but is subjected to impairment tests pursuant to the procedures provided for in IAS 36 - Impairment of Assets every year, or more frequently if specific events or changes in circumstances indicate the possibility that there may have been any impairment ("trigger events").

*For more information, see the comments in **Note 22 - Impairment Test**.*

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

(EUR thousand)	Wind Italy	Solar Italy	Wind France	Solar France	Wind Germany	Solar Spain	Total
Balance at 31/12/2021	125,935	56,062	76,720	15,024	32,391	-	306,117
Changes for the year:							
"Valentia" Business Combination	-	-	-	-	-	4,322	**4,322**
"Siena" Business Combination	-	29,480	-	-	-	-	**29,480**
"Donatello" Business Combination	68,112	-	-	-	-	-	**68,112**
Balance at 31/12/2022	**194,047**	**85,542**	**76,720**	**15,024**	**32,391**	**4,322**	**408,043**

For the purposes of these Consolidated Financial Statements, the test required by paragraph 12 of IAS 36 was performed and no elements emerged that required an adjustment to the carrying amount of goodwill. For additional information, reference is made to **Note 21 – Impairment Test**.

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

Definition and recognition and measurement criteria

Property, plant and equipment

These are recognised at purchase cost, inclusive of capitalised financial expense, net of accumulated depreciation and any impairment losses (for which reference is made to the Impairment Test section). They are depreciated on a straight-line basis over the estimated useful life.

The assets cost, in presence of current obligations, includes charges for dismantling, assets removal and site restoration to be incurred at the time facilities are abandoned, which are presented as a contra-asset in a specific provision.

Capitalised financial expenses are recognised in accordance with the alternative accounting treatment permitted by IAS 23.

Main assumptions – useful life and depreciation

The useful life of property, plant and equipment is reviewed annually and adjusted where the most recent estimate differs from those previously. Any changes in estimates relating to the useful life of property, plant and equipment are recognised prospectively. If an item of property, plant and equipment comprises various parts having different useful lives, these parts are recognised separately (significant components).

Freely transferable assets are depreciated over the estimated life of the asset or the concession term, whichever is shorter.

The depreciation rates applied are as follows:

	%
Wind-power generators	5
Industrial and commercial buildings	2.5 - 7.34
Fixed hydraulic works	1
Pressure pipes	2.5
Hydraulic and electrical machinery	3.3
Automation and control systems	10
Plant and machinery	5
Digital control-remote transmission facilities	10
Transport lines	5
Lightweight constructions	10
General plant	8.45 - 10.0
CCGT plant*	6.1
Motor vehicles, furniture and furnishings	8.38 - 25.0
Surface rights and other civil works	3.5
Photovoltaic modules	5
Other assets/equipment	dal 10 al 20

* Average rates.

(EUR thousand)	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total	Reclassification to assets held for sale *ERG Power S.r.l.*
Historical cost	99,639	4,171,222	24,128	248,908	**4,543,897**	
Amortisation, depreciation and impairment losses	(43,651)	(2,572,770)	(15,128)	-	**(2,631,549)**	
BALANCE AT 31/12/2021	**55,988**	**1,598,452**	**9,000**	**248,908**	**1,912,350**	
Assets held for sale	**(10,726)**	**(103,124)**	**(377)**	**(4,641)**	**(118,868)**	*196,099*
Changes for the year:						
Change in the consolidation scope	44,441	231,357	-	-	**275,798**	-
Capital expenditure	-	-	-	308,077	**308,077**	*9,138*
Capitalisations and reclassifications from/to property, plant and equipment	(39,341)	376,159	11,545	(347,499)	**864**	-
Disposals and divestments	-	-	-	-	**-**	-
Depreciation	(3,305)	(154,104)	(10,631)	-	**(168,039)**	*(2,605)*
Impairment losses	-	(34,904)	-	-	**(34,904)**	*(80,804)*
Other changes	-	(73,215)	(87)	9,600	**(63,701)**	*(2,960)*
Historical cost	93,616	4,684,004	26,210	214,445	**5,018,275**	*565,165*
Amortisation, depreciation and impairment losses	(46,558)	(2,843,384)	(16,759)	-	**(2,906,700)**	*(446,298)*
BALANCE AT 31/12/2022	**47,058**	**1,840,620**	**9,451**	**214,445**	**2,111,576**	***118,868***

For greater comprehension, changes during the year relating to reclassifications, disposals and divestments and other changes are shown net of the related accumulated depreciation and impairment losses.

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

The **change in the consolidation scope** refers mainly to the aforementioned business combinations during the year, relating to the acquisition of wind farms in Italy and photovoltaic plants in Spain and Italy.

For a more detailed analysis, reference should be made to **Note 45 – Business combinations and asset acquisition**.

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

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

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

The item **Other changes** mainly refers to the capitalisation of interest relating to the wind farms under construction in the United Kingdom, Poland and Sweden for around EUR 10 million, to the change in the exchange rate effect during the year of around EUR 13 million, as well as the impact of the write-down of ERG Power S.r.l.'s CCGT plant for around EUR 80 million.

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

NOTE 18 - RIGHT-OF-USE ASSETS

Definition and recognition and measurement criteria

Leases

The Group's leases, as per the IFRS 16 definition, relate to land, warehouses, properties, equipment, substations and vehicle fleet. Leased assets are recorded in the Condensed Interim Consolidated Financial Statements with the recognition of an asset representing the right to use the underlying asset and a liability representing the obligation to make lease payments.

Financial liabilities are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses the incremental borrowing rate (determined as the sum of the Group's credit spread and the forward curve based on Euro area swap rates).

Financial liabilities are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses the incremental borrowing rate (determined as the sum of the Group's credit spread and the forward curve based on Euro area swap rates).

Main assumptions – lease evaluation

The group uses subjective assessments to determine whether a contract contains a lease. The Group analysed all the lease contracts, defining the lease term for each of them, the "non-cancellable" period.
The Group's leases have an average term of 19 years, with the inclusion for some leases of a renewable option exercisable at the end of the binding period. Others provide for additional payments tied to the change of the local price indices.
In relation to the renewal options, the Group estimated the term of the related lease agreements taking into account the reasonable certainty that the option will be exercised.
Specifically, for land and buildings, this assessment considered the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly corporate cars and equipment, the Group generally deemed improbable that extension or early termination clauses would be exercised in consideration of the practice usually followed by the Group.

The change in the right-of-use assets over the year is shown in the following table

(EUR thousand)	Land and buildings	Specific plants	Equipment	Other assets	Total
BALANCE AT 31/12/2021	**124,142**	**425**	**-**	**789**	**125,356**
Increase in right-of-use assets	12,312	146	209	204	12,871
Increase in right-of-use assets due to business combinations	24,290	-	-	-	24,290
Derecognition of right-of-use assets	-	-	-	-513	(513)
Depreciation for the year	(8,664)	(61)	(254)	(667)	(9,645)
BALANCE AT 31/12/2022	**152,080**	**510**	**-44**	**-187**	**152,358**

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

For further details on business combinations, please refer to **Note 44 – Business combinations and asset acquisition** in section **VIII. Other Notes**.

NOTE 19 - PROVISIONS FOR DISMANTLING EXPENSES

Definition and recognition and measurement criteria

The Group is required to dismantle the technical equipment and restore the sites. When the obligation arises, the costs of dismantling are capitalised to increase the carrying amount of the asset to which they refer as a balancing entry to the related provision for dismantling. Capitalised costs are allocated to the income statement via depreciation.
The discount rates used for the financial revaluation of the costs of restoring wind and solar farms, depending on the country of reference, are within the range of 1%-3.5%.

(EUR million)	31/12/2022	Increases	Decreases	Change in the consolidation scope	31/12/2021
Provisions for tax risks	27,687	556	(6,440)	9,163	24,408
Provisions for institutional counterparty risks	23,674	359	(3,155)	-	26,471
Provisions to cover losses of investees	-			-	-
Provision for disposed businesses	8,448	8,448	-	-	-
Provision for legal risks	2,884	246	(890)	-	3,528
Other provisions for risks and charges	6,838	-	(3,991)	338	10,490
Total other provisions	**69,531**	**9,609**	**(14,476)**	**9,501**	**64,897**

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

NOTE 20 - AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Definition and recognition and measurement criteria

Authorisations and Concessions are amortised on the basis of their residual duration. Other intangible assets are amortised over a maximum period of 5 years.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful life.

(EUR million)	2022	2021
Amortisation and impairment losses - Rights and Concessions	53,757	45,133
Amortisation and impairment losses - Other intangible assets	1,275	1,317
Total Amortisation and impairment loses of intangible assets	**55,031**	**46,450**
Depreciation and impairment losses - Property, Plant and Equipment	167,111	148,712
Depreciation of right-of-use assets	7,752	5,317
Total Depreciation and impairment losses of property, plant and equipment	**174,862**	**154,029**
Reversals/(impairment losses) of Authorisations and Concessions and Other intangible assets	8,281	10,516
Reversals (impairment losses) of Property, plant and equipment	34,904	11,500
Reversals of impairment losses (impairment losses)	**43,185**	**22,016**
Total	**273,079**	**222,494**

Amortisation/depreciation refer to wind and solar plants.

The change in the year refers mainly to the contribution made by the wind and solar assets acquired during the year in the amount of approximately EUR 28 million, to the write-down of the net residual value of the plants following the authorisation of a Repowering project obtained in 2022 (approximately EUR 20 million) in Italy, as well as the write-down of the net residual value of the property, plant and equipment of photovoltaic plants in the Italy portfolio, following the start of a number of Revamping projects for approximately EUR 23 million.

NOTE 21 - IMPAIRMENT TESTING

Definition and recognition and measurement criteria

This section provides a description of the impairment tests on the Group's main assets, as required by IAS 36.

In particular, it should be noted that for the verification:

- *of Goodwill, a test was conducted on the recoverable amount determined at CGU Group level, and identified in the value in use calculated on the estimated cash flows over the useful life of the assets allocated to the aforesaid Groups,*
- *of property, plant and equipment, intangible assets and right-of-use assets, with finite useful lives allocated to individual CGUs, in accordance with IAS 36, indicators were identified that can provide evidence that an asset may have undergone impairment.*

The above tests were carried out in accordance with the Impairment Test Procedure approved by the Board of Directors of ERG S.p.A. on 24 February 2023.

Identification of groups of cash-generating units (CGUs)

For the purposes of impairment testing, the operating segments currently identified by the Group coincide with the different geographical areas in which the Group operates, consistent with the two technologies, wind and solar, used for power generation.

The operating results are analysed according to the following matrix, which identifies the different geographical areas in which the Group operates and the two different technologies.

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

The groups of units were then identified, consistently with the Group's organisational and business structure, as assets that generate independent cash inflows deriving from their continuous use and they follow a dual dimension pertaining, on one hand, to the current reference market, identified in the country where the facilities are located, and, on the other hand, to generating technology, for a total of 11 groups of CGUs.

In view of the foresaid considerations, the recoverable value of the groups of units to which goodwill is allocated was tested by determining the value in use by discounting operating cash flows on the basis of the following assumptions:

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

- the groups of units coincide with the set of wind farms in Italy, France and Germany, and the solar plants in Italy, France and Spain;
- to determine the value in use, the current value of the expected operating cash flows associated with the CGU Groups was estimated on the basis of a period which is the lower of the expected duration of the land leases and the estimated duration of the wind farms established by the Longlife Time Extension (LTE) project undertaken by the Group with reference to the plants already in operation. For the new acquisitions made starting from 2021 and for the new greenfield projects, a time horizon of 40 years from the Commercial Operation Date (COD) of the project was considered, in line with the assumptions for the choice of investment;

- a discount rate equal to the industry WACC (post tax) was used to compute the present value of expected cash flows (6.55% in Italy, 5.42% in France, 5.17% in Germany and 6.07% in Spain).

The Group adopted an after-tax discount rate that reflects the market's current assessment of the cost of money and the specific risk associated with the CGUs. In determining the discount rate, the financial parameters considered were the Beta and Debt/Equity ratios derived from panels of comparable companies, in order to consider both the market risk of companies operating in the same industry and a market-based financial structure. With regard, instead, to the cost of equity (Ke), this includes the rate of return of risk-free assets and it is identified as the rate of return of German ten-year government bonds.

The growth rates used are based on growth forecasts for the Group's industry, taking into account the Group's market share. Changes in sale prices and in direct costs are determined on the basis of past experience and on future market expectations.

	Wind Italy	**Solar Italy**	**Wind France**	**Solar France**	**Wind Germany**	**Solar Spain**
Recoverable value basis	Value in use					
Methodology	Discounted cash flow					
Terminal value	Flow subsequent to the end of the useful life of the asset, determined according to the estimated residual duration of the Authorisations/Concessions and the availability of the land on which the plants stand					
WACC (post tax)	6,55%	6,55%	5,42%	5,42%	5,17%	6,07%

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

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

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

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

Energy scenario

The crisis in Ukraine led to a level of uncertainty concerning, first of all, the duration of the effects of the conflict and the impacts on the price of energy. The resulting increase in the price of raw materials has required responses in terms of monetary and fiscal policies, of which the effectiveness and effects on industrial and energy policies must be assessed. The context in which the Group operates is therefore characterised by extreme volatility and uncertainty. Prices for commodities and electricity are extremely volatile and have fallen sharply in the first months of 2023 compared to the high prices of 2022.

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

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

Discount rate

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

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

- specific rates are determined for each Group of CGUs, according to the country/technology matrix, in line with the configuration of the expected flows;
- the rates are updated twice a year (in the annual and half-yearly financial statements) regardless of the extent of the change compared to the last approved rate;
- the country risk component is included in the discount rate.

If the cash flows used for valuation purposes are not representative of the average expected flows, the WACC must be increased by a premium aimed at considering the greater risk.

In summary, the Group has divided the estimation process into two main phases (i) Definition of the comparable basket for each Group of CGUs; (ii) Calculation on the basis of the baskets identified of the parameters for determining the return on risk capital, the cost of debt and the capital structure for each group of CGUs.

[6] The carrying amount corresponds to the Net Invested Capital and is determined by the algebraic sum of the Non-current assets (including Goodwill), Net operating working capital, Liabilities related to Post-employment benefits, Other assets and Other non-financial liabilities, and the lease payables of all the companies within the group of CGUs, including the consolidation entries consistent with the Group consolidated Financial Statements but considering the different sub-aggregation of data corresponding with the group of CGUs.

In consideration of the above, the discount rates determined in line with the calculation method used for the impairment test carried out for the 2021 Financial Statements were used.

Regulatory Scenario

During 2022, urgent measures were introduced to contain the effects of price increases in the electricity sector. As a result, the Group has taken the impacts of these measures into account in the assessments of the Impairment process, while providing for the removal of emergency measures as the energy crisis subsides.
For more details on the impacts of these measures on the Group, please refer to the paragraph **Regulatory measures to curb energy price rises**.

Group management deems the assumptions used to identify the recoverable amount of the goodwill connected with the six Groups of CGUs to be reasonable and, on the basis of the aforementioned assumptions, no impairment has emerged.
The verifications carried out for the purposes of these Consolidated Financial Statements showed, for all the groups of CGUs assessed, a positive difference (headroom) between the recoverable amount and the carrying amount[5]:

(EUR million)

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

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

Sensitivity analysis

The result of the impairment test derives from the estimates made by Group management on the basis of the information available to date and the assumptions shown in the previous section. The most uncertain assumptions for which subjective assessments are more usually required regard in particular those relating to:

- the identification of expected energy prices;
- the estimate of the financial parameters used to determine the discount rate;
- the assessment of the availability of renewable resources;
- changes in the reference legislative and regulatory framework, which, due to price control regulations, could constitute a risk factor.

The Group took account of the aforesaid uncertainties in developing and defining the basic assumptions used to determine the recoverable amount of the gains allocated to the segments examined, and also carried out a sensitivity analysis on the recoverable amount of the groups of units. This analysis assumed two scenarios:

- that total revenue from sales of energy (i.e. energy remuneration and generation) could undergo upward or downward fluctuations of an estimated 5% compared to the values estimated for the Plan;
- that the discount rate used could be increased by 1 percentage point.

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

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

The recoverable amount would be equal to the reference carrying amount (headroom equal to zero) in the following **revenue reduction** assumptions for the respective groups of CGUs.

- Italy Wind: -24.1%
- Italy Solar: -14.3%
- France Wind: -6.3%
- France Solar: -0.4%
- Germany Wind: -12.8%
- Spain Solar: -18.7%

The recoverable amount would be equal to the reference carrying amount (headroom equal to zero) in the following **WACC increase** assumptions for the respective groups of CGUs.

- Italy Wind: with WACC equal to 10.8%
- Solar Italy: with WACC equal to 9.6%
- Wind France: with Wacc equal to 6.6%
- Solar France: with WACC equal to 5.4%
- Wind Germany: with WACC equal to 8.4%
- Solar Spain: with WACC equal to 9.0%

The above analyses confirm the sensitivity of the assessments of the recoverability of non-current assets to changes in the aforesaid variables; in this context, the Directors will systematically monitor changes in the aforesaid external, uncontrollable variables in order to make any necessary adjustments to the estimates of the recoverability of the carrying amounts of goodwill in the Consolidated Financial Statements.

Testing of intangible assets with finite useful lives and of Property, plant and equipment and Right-of-Use Assets

For the purposes of the 2022 Consolidated Financial Statements, the Group verified whether there are any indications that either property, plant and equipment or intangible assets with finite useful lives may have become impaired.

To this end, it is specified that for the ERG Group:

- **property, plant and equipment** are represented by the electricity generation plants of different technologies (wind farms and solar plants in Italy and abroad);
- **intangible assets** are mainly represented by the residual value of the values allocated in the purchase price allocation and recorded as increases in the value of the concessions, authorisations and rights to operate wind farms and solar plants, including any rights to feed-in tariffs for plants in operation.

In line with the previous years, these values are allocated to the individual reference CGU represented by the individual legal entities and/or business combinations that generated them.

In accordance with IAS 36, the group identified a list of indicators, which can indicate that an asset may have become impaired (triggering events):

For this purpose, both internal and external sources of information have been considered.

- with regard to **internal sources**, the following were taken into consideration: (i) obsolescence or physical deterioration of the asset, (ii) significant internal changes with negative effects occurring in the year or expected in the near future, and (iii) evidence from internal reports that the performance is or will be lower than the Budget expectations.
- with regard to **external sources**, on the other hand, the following are considered: the trend in market prices of the assets, any technological, market or regulatory discontinuities, including Clawback measures, market interest rate trends, and the book value of net assets above market capitalisation. To verify this information, a synthetic indicator was also identified ("profitability indicator") calculated by discounting the sum of the operating cash flows (EBITDA) for the residual observation period, determined on the basis of the same procedures and assumptions already commented in the previous paragraph for Goodwill testing. To also capture the related tax effects, the indicator is net of notional taxes on EBITDA.

The indicator thus calculated is compared with that of the previous year in order to verify the potential impairment loss, pursuant to the provisions of paragraph 15 of IAS 36.

Lastly, the Group verifies that the carrying amount of the Group's net assets is not higher than the stock market capitalisation.

If the comprehensive analysis of the indicators shows that both property, plant and equipment and intangible assets with finite useful lives may have become impaired, the recoverable amount will be determined and compared with the carrying amount.

The recoverable amount for the individual CGUs is calculated as the value in use with the same procedures and assumptions already commented on in the previous section for Goodwill testing.

If this amount is lower, the carrying amount of the assets would be reduced to the related recoverable amount with the exception of the cases in which fair value net of costs to sell was higher.

The checks described above did not reveal the need to proceed with determining the recoverable value

other than as commented below:

- **Wind farms subject to already authorised repowering**

  In 2022, following the obtaining of the authorisations for the repowering of the wind farms of Camporeale and Salemi-Castelvetrano, and the consequent start of the plan to remove old plants that began during the year, the residual net value of the related property, plant and equipment, scheduled to be divested during 2023, and the relevant permits and concessions was written down. The total write-down amounted to approximately EUR 20 million, of which EUR 12 million attributable to property, plant and equipment and approximately EUR 8 million to the relative permits and concessions.

- **Solar plants subject to revamping**

  During 2022, following the launch of some Revamping projects, the net residual value of the property, plant and equipment of photovoltaic farms in the Italian portfolio was written down for a total value of EUR 23 million in the income statement.

Recoverable value of groups of units

Finally, it should be noted that, even if not expressly required by IAS 36, Group Management proceeded to determine the recoverable value, understood as value in use, of the CGU Groups to which no goodwill is allocated, comparing it with the related carrying amount. No impairment emerged as a result of this test.

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

NOTE 22 - EQUITY INVESTMENTS

Definition and recognition and measurement criteria

Joint ventures

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

If the Group's share of the joint venture's losses exceeds the carrying value of the investment in the Consolidated Financial Statements, the value of the investment is written down to zero and the share of additional losses is not recognised, except and to the extent to which the Group is obligated to be liable for them.

Associates

These are companies in which the Group exercises significant influence, but not control or joint control, over financial and operating policies, as defined by IAS 28 – Investments in associates and joint ventures. The Consolidated Financial Statements include the Group's share of the results of the associates, measured under the equity method, starting from the date when significant influence starts until the time when it ceases to exist. If the Group's share of the associate's losses exceeds the carrying value of the investment in the Consolidated Financial Statements, the value of the investment is written down to zero and the share of additional losses is not recognised, except and to the extent to which the Group is obligated to be liable for them.

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

(EUR million)	Measured at Equity	Measured at cost	Total
Equity investments:			
- in subsidiaries not consolidated on a line-by-line basis	-	1,086	1,086
- in joint ventures	-	142	142
- in associates	-	-	-
- in other companies	-	-	-
TOTAL	**-**	**1,228**	**1,228**

	Equity investments				
(EUR thousand)	Subsidiaries not consolidated on a line-by-line basis	Jointly controlled subsidiaries	Associates	Other companies	Total
BALANCE AT 31/12/2021	156	266	11,232	-	11,653
Changes for the year:					
Assets held for sale			(11,342)		**(11,342)**
Acquisitions/share capital increases/ increases	929	-	-	-	**929**
Disposals and divestments	-	(124)	-	-	**(124)**
Measurement of company with equity method	-	-	110	-	**110**
BALANCE AT 31/12/2022	**1,086**	**142**	**-**	**-**	**1,228**

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

NOTE 23 - NET GAINS (LOSSES) ON EQUITY INVESTMENTS

Gains and losses on equity investments amounting to EUR -188 thousand refer to the write-down of the equity investment of the company Rigghill.

NOTE 24 - OTHER NON-CURRENT FINANCIAL ASSETS

(EUR thousand)	31/12/2022	31/12/2021
Tied receivables - Escrow Account Italian Law no. 488/92 grants	24,240	24,240
Security deposits and other minor	12,525	8,699
Total	**36,765**	**32,939**

The **receivables tied up in the Escrow Account** relate to the sums deposited by the Group awaiting the decision of the Court of Avellino, with reference to grants pursuant to Italian Law no. 488/92 relating to wind farms acquired as part of the ERG Wind transaction. With respect to the aforesaid receivables, a liability of an equal amount has been allocated and it was recognised in the 2013 Consolidated Financial Statements as part of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (**Note 12 – Other non-current liabilities**).

Italian Law no. 488/92 grants of ERG Wind

In the period from 2001-2005, prior therefore to the acquisition by ERG Renew S.p.A. (now ERG Power Generation S.p.A.) of the companies belonging to the International Power Group, funds were assigned to these companies pursuant to Italian Law no. 488/1992 totalling EUR 53.6 million in relation to some projects for the construction of wind farms.
In the first half of 2007, an investigation was initiated by the Public Prosecutor at the Court of Avellino in relation to the allocation of these grants with specific reference to the alleged falseness of certain of the documents provided with the grant application.
In 2007, the attachment of the Italian Law no. 488/1992 incentives still to be provided was ordered (EUR 21.9 million) and on 30 September 2008 the Public Prosecutor ordered the precautionary attachment of seven wind farms. Following the deposit of an amount equal to EUR 31.6 million by the involved companies, in January 2010 the wind farms which have been under precautionary attachment were released, upon attachment of the aforementioned amounts.
These amounts were then transferred to the Escrow Account.
The first instance proceedings were opened in 2012 before the Criminal Section of the Court of Avellino against the aforementioned companies and other defendants.
These proceedings were concluded in December 2020 with a ruling that ordered (i) the acquittal of/nonsuit against all natural persons; (ii) the acquittal of some companies with reference to 2 projects with immediate repayment of the amounts subject to preventive attachment, equal to approximately EUR 7.4 million and (iii) the conviction of some companies with reference to 7 projects, with confiscation of the amounts relating to the grants pursuant to Italian Law no. 488/92 disbursed to the same and already deposited with the Escrow Account (Fondo Unico di Giustizia - FUG) for a total amount of approximately EUR 24.2 million, with the provision of administrative pecuniary sanctions, for a total amount of approximately EUR 0.5 million, and 1-year interdiction orders. The confiscation and the sanctions indicated above are not immediately enforceable until the judgement becomes final.
The convicted companies appealed the ruling of the Court of Avellino according to the legal terms, the proceedings are now pending before the Naples Court of Appeal.
By contrast, the Public Prosecutor did not appeal the ruling, which therefore became final in the part which acquits ERG Wind Sicilia 3 S.r.l. and ERG Wind Sicilia 2 S.r.l. (the latter in relation solely to the Camporeale project).
In March and April 2014 the companies that were the recipients of the incentives pursuant to Italian Law no. 488/1992 received from the Ministry of Economic Development the orders communicating the initiation of the procedures to revoke the aforementioned incentives.
On 6 February 2015, extraordinary appeals were served against the ministerial cancellation decrees, with simultaneous petition for the precautionary suspension of the enforceability of the contested measures.
On 27 July 2015, the beneficiary companies were issued with payment notices relating to the return of the incentives. Said notices were challenged with the submission of opposition proceedings before the Court of Genoa.
As part of said proceedings, the Civil Judge ruled the tax assessments suspended against the submission of bank guarantees for the entire value of the latter (EUR 49 million). At the hearing of 23 October 2018, the Civil Judge, noting the prejudicial nature of the proceeding initiated with the extraordinary appeal before the President of the Republic of Italy, ordered the suspension of the civil proceedings while the administrative case is pending.
The proceedings subsequent to the filing of the extraordinary appeals to the Head of State are also still pending and, despite the reminders filed by the applicants, the decision on the appeal and on the merits did not take place during 2022 with the exception of the extraordinary appeal brought by ERG Wind 6, which was declared inadmissible due to lack of jurisdiction of the administrative judge. This is a partially different judgment from the others in that the contributions pursuant to Italian Law no. 488/92 had never been paid to the company and therefore the revocation decree implies only the definitive loss of the contributions not paid, but has no economic impact on the company. It is plausible that the remaining extraordinary appeals will be decided in the course of the year 2023 and it cannot be excluded that also in these cases there will be a declaration of lack of jurisdiction by the administrative judge, which would give the companies the right to summarise the judgments before the civil judge.
*In view of: (i) the guarantees issued by the seller of the companies of the International Power Group to ERG in the contract of transfer of the investments in these companies, (ii) the settlement agreement concluded between said seller and ERG dated 19 December 2016, in which these guarantees were confirmed and further detailed, and (iii) the fact that in the 2013 Consolidated Financial Statements a liability for an amount corresponding to the nominal amount of the incentives for which the Italian Ministry of Economic Development is requesting the return (see definition of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (**Note 12 – Other non-current liabilities**) had already been allocated, further provisions are not required.*

IV. PROVISIONS AND CONTINGENT LIABILITIES

NOTE 25 - OTHER PROVISIONS

Definition and recognition and measurement criteria

The amounts recorded under Other provisions against obligations existing at the reporting date are measured on the basis of the best estimate of the financial outlay that will be necessary to fulfil the obligation. Changes in estimates are reflected in the income statement in the period in which the change occurs.
The other categories of provisions reflect the measurement of probable liabilities related to some pending disputes for which it was possible to make a reliable estimate of the corresponding expected obligation. For these provisions, no discounting was applied because of the uncertainty about the utilisation times.

(milioni di Euro)	31/12/2022	Increases	Decreases	Increases/Decreases Liabilities held for sale	Change in the consolidation scope	31/12/2021
Provisions for tax risks	27,687	556	(6,440)	-	9,163	24,408
Provisions for institutional counterparty risks	23,674	359	(3,155)	-	-	26,471
Provisions to cover losses of investees	-			-	-	-
Provision for disposed businesses	8,448	8,448	-	-	-	-
Provision for legal risks	2,884	246	(890)	-	-	3,528
Other provisions for risks and charges	6,838	-	(3,991)	-	338	10,490
Total other provisions	**69,531**	**9,609**	**(14,476)**	-	**9,501**	**64,897**

The **provision for tax risks** includes, inter alia, the allowance relating to the existing dispute and to the potential dispute in relation to local taxes brought as a result of the different interpretation provided by the Italian Revenue Agency regarding application of the regulatory provisions introduced by Italian Law no. 208/2015 (in particular, wind towers are considered by the Italian Revenue Agency to be relevant for the purposes of calculating cadastral rent).
The decrease in the year mainly refers to the positive developments in the aforementioned dispute on local taxes.

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

- charges tied to interest and revaluations on the grants under Italian Law no. 488/1992 (EUR 12.7 million), relating to wind farms acquired as part of the ERG Wind transaction and revoked by the Italian Ministry of Economic Development, as described in more detail in **Note 24 – Other non-current financial assets**. It should be noted that the risks associated with the revocation of the aforementioned grants are covered in the ERG Wind acquisition agreements by specific indemnity obligations issued by the seller and therefore the related receivable was allocated to "Other non-current assets";
- contingent charges of foreign companies (EUR 9 million) refers to contingent liabilities concerning Romania, recognised in 2015 on the winding up of the joint venture LUKERG Renew.

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

The item **Other provisions for risks and charges** in the year mainly refers to risks on potential higher contractual charges (approximately EUR 3 million).

The increase in the change in the scope of consolidation refers to the recognition of a provision for tax and legal risks identified in relation to the acquisitions made during the year.

The decrease (approximately EUR 5 million) mainly refers to the release relating to disputes with local authorities relating to the wind business (EUR 2.5 million).

NOTE 26 - CONTINGENT LIABILITIES AND DISPUTES

ERG is a party in civil, administrative and tax proceedings and legal actions connected with the normal course of its operations.

Where no explicit mention is made of a provision, the Group has assessed the corresponding risk as possible and provides the relevant information.

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

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events not wholly within the company's control;
- present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that settlement will not be onerous.

For the purposes of these Consolidated Financial Statements, there are no obligations falling within the definition described above.

V. FINANCING ACTIVITIES

OWN FUNDS

NOTE 27 - EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The change in equity during the year is shown below:

(EURO thousand)	31/12/2022	31/12/2021
Share capital	**100,000**	**100,000**
Share premium reserve	7,000	7,000
Revaluation reserves	37	37
Legal reserve	20,000	20,000
Merger reserve	2,441,568	1,924,568
Retained earnings	461,887	269,830
Other reserves	67,880	(81,030)
Profit for the year	423,428	208,645
Equity attributable to the owners of the parent	**3,521,800**	**2,449,050**
Non-controlling interests	9,336	9,639
Equity	**3,531,136**	**2,458,689**

Dividends

The dividends paid by ERG Power Generation S.p.A. to the parent company ERG S.p.A. in 2022 amounted to EUR 50 million (EUR 50 million in 2021).

Supplementary information on capital

The objectives identified by the Group for capital management are to safeguard corporate viability, to create stakeholder value and to support Group development. In particular, the Group pursues the maintenance of an adequate level of capitalisation that allows it to produce a satisfactory economic return for the shareholders and to assure access to external financing sources, also through the achievement of an adequate rating. In this context, the Group manages its own capital structure and makes adjustments to it, if changes in the economic conditions require it. There were no substantial changes to the objectives, to the policies or to the processes at the date of preparation of this document.

Hedging reserve

With reference to the impact of hedging derivatives on the statement of comprehensive income, equal to EUR 252,580 thousand, please refer to the Statement of comprehensive income. It should be noted that the aforementioned change includes changes in fair value reclassified to profit (loss) for the year for EUR 225,511 thousand (gross of the related tax effect) relating to the closure of hedging positions in connection with the sale of hydroelectric assets, presented in the income statement in accordance with IFRS 5.

NOTE 28 - NON-CONTROLLING INTERESTS

Non-controlling interests relate to the consolidation on a line-by-line basis of the following companies that have other shareholders.

Company	% non-controlling interest	non-controlling interests	Profit/(Loss)
Andromeda PV S.r.l.	21.50%	9,332	4,158

Note also that dividends of EUR 4,466 thousand were paid to non-controlling interests

NET FINANCIAL POSITION

Definition and recognition and measurement criteria

For the purposes of defining the net financial position, reference is made to the matters indicated on the subject in CONSOB Warning Notice no. 5/21 of 29 April 2021. The comparative data at 31 December 2020 have been restated to provide a better representation in accordance with the provisions of the above-mentioned CONSOB Warning Notice.

In detail, the net financial position is broken down as follows:

A. Cash
B. Cash equivalents
C. Other current financial assets
D. Liquidity (A) + (B) + (C)
E. Current financial liabilities
F. Current portion of non-current financial liabilities
G. Current financial indebtedness (E) + (F)
H. Net current financial indebtedness (G) - (D)
I. Non-current financial liabilities
J. Debt instruments
K. Trade payables and other current liabilities
L. Non-current financial indebtedness (I) + (J) + (K)
M. Net financial indebtedness (H) + (L)

Financial assets and Financial liabilities

All financial assets and liabilities are initially recognised on the trading date, i.e. when the Group becomes a contractual party to the financial instrument. Financial instruments are initially measured at fair value plus or minus, in the case of financial assets or liabilities not at FVTPL, transaction costs directly attributable to the acquisition or to the issue of the financial instrument. Subsequently, their valuation and classification is based on the analysis of contractual cash flows and on the business model adopted by the Group for the management of these instruments. They can therefore be measured and classified as follows:

- ***Amortised cost**. They mainly include instruments such as financial receivables and other loans granted by the Group. The amortised cost is decreased by impairment loss. Interest, determined using the effective interest method, exchange gains and losses and impairment losses are recognised in profit or loss for the year as are any gains or losses on derecognition.*
- ***Fair value through profit or loss for the year (FVTPL)** These instruments are recognised at fair value even after initial recognition and changes in fair value are recognised in profit or loss for the year. They include equity investments and derivative instruments not classified by the Group as hedging instruments.*
- ***Fair value recognised in the Statement of Comprehensive Income (FVOCI)**. These instruments are recognised at fair value even after initial recognition. They mainly include debt securities, equities and derivative instruments classified by the Group as hedging instruments. Interest income calculated in accordance with the effective interest method, exchange gains and losses and impairment losses are recognised in profit or loss for the year; other net gains and losses are recognised in the Statement of Comprehensive Income. When the financial asset is derecognised, the gains or losses previously recognised in the Statement of Comprehensive Income are reclassified to the income statement.*

Financial assets and liabilities measured at amortised cost using the effective interest method or at FVTPL. Any changes to financial assets and liabilities measured at FVTPL, including interest expense, are recognised in profit/(loss) for the year. In the case of financial liabilities subsequently measured at amortised cost, interest expense and exchange gains/(losses) are recognised in profit/(loss) for the year, as well as any gains or losses deriving from derecognition.

Financial liabilities measured at amortised cost include loans, trade payables and other financial liabilities; those measured at FVTPL include derivative financial instruments. When a financial asset is derecognised, the difference between the carrying amount of the extinguished financial liability and the price paid (including the assets not represented by cash transferred or the assumed liabilities) is recognised in the profit or loss for the year.

*Please refer to **Note 37 – Financial instruments** for further details.*

(EUR thousand)	31/12/2022	31/12/2021
Cash and notes on hand	(110,714)	(132,774)
Bank and postal deposits	-	-
	(110,714)	**(132,774)**
Current loan assets	(166,744)	(186,606)
	(166,744)	**(186,606)**
Bank borrowings	86	239
Current portion of bank loans and borrowings	-	-
Current portion of Project Financing	55,070	26,444
Loans and borrowings to ERG S.p.A.	37,854	1,270,206
Instruments measured at fair value	-	55,856
Other current financial liabilities	27,723	2,265
	120,733	**1,355,010**
Current lease liabilities	**5,741**	**5,522**
Net current financial position	**(150,984)**	**1,041,152**
Non-current portion of bank loans and borrowings	-	-
Non-current portion of Project Financing	156,282	210,384
Loans and borrowings to ERG S.p.A.	-	(6)
Other non-current payables	1,967	13,639
Non-current financial liabilities	**158,249**	**224,018**
Instruments measured at fair value	**(0)**	**3,320**
		-
Non-current lease liabilities	**149,624**	**122,104**
Net non-current financial indebtedness	**307,872**	**349,443**
NET FINANCIAL INDEBTEDNESS	**156,889**	**1,390,595**
Net financial indebtedness Operating liabilities held for sale	**98,334**	**69,088**

Indirect and contingent indebtedness

In accordance with ESMA Guidelines, the description and nature of the Group's indirect and contingent indebtedness at 31 December 2022 is provided below.

The Group's indirect and contingent indebtedness at 31 December 2022 amounted to approximately EUR 261 million, mainly attributable to the development of wind farms in the United Kingdom, France, Poland and Sweden (approximately EUR 32 million) and the development of Repowering and Revamping projects on wind farms and photovoltaic plants in Italy for around EUR 230 million.

NOTE 29 - CASH AND CASH EQUIVALENTS

Definition and recognition and measurement criteria

Cash and cash equivalents are presented at fair value, which corresponds to their nominal amount. In accordance with IAS 7, the definition of cash equivalents comprises cash on hand and bank/postal deposits repayable on demand, together with short-term investments that are convertible to a known amount of cash. It also includes short-term investments whose reimbursement value is predetermined at the date of initial purchase/recognition.

This item, equal to EUR 110 million at 31 December 2022 (EUR 132 million at 31 December 2021), is made up of the balance in the accounts of wind and solar companies owned by ERG Power Generation S.p.A. according to the restrictions on use set forth in the relative project financing agreements for an amount of approximately EUR 68 million.

NOTE 30 - FINANCIAL ASSETS MEASURED AT FAIR VALUE

(EUR thousand)	31/12/2022	31/12/2021	Impact on Net Financial Position
Fair Value derivatives hedging interest rates	5,436	-	
Total non-current portion	**5,436**	**-**	
Receivables for commodity hedging derivatives	33,780	87,436	
Receivables for non-commodity hedging derivatives	72,033	58,601	✓
Total current portion	**105,813**	**146,037**	

The non-current portion of around EUR 5 million refers to the positive component of the Group's derivative financial instruments hedging interest rates.

The current portion, equal to EUR 106 million at 31 December 2022 (EUR 146 million at 31 December 2021), consists of receivables for derivatives hedging commodities amounting to EUR 72 million at 31 December 2022 (EUR 87 million at 31 December 2021) referring to the positive fair value of the instruments hedging commodity price risk, which are not included in the classification of financial assets and therefore are not included in the net financial position, the fair value of physical-delivery commodity derivatives for an amount equal to EUR 34 million at 31 December 2022 (EUR 59 million at 31 December 2021).

NOTE 31 - CURRENT FINANCIAL ASSETS

The item, amounting to EUR 128 million at 31 December 2022 (EUR 128 million at 31 December 2021), fully included in the net financial position, consists mainly of cash collateral for transactions in futures derivatives.

NOTE 32 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Project Financing, amounting to EUR 211 million at 31 December 2022 (EUR 237 million at 31 December 2021) refers to:

- loans for EUR 94 million relating to the company Andromeda PV S.r.l.;
- EUR 117 million in loans issued for the construction of wind farms.

Disbursement	Company	Type of loan	Maturity	Rate	Carrying amount	Nominal amount
2017	ERG Eolica Fossa del Lupo	Project financing garantito	2027	IRS: Euribor + Spread	74,089	78,663
2015	EW Orneta 2 SP Z.O.O.	Project financing garantito	2029	IRS: Wibor + Spread	23,653	24,169
2018	ERG Windpark Linda GmbH & Co. KG	Project financing garantito	2038	Fisso	19,414	19,583
2010	Andromeda S.r.l.	Project financing garantito	2028	Fisso	94,196	94,336
Total					**211,352**	**216,751**

The loans indicated above are recognised net of ancillary costs, recognised with the amortised cost method (EUR 2.7 million) and the effect of the renegotiation of borrowing (EUR 2.8 million).

Project financing is guaranteed by the underlying asset. Please refer to **Note 38 – Disclosure on financial risks** for comments regarding any relevant Covenants and negative pledges.

Other payables for the non-current portion refer to deferred components of the purchase price of companies operating in the wind business abroad mainly for approximately EUR 2 million.

Other payables for the current portion refer to deferred components of the purchase price of companies operating in the wind business abroad mainly for approximately EUR 9.5 million, as well as financial leases for EUR 16 million referring to the newly acquired photovoltaic companies in Italy.

NOTE 33 - LEASE LIABILITIES

Financial liabilities arising as a result of the application of IFRS 16 equal to EUR 157 million (EUR 129 million in 2021) of which EUR 151 million (EUR 123 million in 2021) medium/long-term and EUR 6 million short-term (EUR 6 million in 2021).

The liability refers to the present value of payments due and not paid at the start date of the lease plus implicit interest accrued on said liability and less payments made during the year.

The increase in the year mainly refers to the liability recognised for the acquisitions that took place during the year. For further details, please refer to **Note 45 – Business combinations and asset acquisition**.

NOTE 34 - FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

(EUR thousand)	31/12/2022	31/12/2021	Impact on Net Financial Position
Fair Value derivatives hedging interest rates	-	3,321	✔
Liabilities for commodity hedging derivatives	-	34,372	
Total non-current portion	**-**	**37,692**	
Liabilities for commodity hedging derivatives	76,644	115,001	
Liabilities for non-commodity hedging derivatives	-	55,856	✔
Total current portion	**76,644**	**170,857**	

The current portion, equal to EUR 77 million (EUR 171 million at 31 December 2021), consists entirely (EUR 115 million at 31 December 2021) of payables for commodity hedging derivatives referring to the negative fair value of the instruments hedging commodity price risk, which are not included in the classification of financial liabilities and therefore are not included in the net financial position; it is noted that at 31 December 2021, the item included the negative fair value referring to physical-delivery energy contracts for EUR 56 million that do not come under the "own use exemption".

It is noted that at 31 December 2021, the non-current portion of EUR 45 million was made up of liabilities deriving from the fair value measurement of the derivative instruments hedging interest rates for EUR 10 million, in addition to payables for derivatives hedging commodities for EUR 34 million referring to the negative fair value of the instruments hedging commodity price risk, which are not included in the classification of financial liabilities and therefore were not included in the net financial position. For further details on the derivative instruments adopted by the Group, please refer to **Note 38 – Disclosure on financial risks**.

NOTE 35 - NET FINANCIAL INCOME (EXPENSE)

	2022			2021		
(million EUR)	Financial income	Financial expense	Net	Financial income	Financial expense	Net
Bank interest income (expense) on current accounts	77	(100)	*(23)*	65	(2)	*63*
Interest rate derivatives financial income (expense) - differential	588	-	*588*	10	(5,110)	*(5,100)*
Financial income (expense) from the parent company	54	(12,939)	*(12,885)*	-	(9,829)	*(9,829)*
Financial income (expense) from associates	(0)	-	*(0)*	16	-	*16*
Interest expense on project financing	-	(10,014)	*(10,014)*	-	(11,211)	*(11,211)*
Liability management transactions	(346)	-	*(346)*	-	(14,657)	*(14,657)*
Liquidity management/Cost of debt	**373**	**(23,053)**	***(22,680)***	**91**	**(40,809)**	***(40,719)***
Other financial income (expense)	10,641	(7,747)	*2,894*	7,180	(1,995)	*5,185*
Derivative financial income (expense) – delta fair value	58,880	(47,964)	*10,916*	155,373	(154,493)	*879*
Loan renegotiations gain (loss)	-	(1,003)	*(1,003)*	-	(1,356)	*(1,356)*
Amortised cost on loans, borrowings and project financing	-	(744)	*(744)*	-	(1,307)	*(1,307)*
Interest expense on lease liabilities	-	(5,383)	*(5,383)*	-	(3,985)	*(3,985)*
Exchange gains (losses)	412	(326)	*86*	347	(91)	*256*
Other income (expense)	**69,933**	**(63,168)**	***6,766***	**162,900**	**(163,228)**	***(327)***
Total	**70,306**	**(86,221)**	***(15,915)***	**162,991**	**(204,037)**	***(41,046)***

The **Interest payable to third parties on loans/borrowings** and **Interest expense on project financing** included in the cost of debt represent the portion of financial charges relating to contractual interest, while their adjustment to the effective interest rate is represented by the items "Loan renegotiations – IFRS 9" and "Amortised cost on loans, borrowings and project financing".

The change in **Interest payable to third parties on loans/borrowings** and **Interest expense on project financing** is mainly due to the significant liability management transactions continued in 2022, which led to a significant reduction in the cost of gross debt during the year.

The item **liability management transactions** includes the non-recurring charges linked to the closure of some corporate loans and project financing of some operating wind and solar companies, in addition to the partial settlement of the fair value relating to the derivative financial instruments hedging related interest rates.

The net item **Derivative financial income (expense) - delta fair value** refers to the change in fair value of some commodity derivative financial instruments. The gross values of income and expense shown reflect the technical purchase and sale transactions and are of significant amounts due to the variability of the Energy Scenario. It should be noted that the net result of the aforementioned transactions is, as expected, not significant.

The item **Loan renegotiations – IFRS 9** refers to the effect of the application of IFRS 9 relating to the renegotiation of existing loans and includes financial income and the related reversals on restructuring transactions.

The decrease in net financial expense refers to the effects deriving from the significant liability management transactions carried out in 2022.

NOTE 36 - FINANCIAL INSTRUMENTS

Definition and recognition and measurement criteria

Derivative financial instruments

Derivative financial instruments, including embedded derivatives subject to separation from the host contract, are assets and liabilities recognised at fair value.

Derivative instruments, including forward transactions, are classified as follows:

1) ***derivative instruments that can be defined as hedges pursuant to IFRS 9:*** *this includes (i) cash flow hedges (CFH) on interest rates, exchange rates and commodities and (ii) fair value hedges (FVH) on commodities (price and exchange rate);*
2) ***forward transactions and derivative instruments that cannot be defined as hedges pursuant to IFRS 9,*** *meeting the requirements of compliance with the company policies for the management of risk on exchange rates and energy commodities.*

The Group carries out the basis adjustment, reclassifying the effective result of the hedge to adjust the initial recognition value of the hedged item, in the case of cash flow hedges of non-financial elements. For all cash flow hedges, including those of transactions involving the recognition of a non-financial asset or liability, the cumulative gain or loss in the hedging reserve was reclassified to profit or loss for the year in the same year or in the same years in which the hedged expected future cash flows have an effect on profit or loss.

The Group analyses all contracts to buy or sell non-financial assets, with particular attention to forward purchases or sales of electricity and energy commodities, in order to determine whether they should be classified and treated in accordance with IFRS 9 or whether they were entered into for "own use exemption".

Fair value hierarchy according to IFRS 13

In measuring the fair value of an asset or a liability, the Group uses, insofar as it is possible, observable market data. Fair values are categorised in various hierarchical levels according to the input data used in the measurement techniques, as illustrated below.

- *Level 1: quoted prices (unadjusted) for identical assets or liabilities in active markets.*
- *Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (prices) and indirectly (derived from prices).*
- *Level 3: unobservable inputs for the asset or liability.*

The Group recognises the transfers between the various levels of the fair value hierarchy at the date of the event or of the change in the circumstances that determined the transfer in which the transfer took place.

Estimates and assumptions are revised periodically and the effects of each change are reflected in the Income Statement in the period in which the change took place.

31/12/2022

The following table shows, for each financial asset and liability, the carrying amount and the fair value. Information on the fair value of financial assets and liabilities not measured at fair value are excluded, when the carrying amount represents a reasonable approximation of fair value.

31/12/2021 (EUR thousand)	Fair value – Hedging instruments	FVTPL instruments - other	FVOCI instruments	Financial assets measured at amortised cost	Other financial liabilities	Total Carrying amount	Fair Value	Level 1	Level 2	Level 3	Total
Equity investments		1,228				1,228	1,228	1,228			1,228
Other non-current financial assets	-	-	-	36,765	-	36,765	36,765		36,765		36,765
Interest rate swap hedging	-	-	-	-	-	-	-				-
Commodity derivatives*	-	-				-	-		-		-
Other current loan assets	-	-	-	127,527	-	127,527	127,527		127,527		127,527
Trade receivables	-	-	-	203,789	-	203,789	203,789				
Current financial securities	-	-	-	-	-	-	-				-
Other receivables	-	-	-	33,927	-	33,927	33,927		33,927		33,927
Cash and cash equivalents	-	-	-	110,714	-	110,714	110,714				
Total assets	**-**	**1,228**	**-**	**512,722**	**-**	**513,950**	**513,950**	**1,228**	**198,219**	**-**	**199,447**
Loans and borrowings	-	-	-	-	-	-	-		-		-
Bond Loans	-	-	-		-	-	-		-		-
Non-recourse project financing	-	-	-	-	211,352	211,352	278,137		278,137		278,137
Bank borrowings to parent companies	-	-	-	-	37,940	37,940	37,940		37,940		37,940
Financial liabilities	-	-	-	-	29,690	29,690	29,690		29,690		29,690
Interest rate swap hedging	-	-	-	-	-	-	-		-		-
Commodity derivatives*	76,644	-				76,644	76,644		76,644		76,644
Trade payables	-	-	-	-	125,465	125,465	125,465				
Other payables	-	-	-	-	-	264,412	264,412				
Total liabilities	**76,644**	**-**	**-**	**-**	**404,447**	**745,502**	**812,288**	**-**	**422,411**	**-**	**422,411**

(*) the item also includes the fair value of the futures for which cash settlement of open positions is also envisaged (for which the relative fair value cannot be found in the statement of financial position as it has already been settled).

To determine the market value of these instruments, ERG uses various models for measuring and valuation, as summarised below:

Tipologia	Instrument	Pricing model	Calculation tool	Market data used	Data provider	IFRS 7 hierarchy
Interest Rate derivatives	Interest Rate Swap	Discounted Cash Flow	- MS Excel - FINCAD XL	- Deposit rates (Euribor) - Swap rates	- Refinitiv Eikon	Level 2
	Interest Rate Option (Cap, Floor)	Black & Scholes	- MS Excel - FINCAD XL	- Deposit rates (Euribor) - Swap rates - Implied volatility of rates	- Refinitiv Eikon - Refinitiv Eikon	Level 2
Commodity derivates	Commodity Swap	Discounted Cash Flow	- MS Excel	- - Official spot quotes on reference commodities	- Refinitiv Eikon	Level 2
	Gas formulas		- FINCAD XL	- ECB Spot rates		
	Commodity Future	Listed instrument		- Official settlement prices – Source: EEX	- EEX via Refinitiv Eikon	Level 1
	Contract for Difference (CfD)	Discounted Cash Flow	- MS Excel	- Forward national single price quoted on the OTC market	- EEX via Refinitiv Eikon	Level 2
			- FINCAD XL	- Zero coupon curve on the Euro	- Refinitiv Eikon	
Foreign exchange derivatives	Forward purchase/ sale (Outright, FX Forward)	Discounted Cash Flow	- MS Excel - FINCAD XL	- Short-term (deposit rates) and medium/ longterm interest rates (swap rates) for both reference currencies. - ECB Spot rates	- Refinitiv Eikon	Level 2

NOTE 37 - DISCLOSURE ON FINANCIAL RISKS

The main risks identified and actively managed by the ERG Group are the following:

- the **credit risk**, which highlights the possibility of default of a counterparty or any impairment of the assigned credit rating;
- the **market risk**, deriving from exposure to exchange rate fluctuations, mainly between Euro and US Dollar, to interest rate fluctuations, and to the change in the prices of the products sold and of the purchases of raw materials (commodity price volatility risk);
- the **liquidity risk**, the risk of available financial resources being insufficient to fulfil payment commitments.
- **Climate change risk** is the possibility that climate changes in the short, medium and long term may have impacts on ERG's business with economic/financial consequences in terms of (some examples): decreased availability of renewable resources (water, wind and sun); limitations or impediments to operations, increased O&M costs, increased insurance costs, higher compliance costs, etc.

The ERG Group attaches great importance to identifying and measuring risks and to the related controls, in order to ensure efficient management of the risks it runs. Consistently with this objective, an advanced Risk Management system was adopted that assures, in compliance with the existing policies on the matter, the identification, measurement and central level control for the entire Group of the degree of exposure to individual risks.

The Group Risk Management & Corporate Finance function ensures consistency with the assigned risk limits and provides adequate support with its own analyses, both to individual subsidiaries and to the Risk Committee and Top Management of the Parent, for strategic decisions.

Credit risk

Exposure to credit risk, inherent in the probability that a given counterparty will not be able to fulfil its contractual obligations, is managed by means of appropriate analysis and evaluation, also supported by primary providers on the analysis of the credit risk, assigning each counterparty an internal rating (Internal Based Rating, summary indicator of creditworthiness assessment). The rating classes provide an estimation of the probability of default of a specific counterparty, on which the degree of creditworthiness assigned depends, which is accurately monitored and must not be overrun. The choice of counterparties both for the industrial business and financial negotiations underlies the decisions of the Credit Committee, whose choices are supported by creditworthiness analyses.

Concentration risk, both by customer and by segment, is continuously monitored, though no warning situations have ever occurred.

For an assessment of the impacts related to the conflict in Ukraine and on the Group's credit risk, please refer to the section **War events in Ukraine**.

At 31 December 2022, maximum exposure to credit risk on trade receivables, broken down by geographical region, is as follows:

(EUR thousand)	31/12/2022	31/12/2021
Italy	118,490	256,746
France	24,892	16,067
Germany	9,485	11,807
Bulgaria	4,965	6,275
Poland	21,381	8,939
Romania	21,868	20,368
UK	-	-
Spain	1,383	
Totale	**202,466**	**320,202**

The following table provides information on the ERG Group's exposure to credit risk at year-end, by a classification of credits that are not overdue (see **Note 6 – Trade receivables**) according to the credit rating corresponding to the ratings assigned by the information provider and assigned internally.

(EUR thousand)	31/12/2022	31/12/2021
AAA Rating	9,485	11,807
AA+ /AA- Rating	24,892	16,067
AA+ /AA- Rating	20,073	74,543
BBB+ / BBB- Rating	51,655	141,512
BB+ / BB- Rating	76,625	17,799
B+ / B- Rating	205	9,477
CCC Rating	652	36,263
CC Rating	-	0
Total	**183,587**	**307,469**

In relation to receivables not subject to write-downs, the Group assigns each exposure a credit rating class that provides a forecast of the risk of loss and takes into account the proven experience in evaluating receivables. The credit rating classes are defined using qualitative and quantitative factors indicating the risk of default.

The following table shows the exposure to credit risk and the expected losses on trade receivables not past due at 31 December 2022 (with respect to the table above, the carrying amount is recognised net of items included under liabilities as an adjustment to receivables and of receivables already collected at the date of this document).

(EUR thousand)	Carrying amount	Weighted average loss percentage*	Loss allowance
AAA Rating	9,485	0.03%	3
AA+ /AA- Rating	24,892	0.06%	14
A+ /A- Rating	20,073	0.07%	13
BBB+ / BBB- Rating	51,655	0.33%	177
BB+ / BB- Rating	76,625	0.95%	728
B+ / B- Rating	205	1.07%	2
CCC Rating	652	2.66%	17
Total	**183,587**		**954**

* Parameter assessed for each country on the basis of the Probability of Default (PD) and the statistically recognised Loss Given Default (LGD).

Liquidity risk

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. To date, the ERG Group guarantees with the generation of cash flows and with the availability of credit facilities, made available by different counterparties, the adequate coverage of its financial requirements.

The following tables summarise the time profile of the financial liabilities of the Group, inclusive of interest, at 31 December 2022 and at 31 December 2021 on the basis of non-discounted contractual payments and the relative carrying amount.

31/12/2022			Maturity of liabilities				
(EUR thousand)	Carrying amount	Total	On demand	less than 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years
Non-recourse project financing	211,352	*274,751*	-	9,598	38,571	170,693	55,889
Payables to parent companies	37,854	*37,854*	-	37,854	-	-	-
Other payables	29,690	*29,690*			27,723	1,967	-
Trade payables	125,465	*125,465*	2,944	122,521	-	-	-
Total non-derivative financial liabilities	**404,361**	**467,759**	**2,944**	**169,972**	**66,294**	**172,660**	**55,889**
Interest Rate Swap hedging interest rate risk	-	-	-		-	-	-
Derivatives hedging commodity price risk	76,644	*76,644*	-	-	76,644	-	-
Total derivative financial liabilities	**76,644**	**76,644**	**-**	**-**	**76,644**	**-**	**-**

31/12/2021			Maturity of liabilities				
(EUR thousand)	Carrying amount	Total	On demand	less than 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years
Non-recourse project financing	236,825	*284,038*	-	9,070	25,974	165,626	83,368
Payables to parent companies	1,270,206	*1,270,206*	-	1,270,206	-	-	-
Other payables	15,904	*15,904*			2,265	13,639	-
Trade payables	246,322	*246,322*	3,955	242,368	-	-	-
Total non-derivative financial liabilities	**1,769,257**	**1,816,470**	**3,955**	**1,521,643**	**28,239**	**179,266**	**83,368**
Interest Rate Swap hedging interest rate risk	3,187	*3,187*	-	-	1,299	1,248	640
Derivatives commodity price risk	205,229	*205,229*	-		170,857	34,372	-
Total derivative financial liabilities	**208,416**	**208,416**	**-**	**-**	**172,156**	**35,620**	**640**

Covenants and negative pledges

At the reporting date, all the covenants on the Group's loans had been satisfied.

The above-mentioned financial liabilities contain covenants typical of the financial market, which place limits on the financed company in line with the prevailing market practice for similar agreements.

These agreements contain also negative pledges, clauses that generally prohibit assets being used as collateral for any other third-party lenders and protect the creditor's right over the assets pledged by the debtor as a guarantee for repayment of the loan.

As regards commitments and guarantees issued in favour of lenders, these mainly refer to:

l) i) the special lien on movable assets

ii) the mortgage of real estate

iii) the pledge on restricted current accounts

iv) the pledge on 100% of the share capital (including the pledge of 100% of the share capital of any subsidiaries).

The table below provides details on the financial parameters relating to the above loans/Project Financing.

Financial Statement 2022	Financial Statement 2021	Project Financing	Rispetto covenant(s)	Event of Default	Remedies in case of Event of Default*
✔	✔	Project Financing ERG Eolica Fossa del Lupo S.r.l.	✔	HDSCR inferiore a 1,05x e FDSCR inferiore a 1,05x	✔
✔	✔	Project Financing EW Orneta 2 Sp. z o.o.	✔	HDSCR inferiore a 1,10x e LLCR inferiore a 1,10x	✔
✔	✔	Project Financing Windpark Linda GmbH	✔	HDSCR inferiore a 1,05X	✔
✔	✔	Project Financing Andromeda PV S.r.l.	✔	Historical Annual DSCR e Projected Annual DSCR superiori a 1,10x	✔
✔	✔	Corporate Loan Mediobanca	✔	Net Debt/Equity <3,75x	✔
✔	✔	Corporate Loan Intesa Sanpaolo	n/a		n/a

LLCR: Loan Life Cover Ratio
HDSCR: Historical Debt Service Coverage Ratio
FDSCR: Forecast Debt Service Coverage Ratio
* Contractually established remedies that the Company can take to avoid default.

Market risk

This comprises exchange rate risk, interest rate risk and commodity price risk. The management of these risks is regulated by the guidelines provided in the Group Policy and by internal procedures in the Finance area.
Moreover, specific risk management policies and procedures have been developed, based on industry best practices, for the continuous measurement of exposure levels with respect to a Risk Capital value allocated by the parent.

Market risk - interest rate

This risk identifies the change in future interest rate trends that may cause higher costs for the Group. Containment of the interest rate risk is pursued by using derivative contracts such as Interest Rate Swaps and Interest Rate Options (plain vanilla).

GROSS FINANCIAL INDEBTEDNESS (NOMINAL) - RATE BREAKDOWN

	December 2022		December 2021	
(EUR million)	Nominal	%	Nominal	%
Fixed rate loans	1,728	83%	1,727	73%
Variable rate loans – hedged	231	11%	501	21%
Variable rate loans	122	6%	125	5%
Total gross indebtedness	**2,081**	**100%**	**2,352**	**100%**

Market risk - commodity

Commodity price risk consists in unexpected fluctuations in the prices of raw materials, of procurement of services, of finished products and services provided for sale on the open market.
The Group implements all risk management strategies necessary to avoid the economic damages deriving from the volatility of the price for the sale and purchase of Electricity and from fluctuations in the Clean Spark Spread.

	December 2022		
(thousands of Mwh)	Hedge Nominal	Trading Nominal	Total
Futures - electricity	745	2,201	2,945
CFD - electricity	543	1,325	1,868
Physical - Power	-	232	232
Total	**1,288**	**3,758**	**5,045**

Derivative instruments used

The main types of derivative instruments adopted in the management of financial risks, solely for hedging purposes, are as follows:

Options: *a contract whereby one of the parties, on payment of a sum to the other (premium), acquires the right to buy (call option) or sell (put option), at a future date, a certain quantity of financial instruments (underlying asset) at an established price (exercise or strike price).*

Forward contracts: *contracts for the purchase or sale between two parties of a certain financial instrument (the underlying asset) at a future date and at a price fixed at the time the contract is stipulated; this category also includes futures contracts, which unlike forward contracts are standardised, negotiated in lots and for predetermined maturity dates within regulated markets.*

Swap: *contract that determines, between two parties, the swap of flows of payments at certain dates. Payments can be expressed in the same currency or in different currencies and their amount is determined in relation to an underlying asset.*

The derivatives entered into by ERG to hedge the exposure to financial risks existing at 31 December 2022 are:

Interest Rate derivatives

- *Interest Rate Options that fix upper (cap) and lower (floor) limits to be applied to fluctuations in interest rates on variable rate loans;*
- *Interest Rate Swap instruments to bring bank loans with fixed and variable rate to the risk profile deemed most appropriate. IRS contracts provide that the counterparties, with reference to a defined notional value and to pre-set maturities, mutually exchange interest flows calculated in relation to fixed rates or to variable rate parameters agreed previously;*

Commodity derivatives

- *CfD (Contract for Difference) instruments, used to manage the volatility risk of electricity prices; via this instrument it is possible to buy or sell block quantities of electricity by paying on maturity the difference between the price agreed to in the contract and the market price reported in the reference period;*
- *Swap instruments, used to manage the volatility risk of the natural gas price; this contract provides for the exchange of periodic payment flows based on the value of the underlying asset, and obtained from the difference between a fixed price agreed between the parties and a variable price taken from the market. This instrument makes it possible to set in advance the purchase price of natural gas for a particular maturity date;*
- *Futures instruments used to manage the volatility risk of electricity prices; this instrument makes it possible to purchase or sell a certain amount of energy at a certain price in a pre-established future period. The futures instruments used have both monthly and cascading maturities (annual, half-yearly, quarterly, etc.);*
- *electricity contracts with physical delivery are stipulated on the wholesale energy market and measured at fair value as part of purchase and sale transactions with derivative financial instruments as a counter-entry.*

Foreign exchange derivatives

- *Currency forward purchase/sale instruments (Outright, FX Forward), used to manage the risk of exchange rate volatility in implementing foreign projects. These instruments allow the purchase/sale of a given quantity of currency with reference to a predefined expiry and at a pre-established forward exchange rate. They can be settled on expiry through physical delivery of the underlying currency or through the settlement of the difference in Euro between the contractual forward exchange rate and the spot exchange rate recorded on expiry of the contract.*

Interest rate benchmark reform

The radical reform of the main benchmarks for determining the interest rates in place at global level makes provision, inter alia, for the replacement of the interbank offered rates (IBOR) with almost risk-free alternative rates ("IBOR reform").

The EURIBOR underwent methodological calculation reform in 2019, to make it consistent with the regulatory requirements established in the BMR (The Benchmarks Regulation).

At present, it is determined using a hybrid methodology based on the actual transactions available, and on other sources of market prices, where necessary.

Following an initial test phase, the hybrid calculation methodology became applicable, receiving authorisation from the competent authority to continue to be used also for contracts after 3 January 2022 (date of introduction of new benchmark rates).

Again for the Eurozone, the EONIA rate, the overnight market index, was replaced as from 2 October 2019 with a new rate, the Euro Short Term Rate (ESTER), calculated on the basis of transactions that have already taken place and considered more solid and reliable than the previous rate. With regard to the transactions in place at Group level carried out on the money market, there were no situations of uncertainty deriving from the interest rate benchmark reform.

Therefore, the Group continued to apply all provisions relating to hedge accounting to hedging relationships in line with the past.

The impacts of the above-mentioned reform are not significant for the Group at the date of this document given that only some of the foreign companies have modified some intercompany contracts using alternative reference rates.

In order to minimise the risk of one or more of the reference rates being phased out despite market participants continuing to have exposures indexed to said rate, financial institutions and customers are encouraged to use contractual clauses (fallback), which indicate an alternative reference rate as a substitute in the event of unavailability of one of the pre-existing reference rates.

Where present, an analysis will be conducted on the fallback clauses in contracts that will be closed, so that they are sufficient to ensure the transition to alternative reference rates if necessary.

Hedge Accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate risks and commodity price risk. Furthermore, any derivative embedded in a hybrid contract is separated and measured at fair value, when the derivative contract meets the definition of a derivative and is not strictly related to the host contract.
At the start of the designated hedging relationship, the Group documents the risk management objectives and the strategy in implementing the hedge, as well as the economic relationship between the hedged item and the hedging instrument and it is expected that changes in cash on hand of the hedged element and in the hedging instrument will mutually offset.
When a derivative financial instrument is designated as an instrument to hedge the exposure to the variability of cash flows, the effective portion of the fair value gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the hedging reserve. The effective portion of the fair value gain or loss on the derivative financial instrument that is recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged instrument (at the present value) from the start of the hedge. The ineffective portion of the fair value gain or loss on the derivative financial instrument is recognised immediately in profit or loss for the year.
In a hedging relationship, the Group designates as a hedging instrument only the fair value change of the spot element of the forward contract as a hedging instrument in a cash flow hedging relationship.
If the hedge ceases to meet the qualifying criteria or the hedging instrument is sold, terminates or is exercised, hedge accounting is discontinued prospectively. When the cash flow hedge transactions cease being reported, the cumulative gain or loss in the hedging reserve remains in equity until, in the case of a hedge of a transaction that entails the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at initial recognition or, in the case of the other cash flow hedges, it is reclassified to profit or loss for the year in the same year or years in which the hedged expected future cash flows have an effect on profit or loss for the year.
Where cash flow hedges are no longer expected, the amount must be reclassified immediately from the hedging reserve and from the reserve for hedging costs to profit or loss for the year.
A hedging relationship is effective if and only if it meets the following requirements:

- *existence of an economic relationship between the hedging instrument and the hedged item;*
- *the credit risk is not dominant with respect to the changes in value; and*
- *the hedge ratio is the same one used for risk management purposes, i.e. the hedged quantity of the hedged element and the quantity of the hedging instrument used to cover the hedged item.*

The Group carries out the basis adjustment, reclassifying the effective result of the hedge to adjust the initial recognition value of the hedged item, in the case of cash flow hedges of non-financial elements.
However, for all cash flow hedges, including those of transactions involving the recognition of a non-financial asset or liability, the cumulative gain or loss in the hedging reserve was reclassified to profit or loss for the year in the same year or in the same years in which the hedged expected future cash flows have an effect on profit or loss.

Climate Change risk

Climate change risk is the possibility that climate changes in the short, medium and long term may have impacts on ERG's business with economic/financial consequences in terms of (some examples): decreased availability of renewable resources (wind and sun); limitations or impediments to operations, increased Operation & Maintenance costs, increased insurance costs, higher compliance costs, etc.

To combat the climate change already underway, the Intergovernmental Panel on Climate Change (IPCC) has highlighted in its publications the effects that global warming may have and in part is already having on the planet (among others – intensification of heat waves and of extreme weather events, rising sea levels, thinning Arctic sea ice and continental glaciers) and the importance of keeping the rise of average temperatures under 2°C. The path to reach this goal requires timely interventions in all sectors of the economy and industry on a global scale and the Energy sector is one of the key factors to assure the planet's sustainability.

In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published a series of recommendations on the reporting on risks and the related opportunities, also issued by the European Commission in the publication of June 2019. The TCFD guidelines require providing disclosure with respect to four broad topic areas: Governance; Strategy; Risk Management; Metrics & Targets.

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

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

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

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

- Change in the contributions from renewable sources (wind and sun) which may have impacts on ERG's business with consequences from an economic-financial point of view in the medium/long term deriving from possible lower output. In light of the uncertainties regarding the potential effects of a worsening of weather conditions in the areas in which ERG is present and the potential compensatory effects deriving from the Group's increasing geographical complementarity, it was not considered appropriate to reflect any negative effects in the medium-term (Market Plan) and long-term (impairment test) Business Plans. It should be noted that, following the sale of the Hydroelectric business, the Group is no longer subject to the volatility of the availability of water resources, which, in the past, have been more volatile than wind and solar power.
- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural events that could cause damage to production plants, impacting Business Continuity. The "acute" phenomena category includes risks characterised by a remote probability of occurrence but a potentially catastrophic impact, including: fires; earthquakes, volcanic phenomena, hurricanes, tsunamis/floods; while the increase in average temperature, rise in sea level, reduction in rainfall fall into the category of "chronic" events.
- Regulatory and market changes referring in particular to any changes in subsidies and incentives, change in the regulatory framework, uncertainty in the demand for electricity, increased competitive pressure.

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

- the reduction of the impacts related to catastrophic events through Business Continuity Management processes (for the physical protection of assets) and Disaster Recovery Plans, in particular in the ICT field;
- technological diversification of renewable energy plants (e.g. Wind and Solar) and the geographical diversification of generation facilities, which reduce both the impact and the probability of the risk occurring;
- the planning of renewable plant shutdowns on the basis of periods of low utilisation of renewables, thus reducing their impact;
- the use of more accurate weather forecasting tools (Wind and Sun) to define generation plans and further improve Volume Risk Management strategies in the short term;
- the use of statistical risk analysis models, which make it possible to quantify the economic impacts over the life of the Plan;
- the transfer of risks to the insurance market. In particular, all extreme meteorological phenomena are covered (fires;

earthquakes; volcanic phenomena; hurricanes; tsunamis/floods);

- the reduction of the impacts linked to the change in contributions from renewable sources and regulatory and market changes mainly through geographical diversification which allows the Group to make the most of synergies in the areas in which its assets are located, and consequently to mitigate the impacts of the aforementioned risks.

It should also be noted that the Group uses management, prevention and protection strategies to reduce the possible impacts on the areas surrounding its assets. Furthermore, the assets most exposed to extreme weather events or natural disasters are regularly checked and maintained in order to ensure that they are in the best possible condition to cope with extreme weather events.

All of the Group's production sites located in Italy are also subject to ISO environmental certifications and potential sources of risk are monitored so that any critical issues can be detected promptly.

In addition, over the years the Group has demonstrated its ability to anticipate radical changes in the context in which it operates, promptly modifying its growth strategy. Over the years, ERG has transformed from an operator in the refinement and distribution of fuels to a primary operator in Italy and Europe in the generation of electricity from renewable sources. ERG is committed, through its own targets of investment in "zero emission" green technologies and in particular in wind and in solar power, to providing its own contribution to the fight against climate change in line with the objectives of COP21 and the recent COP27.

For further details, please refer to what is indicated in the **Directors' Report**.

NOTE 38 - GUARANTEES, COMMITMENTS AND RISKS

Sureties given (EUR 105,883 thousand)

These are mainly guarantees provided in favour of third parties, guarantees by the parent ERG S.p.A.

These are mainly counterparties with which commercial dealings were carried out, as well as a guarantee in favour of the Italian electricity market operator (GME) directed at allowing operations on said market.

Other Guarantees and commitments made (EUR 4,429 thousand)

The other guarantees and commitments made refer mainly to commitments related to the Group's information systems.

VI. TAXATION

NOTE 39 - INCOME TAXES

Definition and recognition and measurement criteria

Current taxes

Current taxes are recognised based on the estimated tax burden for the year, also taking into account the effects relating to the participation of most Group companies in the Tax Consolidation.
The Group has determined that the interest and penalties relating to income taxes, including the accounting treatments to be applied to income taxes of an uncertain nature, are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as they do not meet the definition of income taxes.
The amount of taxes due or to be received, determined on the basis of the tax rates in force or substantially in force at the end of the financial year, also includes the best estimate of any amount to be paid or received which is subject to factors of uncertainty.

The rate used to calculate current taxes for the Italian companies is the same as the nominal IRES (corporate income tax) rate (24%), increased, where so prescribed, by the IRAP (regional income tax) rate (3.90% - 4.82% - 5.57%).

The rates for foreign companies consolidated on a line-by-line basis are as follows:
France 25%;
Germany 26.6% - 32.3%;
UK 19%; (25% from 1 April 2023)
Romania 16%;
Poland 19%;
Bulgaria 10%.
Sweden 20.6%;
Spain 25%.

*As regards **deferred taxes**, reference is made to the comments in the following Notes.*

(EURo million)	2022	2021
Current income taxes	151,181	44,918
Previous years taxes	1,349	(782)
Deferred tax assets and liabilities	(46,864)	(6,459)
Total	**105,667**	**37,678**

The item Taxes for the year includes the effects of the "Surplus profits contribution" introduced by Italian Decree Law no. 21/2022 the impacts of which are equal to approximately EUR 37 million for continuing operations (isolated as special items in the **Directors' Report**) and the "Temporary solidarity contribution", the impact of which was estimated at around EUR 19 million, for continuing operations (isolated as special items in the **Directors' Report**).
In this regard, it should be noted that, on 21 March 2022, the "Ucraina-bis" or "Taglia Prezzi" Decree Law (Italian Decree Law no. 21/2022 converted into law no. 51 of 20 May 2022) was published in the Official Journal setting forth a surplus profits contribution charged, among others, to the companies that carry out the activity of production and/or resale of electricity. The surplus profits contribution amount, initially equal to 10%, was then increased to 25% by the "Aiuti" Decree Law (Italian Decree Law no. 50/2022 converted by law no. 91 of 15 July 2022). The taxable base is the positive change between the VAT-relevant sale and purchase transactions of the period 1 October 2021 - 30 April 2022 compared to the period 1 October 2020 - 30 April 2021. The surplus profits contribution is due if the increase is greater than 10% and if it is greater than EUR 5,000,000; it is not deductible for IRES and IRAP purposes. The advance payment of 40% was made by 30 June 2022 and the payment of the balance (60%) was made by 30 November 2022.

It should be noted that, with the Budget Law for 2023 (Italian Law no. 197 of 29 December 2022), the legislator amended Art. 37 of Italian Decree Law no. 21/2022 (relating to the Surplus Profits Contribution), explicitly excluding from the taxable base of the contribution the sale and purchase of shares, bonds or other securities not representative of goods and shares that exist between the companies subject to the extraordinary contribution. This amendment therefore confirms that the sale of the equity investment in ERG Hydro S.r.l. by ERG Power Generation S.p.A. on 3 January

2022 must be removed from the taxable base of the Surplus Profits Contribution.

Lastly, it should be noted that the Budget Law for 2023 introduced the "Temporary solidarity contribution", payable by those whose revenues in the tax period prior to 1 January 2023 derive from the production, resale or import of electricity, methane gas, natural gas and petroleum products. The contribution is calculated by applying a rate of 50% on the total income determined for IRES purposes relating to the 2022 tax period, which exceeds by at least 10% the average of the total IRES income achieved in the four previous tax periods (2018-2021). In any case, the contribution calculated in this way may not exceed the limit of 25% of equity at 31 December 2021. The "Temporary solidarity contribution" is not deductible for IRES and IRAP purposes and must be paid by 30 June 2023.

NOTE 40 - CURRENT TAX ASSETS AND LIABILITIES

Current tax assets refer mainly to advances on direct taxes for the year 2022.

Current tax liabilities refer mainly to tax liabilities on direct taxes for the year 2022.

NOTE 41 - DEFERRED TAXATION

Definition and recognition and measurement criteria

Definition and recognition and measurement criteria

Pursuant to the accrual basis of accounting, the Consolidated Financial Statements include deferred tax assets and liabilities arising from temporary differences deriving from adjustments made to consolidated companies' financial statements to comply with the Group's accounting policies, as well as from temporary differences between the carrying amounts and related tax bases, and on unused tax losses.

Deferred tax assets are allocated when their future recovery is probable.

The recoverability of the temporary differences and of the tax losses is contextualised within the various expiry dates of the tax consolidation agreements.

The quantitative limit of 80% does not apply for tax losses generated in the first three years from the incorporation of the company, provided that they refer to a new productive activity.

Deferred taxes are calculated on the basis of the tax rates expected to be in force in the periods in which the taxable and deductible temporary differences will be reversed.

Deferred tax assets

(EUR thousand)	31/12/2022	
	Temporary differences	**Tax effect**
Deferred tax assets		
Provisions for risks and charges	99,690	32,837
Tax losses	350,035	76,770
Derivative instruments	125,893	30,321
Amortisation, depreciation and impairment of non-current assets	233,169	56,478
Other impairment losses	20,158	3,708
Altro	225,965	48,520
Total deferred tax assets before offsetting	**1,054,909**	**248,635**
Offsettable deferred taxes		**(100,018)**
Total deferred tax assets after offsetting		**148,617**

The Group considers it probable that the deferred tax assets recognised at 31 December 2022 will be recoverable.

Deferred tax liabilities

(EUR thousand)	31/12/2022 Temporary differences	Tax effect
Deferred tax liabilities		
Purchase price allocation	1,067,298	266,125
Amortisation and depreciation of non-current assets	64,453	16,534
IFRS 9 tax effects	3,672	762
Other	202,427	11,872
Total	**1,337,850**	**295,293**
Offsettable deferred taxes		**(100,018)**
Total deferred tax liabilities after offsetting		**195,275**

VII. ASSETS HELD FOR SALE

As part of the important Asset Rotation process undertaken by the Group in 2021 and started with the sale of the Hydroelectric business, finalised on 3 January 2022, it should be noted that on 9 February 2022 ERG signed an agreement with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Power S.r.l.

This Transaction was subject, however, to the approval of the competent Antitrust Authorities. On 23 September 2022, the Italian Antitrust Authority (AGCM) refused authorisation for the aforementioned transaction. Following on from the above, the Group has taken the necessary steps to initiate a new competitive process aimed at finding a new buyer, evaluating the most efficient alternative path for pursuing the strategic objective of the 2022-2026 Business Plan of focusing on the core business of generating electricity from renewable sources by divesting ERG Power S.r.l.

The aforementioned sale is presented as a Discontinued Operation pursuant to IFRS 5 on the basis of the following main elements:

a) the transfer to ERG Power S.r.l., by the sole shareholder ERG Power Generation S.p.A., of its business unit used to operate the combined-cycle thermoelectric plant (CCGT): therefore, ERG Power S.r.l. is available for immediate sale at current conditions, subject to the conditions precedent that are customary for the type and significance of the transaction and that would be estimated to be met by the closing date that could be set at the outcome of a future agreement;
b) ERG Power S.r.l., following the above-mentioned transfer of the business unit by ERG Power Generation S.p.A., represents an operating segment.
c) start of a new competitive process aimed at identifying a new buyer and finalising the sale transaction in the short term.

In consideration of the above, in these Consolidated Financial Statements, the balance sheet figures for ERG Power S.r.l.'s assets and liabilities held for sale are shown separately in application of the requirements of IFRS 5 as the sale is considered highly probable by management.

The item "Net profit (loss) from assets held for sale" in the income statement therefore includes the economic contribution of the thermoelectric business for both 2022 and the comparative period 2021.

It should be noted, moreover, that the 2022 results also include the capital gain, net of the tax effect, which emerged from the sale of the hydroelectric assets.

The income statement and cash flow statement figures are also presented for previous periods in application of the requirements of IFRS 5. The aforementioned standard requires that net assets held for sale be recognised at the lower of their book value and fair value net of costs to sell. To this end management, having verified the limited availability of evidence of trading multiples, mainly due to the lack of listed peers in terms of business, regulation, size and geography comparable to ERG's CCGT, and that negotiated prices in general in other transactions also depend on

contractual clauses, shareholdings acquired, guarantees and other details that may not be publicly disclosed and/or differ significantly from the characteristics of the CCGT, decided to use the Unlevered Discounted Cash Flow (UDCF) valuation methodology in order to correctly assess the long-term "fundamental" value of the CCGT complex from a business point of view; this was therefore identified as an Enterprise value of EUR 235 million at 31 December 2022. The assessments described above subsequently revealed the need to reduce the recoverable value by approximately EUR 66 million. The Group therefore proceeded to reduce the carrying amount of the assets by this amount.

NOTE 42 - ASSETS AND LIABILITIES HELD FOR SALE

Definition and recognition and measurement criteria

Classification

An entity must classify a non-current asset (or a disposal group) as held for sale, if its carrying amount will be recovered primarily through a sale transaction rather than through its continuing use.

Two criteria must be met:

- *the asset must be available for immediate sale in its current condition subject only to terms that are usual and customary for sales of such assets (or disposal groups);*
- *the sale must be highly probable.*

IFRS 5 establishes that if a non-current asset (or disposal group) is classified as held for sale, it must be measured, at the time of its initial recognition, at the lower of the carrying amount and the fair value less costs to sell.

The presentation of non-current assets as "discontinued operations" is envisaged when these assets, which have been divested or classified as held for sale:

a) represent a separate major line of business or geographical operations;
b) are part of a single coordinated plan to dispose of a separate major line of business or geographical segment of operations; or
c) are represented by a subsidiary acquired exclusively for resale.

Intra-group transactions

In accordance with the provisions of IFRS 5, the Group has decided to eliminate intra-group items within income from continuing operations as it does not expect that in the future the Group's operating division will continue to operate with the division subject to disposal.

Accounting policies

A non-current asset classified as held for sale and the assets of a disposal group classified as held for sale must be recognised separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale must be presented separately from the other liabilities in the statement of financial position. These assets and liabilities must not be offset and shown in the financial statements as a net amount. An entity must not reclassify or re-present amounts previously classified as non-current assets, or as assets and liabilities belonging to disposal groups, classified as held for sale, in the statements of financial position of previous years presented for comparative purposes to align with the classification in the statement of financial position for the latest financial year presented.

The statement of financial position at 31 December 2022 is represented in accordance with the provisions of IFRS 5, indicating separately in the lines **"Assets held for sale"** and **"Liabilities related to assets held for sale"** the assets and liabilities intended to be sold referring to the company ERG Power S.r.l.:

(EUR thousand)	Notes	31/12/22 ERG Power S.r.l.	31/12/22 Intra-group transactions	31/12/22 Total
ASSETS				
Authorisations and Concessions		-	-	
Other intangible assets		466	-	466
Goodwill		-	-	-
Property, plant and equipment	a	118,867	-	118,867
Right-of-use assets		-	-	-
Equity investments:	b	11,342	-	11,342
- carried at equity		-	-	-
- other equity investments		-	-	-
Financial assets measured at fair value		-	-	-
Other non-current financial assets		2,498	-	2,498
Deferred tax assets	c	23,871	-	23,871
Other non-current assets		199	-	199
Non-current assets		**157,243**	**-**	**157,243**
Inventories	d	6,683	-	6,683
Trade receivables	e	176,955	(17,684)	159,271
Trade receivables ERG Group vs ERG Power S.r.l.			*(70,762)*	(70,762)
Other receivables and current assets	f	132,858	(57,821)	75,037
Other receivables and assets ERG Group vs ERG Power S.r.l.			*(3,293)*	(3,293)
Current tax assets		242	-	242
Financial assets measured at fair value		-	-	-
Current financial assets ERG Group vs ERG Power S.r.l		-	-	-
Other current financial assets	g	-	(98,335)	(98,335)
Cash and cash equivalents		-	-	-
Current assets		**316,739**	**(247,896)**	**68,842**
				-
Assets held for sale		**473,982**	**(247,896)**	**226,086**
TOTAL ASSETS		**-**	**-**	**-**
EQUITY				-
Share capital		-	-	-
Other Reserves		-	-	-
Retained earnings		-	-	-
Profit for the year		-	-	-
Equity attributable to the owners of the parent		-	-	-
				-
Non-controlling interests		-	-	-
		-	-	-
TOTAL EQUITY		**-**	**-**	**-**
LIABILITIES				
Employee benefits		700	-	700
Deferred tax liabilities	h	10,306	-	10,306
Provision for disposed businesses		-	-	-
Provisions for dismantling expenses		-	-	-
Other non-current provisions		-	-	-
Financial liabilities measured at fair value		-	-	-
Non-current financial liabilities		0	-	0
Non-current lease liabilities		-	-	-
Other non-current liabilities		-	-	-
Non-current liabilities		**11,006**	**-**	**11,006**

(EUR thousand)	Notes	ERG Power S.r.l.	Intra-group transactions	Total
Other current provisions		6	-	6
Trade payables	i	156,768	(70,774)	85,994
Trade payables ERG Group vs ERG Hydro S.r.l.			*(17,671)*	(17,671)
Financial liabilities measured at fair value		-	-	-
Current financial liabilities		98,334	-	98,334
Current financial liabilities ERG Group vs ERG Power S.r.l			*(98,335)*	(98,335)
Current lease liabilities		-	-	-
Other current liabilities	j	71,201	*(3,293)*	67,907
Other payables and liabilities ERG Group vs ERG Power S.r.l.			*(57,821)*	(57,821)
Current tax liabilities		-	-	-
Current liabilities		**326,308**	**(247,894)**	**78,414**
				-
Liabilities related to assets held for sale		**337,315**	**(247,894)**	**89,421**

Notes

a) the property, plant and equipment consists of the CCGT plant (480 MW) located in the industrial site of Priolo Gargallo (SR) in Sicily. This is a high-efficiency cogeneration (C.A.R.) and low environmental impact power plant based on combined-cycle technology fuelled by natural gas, which went into commercial operation in April 2010 along with other ancillary plants for the production of steam and, to a lesser extent, other utilities;

b) the item relates to the equity interest in Priolo Servizi S.C.p.A., a consortium company controlled by ERG Power S.r.l. (20.31%), ISAB S.r.l. (36.82%) and the other shareholders of the Versalis S.p.A. group (37.22%) and ENI Rewind S.p.A. (5.65%).

c) Deferred tax assets are mainly allocated against the write-down made in previous years;

d) inventories mainly refer to spare parts of the CCGT and to CO2 quotas of ERG Power S.r.l. purchased in financial year 2022;

e) trade receivables consist mainly of trade receivables from end customers, receivables for White Certificates generated by the CCGT and trade receivables for the sale of electricity of the parent company ERG Power Generation S.p.A., no longer subject to elimination following the application of IFRS 5.

f) other current receivables and assets include security deposits with GME, receivables for compensation to be received, VAT receivables from the tax authorities and Group VAT receivables from the parent company ERG Power Generation S.p.A.;

g) financial receivable for cash pooling from the parent company no longer subject to derecognition following the application of IFRS 5;

h) liabilities for deferred taxes set aside following the application of IFRS 5 which resulted in the calculation of depreciation/amortisation only for the first month of 2022, the date of first application of the standard;

i) trade payables to third-party suppliers and payables to the parent company which, following the application of IFRS 5, are no longer subject to derecognition;

j) Other current liabilities mainly include tax payables, payables to employees and payables to social security institutions. Intra-group transactions mainly refer to payables of ERG S.p.A. and ERG Power Generation S.p.A. accrued in favour of ERG Power S.r.l., which, following the application of IFRS 5, are no longer subject to derecognition.

Cash Flows

The following are the cash flows generated by the assets and liabilities held for sale:

(EUR thousand)	2022
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**10,000**
CASH FLOWS FROM OPERATING ACTIVITIES OF ASSETS HELD FOR SALE	*(43,594)*
CASH FLOWS FROM INVESTING ACTIVITIES OF ASSETS HELD FOR SALE	*4,407*
CASH FLOWS FROM FINANCING ACTIVITIES OF ASSETS HELD FOR SALE	*29,189*
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**0**

NOTE 43 - NET PROFIT (LOSS) FROM ASSETS HELD FOR SALE

Accounting policies

In the income statement, the entity must indicate a single amount referring to the discontinued operations or to the asset held for sale. This amount will relate to the entire period and not the result from the time the component became a discontinued operation. An entity must present Income Statement figures for previous periods presented in the Financial Statements, so that the disclosure refers to all operations discontinued by the end of the most recent reporting year.

The income statements for the years 2022 and 2021 are drawn up in accordance with the provisions of IFRS 5, which prescribes how to report the profit or loss from discontinued operations, thus excluding from the results of continuing operations the result of the subsidiary ERG Power S.r.l in 2022, and also the result of ERG Hydro S.r.l in 2021. It should be noted that the 2022 result also includes the effects of the sale of ERG Hydro S.r.l. on 3 January 2022.

The impact of the aforementioned exclusion is indicated separately under the item **"Net profit (loss) from assets held for sale"**.

Below is the income statement for the years 2022 and 2021 of the assets held for sale:

(EUR thousand)	Notes	2022 ERG Hydro S.r.l.	2022 Thermoelectric Business	2022 Net profit (loss) from assets held for sale	2021 ERG Hydro S.r.l.	2021 Thermoelectric Business	2021 Net profit (loss) from assets held for sale
Revenue	a)	-	1,436,402	1,436,402	185,515	444,764	630,279
Other income		-	19,893	19,893	2,576	611	3,187
Other purchases		-	(1,338,930)	(1,338,930)	(1,883)	(387,038)	(388,921)
Services and other operating costs	c)	-	(47,704)	(47,704)	(25,087)	(15,282)	(40,369)
Losses due to impairment of receivables		-	(178)	(178)	(22)	-	(22)
Personnel expense	d)	-	(12,224)	(12,224)	(9,597)	(13,772)	(23,351)
GROSS OPERATING PROFIT (EBITDA)		**-**	**57,260**	**57,260**	**151,520**	**29,284**	**180,804**
Amortisation of Intangible assets		-	(238)	(238)	(8,391)	(298)	(8,690)
Depreciation of property, plant and equipment and right-of-use assets	e)	-	(2,605)	(2,605)	(13,538)	(31,052)	(44,590)
Reversals of impairment losses (impairment losses)	f)	-	(80,805)	(80,805)	-	(3,500)	(3,500)
OPERATING PROFIT (EBIT)		**-**	**(26,387)**	**(26,387)**	**129,591**	**(5,567)**	**124,025**
Financial income		-	(171,081)	(171,081)	13	0	13
Financial expense		-	170,838	170,838	(2)	(300)	(301)
Net financial income (expense)		**-**	**(242)**	**(242)**	**12**	**(300)**	**(288)**
Net gains (losses) on equity-accounted investments		-	111	111	-	-	-
Other net gains (losses) on equity investments	g)	323,943	0	323,943	-	122	122
Gains (losses) on equity investments		**323,943**	**111**	**324,054**	**-**	**122**	**122**
PROFIT (LOSS) BEFORE TAXES		**323,943**	**(26,519)**	**297,424**	**129,603**	**(5,745)**	**123,858**
Income taxes		-	(3,293)	(3,293)	(37,054)	1,684	(35,370)
Net profit (loss) from assets held for sale		**323,943**	**(29,811)**	**294,131**	**92,549**	**(4,061)**	**88,488**

Notes

a) Revenues for 2022 mainly refer to revenues from the sale of energy and other utilities to third parties at the CCGT plant, whereas for 2021 it includes the "incentive tariff" recognised to plants defined as "IAFR-plant powered by renewable sources", and to sales of electricity produced by the Terni hydroelectric complex.

b) Costs for the purchase of commodities refer to purchase costs for gas, energy and raw materials referring to the CCGT plant of ERG Power S.r.l.

c) Services and other operating costs refer to maintenance costs, commercial expenses, costs for utilities and agreements for local authorities, as well as provisions for risks and charges.

d) Labour costs of companies classified as discontinued operations.

e) Amortisation and depreciation for the year of intangible assets and property, plant and equipment refer for 2022 only to depreciation and amortisation until 1 February 2022, and for 2021, in respect of ERG Hydro S.r.l. to amor-

tisation and depreciation for the first six months only, in application of IFRS 5.

f) The item refers to the write-down of approximately EUR 80 million of the ERG Power S.r.l. CCGT plant.

g) Net income (expense) from equity investments includes the net capital gain recognised on the sale of the Terni hydroelectric power complex on 3 January 2022 (amounting to approximately EUR 324 million).

Details of the determination of the above-mentioned capital gain are given below

RECONCILIATION OF CAPITAL GAIN ON SALE OF ERG HYDRO S.R.L.

a) Sale price ERG Hydro S.r.l..	1,264,826
b) Equity net assets sold	752,430
c)= a) - b) Difference between sale price and Shareholders' equity of the asset sold	**512,396**
d) Reversal of the Cash Flow Hedge Reserve relating to Hydro production net of taxes	(171,388)
e) Ancillary costs of sales, organisational restructuring net of taxes	(9,747)
f) Participation exemption tax effect	(7,318)
g)= c) + d) + e) + f) Total net capital gain recognised following the sale	**323,943**

VIII. OTHER NOTES

NOTE 44 - BUSINESS COMBINATIONS AND ASSET ACQUISITION

Definition and recognition and measurement criteria

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at fair value and includes all contingent considerations at the acquisition date. Subsequent changes in the fair value of contingent considerations are recognised in the income statement, in compliance with applicable standards.

Goodwill, recognised at the date of acquisition of control, is equal to the difference between:

- *the consideration transferred, the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3 (fair value of the pro-rata share of net assets related to non-controlling interests);*
- *the net of the amounts of the identifiable assets acquired and the liabilities assumed, measured at fair value.*

The costs related to the acquisitions are recognised as expenses in the periods in which they are incurred.

In the case of acquisition of operational (wind or photovoltaic) farms, in order to identify whether the object of the acquisition is a business according to the definition provided by IFRS 3, it is necessary to determine whether substantial processes have been acquired.

As part of this consideration, in the view of the Group's management, O&M activities are a critical process for the functioning of the farms, as these could not produce output or maintain the level of production without continuous O&M activities.

In the case of acquisition of projects (e.g. objects that do not yet generate outputs), the Group deems that the conditions for considering these transactions as business combinations are not met.

Consequently, project acquisitions will be accounted for as asset acquisitions.

"Valentia" Business Combination

On **31 January 2022**, ERG, through its subsidiary ERG Power Generation S.p.A., finalised the agreement with GEI Subasta for the acquisition of 100% of the share capital of two companies under Spanish law owning two solar plants in operation located in southern Spain for a total of 91.6 MW.

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

The consideration for the acquisition is approximately EUR 100 million (Asset Value), while the annual EBITDA for 2021 was EUR 11 million.

The transaction is a business combination within the meaning of the definition provided by IFRS 3 applicable since 1 January 2020. To this end, it should be noted that the acquisition scope includes plants, Operation & Maintenance contracts, land lease agreements. In particular, the O&M activities are critical to the Group in terms of the functioning of the wind farms. Such contracts allow access to an organised workforce that carries out processes that are key to the ability of wind farms to continue producing output.

Determination of the total acquisition price

The acquisition price was around EUR 34 million for the acquisition of 100% of the share capital of the target companies.

It should also be noted that liabilities of approximately EUR 75 million were assumed.

It should be noted that the acquisition-related costs incurred by the Group totalled approximately EUR 1.5 million, and they refer to legal fees and due diligence costs, of which EUR 0.6 million were incurred in 2021 and EUR 0.9 million in 2022.

These costs were included in the Services and other operating costs item in financial years 2021 and 2022.

It is noted that in the Condensed Interim Consolidated Financial Statements at 30 June 2022, a temporary purchase price allocation procedure was performed on the basis of the information available at that date, and consistently with the indications of IFRS 3 this procedure shall be deemed provisional and subject to changes and adjustments.

In accordance with the provisions of IFRS 3, for the purposes of these Financial Statements the purchase price allocation procedure was performed using the final information regarding the accounting statements of the companies acquired.

The year indicated above resulted in an adjustment of the total consideration for the acquisition of approximately EUR 4 million, reflected in the following table under the item "Goodwill".

Measurement of the assets and liabilities of the business combination at the acquisition date

The acquisition was recognised on a definitive basis; the fair values of the assets acquired were determined on the basis of the best estimate available at the acquisition date and are shown in the table

(EUR thousand)	Acquisition figures	Adjustment to the acquisition figures	Assets acquired and liabilities assumed
Authorisations and Concessions	-	28,520	28,520
Other intangible assets	-		-
Goodwill			-
Property, plant and equipment	71,845		71,845
Right-of-use assets	9,046		9,046
Equity investments	-		-
Financial assets measured at fair value	-		-
Other non-current financial assets	69-		69
Deferred tax assets	1,561	220	1,781
Other non-current assets	-	3,168	3,168
Non-current assets	**82,522**	**31,907**	**114,429**
Inventories	-		-
Trade receivables	4,359		4,359
Other receivables and current assets	51		51
Current tax assets	-		-
Financial assets measured at fair value	-		-
Other current financial assets*	-		-
Cash and cash equivalents*	5,661		5,661
Current assets	**10,072**	**-**	**10,072**
TOTAL ASSETS	**92,593**	**31,907**	**124,501**
Equity attributable to the owners of the parent	6,920	23,092	30,013
Non-controlling interests	-	-	-
Total Equity	**6,920**	**23,092**	**30,013**
Employee benefits			-
Deferred tax liabilities	230	7,922	8,152
Provision for disposed businesses	-		-
Provisions for dismantling expenses	-		-
Other non-current provisions	-	769	769
Financial liabilities measured at fair value	-		-

Non-current financial liabilities*	71,182		71,182
Non-current lease liabilities*	9,046		9,046
Other non-current liabilities	-	124	124
Non-current liabilities	**80,457**	**8,815**	**89,272**
Other current provisions	-		-
Trade payables	461		461
Financial liabilities measured at fair value	-		-
Current financial liabilities*	-		-
Current lease liabilities*	-		-
Other current liabilities	3,827		3,827
Current tax liabilities	929		929
Current liabilities	**5,216**	**-**	**5,216**
TOTAL EQUITY AND LIABILITIES	**92,593**	**31,907**	**124,501**
*** Impact on Net Financial Indebtedness**	**(74,566)**	**-**	**(74,566)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (1 January 2022) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: photovoltaic plants recognised at acquisition cost including ancillary costs and costs directly attributable to the asset and adjusted by the related accumulated depreciation;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **trade receivables**: relative to the sale of electricity;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **non-current financial liabilities**: medium/long-term portion of payables to banks for project financing; these bank loans were subsequently repaid in full as part of the Liability Management activities performed by the Group;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M;

the following fair values determined on a provisional basis have been included in the column **Adjustment to the acquisition figures**:

- **intangible assets**: capital gain allocated upon recognition of the acquisition; this capital gain was posted to the item "Authorisations and Concessions" and relates in particular to the right to receive incentives for a residual period of 23 years;
- **deferred tax assets**: this item consists of the recognition of a Tax Asset determined at the time of acquisition;
- **other non-current assets**: recognition of receivables for early termination of Project Financing;
- **deferred tax liabilities** relating to the above allocation and to the tax effect of the fair value adjustment of IRS on project financing;
- **other non-current provisions**: recognition of charges for contingent liabilities recognised at the time of acquisition, partially offset by the aforementioned "special indemnities";
- **current and non-current financial liabilities**: fair value adjustment of the IRS on the borrowing for project financing and recognition of the interest accrued on the Shareholder loan.

Determination of goodwill

The difference between the total acquisition price and the net value of the acquired assets and liabilities was recognised as goodwill, as illustrated in the following table:

(EUR thousand)	
Acquisition price	34,302
Fair value of the acquired net assets	30,013
Goodwill	**4,289**

With regard to the definition of the total acquisition price, please refer to what has already been described in the previous paragraphs.

"Siena" Business Combination

On **7 July 2022**, ERG, through its subsidiary ERG Solar Holding 2 S.r.l., finalised the acquisition from ABN AMRO Sustainable Impact Fund PE B.V. of 100% of the capital of MP Solar B.V., owner, through seven Italian companies, of eighteen operational photovoltaic plants located in Puglia, Molise, Lazio and Sardinia. The plants, with a total installed capacity of 33.8 MW and a total annual output of 46 GWh, came into operation between the end of 2010 and 2011 and benefit from the tariff regime under the so-called Feed-in Tariff (II, III and IV).

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

The transaction is a business combination within the meaning of the definition provided by IFRS 3 applicable since 1 January 2020. To this end, it should be noted that the acquisition scope includes plants, Operation & Maintenance contracts, land lease agreements and the right to receive incentives (Feed-in tariff). In particular, the O&M activities are critical to the Group in terms of the functioning of the wind farms. Such contracts allow access to an organised workforce that carries out processes that are key to the ability of wind farms to continue producing output.

Determination of the total acquisition price

The acquisition price was around EUR 79 million for the acquisition of 100% of the share capital of the target companies. It should also be noted that liabilities of approximately EUR 42 million were assumed.
It should be noted that the acquisition-related costs incurred by the Group totalled approximately EUR 1 million, and they refer to legal fees and due diligence costs, included in the item Services and other operating costs.

Measurement of the assets and liabilities of the business combination at the acquisition date

The acquisition was recognised on a definitive basis; the fair values of the assets acquired were determined on the basis of the best estimate available at the acquisition date and are shown in the table below:

(EUR thousand)	Acquisition figures	Temporary adjustment to the acquisition figures	Assets acquired and liabilities assumed
Authorisations and Concessions	-	87,048	87,048
Other intangible assets	1,042		1,042
Goodwill	-		
Property, plant and equipment	44,729	(36,391)	8,338
Right-of-use assets	2,995		2,995
Equity investments	-		-
Financial assets measured at fair value	-		-
Other non-current financial assets	884		884
Deferred tax assets	6,742	10,656	17,398
Other non-current assets	635		635
Non-current assets	**57,027**	**61,312**	**118,339**
Inventories	-		-
Trade receivables	6,139		6,139
Other receivables and current assets	737		737
Current tax assets	625		625
Financial assets measured at fair value	2,090		2,090
Other current financial assets*	-	2,227	2,227
Cash and cash equivalents*	13,729		13,729
Current assets	**23,321**	**2,227**	**25,548**
TOTAL ASSETS	**80,348**	**63,539**	**143,887**
Equity attributable to the owners of the parent	12,420	36,832	49,252
Non-controlling interests	-		-
Total Equity	**12,420**	**36,832**	**49,252**
Employee benefits	-		-
Deferred tax liabilities	882	25,078	25,961
Provision for disposed businesses	-		-
Provisions for dismantling expenses	1,585		1,585
Other non-current provisions	-	915	915
Financial liabilities measured at fair value	-		-
Non-current financial liabilities*	-	-	-
Current lease liabilities*	2,995		2,995
Other non-current liabilities	547		547
Non-current liabilities	**6,009**	**25,993**	**32,003**
Other current provisions	-		-
Trade payables	1,916		1,916
Financial liabilities measured at fair value	-		-
Current financial liabilities*	53,903	714	54,617
Current lease liabilities*	-		-
Other current liabilities	4,307		4,307
Current tax liabilities	1,792		1,792
Current liabilities	**61,918**	**714**	**62,632**
TOTAL EQUITY AND LIABILITIES	**80,348**	**63,539**	**143,887**
* Impact on Net Financial Indebtedness	**(45,259)**	**1,513**	**(41,656)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (1 July 2022) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: photovoltaic plants recognised at acquisition cost including ancillary costs and costs directly attributable to the asset and adjusted by the related accumulated depreciation;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **trade receivables**: relative to the sale of electricity;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M;
- **current financial liabilities**: payables to banks for project financing and liabilities recognised for payables to leasing companies regarding lease agreements in place for the plants of some of the companies. The project financing was subsequently repaid in full as part of the Liability Management activities carried out by the Group.
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The following fair values determined on a provisional basis have been included in the column **Adjustment to the acquisition figures**:

- **intangible assets**: capital gain allocated upon recognition of the acquisition; this capital gain was posted to the item "Authorisations and Concessions" and relates in particular to the right to receive incentives for a residual period of 31 years;
- **Property, Plant and Equipment**: write-down of the residual value of the assets at 31 December 2023 as part of the Repowering and Revamping projects planned by the Group at the time of acquisition.
- **deferred tax assets**: related to the write-down of plants referred to above;
- **deferred tax liabilities**: related to the tax effect of the allocation referred to above;
- **other non-current provisions**: recognition of charges for contingent liabilities recognised at the time of acquisition, partially offset by the aforementioned "special indemnities";
- **current financial liabilities**: recognition of penalties for lease extinguishment, envisaged at the time of acquisition.

Determination of goodwill

The difference between the total acquisition price and the net value of the acquired assets and liabilities was recognised as goodwill, as illustrated in the following table:

(EUR thousand)	
Acquisition price	78,732
Fair value of the acquired net assets	49,252
Goodwill	**29,480**

With regard to the definition of the total acquisition price, please refer to what has already been described in the previous paragraphs.

The goodwill deriving from the acquisition refers mainly to the synergies that are expected to be achieved as a result of integrating the acquiree into the Group. The goodwill recognised in the Financial Statements will not be deductible for income tax purposes.

Siena contribution in 2022

In the period between the date of first-time consolidation (1 July 2022) and the reporting date of these Consolidated Financial Statements, the acquirees contributed to the Group's income statement with revenue of EUR 7.6 million, a gross operating profit (EBITDA) of EUR 5.7 million and a net profit for the year of EUR 0.4 million.
It should be noted that if the acquisition had occurred on 1 January 2022, the acquirees would have contributed revenue of approximately EUR 16 million to the Group's income statement, a gross operating profit (EBITDA) of EUR 13 million and a loss for the year of EUR 5 million.

"Donatello" Business Combination

On 9 September 2022, ERG, through a subsidiary, completed the acquisition from EDP Renewables Italia Holding S.r.l. of the entire share capital of seven companies, owners of seven wind farms located in Italy. The agreement envisages that a minority interest in one of the aforementioned companies be sold to ERG directly by a third party investor. The plants are located in Basilicata, Campania and Calabria and have a total installed capacity of 172 MW, corresponding to an estimated annual production of approximately 400 GWh.
All the plants benefit from a 20-year "CfD" (Contract for Difference) pricing scheme with the GSE beginning from their entry into operations, occurring between 2018 and the end of 2021.

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

The transaction is a business combination within the meaning of the definition provided by IFRS 3 applicable since 1 January 2020. To this end, it should be noted that the acquisition scope includes plants, Operation & Maintenance contracts, land lease agreements and the right to benefit from the "CfD" tariff scheme. In particular, the O&M activities are critical to the Group in terms of the functioning of the wind farms. Such contracts allow access to an organised workforce that carries out processes that are key to the ability of wind farms to continue producing output.

Determination of the total acquisition price

The acquisition price was around EUR 300 million for the acquisition of 100% of the share capital of the target companies. It should also be noted that liabilities of EUR 107 million were assumed.

It should be specified that the acquisition-related costs incurred by the Group amounted to approximately EUR 1 million, concerning legal expense and costs of due diligence. These costs were included in the Services and other operating costs item.

Measurement of the assets and liabilities of the business combination at the acquisition date

The acquisition was recognised on a definitive basis; the fair value of the assets acquired was determined on the basis of the best estimate available at the acquisition date and are shown in the table below:

(EUR thousand)	Acquisition figures	Adjustment to the acquisition figures	Assets acquired and liabilities assumed
Authorisations and Concessions	-	198,692	198,692
Other intangible assets	-		-
Goodwill	-		-
Property, plant and equipment	195,661		195,661
Right-of-use assets	9,643		9,643
Equity investments			-
Financial assets measured at fair value			-
Other non-current financial assets			-
Deferred tax assets	191		191
Other non-current assets			-
Non-current assets	**205,495**	**198,692**	**404,188**
Inventories	0		0
Trade receivables	17,950		17,950
Other receivables and current assets	7,854	2,425	10,279
Current tax assets			-
Financial assets measured at fair value			-
Other current financial assets*	41,776		41,776
Cash and cash equivalents*	338		338
Current assets	**67,918**	**2,425**	**70,343**
TOTAL ASSETS	**273,414**	**201,117**	**474,531**
Equity attributable to the owners of the parent	94,778	136,037	230,815
Non-controlling interests	-		-
Total Equity	**94,778**	**136,037**	**230,815**
Employee benefits			-
Deferred tax liabilities		57,243	57,243
Provision for disposed businesses			-
Provisions for dismantling expenses	4,644		4,644
Other non-current provisions	712	7,465	8,177
Financial liabilities measured at fair value			-
Non-current financial liabilities*	138,836		138,836
Non-current lease liabilities*	9,445		9,445
Other non-current liabilities			-
Non-current liabilities	**153,637**	**64,708**	**218,346**
Other current provisions			-
Trade payables	9,488		9,488
Financial liabilities measured at fair value			-
Current financial liabilities*		372	372

Current lease liabilities*			-
Other current liabilities	12,532		12,532
Current tax liabilities	2,979		2,979
Current liabilities	**24,999**	**372**	**25,371**
TOTAL EQUITY AND LIABILITIES	**273,414**	**201,117**	**474,531**
*** Impact on Net Financial Indebtedness**	**(106,167)**	**(372)**	**(106,539)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (1 August 2022) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: wind farms recognised at acquisition cost including ancillary costs and costs directly attributable to the asset and adjusted by the related accumulated depreciation;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **trade receivables**: relative to the sale of electricity;
- **other current financial assets**: relating to the financial receivable for centralised treasury from a Group company;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **non-current financial liabilities**: financial payables for shareholder loans to ERG Wind Holding S.r.l.;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M;

in the column **Adjustments to the acquisition situation**:

- **intangible assets**: capital gain allocated upon recognition of the acquisition; this capital gain was posted to the item "Authorisations and Concessions" and relates in particular to the calculation of the right regarding CfDs (contracts for difference) for a residual period of 33 years as well as the calculation of the year in which the Company has the right to sell energy to the Market;
- **other financial assets**: inclusion of "special indemnities" determined at the time of acquisition;
- **deferred tax liabilities**: related to the tax effect of the allocation referred to above;
- **other non-current provisions**: recognition of charges for contingent liabilities recognised at the time of acquisition, partially offset by the aforementioned "special indemnities";

Determination of goodwill

The difference between the total acquisition price and the net value of the acquired assets and liabilities was recognised as goodwill, as illustrated in the following table:

(EUR thousand)	
Acquisition price	298,926
Fair value of the acquired net assets	230,815
Goodwill	**68,112**

With regard to the definition of the total acquisition price, please refer to what has already been described in the previous paragraphs.

The goodwill deriving from the acquisition refers mainly to the synergies that are expected to be achieved as a result of integrating the acquiree into the Group. The goodwill recognised in the Financial Statements will not be deductible for income tax purposes.

Donatello contribution in 2022

In the period between the date of first-time consolidation (1 August 2022) and the reporting date of these Consolidated Financial Statements, the acquirees contributed to the Group's income statement with revenue of EUR 40 million, a gross operating profit (EBITDA) of EUR 34 million and a net profit for the year of EUR 7 million.

It should be noted that had the acquisition occurred on 1 January 2022, the acquirees would have contributed revenue of EUR 92 million to the Group's income statement, a gross operating profit (EBITDA) of EUR 79 million and a profit for the year of EUR 34 million.

Acquisition of "Corlacky" assets

On **14 October 2022**, ERG, through its subsidiary ERG UK Holding Ltd., finalised the acquisition of 100% of the shares of the company Corlacky Energy Ltd., wholly owned by the RES group, which holds the permits for the construction and operation of the Corlacky wind farm in Northern Ireland.

The expected total capital expenditure required to build the wind farm, including the price for the purchase of construction permits, is approximately EUR 90 million.

Since it is an acquisition of authorisations for the construction of a wind farm, the acquired assets and liabilities do not comply with the definition of IFRS 3 – Business Combinations. Therefore, these assets and liabilities were recognised as acquisitions of individual assets and liabilities, allocating the difference between the paid price and net acquired assets to Authorisations and Concessions.

Determination of the total acquisition price

The acquisition price was around EUR 27 million for the acquisition of 100% of the share capital of the target company.

NOTE 45 - NON-RECURRING ITEMS

As required by CONSOB resolution no. 15519 dated 27 July 2006, significant income and expense arising from non-recurring transactions or events that do not occur frequently in the ordinary course of business are presented below. The aforesaid "Non-recurring items" are included among the special items indicated in the Directors' Report.

Also pursuant to the aforementioned CONSOB resolution, the amounts related to the positions and transactions with related parties are indicated separately in **Note 47 – Related parties**.

(EUR thousand)		2022	2021
Revenue	1)	(35,209)	-
Other income		-	-
Purchases		-	-
Change in inventories		-	-
Services and other operating costs	2)	(1,979)	(1,569)
Personnel expense	3)	(1,071)	-
Amortisation, depreciation and impairment of non-current assets	4)	(43,268)	(24,840)
Net financial income (expense)	5)	(1,363)	(16,375)
Net gains (losses) on equity investments		46	(190)
Income taxes	6)	(37,432)	8,872
Profit (loss) from continuing operations of non-recurring items		**(120,276)**	**(34,102)**
Profit (loss) from discontinued operations of non-recurring items	7)	256,027	15,561
Profit (loss) of non-recurring items		**135,751**	**(18,540)**
Non-controlling interests		-	-
Profit (loss) of non-recurring items		**135,751**	**(18,540)**

Nel 2022:

1) The item refers to the clawback measures and windfall tax regarding the Price Cap and Windfall tax in Europe as well as the Sostegni-Ter Decree in Italy; note that these items are recorded as a reduction of revenue;
2) Costs for services and other operating costs refer to unsuccessful acquisition projects and to provisions for disposed businesses;
3) extraordinary bonuses, also including the portion of the Special Contribution referring to Group management.
4) Write-down of the net residual value of the property, plant and equipment and intangible assets of wind farms in the Italian portfolio being dismantled, following the authorisation of five Repowering projects and some Revamping projects obtained during the year;
5) Charges related to the early closure of Project Financing, as part of Liability Management activities;
6) The item includes, in addition to the tax effect of the items commented above, the following non-recurring items: i) the surplus profits contribution of EUR 37 million (not including the effect relating to the Thermoelectric segment for EUR 4 million) and ii) the temporary solidarity contribution of approximately EUR 19 million;
7) Profit (loss) from discontinued operations refers to:

a. the capital gain, net of the related charges, deriving from the sale of ERG Hydro, amounting to EUR 326 million;

b. the write-down of the CCGT amounting to EUR 66 million;

c. the EUR 4 million impact of the surplus profits contribution on the thermoelectric segment

NOTE 46 - RELATED PARTIES

The transactions carried out by ERG Power Generation with related parties pertain mainly to:

- the exchange of goods, the performance of services, the provision and use of financing;
- the provision and use of financing with respect to the parent company ERG S.p.A.

(EUR thousand)	Revenue	Other income	Purchases	Services and other operating costs	Financial income	Financial expense
ERG S.p.A.	8	0	-	(32.718)	-	(12.939)
Priolo Servizi S.C.p.A.	1	-	-	-	-	-
Directors and statutory auditors	-	-	-	(414)	-	-
TOTAL	**10**	**0**	**-**	**(33.132)**	**-**	**(12.939)**

(EUR million)	Other non-current financial assets	Other non-current assets	Trade receivables	Other receivables and current assets	Current financial assets	Non-current financial liabilities	Other non-current liabilities	Trade payables	Current financial liabilities	Other current liabilities
ERG S.p.A.	-	-	-	20,529	18,223	-	-	-	37,854	23,728
Priolo Servizi S.C.p.A.	-	-	8	-	-	-	-	495	-	-
TOTAL	**-**	**-**	**8**	**20,529**	**18,223**	**-**	**-**	**495**	**37,854**	**23,728**

NOTE 47 - LIST OF GROUP COMPANIES AND TRANSACTIONS FOR THE YEAR

The transactions that took place during the year regarding equity investments are reported below:

- On **4 January 2022**, the share capital of Corni Eolian S.A., a Romanian company, was increased from RON 33,818,000 to RON 95,679,250 with a nominal value for the shares of RON 10.00/share.
- On **30 March 2022**, ERG Solar Holding S.r.l. acquired the entire share capital of Fattoria Solare Futurasun S.r.l., a company not consolidated on a line-by-line basis.
- On **1 April 2022**, the Shareholders' Meeting of ERG Power S.r.l. resolved to increase its share capital from EUR 5 million to EUR 6 million, which was fully paid-in, on the same date, by the sole shareholder ERG Power Generation S.p.A., through the contribution of its business unit used to operate the combined-cycle thermoelectric plant (CCGT);
- On **3 May 2022** ERG Spain Holdco S.L.U. acquired the entire share capital of the Spanish company ERATO ITG S.L.U.
- On **6 June 2022**, the company under Italian law ERG Solar Holding 2 S.r.l. was established, with share capital of EUR 10,000, fully subscribed and paid-up by ERG Power Generation S.p.A.
- On **22 July 2022**, the company under Italian law ERG Wind Holding S.r.l. was established, with share capital of EUR 10,000, fully subscribed and paid-up by ERG Power Generation S.p.A.

- On **8 August 2022**, the deed of merger by incorporation of ERG Wind Dobberkau GmbH & Co. KG into ERG Wind Weselberg GmbH & Co. KG were signed. The accounting and tax effects of the merger take effect on 1January 2022.
- On **15 September 2022**, the German companies ERG Windpark Jeggeleben GmbH & Co. KG and ERG Windpark Reinsdorf GmbH & Co. KG were formed, both with registered office in Hamburg.
- On **4 November 2022**, the deed of merger by incorporation of ERG Wind RE Beteiligungs GmbH into ERG Eolienne S.A.S. was signed. The accounting and tax effects are effective from 1January 2022.
- On **19 December 2022**, the Spanish companies ERG SOLAR MONTIEL S.L.U. and ERG SOLAR EL ABUELITO S.L.U. were established, both with registered offices in Madrid.
- On **19 December 2022**, the deed of merger of the companies ERG Wind 2000 S.r.l., ERG Wind Sicilia 2 S.r.l., ERG Wind Sicilia 4 S.r.l. and ERG Wind Sicilia 5 S.r.l. into ERG Wind Sardegna S.r.l. was signed; the actual effects will take effect from 31 December 2022 while the accounting and tax effects apply from 1 January 2022.

The following tables list the companies consolidated on a line-by-line basis, those measured using the equity method, and those measured at fair value, including the transactions detailed above.

- List of subsidiaries consolidated **on a line-by-line basis**:

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG Power Generation S.p.A.					
Corni Eolian SA	Constanța (Romania)	100%	100%	95,679	61,861
ERG Eolica Adriatica S.r.l.	Genoa (Italy)	100%	100%	10	54,635
ERG Eolica Campania S.p.A.	Genoa (Italy)	100%	100%	120	89,691
ERG Eolica Faeto S.r.l.	Genoa (Italy)	100%	100%	10	12,196
ERG Eolica Fossa del Lupo S.r.l.	Genoa (Italy)	100%	100%	50	72,376
ERG Eolica Ginestra S.r.l.	Genoa (Italy)	100%	100%	10	38,278
ERG Eolica San Vincenzo S.r.l.	Genoa (Italy)	100%	100%	3,500	31,462
ERG Eolica Tirreno S.r.l.	Camporeale (Italy)	100%	100%	10	226
ERG Eolienne France S.a.s.	Paris (France)	100%	100%	209,551	208,181
ERG Power S.r.l.	Genoa (Italy)	100%	100%	6,000	244,873
ERG Solar Holding S.r.l.	Genoa (Italy)	100%	100%	20	119,520
ERG UK Holding Ltd	Edinburgh (UK)	100%	100%	0	27,392
ERG Wind Bulgaria S.p.A.	Genoa (Italy)	100%	100%	50	21,275
ERG Wind Investments LTD	Genoa (Italy)	100%	100%	97,046	672,238
ERG Wind Neunte Gmbh	Hamburg (Germany)	100%	100%	25	93
EW Orneta 2 sp. Z.O.O.	Warsaw (Poland)	100%	100%	164,688	167,373
Green Vicari S.r.l.	Genoa (Italy)	100%	100%	119	24,681
ISAB Energy Solare S.r.l.	Genoa (Italy)	100%	100%	100	169
Andromeda PV S.r.l.	Genoa (Italy)	100%	79%	50	87,404
Laszki Wind Sp. Z.o.o	Warsaw (Poland)	100%	100,0%	5	(1,779)
ERG Poland Holding Sp. Z.o.o	Warsaw (Poland)	100%	100,0%	5	(859)
ERG Sweden Holding AB	Stockholm (Sweden)	100%	100,0%	50	23,761

ERG Spain Holco S.L.U.	Madrid (Spain)	100%	100,0%	0	(981)
ERG Solar Holding 2 S.r.l.	Genoa (Italy)	100%	100,0%	20	119.520
ERG Wind Holdings S.r.l.	Genoa (Italy)	100%	100,0%	212	202.801

(1) Data referring to the latest approved financial statements.

(2) Data expressed in thousands of Euro with the exception of the companies Corni Eolian SA (expressed in thousands of RON) and EW Orneta 2 SP. ZOO (expressed in thousands of PLN).

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG Eolienne France S.a.s.					
Eoliennes du Vent Solaire S.a.s.	Paris (France)	100%	100%	37	(136)
Parc Eolien de Lihus S.a.s.	Paris (France)	100%	100%	1,114	2,783
Parc Eolien de Hetomesnil S.a.s.	Paris (France)	100%	100%	1,114	2,839
Parc Eolien de la Bruyère S.a.s.	Paris (France)	100%	100%	1,060	4,323
Parc Eolien du Carreau S.a.s.	Paris (France)	100%	100%	861	5,689
Parc Eolien les Mardeaux S.a.s.	Paris (France)	100%	100%	1,097	2,583
Epuron Energies Renouvelables S.a.S.	Paris (France)	100%	100%	500	3,269
Parc Eolien de la valleè de Torfou S.à r.l.	Paris (France)	100%	100%	8	(1,865)
Parc Eolien du Melier S.a.r.l	Paris (France)	100%	100%	8	(383)
Parc Eolienne de la Voie Sacree S.a.s.	Paris (France)	100%	100%	74	2,710
Parc Eolienne d'Epense S.a.s.	Paris (France)	100%	100%	802	603
ERG Wind French Holdings S.a.s.	Paris (France)	100%	100%	1,410	1,160
ERG Wind France 1 S.a.s.	Paris (France)	100%	100%	1,097	10,075
WP France 10 S.a.s.	Paris (France)	100%	100%	6	(148)
WP France 6 S.a.s.	Paris (France)	100%	100%	6	788
ERG France S.à r.l.	Paris (France)	100%	100%	2,000	(54)
Les Moulins de Fruges SAS	Paris (France)	100%	100%	42,100	20,309
Ferme Eolienne De Saint Pierre De Maillé 1 S.A.S.	Paris (France)	100%	100%	5,639	(1,387)
Parc Eolien de St Riquier 3 SAS	Paris (France)	100%	100%	37	726
Parc Eolien de St Riquier 4 SAS	Paris (France)	100%	100%	37	(101)
Holding Quesnoy 2 S.A.S.	Paris (France)	100%	100%	2,810	1,456
Holding Chery S.A.S.	Paris (France)	100%	100%	2,410	190
Omniwatt Sas	Paris (France)	100%	100%	2,201	1,000
Ferme Eolienne de Moquepanier	Paris (France)	100%	100%	2,519	(4,135)
Ferme Eolienne de Clamecy Sas	Paris (France)	100%	100%	2,000	2,072
Crampon Puchot Energies Sas	Paris (France)	100%	100%	1,091	457
Solaires Sisteron Sas	Paris (France)	100%	100%	334	(1,532)
Solaire Sénezergues Sas	Paris (France)	100%	100%	-	(1,273)
Solaire Arpajon-sur-Cere Sas	Paris (France)	100%	100%	451	(1,472)
Arsac 1 Sas	Paris (France)	100%	100%	0	(1,381)
Arsac 3 Sas	Paris (France)	100%	100%	1	(2,021)
Solaire Greoux Sas	Paris (France)	100%	100%	-	(1,529)
Solaire Salaunes Sas	Paris (France)	100%	100%	(0)	(1,348)
ERG Energies Renouvelables S.a.S.					
ERG Developpement S.a.s	Paris (France)	100%	100%	100	(7,522)
Caen Renewables Energy Sas (en liquidation)	Paris (France)	100%	100%	37	(78)
Parc Eolien de la Charente Limousine S.à r.l.	Paris (France)	100%	100%	8	(39)
Parc Eolien de la Boeme S.à r.l.	Paris (France)	100%	100%	8	(77)
Parc Eolien du Moulin du Bois S.à r.l.	Paris (France)	100%	100%	8	(100)
Parc Eolien des Bouchats S.à r.l.	Paris (France)	100%	100%	8	(732)
Parc Eolien de Saint Maurice la Clouere S.à r.l.	Paris (France)	100%	100%	8	(77)
Parc Eolien du Pays a Part S.à r.l.	Paris (France)	100%	100%	8	(71)
Parc Eolien de Saint Sulpice S.à r.l.	Paris (France)	100%	100%	8	(72)
Parc Eolien du Plateaux de l'Ajoux S.à r.l.	Paris (France)	100%	100%	8	(26)
Parc Eolien des Terres et Vents de Ravieres S.à r.l.	Paris (France)	100%	100%	8	(32)
Parc Eolien de Porspoder S.à r.l.	Paris (France)	100%	100%	8	(52,426)
ERG Solar Holding S.r.l.					
Calabria Solar S.r.l.	Genoa (Italy)	100%	100%	10	21,548
ERG Solar Piemonte 3 S.r.l.	Genoa (Italy)	100%	100%	10	17,860
ERG UK Holding Ltd					
Craiggore Energy	Belfast (UK)	100%	100%	1	220

Creag Riabhach Wind Farm Ltd	Edinburgh (UK)	100%	100%	50	(354)
Evishagaran Windfarm LTD	Belfast (UK)	100%	100%	0	(915)
Sandy Knowe Wind Farm LTD	London (UK)	100%	100%	0	(288)
Corlacky Energy LTD	Belfast (UK)	100%	100%	0	0

(1) Data referring to the latest approved financial statements.

(2) Data expressed in thousands of Euro with the exception of Creag Riabhack and Craiggore Energy whose data are given in thousands of GBP.

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG Wind Bulgaria S.p.A.					
Globo Energy EOOD	Sofia (Bulgaria)	100%	100%	2,239	3,628
K&S Energy EOOD	Sofia (Bulgaria)	100%	100%	1,625	2,044
K&S Energy 1 EOOD	Sofia (Bulgaria)	100%	100%	1,546	3,006
K&S Energy 2 EOOD	Sofia (Bulgaria)	100%	100%	1,560	3,171
Mark 1 EOOD	Sofia (Bulgaria)	100%	100%	2,103	3,468
Mark 2 EOOD	Sofia (Bulgaria)	100%	100%	2,103	3,542
VG-1 EOOD	Sofia (Bulgaria)	100%	100%	777	1,296
VG-2 EOOD	Sofia (Bulgaria)	100%	100%	1,551	2,490
VG-3 EOOD	Sofia (Bulgaria)	100%	100%	1,563	2,634
VG-4 EOOD	Sofia (Bulgaria)	100%	100%	1,511	3,384
VG-5 EOOD	Sofia (Bulgaria)	100%	100%	1,564	2,664
VG-6 EOOD	Sofia (Bulgaria)	100%	100%	1,545	2,541
Wind Park Kavana East EOOD	Sofia (Bulgaria)	100%	100%	258	1,623
Wind Park Kavana West EOOD	Sofia (Bulgaria)	100%	100%	89	1,786
WP Bulgaria 4 EOOD	Sofia (Bulgaria)	100%	100%	1,103	1,844
ERG Wind France 1 S.a.s.					
Cepe Pays De Montbeliard S.a.s.	Paris (France)	100%	100%	365	1,163
Cepe de Murat S.a.s.	Paris (France)	100%	100%	444	2,847
Cepe de Saint Florentin S.a.s.	Paris (France)	100%	100%	251	841
Ferme Eolienne de Teterchen S.a.s.	Paris (France)	100%	100%	100	3,391
Parc Eolien du Bois de l'Arche S.a.s.	Paris (France)	100%	100%	100	5,975
Parc Eolien du Bois de Bigot S.a.s.	Paris (France)	100%	100%	80	3,538
ERG Wind French Holdings S.a.s.					
Parc Eolien de la Chaude Vallee Sarl	Paris (France)	100%	100%	8	(736)
Parc Eolien de Morvilers Sarl	Paris (France)	100%	100%	8	(473)
Parc Eolien de Garcelles-Sacqueville SAS	Paris (France)	100%	100%	1,037	67
Parc Eolien du Patis SAS	Paris (France)	100%	100%	1,164	1,574
Parc Eolien Hauts Moulins	Paris (France)	100%	100%	15	(2,509)
Parc Eolien Moulins des Camps	Paris (France)	100%	100%	15	(2,178)
Parc Eolien de St Riquier 1 SAS	Paris (France)	100%	100%	37	(2,955)
SAS Société d'Exploitation du Parc Eolien de la Souterraine	Paris (France)	100%	100%	505	(457)
Parc Eolien de Oyre Saint Sauveur	Paris (France)	100%	100%	37	(1,720)
Société d'Exploitation du Parc Eolien Le Nouvion Sas	Paris (France)	100%	100%	37	(2,470)
ERG Wind Investments S.r.l.					
ERG Wind Holdings (Italy) S.r.l.	Genoa (Italy)	100%	100%	212	253,251
ERG Wind MEI 2-14-1 LTD	London (UK)	100%	100%	0	(6,479)
ERG Wind MEI 2-14-2 LTD	London (UK)	100%	100%	0	(1,202)
ERG Wind Holdings (Italy) S.r.l.					
ERG Wind 4 S.r.l.	Genova (Italia)	100%	100%	6,633	113,819
ERG Wind Energy S.r.l.	Genova (Italia)	68%	100%	1,000	1,093
ERG Wind Leasing 4 S.r.l.	Genova (Italia)	100%	100%	10	442
ERG Wind Sardegna S.r.l.	Genova (Italia)	100%	100%	77	58,960
ERG Wind Sicilia 6 S.r.l.	Genova (Italia)	100%	100%	77	49,457
ERG Wind Sardegna S.r.l.					
ERG Wind Sicilia 2 S.r.l.	Genova (Italia)	100%	100%	77	34,809
ERG Wind Sicilia 4 S.r.l.	Genova (Italia)	100%	100%	77	10,687
ERG Wind Sicilia 5 S.r.l.	Genova (Italia)	100%	100%	77	16,564

ERG Wind 2000 S.r.l.	Genova (Italia)	100%	100%	77	19,420
ERG Wind Sicilia 6 S.r.l.					
ERG Wind 6 S.r.l.	Genoa (Italy)	100%	100%	77	35,839
ERG Wind Sicilia 3 S.r.l.	Genoa (Italy)	100%	100%	77	25,266

(1) Data referring to the latest approved financial statements.
(2) Data expressed in thousands of Euro
(3) The remaining 20% is held by ERG Wind MEI 2-14-2

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)
ERG Wind MEI 2-14-1 LTD					
ERG Wind MEG 1 LLP (3)	London (UK)	80%	100%	33,168	37,158
ERG Wind MEG 2 LLP (3)	London (UK)	80%	100%	28,010	31,868
ERG Wind MEG 3 LLP (3)	London (UK)	80%	100%	33,585	33,216
ERG Wind MEG 4 LLP (3)	London (UK)	80%	100%	29,721	31,691
ERG Wind Park Beteiligungs Gmbh					
ERG Wind 117 GmbH & Co. KG	Hamburg (Germany)	100%	100%	1	(3,053)
Voltwerk Energy Park 8 Gmbh & Co. KG	Hamburg (Germany)	100%	100%	1	3,043
Voltwerk Windpark Worbzig Gmbh & Co. KG	Hamburg (Germany)	100%	100%	0	2,379
Voltwerk Windpark Beesenstedt Gmbh & Co. KG	Hamburg (Germany)	100%	100%	1	3,590
Windpark Cottbuser Halde Gmbh & Co. KG	Hamburg (Germany)	100%	100%	5	(8,980)
Windpark Achmer Vinte GmbH & Co. KG	Hamburg (Germany)	100%	100%	7,500	3,073
ERG Wind Weselberg GmbH & Co. KG	Hamburg (Germany)	100%	100%	5	(3,288)
Windpark Linda GmbH & Co. KG	Hamburg (Germany)	100%	100%	2	(344)
ERG Development Germany GmbH & Co.KG	Hamburg (Germany)	100%	100%	3	(1,271)
UGE Barkow GmbH & und Co. KG	Hamburg (Germany)	100%	100%	3	(3,384)
UGE Barkow Zwei GmbH & und Co. KG	Hamburg (Germany)	100%	100%	1	(2,419)
UGE Barkow Drei GmbH & und Co. KG	Hamburg (Germany)	100%	100%	1	(2,744)
ERG Germany GMBH	Hamburg (Germany)	100%	100%	210	(2,982)
ERG Wind Ebersgrun GmbH & Co. KG	Hamburg (Germany)	100%	100%	-	-
ERG Wind Hollige GmbH & Co. KG	Hamburg (Germany)	100%	100%	200	(7,424)
ERG Wind Norath GmbH & Co. KG	Hamburg (Germany)	100%	100%	185	(5,610)
ERG Wind Offenheim GmbH & Co. KG	Hamburg (Germany)	100%	100%	287	(8,787)
ERG Wind Nack GmbH & Co. KG	Hamburg (Germany)	100%	100%	228	(7,290)
EW Orneta 2 Z.O.O.					
Blachy Pruszynsky-Energy SP.Z.O.O.	Warsaw (Poland)	100%	100%	7,100	66,103
Hydro Inwestycje SP.Z.O.O.	Warsaw (Poland)	100%	100%	42	49,029
Les Moulins de Fruges SAS					
Mont Félix	Paris (France)	100%	100%	1,891	2,768
Fond du Moulin	Paris (France)	100%	100%	344	(897)
Chemin Vert	Paris (France)	100%	100%	1,804	(1,385)
Le Marquay	Paris (France)	100%	100%	679	(521)
Les Trentes	Paris (France)	100%	100%	1,935	(157)
Sole de Bellevue	Paris (France)	100%	100%	1,925	1,113
Holding Chery S.A.S.					
Ferme Eolienne De Chery S.A.S.	Paris (France)	100%	100%	37	(3,412)
Holding Quesnoy 2 S.A.S.					
Ferme Eolienne De Quesnoy-Sur-Airaines 2 S.A.S.	Paris (France)	100%	100%	37	(2,636)
ERG Poland Holding					
EW Piotrków kujawski SP. z.o.o.,	Warsaw (Poland)	100%	100%	5	(144)
ERG Sweden Holding AB					
Furukraft AB	Malmoe (Sweden)	100%	100%	50	1,214
Omniwatt Sas					
Omnigreen Sas	Paris (France)	100%	100%	4,759	8,595
Capenergie 3 Wind GmbH	Frankfurt (Germany)	100%	100%	25	(36)

LES EOLIENNES DE SAINT FRAIGNE S.A.S.	Paris (France)	100%	100%	3,700	3,633
NEUILLY SAINT FRONT ENERGIES S.A.S.	Paris (France)	100%	100%	37	(5,665)
MONNES ENERGIES S.à r.l.	Paris (France)	100%	100%	1	(1,106)
Omnigreen Sas					
SAINTE HELENE ENERGIES S.à r.l.	Paris (France)	100%	100%	1	(2,664)
IEL EXPLOITATION 12 S.à r.l.	Paris (France)	100%	100%	1	(1,429)
REUILLY ET DIOU ENERGIES S.à r.l.	Paris (France)	100%	100%	1	(12)
Capenergie 3 Wind GmbH					
SAINT CONGARD ENERGIES S.A.S.	Paris (France)	100%	100%	2	(1,510)
Crampon Puchot Energies Sas					
Wkn Picardie Verte II S.a.s	Paris (France)	100%	100%	1	(4,761)
ERG Spain Holco S.L.U					
ERG Solar Almansa S.L.U.	Madrid (Spain)	100%	100%	3	7,322
ERG Solar Taberna S.L.U.	Madrid (Spain)	100%	100%	3	(402)
ERG Wind Holdings S.r.l.					
Taca Wind S.r.l.	Milan (Italy)	100%	100%	1,160	9,959
Lucus Power S.r.l.	Milan (Italy)	100%	100%	10	7,778
Wind Cap S.r.l.	Milan (Italy)	100%	100%	2,550	11,809
Conza Energy S.r.l.	Milan (Italy)	100%	100%	456	9,821
Breva Wind S.r.l.	Milan (Italy)	100%	100%	7,100	2,312
Parco Aria del Vento S.r.l	Milan (Italy)	100%	100%	1,110	30,146
San Mauro S.r.l.	Milan (Italy)	100%	100%	70	4,376
ERG Solar Holding 2 S.r.l.					
MP Solar B.V.	Amsterdam (Netherlands)	100%	100%	4,000	13,561
MP Solar B.V.					
Photosun S.r.l.	Milan (Italy)	100%	100%	10	3,639
PV Project S.r.l.	Milan (Italy)	100%	100%	10	5,602
Ginestra S.r.l.	Milan (Italy)	100%	100%	20	897
Robinia S.r.l.	Milan (Italy)	100%	100%	20	2,792
Sesma S.r.l.	Milan (Italy)	100%	100%	10	208
SVS1 S.r.l.	Milan (Italy)	100%	100%	10	2,419
Six For Power S.r.l.	Milan (Italy)	100%	100%	40	1,642

(1) Data referring to the latest approved financial statements.

(2) Data expressed in thousands of EUR with the exception of the companies Blachy Pruszynsky-Energy SP Z.O.O. and Hydro Inwestycje SO Z.O.O., whose data are expressed in thousands of PLN and ERG Sweden Holding AB whose data are expressed in thousands of SEK.

List of equity investments **measured using the equity method**:

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)	Carrying amount 31/12/2022
ERG Power S.r.l.*						
Priolo Servizi S.c.p.A.(3)	Melilli (Italy)	20,3%	20,3%	28.100	55.846	**11,303**
Associates						**11,303**

(1) Data referring to the latest approved financial statements.
(2) Data expressed in thousands of Euro
(3) The consortium is subject to joint control with ISAB S.r.l., Versalis S.p.A. and ENI Rewind.

List of companies **measured at cost**:

	Registered office	Direct investment	Group's investment	Share Capital (1) (2)	Equity (1) (2)	Carrying amount 31/12/2022
ERG Power Generation S.p.A.						
ERG Germany Verwaltungs GmbH(4)	Paris (France)	100%	100%	25	25	25
Eolico Troina S.r.l. in liquidation(3)	Palermo (Italy)	99%	99%	20	232	25
Subsidiaries						**50**
ERG Eolienne France S.a.s.						
Parc Eolien de Saint-Loup sur Cher SARL(4)	Paris (France)	100%	100%	8	(3)	8
Parc Eolien du Puits Gergil SARL(4)	Paris (France)	100%	100%	8	(3)	8
Parc Eolien du Plateau de la Perche SARL(4)	Paris (France)	100%	100%	8	(3)	8
Parc Eolien des Boules SARL(4)	Paris (France)	100%	100%	8	(3)	8
Ferme Eolienne de la voie Sacree sud SAS(4)	Paris (France)	100%	100%	10	(72)	10
Francese Parc Eolien Des Grandes Bornes Sas(4)	Paris (France)	100%	100%	8	8	8
Parc Eolien Des Jonquilles Sas(4)	Paris (France)	100%	100%	8	8	8
Parc Eolien De La Pleine De Burel Sas(4)	Paris (France)	100%	100%	8	8	8
Parc Eolien de Saint Priest en Murat Sas(4)	Paris (France)	100%	100%	8	8	8
Parc Eolien de Vent Communaux Sas(4)	Paris (France)	100%	100%	8	8	8
Parc Eolien de la Foye SAS(4)	Paris (France)	100%	100%	8	8	8
Subsidiaries						**86**
ERG Wind Park Beteiligungs GmbH						
ERG Windpark Aukrug Gmbh & Co. KG(4)	Hamburg (Germany)	100%	100%	5	5	5
ERG Windpark Bischhausen Gmbh & Co. KG(4)	Hamburg (Germany)	100%	100%	5	5	5
ERG Windpark Heyen Gmbh & Co. KG(4)	Hamburg (Germany)	100%	100%	5	5	5
ERG Windpark Bokel Gmbh & Co. KG(4)	Hamburg (Germany)	100%	100%	5	5	5
Subsidiaries						**20**
ERG UK Holding Ltd						
High Cairn Wind Farm Limited(4)	Edinburgh (UK)	100%	100%	-	-	-
Creggan Wind Farm Limited (2)(4)	Seebeck House (UK)	100%	100%	-	-	-
Longburn Wind Farm LTD (2)(4)	Seebeck House (UK)	100%	100%	0	-	-
Subsidiaries						**-**
ERG Spain Holco S.L.U						
ERG Solar Montiel S.L.U.(4)	Madrid (Spain)	100%	100%			
ERG Solar El Abuelito S.L.U.(4)	Madrid (Spain)	100%	100%			
ERG Solar Buenaventura S.L.U.(4)	Madrid (Spain)	100%	100%	10	9	620
Subsidiaries						**620**
ERG UK Holding Ltd						
Rigghill Wind Farm Limited (4)	Seebeck House (UK)	50%	50%	-	-	238
Joint ventures						**238**
TOTALE						**1,014**

(1) Data referring to the latest approved financial statements.
(2) Data expressed in thousands of Euro with the exception of companies with registered offices in the UK whose data are given in thousands of GBP.
(3) company in liquidation;
(4) companies measured at cost as they are not yet operational;
(5) French company, not yet operational, set up on 31 December 2018;
(6) French company set up on 22 November 2019;

NOTE 48 - IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED STARTING ON 1 JANUARY 2022

As from 1 January 2022 the following standards, interpretations and amendments to existing standards, in relation to which no significant effects on the Consolidated Financial Statements are reported, have become applicable:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) applicable as from 28 June 2021;

NOTE 49 - IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS, PUBLISHED BUT NOT YET ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2022

Below are the new standards or amendments to the standards, applicable for financial years beginning on or after 1 January 2022 and for which earlier application is allowed. However, the Group has decided not to adopt them in advance for the preparation of these Consolidated Financial Statements.

Entry into force	Description	Issue date	Approved
1 January 2023	IFRS 17 Insurance Contracts including Amendments to IFRS 17	19 November 2021	✔
	Amendment to IAS 1 'Presentation of financial statements' on the classification of liabilities	23 January 2020	
	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	02 March 2022	✔
	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	02 March 2022	✔
	Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	07 May 2021	✔
	Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative information	09 December 2021	✔
1 January 2024	Amendments to IFRS 16 'Leases' – Lease liability in a sale and leaseback	22 September 2022	
	Amendments to IAS 1 'Presentation of financial statements' on the classification of non-current assets and liabilities with covenants	23 January 2020 15 July 2020 31 October 2022	

Any impacts of the aforesaid standards are currently being assessed.

NOTE 50 - OTHER INFORMATION

No atypical and/or unusual transactions took place during the year. Atypical and/or unusual transactions are those transactions that due to their significance/relevance, nature of the counterparties, subject of the transaction, procedures for determining the transfer price and timeframe of the event (proximity to the end of the year) can give rise to doubts with regard to: the correctness/completeness of the information in the Consolidated Financial Statements, conflicts of interest, wealth preservation and the protection of non-controlling interests.

No advances were provided and there are no receivables from directors and statutory auditors of the parent for the performance of their duties also in other companies included in the consolidation scope.

Disclosure obligations pertaining to Italian Law no. 124/2017 of 4 August 2017

Article 1, paragraphs 125-129 of Italian Law no. 124 of 4 August 2017 introduced the obligation for companies that receive grants from public administrations to publish the amounts received in their Notes to the Separate Financial Statements and in the Consolidated Financial Statements, if these are drawn up. In view of the interpretation difficulties encountered in applying these provisions (Assonime – circular no. 5 of 22 February 2019) the legislator intervened, amending the said regulations several times. More specifically, the legal provisions of Italian Law no. 124/17 were most recently revised by Italian Decree Law no. 34 of 30 April 2019, which set forth urgent economic growth measures to resolve specific crisis situations, converted with Italian Law no. 58 of 28 June 2019, which provided responses to important issues in order to simplify and rationalise the regulations under consideration. The ERG Group has therefore decided to state in the separate financial statements of the companies belonging to the Group the grants received from public administrations for use by all the companies and that come under the general scheme of the reference system defined by the State (e.g. feed-in premium, energy efficiency certificates, etc.) with the exception of those belonging to the following categories:

- tax relief;
- training grants received from inter-professional funds (such as Fondimpresa), since such funds are a form of partnership governed by private law, financed with the contributions paid by the companies themselves.

(EUR million)	Revenue 2022	of which feedin premium	of which white certificates	of which guarantees of origin	of which DD	of which RES
Wind Italy	58	57	-	3	-	0
Solar Italy	77	76	-	0	-	-
Total	**135**	**134**	**-**	**3**	**-**	**0**

(EUR million)	Receipts 2022	of which feedin premium	of which white certificates	of which guarantees of origin	of which DD	of which RES
Wind Italy	78	78	-	1	-	0
Solar Italy	63	63	-	0	-	-
Total	**142**	**141**	**-**	**1**	**-**	**0**

The reference amounts indicated in the tables above are also reported in the Financial Statements of the Group companies concerned.

In accordance with the provisions of Article 3-quater of Italian Law no. 12 of 11 February 2019, for any funds received, please refer to the indications contained in the National Register of State Aid under Article 52 of Italian Law no. 234 of 24 December 2012.

It should be noted that, for the company ERG Power Generation, in 2021 the fixed premiums resulting from the awarding of the two Capacity Market auctions for the delivery years 2022 and 2023 were entered in the National Register of State Aid. The auctions were held in November 2019 and specifically concern the CCGT plant in Priolo Gargallo (SR), which was awarded a total amount of EUR 22.4 million relating to the 2022 and 2023 financial years.

With regard to the Capacity Market auction held in February 2022, it should be noted that ERG Power S.r.l. was awarded EUR 9.5 million for the CCGT plant for delivery year 2024, and that ERG Power Generation S.p.A. was awarded EUR 7 million for two energy storage plants located in the Central-Southern Area and Sicily. The payments will be made starting from 2024 for a period of 15 years.

Finally it should be noted that with reference to the 2022 financial year, ERG Power Generation S.p.A., ERG S.p.A. and ERG Power S.r.l. benefited from the contribution relief, recognised by INPS, pursuant to Article 1 paragraphs 161 to 168 of Italian Law no. 178 of 30 December 2020 ("Decontribuzione Sud" - [Southern tax relief]) for an amount equal to EUR 1.4 million.

NOTA 51 - AUDIT FEES

Based on Article 149-duodecies of the Issuers' Regulation, the 2021 costs relating to the services performed by the independent auditors KPMG S.p.A., the main auditor of the ERG Group, and by the companies belonging to its related network, are shown below.

The preparation of the table is in line with the "Procedure for audit engagements in the companies of the ERG Group and monitoring of additional services".

Auditing services include the full audit of the annual separate and consolidated financial statements and review of the company's reporting package for the purposes of drawing up the consolidated financial statements of the parent company.

Type of service	Party that performed the service	Recipient	Fees 2022 (EUR million)
Statutory audit	Auditor of the parent	parent	297
	Auditor of the parent	subsidiaries	562
	Network of the parent's auditor	subsidiaries	328
Total Audit Services			**1,187**
Non-audit services	Tax advice services	subsidiaries	-
	Auditor of the parent	parent	-
	Network of the parent's auditor	parent	-
	Network of the parent's auditor	subsidiaries	-
	Auditor of the parent	subsidiaries	152
Total non-audit services			**152**
Total			**1,339**

NOTA 52 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
Press release of 12 January 2023	Scotland	Wind	ERG announces the commissioning of the Creag Riabhach wind farm in the county of Sutherland, in the north of Scotland. The wind farm has a total installed capacity of 92.4 MW and an overall annual production of 271 GWh at full capacity, avoiding the emission of 125 kt of 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 January 2023	**Italy**	**Corporate**	Sustainalytics assigned ERG a 'Low Risk' rating with a score of 14.6 compared to the Medium Risk (20.7) recorded the previous year, improving the ESG risk profile of the Group, which ranks 5th (out of 75) among Independent Power Producers globally. In addition, ERG was included among the "Global 100 most sustainable corporations in the world", ranking 54th in the 2023 index, first among the Italian companies included in the list.
Press release of 31 January 2023	**Italy**	**Corporate**	ERG confirms its place in the Bloomberg Gender Equality Index. The Group enters the first quartile of the ranking.
Press release of 9 March 2023	Italy	Wind	EssilorLuxottica and ERG sign a long-term agreement for the supply of electricity from renewable sources in Italy.

NOTA 53 - PUBLICATION DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

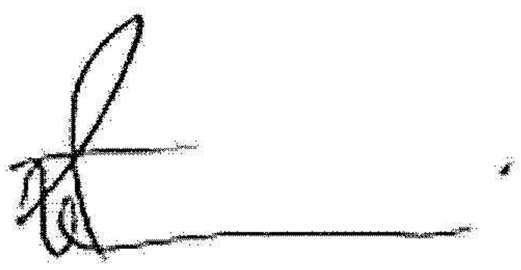
On 13 March 2023, the Board of Directors of ERG Power Generation S.p.A. authorised the publication of the Consolidated Financial Statements together with the reports of the Supervisory Bodies in compliance with the deadlines prescribed by current laws and regulations.

Genoa, 13 March 2023

on behalf of the Board of Directors

The Chief Executive Officer

Renato Sturani



AUDITORS' REPORT

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the sole shareholder of
ERG Power Generation S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the ERG Power Generation Group (the "Group"), which comprise the statement of financial position as at 31 December 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the ERG Power Generation Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of ERG Power Generation S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

Ancona Bari Bergamo
Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

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20124 Milano MI ITALIA

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

KPMG

ERG Power Generation Group
Independent auditors' report
31 December 2022

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of ERG Power Generation S.p.A. are responsible for the preparation of the directors' report at 31 December 2022 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Group's consolidated financial statements at 31 December 2022 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the Group's consolidated financial statements at 31 December 2022 and has been prepared in compliance with the applicable law.

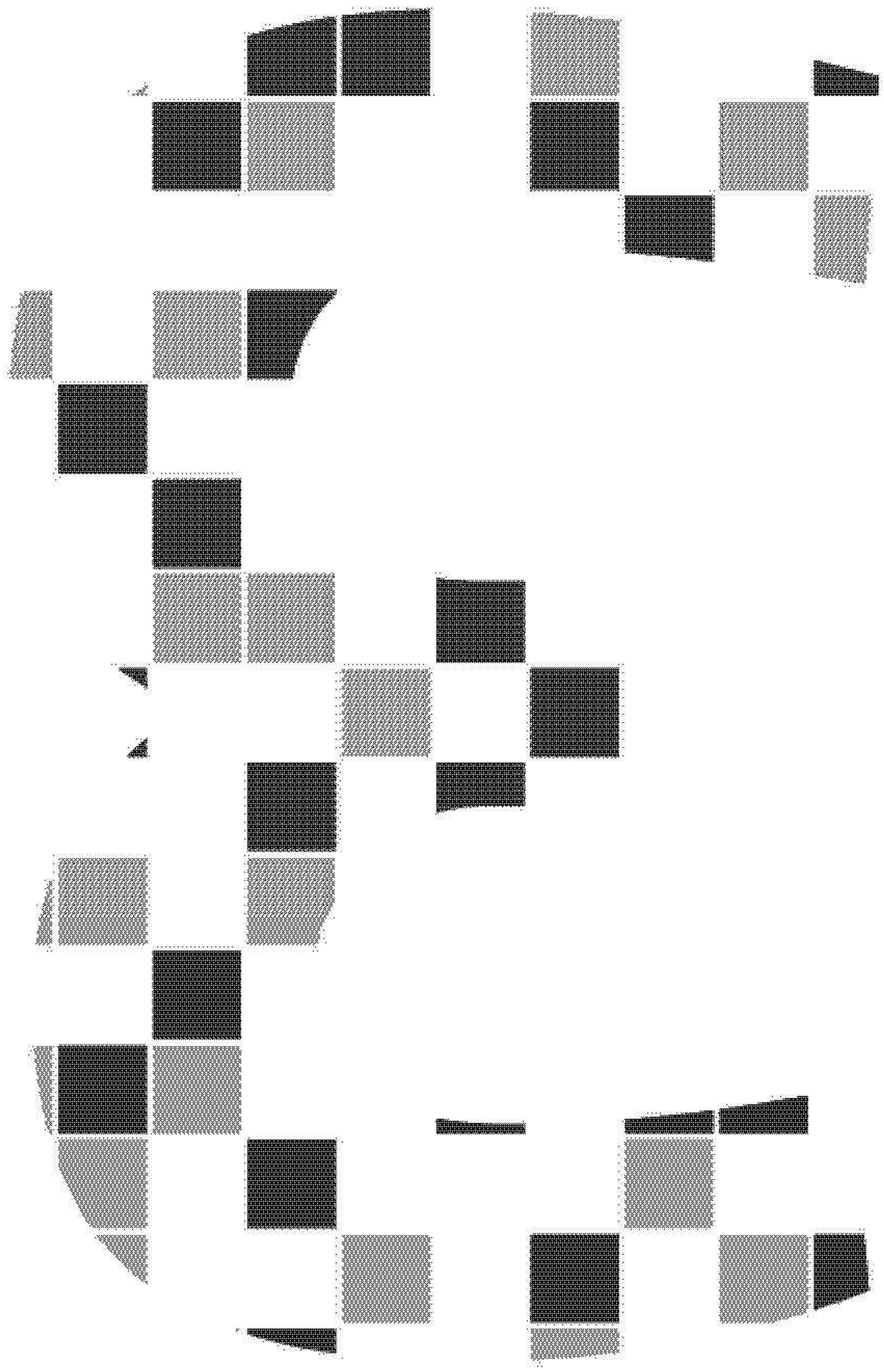
With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 24 March 2023

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit



STATEMENT OF FINANCIAL POSITION

ASSETS

(Euro)	31/12/2022	31/12/2021
A) SUBSCRIBED CAPITAL, UNPAID	-	-
B) NON-CURRENT ASSETS		
I - Intangible assets		
1) Start-up and expansion costs	-	-
2) Development costs	-	-
3) Industrial patents and intellectual property rights	3,649,486	3,120,094
4) Concessions, licences, trademarks and similar rights	6,667	7,167
5) Goodwill	1,501,448	1,876,809
6) Assets under development and advances	2,018,935	1,796,581
7) Other	1,680	1,920
Total	**7,178,216**	**6,802,571**
II - Property, plant and equipment		
1) Land and buildings	150,940	161,869
2) Plant and machinery	144,696	155,091
3) Industrial and commercial equipment	1,674,419	1,780,507
4) Other assets	221,561	254,075
5) Assets under construction and advances	142,418	175,595
Total	**2,334,034**	**2,527,136**
III - Financial assets		
1) Equity investments in:		
a) subsidiaries	1,878,558,822	1,352,678,779
b) associates	-	-
c) parent companies	-	-
d) companies subject to control by parent companies	-	-
d-bis) other companies	4,922	3,436
	1,878,563,744	**1,352,682,214**
2) Receivables:		
a) from subsidiaries	1,365,221,429	1,223,939,611
b) from associates	-	-
c) from parent companies	-	-
d) from companies subject to control by the parent companies	-	-
d-bis) from others	8,899,377	99,513,329
	1,374,120,806	**1,323,452,940**
3) Other securities	-	-
4) Derivative financial instruments	-	-
Total	**3,252,684,550**	**2,676,135,155**
TOTAL NON-CURRENT ASSETS (B)	**3,262,196,800**	**2,685,464,862**

(Euro)	31/12/2022	31/12/2021
C) CURRENT ASSETS		
I - Inventories		
1) Raw, ancillary and consumable materials	10,284,423	10,478,554
2) Work in progress and semi-finished products	-	-
3) Contracts in progress	4,069,694	4,348,971
4) Finished products and goods	-	-
5) Advances	-	-
Total	**14,354,117**	**14,827,526**

	di cui oltre 12 mesi:		di cui oltre 12 mesi:	
II - Receivables				
1) from customers	-	74,745,446	-	206,442,114
2) from subsidiaries	-	91,262,677	-	22,806,362
3) from associates	-	-	-	3,026,212
4) from parent companies	-	20,022,338	-	64,688,288
4-quater) assets for substitute tax from realignment		-		-
5) from companies subject to control by parent companies	-	-	-	-
5-bis) tax receivables	-	46,231,947	-	21,232,805
5-ter) deferred tax assets	43,776,563	92,450,160	88,504,390	107,995,242
5-quater) from others	18,059,369	40,063,138	17,059,363	38,640,801
Total		**364,775,706**		**464,831,824**
II - Short-term financial assets				
1) Equity investments in subsidiaries		34,460,863		1,026,915,816
2) Equity investments in associates		-		-
3) Equity investments in parent companies		-		-
3-bis) Equity investments in companies subject to control by parent companies		-		-
4) Other equity investments		-		-
5) Derivative financial instruments		118,328,648		159,421,487
6) Other securities		-		-
7) Financial assets for centralised treasury management in respect of parent company		18,224,231		-
8) Financial assets for centralised treasury management in respect of subsidiaries		98,335,280		-
Total		**269,349,022**		**1,186,337,302**
IV - Cash and cash equivalents				
1) Bank and postal deposits		1,413,256		5,906,181
2) Cheques		-		-
3) Cash and notes on hand		-		-
Total		**1,413,256**		**5,906,181**
TOTAL CURRENT ASSETS (C)		649,892,101		1,671,902,833
D) Accruals and deferrals		1,792,563		13,144,224
TOTAL ASSETS		3,913,881,464		4,370,511,919

LIABILITIES

(Euro)	31/12/2022	31/12/2021
A) EQUITY		
I) Share capital	100,000,000	100,000,000
II) Share premium reserve	7,000,000	7,000,000
III) Revaluation reserves	2,221,445	2,221,445
IV) Legal reserve	20,000,000	20,000,000
V) Statutory reserves	-	-
VI) Other reserves, indicated separately	-	-
Reserves for shareholders contributions	1,828,732,646	1,311,732,646
Capital grants reserve	-	-
Extraordinary reserve	5,829,878	5,829,878
Legal reserve, additional VAT deductions	642	642
Reserve pursuant to Italian Law no. 308/82	363	363
Operating grants	861	861
Merger goodwill	5,855,286	5,855,286
Merger goodwill 2017	606,980,447	606,980,447
VII) Reserve for transactions to hedge expected cash flows	(120,892,671)	(295,975,762)
VIII) Retained earnings	454,099,778	261,651,078
IX) Profit for the year	368,329,422	242,448,700
X) Negative reserve for treasury shares in portfolio	-	-
TOTAL	**3,278,158,097**	**2,267,745,584**
B) PROVISIONS FOR RISKS AND CHARGES		
1) for pensions and similar obligations	-	-
2) for taxes, including deferred	-	-
3) financial derivative liabilities	104,126,901	205,228,385
4) Other	9,609,809	2,572,239
TOTAL	**113,736,710**	**207,800,624**
C) POST-EMPLOYMENT BENEFITS	**1,939,024**	**2,607,812**

	di cui oltre 12 mesi		di cui oltre 12 mesi	
D) PAYABLES				
1) Bonds	-	-	-	-
2) Convertible bonds	-	-	-	-
3) Shareholder loan payables	-	38,588,361	-	1,270,120,561
4) Payables to banks	-	-	-	-
5) Payables to other lenders	-	-	-	-
6) Advances	-	1,300,000	-	-
7) Payables to suppliers	-	95,148,464	-	132,262,398
8) Payables represented by securities	-	-	-	-
9) Payables to subsidiaries	-	362,335,419	-	478,236,471
10) Payables to associates	-	-	-	-
11) Payables to parent companies	-	8,700,345	-	240,581
11-bis) Payables to companies subject to control by parent companies	-	-	-	-
12) Tax liabilities	-	871,926	-	2,249,250
13) Payables to social security and pension institutions	-	1,113,196	-	2,088,146
14) Other payables	-	11,989,922	-	7,160,491
TOTAL		**520,047,633**		**1,892,357,898**
E) ACCRUALS AND DEFERRALS		**1**		**1**
TOTAL LIABILITIES		**3,913,881,464**		**4,370,511,919**

INCOME STATEMENT

(Euro)	2022	2021
A) VALUE OF PRODUCTION		
1) Revenue from sales and services	1,128,858,454	828,511,795
2) Changes in inventories of work in progress, semi-finished products and finished products	-	-
3) Changes in contracts in progress	(279,277)	(4,848,709)
4) Increases in non-current assets for internal work	-	-
5) Other revenue and income		
- other	11,089,715	1,944,231
- operating grants	-	-
TOTAL	**1,139,668,892**	**825,607,317**
B) COST OF PRODUCTION		
6) For raw, ancillary and consumable materials and goods	(1,095,275,501)	(850,817,808)
7) For services	(86,890,701)	(176,529,084)
8) For leased goods	(2,132,498)	(2,195,871)
9) For employees:		
a) salaries and wages	(15,171,736)	(21,619,107)
b) social security contributions	(3,830,060)	(5,590,687)
c) post-employment benefits	(1,237,277)	(1,485,446)
d) pensions and similar obligations	-	-
e) other costs	(1,690,075)	(919,126)
	(21,929,148)	(29,614,366)
10) Amortisation, depreciation and impairment losses:		
a) amortisation of intangible assets	(1,841,160)	(1,496,263)
b) depreciation of property, plant and equipment	(641,798)	(661,693)
c) other impairment losses of non-current assets	-	-
d) impairment losses of receivables included in current assets and cash and cash equivalents	(177,682)	-
	(2,660,640)	(2,157,956)
11) Changes in inventories of raw, ancillary and consumable materials and goods	(194,132)	291,166
12) Provisions for risks	(8,449,343)	(645,193)
13) Other provisions	-	-
14) Sundry operating costs	(918,695)	(9,106,426)
TOTAL	**(1,218,450,658)**	**(1,070,775,538)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	**(78,781,766)**	**(245,168,221)**

(Euro)	2022	2021
C) FINANCIAL INCOME AND EXPENSE		
15) Income from equity investments:		
- from subsidiaries	590,294,705	395,473,766
- from associates	-	-
- from parent companies	-	-
- from companies subject to control by parent companies	-	-
- from others	45,567	-
	590,340,272	**395,473,766**
16) Other financial income:		
a) from receivables recorded under non-current assets		
- from subsidiaries	31,222,711	20,677,539
- from associates	-	-
- from parent companies	-	-
- from companies subject to control by parent companies	-	-
- from others	-	-
	31,222,711	**20,677,539**
b) from securities recorded under non-current assets that are not equity investments	-	-
c) from securities recorded under current assets that are not equity investments	-	-
d) other income		
- from subsidiaries	314,519	85,619
- from associates	-	-
- from parent companies	431,576	-
- from companies subject to control by parent companies	-	-
- from others	469,852	226,077
	1,215,947	**311,696**
	32,438,658	**20,989,235**
17) Interest and other financial expense		
- to subsidiaries	(814,917)	-
- to associates	-	-
- to parent companies	(5,554,865)	(9,552,503)
- to companies subject to control by parent companies	-	-
- to others	(346,514)	(228,191)
	(6,716,296)	**(9,780,694)**
17-bis) Exchange rate gains and losses	86,556	(160,375)
TOTAL	**616,149,190**	**406,521,932**

(Euro)	2022	2021
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES		
18) Revaluations:		
a) of equity investments	-	19.915.816
b) of financial assets other than equity investments	-	-
c) of securities recorded under current assets that are not equity investments	-	-
d) of derivative financial instruments	551.240.821	159.190.287
	551.240.821	**179.106.103**
19) Impairment losses:		
a) of equity investments	-	-
b) of financial assets other than equity investments	-	-
c) of securities recorded under current assets that are not equity investments	-	-
d) of derivative financial instruments	(779.517.151)	(159.366.972)
	(779.517.151)	**(159.366.972)**
TOTAL ADJUSTMENTS (18-19) (D)	**(228.276.330)**	**19.739.131**
PROFIT (LOSS) BEFORE TAXES (A - B +/- C +/- D)	**309.091.094**	**181.092.842**
20) Income taxes for the year: current, deferred and prepaid	59.238.328	61.355.858
21) PROFIT (LOSS) FOR THE YEAR	**368.329.422**	**242.448.700**

STATEMENT OF CASH FLOWS

(Euro)	2022	2021
A. CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD)		
Profit (loss) for the year	368,329,422	242,448,700
Income taxes	(59,238,328)	(61,355,858)
Interest expense/(interest income)	(25,722,362)	(11,208,541)
(Dividends)	(359,279,728)	(395,473,766)
(Capital gains)/capital losses from the disposal of assets	(231,060,544)	-
1. Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from transfers	**(306,971,540)**	**(225,589,465)**
Allocations to provisions	9,638,169	2,130,639
Amortisation/depreciation of non-current assets	2,482,958	2,157,956
Impairment losses	177,682	-
Other adjustments for non-monetary elements	(342,953)	(18,659,421)
Value adjustments to financial assets and liabilities of financial derivatives that do not involve financial transactions	(74,683,636)	(25,640,766)
2. Cash flow before changes in net working capital	**(369,699,320)**	**(265,601,057)**
Decreases/(increases) in inventories	473,409	4,558,333
Decreases/(increases) in trade receivables	8,407,409	(122,810,932)
Increases/(decreases) in trade payables	(75,821,345)	248,517,435
Decreases/(increases) in accrued income and prepaid expenses	(7,671,750)	16,526,101
Increases/(decreases) in accrued expenses and deferred income	-	-
Other changes in net working capital	46,660,971	(42,461,327)
3. Cash flow after changes in net working capital	**(397,650,626)**	**(161,271,446)**
Interest received/(paid)	25,722,362	11,208,541
Income taxes (paid)/collected for national tax consolidation scheme	64,597,089	(12,504,551)
Dividends received	359,279,728	395,473,766
(Use of post-employment benefits provision)	(1,242,273)	(1,606,027)
(Use of provisions)	(969,189)	(501,576)
Other collections and payments		-
4. Cash flow after other adjustments	**49,737,091**	**230,798,707**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**49,737,091**	**230,798,707**

(Euro)	2022	2021
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
(Capital expenditure)	(515,674)	(404,095)
Divestments	-	-
Intangible assets		
(Capital expenditure)	(2,253,407)	(1,705,821)
Divestments	-	-
Financial assets		
(Capital expenditure)	(667,358,525)	(705,645,741)
Divestments	89,595,689	309,045
Current financial assets		
(Capital expenditure)	-	-
Divestments	1,227,870,986	-
Liquidity transferred for sale of business unit	(9,999,997)	-
CASH FLOW FROM INVESTING ACTIVITIES (B)	**637,339,073**	**(707,446,612)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings		
Increase (decrease) in short-term bank borrowings	-	-
Increase (decrease) of short-term financial payables/receivables to/from group companies	(886,929,407)	844,812,862
Loans taken out	-	-
Repayment of loans	-	-
Equity		
Capital increase	-	-
(Repayment of capital)	-	-
Sale (purchase) of treasury shares	-	-
Changes in equity due to reserve for hedging futures (paid)/collected	245,360,317	(315,764,878)
Dividends (and advances on dividends) paid	(50,000,000)	(50,000,000)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(691,569,090)**	**479,047,984**
Increase (decrease) of cash and cash equivalents (A±B±C)	**(4,492,926)**	**2,400,079**
Opening cash and cash equivalents	**5,906,181**	**3,506,101**
CLOSING CASH AND CASH EQUIVALENTS	**1,413,256**	**5,906,181**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2022

The financial statements of ERG Power Generation S.p.A. (hereinafter also "Company"), drawn up in accordance with the regulations contained in Articles 2423 et seq. of the Italian Civil Code, interpreted and added to the accounting standards issued by the Italian Accounting Body (the "OIC accounting standards"), comprise the following documents: Statement of Financial Position, Income Statement, Statement of Cash Flows and Notes to the Financial Statements.

For each item of the Statement of Financial Position, Income Statement and Statement of Cash Flows, the corresponding values at 31 December 2021 are also provided. If the items are not comparable, those of the prior year were adapted, providing the relative comments on the circumstances in question in the Notes.

The Statement of Cash Flows shows the positive or negative changes in cash and cash equivalents during the year and was drawn up using the indirect method, based on the format provided by OIC 10 accounting standard.

The Statement of Financial Position, Income Statement and Statement of Cash Flows were drawn up in Euro, without decimals, while the values in the Notes to the Financial Statements are expressed in thousands of Euro, unless otherwise specified.
In application of the principle of materiality, as set out in Article 2423, paragraph 4, of the Italian Civil Code, the Notes omit the comments on the items in the Financial Statements, even if specifically envisaged by Article 2427 of the Italian Civil Code or by other provisions, in cases where the amount of said items and the relative information are irrelevant in providing a true and accurate representation of the Company's economic and financial position and operating results.

If the information required by specific legal provisions is not sufficient in providing a true and accurate representation, the supplementary information deemed necessary for this purpose is provided.

With regard to the Company's activities and transactions with subsidiaries, associates, parent companies and companies subject to joint control, please refer to the Directors' Report, drawn up by the Directors and included to the following financial statements.

It should be noted that on 3 January 2022 the transaction with Enel Produzione S.p.A. for the sale of the entire capital of ERG Hydro S.r.l. was concluded.

Note that on 9 February 2022, ERG Power Generation S.p.A. had signed an agreement with Enel Produzione S.p.A. for the sale of the entire capital of ERG Power S.r.l.

This Transaction was subject to the approval of the competent Antitrust Authorities. With its provision of 23 September 2022, the Italian Antitrust Authority (AGCM) denied authorisation of the aforementioned transaction. The AGCM's non-approval of the transaction thus rendered invalid the agreements signed by ERG Power Generation S.p.A. and Enel Produzione S.p.A. for the sale of the equity investment in ERG Power S.r.l. due to the non-fulfilment of one of the conditions necessary for closing.

Towards the end of 2022, ERG therefore took the necessary steps to initiate a new competitive process aimed at finding a new buyer, evaluating the most efficient alternative path for pursuing the strategic objective of the 2022-2026 Business Plan of focusing on the core business of generating electricity from renewable sources by divesting ERG Power S.r.l.

It should be noted that on 1 April 2022, the transfer of the business unit relating to the management of the combined-cycle thermoelectric plant (CCGT) fuelled by natural gas with an installed capacity of 480 MW located in Priolo Gargallo (SR) was completed, as commented on in more detail in the next paragraph.

The significant events after year-end, the proposal for allocation of the profit for the year and the total amount of commitments, guarantees and contingent liabilities not indicated in the statement of financial position are stated in the relative paragraphs of these Notes to the Financial Statements.

Note that, pursuant to Articles 2497 et seq. of the Italian Civil Code, the Company is subject to management and coordination by ERG S.p.A.; therefore, the Notes to the Financial Statements include a summary statement of the key data from the latest financial statements of said company.

ERG Power Generation S.p.A. is controlled directly by ERG S.p.A., with registered office at Via De Marini 1, in Genoa, and indirectly by San Quirico S.p.A., with registered office in Via Martin Piaggio 17/4, in Genoa, which respectively draw up the consolidated financial statements of the smallest group of companies and the largest group of companies to which the Company belongs as subsidiary. The consolidated financial statements of ERG S.p.A. are available on the internet site of ERG S.p.A., at https://www.erg.eu/en/home, while the consolidated financial statements of San Quirico S.p.A. are available at the company's registered office.

TRANSFER OF BUSINESS UNIT

In 2022, the transfer from Erg Power Generation S.p.A. to ERG Power S.r.l. of the business unit relating to the management of the combined-cycle thermoelectric plant (CCGT), with capacity of 480 MW, was finalised with effect from 1 April 2022.

The transaction was concluded in order to allow the subsidiary Erg Power S.r.l. to operate autonomously on the market for the production and sale of electricity as well as steam and demineralised water.

Specifically, the transfer of the business unit included the contracts, employees and other assets necessary for the generation, management, sale, transport and dispatching of electricity and other utilities produced by the plant.

Details of the transfer of the Erg Power Generation S.p.A. business unit to Erg Power S.r.l. are shown below.

		01/04/22
(Euro)	Notes	Transfer of the Thermo business unit
NON-CURRENT ASSETS		
Intangible assets		-
Property, plant and equipment		52,400
Financial assets		1,213,440
Total Non-current assets	a)	**1,265,840**
CURRENT ASSETS		
Receivables from customers		53,231,201
Receivables from associates		2,523,215
Receivables from others		3,856
Bank and postal deposits		9,999,997
Total Current Assets	b)	**65,758,269**
Accruals and deferrals	c)	**19,023,411**
TOTAL ASSETS		**86,047,520**
LIABILITIES		-
		-
Post-employment benefits	d)	**663,793**
Payables to suppliers		79,391,907
Payables to social security and pension institutions		247,796
Other payables		1,388,535
Total Payables	e)	**81,028,238**
TOTAL LIABILITIES		**81,692,031**
Value of the business unit transferred		**4,355,489**

Detailed notes relating to the main items transferred are provided below:

Note a – Non-current assets

Property, plant and equipment refer to electronic industrial equipment (hardware).

Financial fixed assets mainly include:

- a security deposit of EUR 0.8 million issued in relation to the Capacity Market Agreement with Terna (i.e. capacity procurement agreement in which EPG is the assignee)
- a security deposit of EUR 0.3 million to the counterparty Trans Austria Gasleitung Gmbh - "TAG" for the gas transport service (i.e. making available "entry point" and "exit point" for natural gas transmission).

Note b – Current assets

Trade receivables, amounting to EUR 53 million, mainly include receivables relating to the sale of electricity, steam and demineralised water produced as part of the tolling agreement by the CCGT plant to end customers of the Priolo Gargallo site, and also include EUR 3.1 million in receivables for energy efficiency certificates (White Certificates), which will be awarded against the achievement of energy savings through the application of efficient CCGT technologies and systems.

Receivables from associates include receivables for the sale of electricity and other utilities from Priolo Servizi.

Receivables from others include advances to employees and receivables from INAIL.

Bank and postal deposits reflect EUR 10 million in the current account transferred by the Parent Company.

Note c – Accruals and deferrals

This item, amounting to EUR 19 million, mainly refers to the CO2 quotas transferred by ERG Power Generation S.p.A. in order to fulfil the obligations regarding environmental emissions of the CCGT plant for the year 2022.

Note d – Employee severance indemnities

This item includes the liabilities related to the employee severance indemnities due to employees.

Note e - Payables

Payables to suppliers, amounting to EUR 79.4 million, mainly refer to the supply of utilities and instrumental services by large operators, functional to the activities of the scope transferred.

Payables to social security and pension institutions refer to the amount due on wages and salaries for social security, pension and insurance obligations in relation to the employment contracts transferred.

Other payables refer mainly to payables to employees and related items relating to wages for the period not yet settled and comprises holidays, unused time off "in lieu" and the estimated productivity bonus and variable remuneration linked to company objectives.

THE COMPANY

The company is currently a wholly-owned subsidiary of ERG S.p.A.

Management of the industrial and commercial processes of the ERG Group is entrusted to the subsidiary ERG Power Generation S.p.A., which carries out:

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

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

Italy

In Italy, ERG Power Generation S.p.A., through its direct and indirect subsidiaries, has a total installed capacity of 1,440 MW in the sector of electricity generation from wind and solar sources.

Specifically, the ERG Group, of which ERG Power Generation S.p.A. is a part, is the leading operator in the wind power sector in Italy with 1,265 MW of installed capacity, and a leading operator in solar power generation with 175 MW of installed capacity.

Abroad

Outside Italy, ERG Power Generation S.p.A., through its direct and indirect subsidiaries, has a total installed capacity of 1,504 MW.

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

In addition, the ERG Group, through ERG Power Generation S.p.A., operates in France and Spain in the generation of electricity from solar sources with 170 MW of installed capacity, of which 79 MW in France and 92 MW in Spain.

Therefore, at 31 December 2022, ERG Power Generation S.p.A. is assigned responsibility for the Group's industrial and commercial processes, organised into:

- Wind, Solar and Thermo[2] generation technologies, which in turn are organised into production units on a geographical basis;
- Energy Management & Sales, as a single entry point to organised markets and the main clients/counterparties;
- a centre of expertise that ensures the efficiency of the operating model and the related global standardisation of processes;
- a structure dedicated to managing health, safety, quality and environmental protection issues for the entire Group.

During the course of the year, the Company carried out mainly activities:

a) in the electricity sector, including the purchase, generation, import, export and sale (including to end customers) of electricity and related products such as, for example, securities and instruments related to those activities;

b) in the energy sector in general, including the purchase, import and sale (including to end customers) of fuels and other utilities;

[1] The total MW does not include the thermoelectric business (480 MW), held for sale.
[2] Thermoelectric Business held for sale

c) in other sectors that are related or close to the activities carried out in the above-mentioned sectors, which allow for better use of the structures, resources and skills used, allowing the goods produced and services provided in the above-mentioned sectors to be used more effectively.

The following activities form also part of the Company business purposes (i) the design, construction, maintenance and management of plants; (ii) production and sale of equipment; (iii) research, consultancy services and assistance; and (iv) the purchase, sale and marketing of goods and services referred to in the sectors described under letters a), b) and c) of the preceding paragraph (including, by way of example, marketing and management services, as well as performance monitoring).

The war in Ukraine

In view of the war that broke in Ukraine at the end of February 2022, management is monitoring any critical issues and impacts that the conflict could have on the ERG Group and therefore on ERG Power Generation S.p.A. and its direct and indirect subsidiaries, in particular with reference to credit risk, security and business continuity.

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

In relation to **plant safety**, note the position of some of the Group's wind farms in Eastern Europe (Poland and Romania) close to the Ukrainian border: since these are countries that are part of NATO, there are currently no risks directly linked to the conflict although, in the event of escalation, possible risks of cyber attacks that could indirectly impact our facilities cannot be ruled out.

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

The geopolitical tensions are significantly impacting the financial and commodities markets, with a sharp increase in rates and gas and electricity prices, in respect of which further regulatory measures in the energy sector cannot be ruled

out. Finally, there is a general increase in the prices of raw materials and finished products, aggravated by geopolitical tensions, the effects of which may impact investments of projects under construction in the short/medium term. The uncertainty profiles resulting from the current macroeconomic scenario, with particular reference to interest rate dynamics and possible further regulatory interventions in the energy sector, may impact the assessment on the recoverability values of assets recognised in property, plant and equipment, intangible assets and financial assets.

GENERAL PRINCIPLES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Items in the financial statements were valued based on the general criteria of prudence and accrual, on a going concern basis; the items were recognised and stated by taking into account the substance of the transaction or contract, where compatible with the provisions of the Italian Civil Code and of the OIC accounting standards.

Application of the principle of prudence resulted in individual valuation of the items making up the individual assets or liabilities, in order to avoid offsetting between losses that should have been recognised and income that should not be recognised since it has not been realised. In particular, profits were included only if they were realised by year end, while the risks and losses pertaining to the year were taken into account even if they were recorded after the end of the financial year.

In accordance with the accrual principle, transactions were recorded in and assigned to the year to which such transactions refer, and not to the year in which the relative collections and payments were made.

The measurement criteria did not change with respect to the prior year, in order to enable comparability of the Company's financial statements over time.
No exceptional cases occurred during the year, which required recourse to derogation from the valuation criteria, pursuant to Article 2423, paragraph 5, of the Italian Civil Code, as a result of being incompatible with a true and fair view of the Company's economic and financial position and operating results. No revaluations of assets were carried out during the year pursuant to special laws on the subject.

Preparation of the financial statements requires estimates that affect the values of assets and liabilities and the relative financial statements. The final results may differ from these estimates. Estimates are reviewed periodically, and the effects of changes in estimates, where not arising from errors in the estimates, are stated in the income statement in the year in which the changes occur, if they only affect that year, and even in subsequent years if the changes impact both the current year as well as later years.

The main estimates for which the use of subjective assessments is more heavily required were used, inter alia, for:

- allocations to provisions for risks of liabilities related to legal and tax disputes for which a financial outlay is deemed likely and the amount of the resulting charges can be reasonably estimated;
- deferred taxes, recognised on the basis of the future taxability of expected profits generated in accordance with business plans as well as of the expected renewal of tax consolidation regimes;
- the estimate of revenues from ordinary operations pertaining to the energy business, in relation to determination of the value of the energy efficiency certificates;
- the procedure for verifying equity investments, described in more detail in the sections "Impairment" and "Equity investments" which involves – in estimating the value in use – the use of the investees' business plans, based on a set of assumptions regarding inflation, discount rates, expected energy prices, availability of renewable resources, changes to the regulatory framework;
- The fair value calculation for derivatives, performed on the basis of the estimate of future cash flows, discounted at the measurement date. The estimate of variable future prices is carried out on the basis of forward prices of the commodities. The measurement techniques used are based exclusively on parameters such as spot and forward price, interest rates and commodity price directly observable on the market.

For clearer disclosure, it was deemed preferable to show all amounts rounded off to the nearest EUR thousand in the Notes to the Financial Statements; consequently, in some statements, total amounts may differ slightly from the sum of the amounts that comprise them.

ACCOUNTING POLICIES

Intangible assets

Intangible assets are recognised, upon approval by the Board of Statutory Auditors where envisaged, at their historic acquisition cost, net of amortisation applied over the years and of any impairment losses attributed directly to the individual items. The cost includes ancillary charges and direct and indirect costs for the portion reasonably attributable to the asset, with respect to the period of construction and up until the moment in which the asset may be used, and the financial expense incurred to finance construction (internal or through third parties) until use of the asset is possible.

Amortisation begins at the moment in which the asset is available and ready for use.

These amounts are reduced on an annual basis and recognised in the income statement using an amortisation process, on a straight-line basis in accordance with their useful lives and also considering any residual possibility of use. The systematic nature of amortisation is linked to the correlation of the expected benefits.

The start-up and expansion costs are amortised on a straight-line basis over five years.
Leasehold improvements are capitalised and recognised under "other intangible assets" if they cannot be separated from the assets themselves (otherwise they are recognised under the specific item of "property, plant and equipment"), and amortised on a straight-line basis at the lower of the period of expected future utility and the residual lease, taking into account any renewal period, if dependent on the Company.
If, regardless of any amortisation already recognised, there proves to be impairment, the asset is written off accordingly. If in later years the reason for the write-off no longer applies, the original value is restored to the extent of the value the asset would have had if the write-down had never been made, with the exception of "Deferred charges" pursuant to number 5 under Article 2426 of the Italian Civil Code.

The amortisation rate on software is 33%, while leasehold improvements are amortised at 20%.
In general, intangible assets are amortised over a maximum period of five years.

Goodwill includes amounts paid with regard to company purchase transactions or other corporate transactions and is amortised based on useful life. The useful life is estimated upon initial recognition of goodwill and is not changed in subsequent years. If it is not possible to estimate useful life, goodwill is amortised over a period of 10 years.

Intangible assets are revalued, up to their recoverable value, only in cases envisaged or permitted by law.

Property, plant and equipment

In accordance with the provisions of the OIC 16 Italian accounting standard, non-current assets are initially recognised on the date in which the risks and benefits connected with the acquired asset are transferred, which usually occurs when the ownership title is transferred. In any case, if, by virtue of specific contractual clauses, the date on which the transfer of risks and benefits takes place and the date on which the title is transferred do not match, the date on which the transfer of risks and benefits takes place prevails. In any case, in carrying out this analysis, all the contractual clauses are analysed.
These are recognised at purchase cost, including directly attributable ancillary charges and costs incurred to use the asset, net of any commercial discounts and cash discounts of a significant amount.
The values recorded are adjusted annually based on the corresponding accumulated depreciation. The depreciation amounts recognised in the income statement are calculated on a straight-line basis, using rates considered to be representative of the estimated economic-technical useful life of the assets to which they refer.
Depreciation begins at the moment in which the asset is available and ready for use. In application of the principle of materiality, pursuant to Article 2423, paragraph 4, of the Italian Civil Code and the provisions of the relative accounting standard, the depreciation rates were reduced by half during the first year of depreciation.
Property, plant and equipment recorded in the financial statements were revalued exclusively in accordance with the legal provisions and within the limits of the higher of current value and value in use.

Depreciation rates are determined in accordance with prudential criteria and the estimated residual possibility of use of each asset in accordance with rates of use in previous years.

If, at year-end, regardless of the depreciation already recognised, impairment occurs, the non-current asset is written down accordingly. If the reasons for impairment cease to exist in subsequent years, the original value is restored, adjusted solely based on the depreciation.

Impairment losses of property, plant and equipment and intangible assets ("Impairment")

On the basis of OIC 9, the Company subjects its property, plant and equipment and intangible assets to impairment testing to determine whether there are indications that they may have suffered impairment at the dates of the financial statements. If such an indication exists, the Company estimates the recoverable amount of the asset to determine the amount of the impairment loss.

When it is not possible to estimate the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher of its fair value less costs to sell, and its value in use, determined as the present value of expected future cash flows.
Future cash flows are estimated with reference to the current conditions of non-current assets and therefore do not include cash inflows or outflows that are expected to arise from future restructuring to which the Company has not yet committed, or from improvement or optimisation of return on the asset.

An asset is impaired when its carrying amount exceeds its recoverable amount. Should the impairment of an asset, other than goodwill and deferred charges, subsequently no longer apply or be reduced, the carrying amount of the asset or cash-generating unit is increased up to the new estimate of the recoverable value, without exceeding the value that would have been determined if no impairment had been recognised.
At each reporting date, the Company assesses the existence of any indication that an asset may have undergone impairment. Were such an indication to exist, the Company would estimate the recoverable amount of the asset and write it off only if the latter were lower than the corresponding carrying amount.

Equity investments, financial receivables and securities

Financial assets include equity investments, financial receivables and securities.
Equity investments and debt securities recognised as non-current assets are due to be held permanently among the Company's assets. Equity investments are measured using the cost method, adjusted for impairment losses. The cost method assumes that the recognition value is calculated on the basis of the purchase or subscription price, including ancillary costs. When impairment is detected, the carrying amount of the investment is written off to its lowest

recoverable amount, calculated on the basis of future benefits expected as inflows by the investor. The original value of the equity investment is written back in later years if the reasons for the write-off should no longer apply.

For the 2022 financial statements, as in previous years, the recoverability of the carrying amounts of the equity investments in subsidiaries and in joint ventures was tested.

Note that no impairment was identified with regard to the equity investments of ERG Power Generation S.p.A. at 31 December 2022, following the Group's impairment tests.

Inventories

Inventories of ancillary and consumable materials and spare parts are recognised using the weighted average cost method per period on an annual basis. These are measured at the lower between the cost and estimated realisable amount as deduced from market trends (Article 2426, paragraph 9, of the Italian Civil Code).

To determine the estimated realisable amount from market trends, the replacement cost is normally taken as reference or, where available, the net realisable value of the assets.

In the event of obsolescence or slow turnover of the materials, the carrying amount is written down accordingly with a provision used to directly cut the inventories value.

Contracts in progress reflect the actual progress of the works and services performed by the Company in favour of its subsidiaries in projects regarding Repowering and Reblading, in accordance with the provisions of OIC 23.

Contracts in progress, with duration of less than 12 months, include contracts in progress and are evaluated using the completed contract criterion, at the lower of the cost incurred and the presumed realisable value based on market conditions. The revenue and contract margin are recognised upon completion of the contract, i.e. on the date on which the transfer of risks and benefits related to the asset produced occurs or the services are rendered.

Receivables

Receivables are recorded in the financial statements according to the amortised cost method, taking into account the time factor and the estimated realisable value. The amortised cost method is not applied when the effects are immaterial, or when the transaction costs, commissions paid by the parties and any other difference between initial and final value are of limited significance, or if the receivables are short term (with maturity of less than 12 months).

Moreover, pursuant to Article 12, paragraph 2, of Italian Legislative Decree no. 139/2015, the Company exercised the option not to apply the amortised cost criterion and discount all receivables that arose prior to 1 January 2016.

Trade receivables with expiry beyond 12 months from initial recognition, without payment of interest, or with interest significantly different from the market interest rates, and the relative revenues, are initially recognised at the value determined by discounting the future cash flows at the market interest rate. The difference between initial recognition value of the receivable determined in this manner and the final value is recorded in the income statement as financial income throughout the duration of the receivable, using the effective interest rate method.

All the trade receivables in the financial statements have expiries of less than 12 months and are therefore recognised at nominal amount.

Moreover, the receivables are recognised at estimated realisable value. The value of receivables is adjusted to the estimated realisable value through the allocation of an appropriate loss allowance, established by taking into account the country risk and the economic conditions in general and within the specific sector. The loss allowance is estimated through an analysis of the significant receivables individually and at the portfolio level for the remaining ones, calculating the presumed losses on receivables at the reporting date.

Receivable operations carried in foreign currencies are converted into Euro at the exchange rate on the date of the operation, and the difference between the amount and the amount actually received is recognised under the income statement under financial income and expense.

The exchange rate differences resulting from adjustment of the receivables in foreign currency to the exchange rate at year-end with respect to the date of the operation are recognised in the income statement.

Financial assets

The item *Short-term financial assets* under current assets includes equity investments not held as non-current assets which are valued on the basis of the lower of the purchase cost and the realisable value that can be deduced from market performance.

The item typically includes equity investments previously included in the non-current financial assets of the Company subsequently reclassified as current financial assets following changes in the corporate strategy, and this new allocation is based on decision-making processes already completed at the end of the year and consistent with corporate objectives and strategies.

The Company participates in the centralised treasury management programme (cash pooling) carried out by the parent company ERG S.p.A., which in turn has a centralised treasury management programme for the subsidiaries.

Withdrawals from the common current account (pool account) constitute a payable to the company that administers the cash pooling, while payments into the common current account constitute a receivable from the company.

As indicated in OIC 14, receivables generated by centralised management of treasury (i.e. cash pooling) are recognised, if permitted by the terms of collection, under "Short-term financial assets", as "Financial assets for centralised treasury management", indicating the counterparty (for example, parent company or subsidiary). If the short-term collection terms are not satisfied, these receivables are recorded under financial assets.

Cash and cash equivalents

These are recorded at estimated realisable value, which generally coincides with the nominal amount, with a separate indication for bank and postal deposits and cash and notes on hand.

Accruals and Deferrals

The accruals and deferrals item includes the portions of costs and revenues accrued during the year but collectible in subsequent years, and the portions of costs and revenues incurred within the end of the year but relating to subsequent years, based on the accrual principle.

At the end of each year, the conditions that determined initial recognition are verified and, if necessary, the required value adjustments are made. In particular, in addition to the passage of time, the estimated realisable value is considered for accrued income, while for prepaid expenses the existence of a future economic benefit related to deferred costs is considered.

Equity

Transactions between the Company and shareholders (acting as shareholders) may give rise to receivables from or payables to shareholders. The Company recognises a receivable from shareholders when the shareholders take on a commitment with respect to the Company, and it recognises a payable when it takes on a commitment with respect to shareholders.

Payments made by shareholders that do not envisage a repayment obligation are recorded under the relevant item of equity, while loans received from shareholders that envisage a repayment obligation are recorded under payables.

Treasury shares are recorded at a value corresponding to their purchase cost in a negative shareholders' reserve, upon purchase of the shares themselves.

The negative reserve is reversed, following a shareholders' resolution to cancel treasury shares, and the share capital is simultaneously reduced by the nominal amount of the shares cancelled. Any difference between the carrying amount of the reserve and the nominal amount of the cancelled shares is recognised as an increase or decrease to equity.

In the event of disposal of treasury shares, any difference between the carrying amount of the negative reserve and the realisable value of the disposed shares is recognised as an increase or decrease to another item of equity.

Should the company purchase shares from the parent company, within the limits set out by Article 2359-bis, paragraph 3, of the Italian Civil Code, a specific unavailable reserve is created under equity for an equal amount.

The effects on equity of application of the other accounting standards are commented on in the respective sections.

Provisions for risks and charges

Provisions for risks and charges are allocated against liabilities of a calculable nature, certain or probable, for which nevertheless at year end the total or contingency date is not yet known.

Contingent liabilities are recognised in the financial statements and registered under the provisions when their realisa-

tion has become probable and when the amount of the relative charge can be reasonably estimated.
Measurement of the charge complies with the general prudence and accrual principles, which, vice versa, do not allow the allocation of provisions that are generic or without economic justification.
Any risks for which a liability is only possible are indicated in the Notes to the Financial Statements without the allocation of provisions for risks and charges.
If the possibility of realisation of a risk is considered to be remote, it will not be taken into account.
Allocations to provisions for risks and charges are recognised as a priority in the income statement items of the relevant classes, with the criteria of classification of costs by nature prevailing. The amount of allocation to the provisions is determined based on the best estimate of costs, including legal fees, at each reporting date. Moreover, if there is a provision for charges, the estimate may also take into consideration the time horizon in question, if it is possible to make a reasonably reliable estimate of the outlay connected to the obligation and the date of occurrence, and if the latter is so far ahead in time as to make the present value of the obligation and the estimated liability at the moment of outlay significantly different.

Employee benefits

Based on contracts stipulated with a number of employees, the Company has certain obligations with regard to additional monthly pay and electricity discounts.
The amount of the benefit provided to the employee is quantifiable only after termination of the employment relationship and is linked to one or more factors, such as age, years of service, and remuneration. Therefore, the relative cost is recognised in the income statement on an actuarial basis. The liability is recognised in the financial statements at the present value of the obligation at the reporting date.

Derivative instruments

Derivative financial instruments are financial assets and liabilities recognised at fair value at each reporting date.
Fair value is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the valuation date and, in the case of unlisted derivatives, is determined by the Company using the appropriate valuation techniques, through assumptions, parameters and fair value hierarchy levels envisaged by the reference accounting standard.
Derivatives are classified as hedging instruments only when, at the beginning of the hedge, there is a close and documented correlation between the characteristics of the hedged asset and those of the derivative, and the hedge itself is formally documented and its effectiveness, verified periodically, is high.
Derivative financial instruments may be designated as hedging transactions when:
a) the hedging relationship solely consists of allowable hedging instruments and allowable hedged items;
b) at the beginning of the hedging relationship, there is a designation and formal documentation on the hedging relationship, of the objectives of the Company with regard to risk management and of the hedging strategy;
c) the hedging relationship satisfies the qualitative and quantitative requirements of effectiveness of the hedge.

When derivatives hedge against the risk of changes in future cash flows of the hedged asset, the effective portion of profits or losses on the derivative instrument is suspended in equity. The profits and losses associated with a hedge are recognised in the income statement as regards the ineffective portion. Cumulative profits and losses recognised in equity up to that moment are recognised in the income statement when the relative transaction occurs (adjusting or integrating the income statement items impacted by the hedged cash flows).

Therefore, the changes in fair value of hedging derivatives are recognised:

- in the income statement under items D18 or D19 in the event of fair value hedging of an asset or liability recognised in the financial statements, as well as changes in the fair value of hedged items (if the change in fair value of the hedged asset is higher in absolute terms than the change in fair value of the hedging instrument, the difference is recognised under the relative income statement item of the hedged item);
- in a specific equity reserve (under the item AVII "Cash flow hedging reserve") in the event of hedging of cash flows using methods to offset the effects of the hedged flows (the ineffective component, as well as the change in time value of the options and forwards, is classified under items D18 and D19).

For derivative financial instruments classified as trading, which do not satisfy the requirements to be handled in hedge accounting, the changes in fair value are recognised in the statement of financial position and posted to the income statement under items D18 and D19 upon subsequent measurement and when the derivative is eliminated from the accounts.

Post-employment benefits

Recorded within the item post-employment benefits are the amounts that employees would be entitled to receive in the event of termination of the employment relationship at the reporting date. The seniority indemnities comprising this item, namely the provisions allocated for the year and the annual revaluation of the pre-existing fund, are calculated in accordance with the regulations in effect. The Post-employment benefits are recognised under item C of liabilities and the relative provision under item B9 of the income statement.

Following the introduction of the provisions of the 2007 Italian Budget Law and relative implementation decrees, starting from 1 January 2007, the accrued post-employment benefits have been designated to pension funds or to the treasury fund established with INPS (the Italian National Social Security Institute). The accounting treatment of amounts accrued from 1 January 2007 is therefore considered as equivalent to contributions of other nature, with regard to the supplementary pension option as well as in the case of designation to the Treasury Fund established with INPS. The item therefore includes contributions accrued by employees prior to the date indicated and not yet paid, net of any advances received in accordance with the regulations in effect.

Payables

Payables are liabilities of a specified nature and certain existence that represent obligations to pay fixed or determinable amounts of cash to lenders, suppliers and other parties. The classification of payables among the various debt

items is made on the basis of their nature (or origin) with respect to ordinary operations, regardless of the period of time within which the liabilities must be settled.

Payables arising from the purchase of assets are recognised when the production process for the assets has been completed and the ownership has been transferred, using the transfer of risks and benefits as the reference parameter. Payables for services are recognised when the services have been received.

Payables are recorded based on the amortised cost method, taking into account the time factor. The amortised cost method is not applicable to payables if its effects are irrelevant. The effects are considered irrelevant for short-term payables (namely those due in less than 12 months). For the amortised cost method, see the description for receivables. Payable transactions in foreign currency carried out during the year are converted into Euro at the exchange rate in effect on the date of the transaction, and the difference between this amount and the amount actually paid is recognised in the income statement under financial expense and income.

The exchange rate differences resulting from alignment of the payables in foreign currency to the exchange rate at year-end with respect to the date of the transaction are recognised in the income statement.

Statement of Cash Flows

The statement of cash flows includes all cash inflows and outflows during the year.

The single cash flows are presented individually in the following categories of the statement of cash flows:

a. operating activities;

b. investing activities;

c. financing activities.

The categories of cash flows are presented in the order shown above.

The cash flow from operating activities is calculated using the indirect method, i.e. by adjusting the profit or loss for the year shown in the income statement.

The algebraic sum of the cash flows of each category mentioned above represents the net change (increase or decrease) of the cash and cash equivalents during the year.

The statement of cash flows is presented in scaled format.

The OIC 10 accounting standard provides also that:

- interest paid and collected is presented separately among cash flows from operating activities, except for specific cases in which it refers directly to investments (investing activities) or financing (financing activities);
- dividends received and paid are presented separately, respectively, under operating activities or financing activities, respectively;
- cash flows relating to income tax are presented separately and classified under operating activities.

Revenues and costs for the year

Revenues and income from the sale of goods, costs and charges are recognised, net of returns, discounts and rebates, as well as the taxes directly connected to the sale of the products and to the provision of the services, when the actual and not merely formal transfer of the title of ownership, assumed as the reference parameter, for substantial transfer of risks and benefits has taken place, in accordance with the accrual principle and with the principle of prudence, regardless of the date of collection and payment.

Revenues from the sale of products, goods or services with respect to ordinary operations are recorded net of returns, discounts, rebates and premiums, and of the taxes directly connected to the sale of products and provision of services.

Revenues for the performance of services are recognised upon completion and/or accrual.

White certificates (Energy Efficiency Certificates) are recognised by the GSE upon achievement of energy savings achieved in end uses through the use of appropriate technologies and the implementation of efficient systems.

White certificates are accounted for on an accrual basis among revenues for the year, based on one certificate for every TOE (Tonnes of Oil Equivalent) actually saved during the year.

Their value is measured on the basis of the price agreed in the bilateral agreement for the sale of the Energy Efficiency Certificates (EECs) or in the trading sessions of the electricity market operator (Gestore dei Mercati Energetici, GME) platform and in any case taking into account the minimum value recognised by the GSE for similar plants, taking into account that the certificates are made available in the operator's account during the year subsequent to the reference year.

If there is no sale during the year, the value is estimated on the basis of the most recent trades recorded on the GME platform and the maximum value that distributors are normally willing to pay for the purchase of EECs from the GSE as an alternative to purchase on the market.

Transactions with the parent company and other ERG group companies are carried out on an arm's length basis.

Costs are accounted for based on the accrual principle, regardless of the date of collection and payment, net of returns, discounts, rebates and premiums.

Dividends

Dividends are recorded in the year in which they are resolved by the Shareholders' Meeting. Dividends are recognised as financial income regardless of the nature of the reserves to be distributed.

Financial income and expense

Financial income and expense are recognised on an accrual basis. Costs relating to receivables factoring transactions for any reason (with or without recourse) and of any nature (trade, financial or other) are recognised in the year in which they arose.

Financial expense is recognised for an amount equal to the amount accrued during the year.

Foreign currency items

Non-monetary assets and liabilities originally stated in foreign currency are recognised in the statement of financial position at the exchange rate in effect upon their purchase, or at the initial recognition cost.

Monetary assets and liabilities originally stated in foreign currency are converted in the financial statements at the spot exchange rate at the end of the year; the relative exchange rate gains and losses are recognised in the income statement and any net income is allocated to a specific non-distributable reserve until realisation.

Current, prepaid and deferred taxes

Current taxes are calculated on the basis of a realistic forecast of taxable income for the year, determined in accordance with tax legislation and by applying the tax rates in effect at the reporting date. The relative tax payable is recorded in the statement of financial position net of advances paid, withholdings and tax credits that can be offset and not requested as reimbursement; if the advances paid, withholdings and credits exceed the taxes due, the related tax credit is recorded.

The Company participates in the national tax consolidation scheme of the parent ERG S.p.A. for IRES purposes. The tax consolidation agreement requires each company adopting the tax consolidation to transfer its taxable income (or tax loss) to the consolidating company. The consolidating company then records a credit in respect of the consolidated company equal to the IRES payable (the consolidated company instead records a payable due to the consolidating company). Conversely, for companies recording a tax loss, the consolidating company recognises an IRES tax payable on the portion of the loss actually offset at group level (the consolidated entity records a tax receivable due from the consolidating company).

Furthermore, in the case of companies recording excess interest expense, excess interest income or excess ROL, the consolidating company recognises a payable equal to 24% of 50% of the excess interest expense or the excess interest income or the excess ROL transferred and offset at group level (in these cases, the consolidated company recognises a receivable from the consolidating company). In the event that the Company meets the requirements to benefit from the tax relief tied to economic growth (ACE) but, due to the lack of taxable income, cannot benefit from it individually, if the conditions exist, it may transfer the amount of unused ACE to the tax consolidation so that it can be deducted from the group's tax base.
In this case, the consolidating Company will recognise a payable, to the Company that contributed the ACE, equal to 24% of the amount transferred.

The statement of financial position therefore includes the receivables and payables due from and to the consolidator as a result of quantification of the tax advantages granted and received.
Tax payments are arranged by the Consolidator.

Deferred tax assets and liabilities are calculated and allocated on the basis of temporary differences between the

value assigned to a given asset or liability in accordance with statutory provisions and the value assigned for tax purposes, in compliance with the principles of prudence and accrual accounting. They are measured by taking into account the presumed tax rate that the Company expects to apply in the year in which the differences will be considered in forming the tax result, considering the rates in force or already confirmed at the reporting date and allocated respectively to the "deferred tax provision" as part of the provisions for risks and charges under liabilities and item 5-ter) "deferred tax assets" under current assets.

Deferred tax assets are recognised for all deductible temporary differences in compliance with the principle of prudent accounting, if there is reasonable certainty of taxable income not less than the total differences to be offset in the year in which they will be reversed.

Vice versa, deferred tax liabilities are recognised on all taxable temporary differences.

In compliance with the provisions of Article 2424 of the Italian Civil Code, deferred tax assets are indicated in the Statement of Financial Position in the item "Deferred tax assets" under current assets, whilst deferred tax liabilities are indicated under "Provisions for risks and charges" in the item "Deferred tax provision". The Notes to the Financial Statements include a statement of the temporary differences that led to the recognition of deferred tax assets and liabilities, specifying the rate applied and the changes compared to the previous year, the amounts debited or credited to the income statement or to equity and the items excluded from the calculation, as well as the amount of deferred tax assets recorded in the financial statements relating to losses for the year or previous years and the amount of taxes not yet recorded.

The rate used to calculate deferred taxes is the nominal IRES (corporate tax) rate of 24% and the IRAP, where envisaged under the regulations in force.

Intra-group relations and relations with related parties

Please refer to the relevant section at the end of these Notes to the Financial Statements for the disclosure relating to intra-group relations and relations with related parties.

Transactions with the parent company and other ERG group companies are carried out on an arm's length basis.

It should be noted that on 3 January 2022 the transaction with Enel Produzione S.p.A. for the sale of the entire capital of ERG Hydro S.r.l. was concluded.

In this regard, it should be noted that ERG Hydro S.r.l. was presented as a subsidiary in the 2021 Financial Statements, as it was as such at 31 December 2021. Consequently, the economic and equity transactions between the Company and ERG Hydro S.r.l. were shown in the separate financial statements and in the corresponding analysis tables in relations with subsidiaries.

Company drawing up the consolidated financial statements

Starting from 2017, Management opted to prepare IAS consolidated financial statements, drawn up in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB) and regulated by the European Union.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

ASSETS

NON-CURRENT ASSETS (EUR 3,262,197 THOUSAND)

Intangible assets (EUR 7,178 thousand)

	Start-up and expansion costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Assets under development and advances	Other	Total
Historical cost	22	9,307	616	3,754	1,797	6,002	21,498
Amortisation	(22)	(6,187)	(609)	(1,877)	-	(6,000)	(14,695)
Balance at 31/12/2021	**-**	**3,120**	**7**	**1,877**	**1,797**	**2**	**6,803**
Changes in the year:							
Acquisitions	-	427	-	-	1,826	-	2,253
Capitalisations/reclassifications	-	1,567	-	-	(1,604)	-	(37)
Disposals and divestments	-	-	-	-	-	-	-
Amortisation	-	(1,465)	(1)	(375)	-	-	(1,841)
Impairment losses	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Historical cost	**22**	**11,302**	**616**	**3,754**	**2,019**	**6,002**	**23,715**
Amortisation	(22)	(7,653)	(610)	(2,252)	-	(6,000)	(16,537)
Balance at 31/12/2022	**-**	**3,649**	**7**	**1,501**	**2,019**	**2**	**7,178**

At 31 December 2022, intangible assets totalled EUR 7,178 thousand.

They refer mainly to the software used for the sale of electricity, intended for long-term use, currently being used or which will be used when completed.

The item also includes EUR 1,501 thousand regarding the residual value at 31 December 2022 of the goodwill generated by the merger, effective 1 January 2017, with ERG Renew S.p.A.

Assets under development, amounting to EUR 2,019 thousand, relate mainly to the development and integration of management systems and software.

For greater comprehension, changes during the period relating to reclassifications, disposals and divestments are shown net of the related accumulated amortisation.

Property, plant and equipment (EUR 2,334 thousand)

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Historical cost	1,126	322	5,641	2,699	176	9,963
Revaluations	-	-	-	-	-	-
1,126	**322**	**5,641**	**2,699**	**176**	**9,964**
Depreciation	(77)	(116)	(3,860)	(2,445)	-	(6,498)
Impairment losses	(887)	(51)	-	-	-	(938)
Balance at 31/12/2021	**162**	**155**	**1,781**	**254**	**176**	**2,527**
Changes in the year:						
Acquisitions	12	-	301	15	188	516
Capitalisations/reclassifications	-	-	132	73	(168)	37
Disposals and divestments	-	-	(51)	-	-	(51)
Depreciation	(22)	(10)	(488)	(121)	-	(641)
Impairment losses	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Historical cost transferred					(52)	(52)
Depreciation transferred						
Historical cost	1,138	322	5,809	2,712	142	10,123
Revaluations	-	-	-	-	-	-
1,138	**322**	**5,809**	**2,712**	**142**	**10,123**
Depreciation	(100)	(126)	(4,134)	(2,490)	-	(6,850)
Impairment losses	(887)	(51)	-	-	-	(938)
Balance at 31/12/2022	**151**	**145**	**1,674**	**222**	**142**	**2,334**

At 31 December 2022, property, plant and equipment amounted to EUR 2,334 thousand.

The item "Industrial and commercial equipment" includes the metallic structures used in the work warehouses and various equipment for maintenance of the wind farms of subsidiaries.

The item "Other assets" mainly refers to furniture, fittings, electronic machinery and light vehicles, as well as hardware (videowall) installed in the Energy Management Control and Bidding Centre for the market supply of all assets of the ERG Group, integrated and dynamic management of the electricity portfolio and implementation of dispatching.

For greater comprehension, changes during the period relating to reclassifications, disposals and divestments are shown net of the related accumulated depreciation.

It should be noted that on 1 April 2022, property, plant and equipment in progress for EUR 52 thousand were transferred to the subsidiary ERG Power S.r.l.

Financial assets (EUR 3,252,685 thousand)

Equity investments (EUR 1,878,564 thousand)

The item includes mainly equity investments in subsidiaries detailed in the following table:

	Registered office	Direct investment	Group's investment	Share capital (1) (2)	Equity (1) (2)	Carrying amount
Subsidiaries						
ERG Eolica Adriatica S.r.l.	Genoa (Italy)	100%	100%	10	63,424	69,817
ERG Eolica Campania S.p.A.	Genoa (Italy)	100%	100%	120	66,570	100,104
ERG Eolica Faeto S.r.l.	Genoa (Italy)	100%	100%	10	8,997	5,322
ERG Eolica Fossa del Lupo S.r.l.	Genoa (Italy)	100%	100%	50	55,321	16,020
ERG Eolica Ginestra S.r.l.	Genoa (Italy)	100%	100%	10	38,622	46,728
ERG Eolica San Vincenzo S.r.l.	Genoa (Italy)	100%	100%	3,500	21,255	20,875
ERG Wind Bulgaria S.p.A.	Genoa (Italy)	100%	100%	50	21,198	32,178
ERG Wind Investments S.r.l.	Genoa (Italy)	100%	100%	97,046	433,467	372,597
ERG Eolica Tirreno S.r.l.	Genoa (Italy)	100%	100%	10	201	406
Green Vicari S.r.l.	Genoa (Italy)	100%	100%	119	15,061	18,570
ERG Wind Holding S.r.l.	Genoa (Italy)	100%	100%	10	439,755	438,160
Eolico Troina S.r.l. in liquidation	Palermo (Italy)	99%	99%	20	250	25
Andromeda PV S.r.l.	Genoa (Italy)	78.5%	78.5%	50	83,438	96,519
ERG Solar Holding S.r.l.	Genoa (Italy)	100%	100%	20	119,823	171,713
ERG Solar Holding 2 S.r.l.	Genoa (Italy)	100%	100%	10	78,847	78,742
ISAB Energy Solare S.r.l.	Genoa (Italy)	100%	100%	100	309	-
ERG Eolienne France S.a.s.	Paris (France)	100%	100%	209,551	208,181	241,095
ERG Wind Neunte Gmbh	Hamburg (Germany)	100%	100%	25	90	88
ERG Wind Park Beteiligungs Gmbh	Hamburg (Germany)	100%	100%	25	(8,133)	12,169
ERG Germany Verwaltungs GmbH	Hamburg (Germany)	100%	100%	25	19	25
ERG UK Holding Ltd	Edinburgh (UK)	100%	100%	0	27,392	25,914
ERG Sweden Holding AB	Stockholm (Sweden)	100%	100%	50	23,761	8,005
ERG Poland Holding Sp. Z.O.O.	Warsaw (Poland)	100%	100%	5	(859)	1
EW Orneta 2 sp Z.O.O.	Warsaw (Poland)	100%	100%	164,688	167,373	35,720
Laszki Wind Sp. Z.O.O.	Warsaw (Poland)	100%	100%	5	(1,779)	1,283
Corni Eolian SA	Constanța (Romania)	100%	100%	95,679	61,861	52,202
ERG Spain Holdco S.L.U.	Madrid (Spain)	100%	100%		(981)	34,279
Total equity investments in subsidiaries						**1,878,559**

(1) Dati espressi in migliaia di Euro
(2) Il Capitale Sociale e il Patrimonio Netto delle società ERG UK Holding Ltd, ERG Sweden Holding AB, ERG Poland Holding Sp. Z.O.O., EW Orneta 2 sp Z.O.O.,

In 2022, the main transactions carried out on the equity investments held directly by Company and recorded under financial fixed assets were:

- 25 May 2022: establishment of the company ERG Solar Holding 2 S.r.l.;
- 5 July 2022: increase in the value of the equity investment of ERG Solar Holding 2 S.r.l. by effect of the capital contribution for an amount of EUR 78.7 million;

- 20 July 2022: establishment of the company ERG Wind Holding S.r.l.;
- 9 September 2022: increase in the value of the equity investment of ERG Wind Holding S.r.l. by effect of the capital contribution for an amount of EUR 438 million;
- 30 September 2022: increase in the value of the equity investment of ERG Sweden Holding AB by effect of the capital contribution for an amount of EUR 5 million;
- 31 October 2022: increase in the equity investment of ERG Eolienne France S.a.s. of EUR 5.6 million due to the merger by incorporation of ERG Wind RE Beteiligungs GmbH;
- 15 December 2022: increase in the value of the equity investment of ERG Spain Holdco S.L.U. by effect of the capital contribution for an amount of EUR 34.3 million.

The following extraordinary transactions relating to the ONE Group project which took place during the 2022 financial year in the companies indirectly controlled by ERG Power Generation S.p.A. are noted:

- 31 December 2022: merger of the companies ERG Wind Sicilia 2 S.r.l., ERG Wind Sicilia 4 S.r.l., ERG Wind Sicilia 5 S.r.l. and ERG Wind 2000 S.r.l. into the company ERG Wind Sardegna S.r.l.

For the purposes of the 2022 Financial Statements, the Company verified the presence of any indicators of impairment of the equity investments.

To this end, the following were considered:

- both internal and external sources of information, including indicators of physical obsolescence and accident rates, changes in the estimated residual useful life of the plants, actual trends with respect to forecasts, technological, economic or market penalties, regulatory penalties, increase in rates;
- the dividends paid in 2022 by the subsidiaries to ERG Power Generation S.p.A. and, more generally, the change in respective net financial positions compared to the prior year.

Da tale analisi non si sono ravvisati elementi di attenzione sulle partecipazioni iscritte nell'Attivo Immobilizzato o su eventuali ripristini di valore.

This analysis revealed no elements requiring attention in relation to the equity investments recorded under Non-Current Assets or any reversals.

In consideration of the intention of the ERG Group to proceed with the sale of the CCGT asset owned by the subsidiary ERG Power S.r.l., for the purposes of greater clarity, the equity investment in question was classified in these Financial Statements under Current Assets.

Any higher carrying amounts according to the historical cost criterion with respect to the equity belonging to the Company are justified by the future income expectations of the investees, which confirm their recoverability, even

taking into account the uncertainties indicated in the section on the use of estimates in the "General principles in the preparation of the Financial Statements" paragraph.

Receivables (EUR 1,374,121 thousand)

(EUR thouand)	31/12/2022	31/12/2021
Non-current financial receivables due from Group companies	1,365,221	1,223,940
Non-current receivables from others	8,899	99,513
Total	**1,374,121**	**1,323,453**

The item "Financial receivables due from Group companies" includes receivables for loans to Group companies, particularly subsidiaries.

The item "Non-current receivables from others" mainly comprises receivables from ECC (European Commodity Clearing) relating to the margin deposit on the fair value of the contracts stipulated (Futures) for EUR 8,601 thousand, down compared to 2021 (EUR 97,919 thousand) as a result of the decrease of the fair value of financial instruments. The item also includes deposits with Snam Rete Gas S.p.A. for the balancing service for the thermal year 2022-2023 (EUR 100 thousand) and that paid to Terna S.p.A. for participation in the 2024 Parent Auction.

It should be noted that on 1 April 2022, non-current receivables from third parties in the amount of EUR 1.2 million were transferred to the subsidiary ERG Power S.r.l., and included the following security deposits:

- a security deposit of EUR 0.8 million issued in relation to the Capacity Market Agreement with Terna (i.e. capacity procurement agreement in which EPG is the assignee)
- a security deposit of EUR 0.3 million to the counterparty Trans Austria Gasleitung Gmbh - "TAG" for the gas transport service (i.e. making available "entry point" and "exit point" for natural gas transmission).

In detail, a summary of the financial receivables by Country of the subsidiaries is provided below.

(EUR thouand)	31/12/2022	31/12/2021
Poland	126,934	104,452
France	368,196	390,691
Germany	197,224	299,686
Romania	-	8,547
UK	335,672	218,981
Italy	212,302	159,074
Sweden	76,987	42,509
Spain	47,906	-
Total	**1,365,221**	**1,223,940**

All loans are interest-bearing, and the following table summarises the rates applied for each company (in line with market rates):

Company	Country	Rate applied
EW Orneta 2	Poland	12-month Euribor plus 305 basis points
ERG Poland Holding Sp. Z.o.o	Poland	12-month Euribor plus 305 basis points
Laszki Wind Sp. Z.o.o	Poland	12-month Euribor plus 305 basis points
ERG Eolienne France S.a.s.	France	6-month Euribor plus 260 basis points
Wind Park Linda Gmbh & Co. KG	Germany	12-month Euribor plus 200 basis points
Voltwerk Energy Park 8 Gmbh & Co. KG	Germany	12-month Euribor plus 305 basis points
ERG Windpark Beteiligungs GmbH	Germany	12-month Euribor plus 305 basis points
ERG UK Holding Ltd	Great Britain	12-month Euribor plus 250 basis points
ERG Sweden Holding AB	Sweden	12-month Euribor plus 260 basis points
ERG Spain Holdco S.L.U.	Spain	12-month Euribor plus 260 basis points
Andromeda PV S.r.l.	Italy	Fixed rate 6.8%
ERG Eolica Adriatica S.r.l.	Italy	12-month Euribor plus 260 basis points
ERG Eolica Tirreno S.r.l.	Italy	12-month Euribor plus 260 basis points
ERG Wind Sardegna S.r.l.	Italy	12-month Euribor plus 260 basis points
Isab Energy Solare S.r.l.	Italy	12-month Euribor plus 260 basis points
ERG Solar Holding S.r.l.	Italy	6-month Euribor plus 305 basis points
ERG Solar Piemonte 3 S.r.l.	Italy	6-month Euribor plus 305 basis points
Ginestra S.r.l.	Italy	12-month Euribor plus 305 basis points
Robinia S.r.l.	Italy	12-month Euribor plus 305 basis points
Six For Power S.r.l.	Italy	12-month Euribor plus 305 basis points
Sesma S.r.l.	Italy	12-month Euribor plus 305 basis points

During the 2022 financial year, the following new loans were disbursed in favour of:

- ERG Spain Holdco S.L.U. for a maximum amount of up to EUR 110 million. The increase for the year of EUR 106.9 million is mainly due to the acquisition, on 31 January 2022, of 100% of the capital of two Spanish companies owning two solar plants in operation located in southern Spain in the regions of Castilla de la Mancha and Andalusia and for the acquisition on 23 December 2022 of 100% of the capital of Instalacion Fotovoltaica Arericsol VIII, S.L.U., a company that owns a photovoltaic solar plant located in Fregenal de la Sierra, in the autonomous community of Extremadura;
- Ginestra S.r.l. and Robinia S.r.l. for a maximum amount of up to EUR 15 million, Six for Power S.r.l. and Sesma for a maximum amount of up to EUR 10 million. The increases for the year (Ginestra S.r.l. EUR 13.8 million, Robinia S.r.l. EUR 12.6 million, Six for Power S.r.l. EUR 8.8 million and Sesma S.r.l. EUR 4.4 million) are attributable to the repayment of the project financing debt of the respective companies. The loan agreements with the aforementioned four companies of the Siena group were signed on 24 October 2024.

The following main loans were increased in favour of:

- ERG UK Holding Ltd., for EUR 149.1 million, mainly for the acquisition on 14 October 2022 of 100% of the shares of the company Corlacky Energy Ltd., which holds the permits for the construction and operation of the Corlacky wind farm in Northern Ireland;
- ERG Eolienne France S.a.s., for EUR 162.7 million, mainly due to the transfer of the loans that ERG Power Generation S.p.A. had in respect of the companies ERG Wind France 1 S.a.s., ERG Wind French Holdings S.a.s., ERG WP France 6 S.a.s. and ERG Wind RE Beteiligungs GmbH;
- ERG Wind Sweden Holding, for EUR 43.7 million, for the completion of the construction of the Furuby wind farm;
- ERG Wind Energy S.r.l., for EUR 41.1 million, for the completion of the 2022 wind repowering projects;
- ERG Eolica Tirreno S.r.l., for EUR 21.8 million, for the development of the Roccapalumba wind project;
- ERG Solar Holding S.r.l., for EUR 10.9 million, for the acquisition of the company Fattoria Solare Futurasun S.r.l. on 29 March 2022 and for the carrying out of the revamping projects of some solar farms of the subsidiary Calabria Solar S.r.l.

The following receivable waivers were made in favour of:

- ERG Sweden Holding AB for EUR 5 million on 30 September 2022;
- ERG Spain Holdco S.L.U. for EUR 34.3 million on 15 December 2022.

The following loans were closed with the following companies:

- ERG Eolica Ginestra S.r.l.;
- ERG Wind France 1 S.a.s., ERG Wind French Holdings S.a.s., ERG WP France 6 S.a.s., whose loans were transferred to ERG Eolienne France S.a.s.;
- ERG Wind RE Beteiligungs GmbH, whose loan was transferred to the company ERG Eolienne France S.a.s. as a result of the merger by incorporation on 31 October 2022;
- ERG Wind Sicilia 2 S.r.l., ERG Wind Sicilia 4 S.r.l., ERG Wind Sicilia 5 S.r.l. and ERG Wind 2000 S.r.l., whose loans were transferred to the company ERG Wind Sardegna S.r.l. as a result of the merger by incorporation on 31 December 2022.

CURRENT ASSETS (EUR 648,892 THOUSAND)

Inventories (EUR 14,354 thousand)

(EUR thousand)	31/12/2022	31/12/2021
Inventories of spare parts	11,856	11,857
Inventory write-down provision	(1,572)	(1,378)
Total	**10,284**	**10,479**
Inventories of contract work in progress	4,070	4,349
Total	**14,354**	**14,828**

The item "Inventories of spare parts", net of the inventory write-down provision, is equal to EUR 10,284 thousand at 31 December 2022 and reflects the value of the spare parts necessary to conduct maintenance work on the aerogenerators and wind turbines.

The item at 31 December 2022 shows a slight decrease compared to 31 December 2021 due to the ordinary management of inventories for the period. The inventory write-down provision at 31 December 2022 is deemed to express the decrease in functionality of a part of the spare parts inventory.

The item "Inventories of contracts in progress" in the 2022 financial statements includes works relating to the "Repowering & Reblading" project.

ERG had launched the "Repowering & Reblading Project" process with the objective of conducting a technological analysis of the wind farms and the overall assessment of feasibility, profitability and relative implementation timing of an important plan to boost efficiency through two types of intervention:

- total renovation (Repowering);
- partial renovation (Reblading).

The organisational structure of ONE Company has placed project management in the hands of parent company ERG Power Generation S.p.A., with regard to the necessary purchases, management of third-party services and, consequently, the employment of internal personnel to carry out the projects, particular those relating to Reblading.

The item "Inventories of contract work in progress" for 2022 includes the change in the period in engineering costs, purchase of wind blades and ancillary charges, including internal personnel costs sustained for the Repowering & Reblading projects, net of chargebacks made to the subsidiaries owning the wind farms.

It should be noted, in fact, that on 22 September 2021, 16 June 2022 and 17 June 2022, ERG Wind Energy S.r.l. obtained the Single Authorisations for the Repowering of the Camporeale wind farm (located in Sicily), the Salemi-Castelvetrano wind farms (located in Sicily) and the Greci-Montaguto wind farms (located in Campania). ERG Wind Energy S.r.l. was also awarded a 20-year tariff on the new wind capacity of the plants as part of the auctions held by Gestore dei Servizi Elettrici S.p.A. in January 2022 for the Camporeale project and in September 2022 for the Salemi-Castelvetrano

projects. Therefore, once the deadlines for any appeal of the Single Authorisation by third parties had expired, ERG Power generation S.p.A. charged back to ERG Wind Energy S.r.l. the charges incurred so far relating to the repowering of the two aforementioned wind farms.

Receivables (EUR 364,776 thousand)

Receivables can be summarised as follows:

(EUR thousand)	31/12/2022	31/12/2021
Receivables from customers	74,745	206,442
Receivables from subsidiaries	91,263	22,806
Receivables from associates	-	3,026
Receivables from parent companies	20,022	64,688
Tax assets	46,232	21,233
Deferred tax assets	92,450	107,995
Receivables from others	40,063	38,641
Total	**364,776**	**464,832**

Receivables from customers (EUR 74,745 thousand)

Receivables from customers comprise mainly:

- receivables relating to the sale of electricity produced by the Italian wind and photovoltaic farms of its renewable subsidiaries to GME for EUR 12,481 thousand;
- receivables relating to the sale of electricity to wholesale customers, including in particular Duferco Energia S.p.A. for EUR 7,035 thousand, Axpo Italia S.p.A. for EUR 4,079 thousand, A2A S.p.A. for EUR 7,653 thousand, ACEA Energia S.p.A. for EUR 7,268 thousand and Engie Global Markets Italia for EUR 6,673 thousand;

The receivables from customers at 31 December 2022 are mostly from Italian customers and are due for payment within the following year.

Note that receivables from customers are stated net of the loss allowance for EUR 3,287 thousand, allocated in order to cover any doubtful receivables.

It should be noted that on 1 April 2022, receivables from customers of EUR 53 million, referring to the sale of electricity, steam and demineralised water produced as part of the management of the CCGT plant through the Tolling agreement with end customers of the Priolo Gargallo site, were transferred to ERG Power S.r.l. This amount includes the receivables for the Energy Efficiency Certificates (White Certificates), which will be awarded against the achievement of energy savings through the application of efficient CCGT technologies and systems. The amount of the receivables transferred is net of the corresponding bad debt provision of EUR 177 thousand.

Receivables from subsidiaries (EUR 91,263 thousand)

This item is mainly broken down as follows:

- trade receivables for EUR 87,173 thousand, mainly attributable to the supply of gas for the month of December to the subsidiary ERG Power S.r.l. and services rendered and not yet collected under the Operation & Maintenance and B.o.P. contracts on wind farms of the subsidiaries. Moreover, the item includes services charged to all subsidiaries under the administrative and corporate service agreement. The item also includes charge-backs of development costs for EUR 5,570 thousand made during the year to an English subsidiary.
- other sundry receivables for EUR 4,089 thousand, relating to cost charge-backs (EUR 2,998 thousand) and receivables from subsidiaries for group VAT (EUR 1,091 thousand). Note that with effect from 1 January 2022, ERG Power Generation S.p.A. operates as parent company within the scope of the group VAT settlement procedure pursuant to Article 73 of Italian Presidential Decree no. 633 of 26/10/1972 and to the Italian Ministerial Decree of 13 December 1979.

Receivables from associates (EUR 0 thousand)

At 31 December 2021, the item, totalling EUR 3,026 thousand, included trade receivables from Priolo Servizi S.C.p.A. for the provision of utility services (in particular sea water, electricity and others) and services rendered within the scope of the Operation & Maintenance contract. On 1 April 2022, all receivables from the associate Priolo Servizi S.C.p.A. were transferred to the company ERG Power S.r.l.

Receivables from parent companies (EUR 20,022 thousand)

The item mainly includes IRES receivables due from the direct parent company ERG S.p.A. for the remuneration of the tax loss and interest income transferred to the ERG Group Tax Consolidation (amounting to EUR 19,512 thousand).

Tax receivables (EUR 46,232 thousand)

This item mainly includes:

- the receivable from the tax authorities for group VAT of EUR 43,369 thousand;
- the receivable for tax payments made on a provisional basis during the SAO dispute for EUR 870 thousand;
- the advance on electricity and gas excise duties for EUR 655 thousand;
- the IRAP receivable, for EUR 885 thousand, relating to the excess of advances paid with respect to the actual IRAP payable for the year 2022;
- the amount requested for reimbursement relating to the tax inspection for 2004 for EUR 55 thousand.

The amount also includes taxes paid pending a ruling by the merged company ISAB Energy Services S.p.A. (EUR 171 thousand).

Deferred tax assets (EUR 92,450 thousand)

The deferred tax assets relate to the tax effect of the deductible temporary differences that will be repaid in future years.

The breakdown of the main temporary differences and related tax effects are presented below.

	31/12/2022		31/12/2021	
	Amount of temporary differences	**Tax effect**	**Amount of temporary differences**	**Tax effect**
Write-down of inventory	1,572	453	1,378	397
Other provisions	5,332	1,440	4,297	1,125
Other changes in IRES (Corporate tax)	172,751	41,609	7,391	1,907
Derivative instruments	169,840	48,948	400,541	104,566
Total		**92,450**		**107,995**

Maintenance of the deferred tax assets in the financial statements for the year ended on 31 December 2022 is supported by reasonable elements of certainty regarding their recoverability in the years in which they are expected to be repaid.

This assumption is mainly based on the fact that the company forms part of the tax consolidation regime with the parent company ERG S.p.A., in view of the expected Group taxable amounts. The change recorded compared to the previous year is mainly attributable to the increase in deferred tax assets allocated to the reserve for hedging expected cash flows (EUR 48,948 thousand) and the recognition of deferred tax assets on the unused tax loss and ACE as part of the ERG tax consolidation scheme for 2022 (EUR 39,570 thousand).

Receivables from others (EUR 40,063 thousand)

(EUR thousand)	31/12/2022	31/12/2021
Receivables from ECC – European Commodity Clearing	2,012	20,721
Receivables from Jao	-	826
Receivables from GME	8,050	7,050
Receivables under Italian Law no. 488/1992	10,009	10,009
Other receivables	19,992	34
Total	**40,063**	**38,641**

The item "Receivables from ECC" consists of the fair value pertaining to 30 December 2022 recognised by the Institute at the beginning of 2023, for EUR 2,012 thousand.

The item "Receivables from GME" includes security deposits to GME for EUR 8,050 thousand.

The item "Receivables under Italian Law no. 488/1992" also includes receivables of EUR 10,009 thousand from Engie, referring to recovery of the revaluation and interest on the disbursements of Italian Law no. 488/1992, arising from the company merged from 1 January 2017, ERG Renew S.p.A.

The item "sundry receivables" mainly refers to the advance paid to ENI Global Energy Markets S.p.A. for the supply of gas relating to the period of December 2022 in relation to the company ERG Power S.r.l.

It should be noted that on 1 April 2022, receivables from others of EUR 4 thousand were transferred to ERG Power S.r.l.

Short-term financial assets (EUR 269,349 thousand)

Investments in subsidiaries (EUR 34,461 thousand)

At 31 December 2021, the item, amounting to EUR 1,026,916 thousand, consisted of the equity investment of ERG Hydro S.r.l. It was sold to Enel Produzione S.p.A. on 3 January 2022.

At 31 December 2022, the item consisted of the equity investment in ERG Power S.r.l. amounting to EUR 34,461 thousand.

In consideration of the ERG Group's intention to proceed with the sale of the subsidiary ERG Power S.r.l., for the purposes of greater clarity, the equity investment in question was classified in these Financial Statements under Current Assets.

On 1 April 2022, following the transfer of the ERG Power Generation S.p.A. business unit to ERG Power S.r.l. described above, the latter's investment increased by EUR 4.4 million.

Derivative financial instruments (EUR 118,329 thousand)

The item includes derivative financial instruments with a positive fair value at the measurement date, generated in particular by the positive net impact of the measurement at 31 December 2022 of the hedging derivatives and non-hedging physical instruments with positive fair value.

Note that the derivative instruments in question are expected to end within the next 12 months.

Financial assets for centralised treasury management in respect of parent company

This item, amounting to EUR 18,224 thousand, relates to the zero balance cash pooling relationship with the direct parent company ERG S.p.A.

Financial assets for centralised treasury management in respect of subsidiaries

This item, amounting to EUR 98,335 thousand, relates to the zero balance cash pooling relationship with the subsidiary ERG Power S.r.l.

Cash and cash equivalents (EUR 1,413 thousand)

(EUR thousand)	31/12/2022	31/12/2021
Bank and postal deposits	1,413	5,906
Total	**1,413**	**5,906**

The item relates principally to the credit balances on bank current accounts, the carrying amount of which represents the estimated realisable value which coincides with the nominal amount.

It should be noted that on 1 April 2022, approximately EUR 10 million in cash and cash equivalents were transferred to the subsidiary ERG Power S.r.l.

Accruals and deferrals (EUR 1,793 thousand)

(EUR thousand)	31/12/2022	31/12/2021
Other prepaid expenses	1,759	13,093
Prepaid expenses - insurance premiums	31	48
Prepaid expenses - other payments	3	3
Total	**1,793**	**13,144**

In the 2022 financial year, the item "Other prepayments" mainly includes maintenance costs and other services paid in the year and pertaining to the following year.

It should be noted that on 1 April 2022, prepaid expenses relating to the CO2 quotas held by ERG Power Generation S.p.A. at 31 December 2021 in excess of the quota requirements of the CCGT plant for an amount equal to EUR 19 million (which includes EUR 9 million for the surplus for 2021 and EUR 10 million of purchases by ERG Power Generation S.p.A. relating to the first quarter of 2022) were transferred to the subsidiary ERG Power S.r.l.

Lastly, it should be noted that following the abandonment of a project in the United Kingdom, EUR 1.7 million was released to the income statement in 2022.

The estimated classification by expiry of the items registered under assets is presented below:

	within 12 months	within 5 years	after 5 years	Total
Receivables under financial assets				
- from subsidiaries	168	1,365,053		1,365,221
- from others	8,601	298		8,899
Receivables under current assets				
- from customers	74,745			74,745
- from subsidiaries	91,263			91,263
- from associates	-			-
- from parent companies	20,022			20,022
- deferred tax assets	48,674	43,586	190	92,450
- from the tax authorities	46,232			46,232
- from others	22,004	18,059		40,063
TOTAL	**311,709**	**1,426,997**	**190**	**1,738,896**

LIABILITIES

EQUITY (EUR 3,278,158 THOUSAND)

Share Capital (EUR 100,000 thousand)

The share capital at 31 December 2016, fully paid in, comprised 600,000 shares with a nominal amount of EUR 10 each for a total of EUR 6,000 thousand, and was fully held by ERG S.p.A.

The merger deed of 21 December 2016 in particular had provided full execution of the resolution of the Shareholders' Meeting of 18 November 2016 which had envisaged, effective 1 January 2017, a share capital increase of the merging entity ERG Power Generation S.p.A. for a total of EUR 94,000,000, with the issue of 9,400,000 new shares with a par value of EUR 10 each, assigned to the company ERG S.p.A., sole shareholder of the merging entity.

As a result of the above, the share capital at 31 December 2022 – as already at 31 December 2021 – amounts to EUR 100,000 thousand.

Share premium reserve (EUR 7,000 thousand)

The Company's Shareholders' Meeting of 20 June 2014 had decided to increase the share capital from EUR 5,000 thousand to EUR 6,000 thousand, i.e. by EUR 1,000 thousand, by issuing 100,000 shares with a par value of EUR 10 each and a share premium of EUR 7,000 thousand as payment for the "Power Business Unit", which took place on 1 July 2014.

Revaluation reserve (EUR 2,221 thousand)

The revaluation reserves, in the amount of EUR 37 thousand, had been transferred following the merger of ISAB Energy Services S.r.l. on 1 January 2015, which in turn derived from the spin-off from ERG Nuove Centrali S.p.A. on 1 July 2007 in proportion with its equity at 30 June 2007, transferred with the spin-off.

Italian Decree Law no. 104/2020 ("Decreto Agosto" – August Decree) reintroduced the possibility of revaluing company assets and carrying out the so-called "realignment" of misalignments between the statutory and tax reporting values. Subsequently, the 2021 Budget Law extended the possibility of realigning tax values to the statutory values, including for goodwill and other intangible assets. The Company decided to realign the goodwill recognised in the 2020 financial statements and consequently placed a portion of the retained earnings reserves in a special deferred tax provision. The amount of the deferred tax provision, equal to EUR 2,185 thousand, corresponds to the value of the realignment carried out net of the substitute tax due.

Legal reserve (EUR 20,000 thousand)

The legal reserve was established in 2012 following the decision by the ordinary Shareholders' Meeting of 16 April 2012, which approved the financial statements for 2011.

The Shareholders' Meeting held on 22 April 2015 had approved the financial statements for 2014 and voted to allocate 5% of the total profit for the period, amounting to EUR 632 thousand, to the reserve.
The Shareholders' Meeting held on 21 April 2016 had approved the financial statements for 2015 and voted to allocate EUR 507 thousand to the reserve.
The Shareholders' Meeting held on 19 April 2017 resolved to allocate EUR 3,838 thousand to the reserve.
The Shareholders' Meeting held on 19 April 2018 resolved to allocate EUR 3,924 thousand to the reserve.
The Shareholders' Meeting held on 16 April 2019 resolved to allocate EUR 3,034 thousand to the reserve.
The Shareholders' Meeting held on 20 April 2020 resolved to allocate EUR 5,829 thousand to the reserve.
The Shareholders' Meeting held on 22 April 2021 resolved to allocate EUR 2,174 thousand to the reserve.

Other reserves (EUR 2,447,400 thousand)

The item "Other reserves" comprises the capital account payment by parent company ERG S.p.A. for a total amount of EUR 1,828,733 thousand, of which EUR 261,733 thousand in 2015 and EUR 700,000 thousand in July 2016, following the decision by Erg S.p.A. to make a capital contribution in favour of ERG Power Generation S.p.A. and extinguish the existing loan between ERG S.p.A. and ERG Power Generation S.p.A. via offsetting.
The item also consists of the capital contribution made by the parent company ERG S.p.A. for a total amount of EUR 350 million, resolved on 15 October 2020. In addition, in order to strengthen the equity/financial structure of ERG Power Generation S.p.A., the Board of Directors of ERG S.p.A. resolved, on 11 November 2022, to waive a portion of the receivable deriving from the Credit Line equal to EUR 517 million, and convert it into a capital payment of the same amount.

Other reserves also include the extraordinary reserve to which EUR 5,830 was allocated, as a result of the share capital reduction in financial year 2011, and the merger goodwill amounting to EUR 5,855 thousand, relative to the merger by incorporation of ISAB Energy Services S.r.l. on 1 January 2015.
The subject item includes also an amount equal to EUR 606,980 thousand, of which EUR 607,050 thousand referring to the equity of companies ERG Renew S.p.A. and ERG Renew Operation & Maintenance S.r.l., incorporated into ERG Power Generation S.p.A. as from 1 January 2017, and EUR 70 thousand related to reclassification of the item Retained earnings of profit and loss carried forward of the branches eliminated from the Company as from 1 January 2018.

The remaining portion consists of sundry reserves of insignificant amount (EUR 2 thousand) transferred to the company following the merger through incorporation of ISAB Energy Services S.r.l. on 1 January 2015.

Cash flow hedging reserve (EUR -120,893 thousand)

This item comprises the fair value changes of the effective component of the hedging derivatives open at the reporting date, net of deferred taxes.

Retained earnings (EUR 454,100 thousand)

This item includes the profits and losses carried forward from previous years.

Note that on 15 December 2022, the Shareholders' Meeting resolved the distribution of EUR 50,000 thousand in retained earnings in favour of the sole shareholder ERG S.p.A.

The table showing the changes in the equity items of the Company over the past three years is shown below:

	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Other reserves	Reserve for transactions to hedge expected cash flows	Retained earnings (Accumulated losses)	Profit (loss) for the period	Total Equity
Balance at 31/12/2019	**100,000**	**7,000**	**37**	**11,997**	**1,580,400**	**(4,738)**	**150,717**	**116,573**	**1,961,986**
Distribution of dividends	-	-	-	-	-	-	(45,000)	-	(45,000)
Allocation of prior year profit (loss)	-	-	-	5,829	-	-	110,744	(116,573)	-
Capital increases	-	-	-	-	350,000	-	-	-	350,000
Other changes	-	-	2,185	-	-	(6,841)	(2,252)	-	(6,908)
Profit (loss) for the year	-	-	-	-	-	-	-	99,616	99,616
Balance at 31/12/2020	**100,000**	**7,000**	**2,221**	**17,826**	**1,930,400**	**(11,579)**	**214,209**	**99,616**	**2,359,694**
Distribution of dividends	-	-	-	-	-	-	(50,000)	-	(50,000)
Allocation of prior year profit (loss)	-	-	-	2,174	-	-	97,442	(99,616)	-
Capital increases	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	(284,397)	-	-	(284,397)
Profit (loss) for the year	-	-	-	-	-	-	-	242,449	242,449
Balance at 31/12/2021	**100,000**	**7,000**	**2,221**	**20,000**	**1,930,400**	**(295,976)**	**261,651**	**242,449**	**2,267,746**
									-
Distribution of dividends	-	-	-	-	-	-	(50,000)	-	(50,000)
Allocation of prior year profit (loss)	-	-	-	-	-	-	242,449	(242,449)	-
Capital increases	-	-	-	-	517,000	-	-	-	517,000
Other changes	-	-	-	-	-	175,083	-	-	175,083
Profit (loss) for the year	-	-	-	-	-	-	-	368,329	368,329
Balance at 31/12/2022	**100,000**	**7,000**	**2,221**	**20,000**	**2,447,400**	**(120,893)**	**454,100**	**368,329**	**3,278,158**

The following table lists equity items, indicating the possible utilisation for each of them, as well as any tax restrictions.

	Amount	Possibility of utilization	Amount available	Amount subject to tax suspenion
Share capital	100,000	-	-	3,009
Revaluation reserves	2,221	A,B,C	2,221	2,221
Share premium reserve	7,000	A,B,C	7,000	
Legal reserve	20,000	B	20,000	
Other reserves/Capital account payment	1,828,733	A,B,C	1,828,733	
Other reserves	11,687	A,B,C	11,687	
Other reserves/Merger goodwill 2017	606,980	A,B,C	606,980	
Cash flow hedging reserve	(120,893)	-	-	
Retained earnings	454,100	A,B,C	454,100	
Profit for the year	368,329			
TOTAL	**3,278,158**		**2,930,722**	**5,230**
TOTAL DISTRIBUTABLE AMOUNT - NET OF THE NEGATIVE RESERVE			**2,789,828**	

Key:
A - for share capital increase
B - for loss coverage
C - for distribution to shareholders

The Company did not allocate deferred tax liabilities on the capital portion related to operations subject to tax on distribution (for EUR 3,009 thousand) or on the revaluation reserves (for EUR 2,221 thousand) since no utilisation that could generate taxation is expected.

Provisions for risks and charges (EUR 113,737 thousand)

(EUR thousand)	31/12/2022	31/12/2021
Financial derivative liabilities	104,127	205,229
Other provisions	9,610	2,572
Total	**113,737**	**207,801**

The item derivative financial instruments payable, equal to EUR 104,127 thousand, includes derivative financial instruments with negative fair value at the measurement date, generated in particular by the net negative impact of the measurement at 31 December 2022 of the "Contracts for Difference".
Note that the derivative instruments in question are expected to end within the next 12 months.

A summary of the item "Other provisions" is provided below:

(EUR thousand)	31.12.2021	Increases	Decreases	31.12.2022
Provision to cover losses of investees	127	-	-	127
Other current provisions	1,473	362	(806)	1,029
Provisions for current environmental risks	6	-	-	6
Other current provisions for risks	958	-	(958)	-
Other non-current provisions for charges	8	8,448	(8)	8,448
Total	**2,572**	**8,809**	**(1,772)**	**9,610**

The item "Other current provisions" includes EUR 827 thousand from potential expenses regarding uncertainty of the results of projects mainly linked to the business of renewables companies.

The key transactions in the provisions for liabilities in 2022 are outlined below:

- a provision of EUR 6.2 million relating to risks connected with discontinued businesses and a provision of EUR 1.8 million for future charges deriving from the redefinition of the Group's strategic structure in application of the 2022-2026 Business Plan;
- a provision for current charge of EUR 360 thousand made against the probable charge for the settlement through the Institute of the assessment with acceptance of an audit carried out by the Inland Revenue for the 2018 tax year;
- use of the provision for current charges for EUR 419 thousand relating to a development project in Poland abandoned during the year;
- a release of EUR 386 thousand of the provision for charges due to the fact that the assumptions on potential risks no longer exist;
- use of the provision for charges relating to legal expenses in connection with a dispute in relation to the purchase of an equity investment in previous years for EUR 550 thousand.

Trattamento di fine rapporto di lavoro subordinato (1.939 migliaia di Euro)

(EUR thousand)	31/12/2022	31/12/2021
Opening balance	**2,608**	**2,728**
Transfer	(664)	-
Increases	1,253	1,657
Decreases	(1,258)	(1,778)
Closing balance	**1,939**	**2,608**

This item includes the liabilities related to the post-employment benefits due to employees.

The provision increased by the amounts allocated in favour of employees for post-employment benefits and decreased mainly due to payments to Supplementary Funds and to the Treasury Fund, and as a result of the transfer of personnel and related receivables and payables to ERG Power S.r.l.

Payables (EUR 520,048 thousand)

The payables can be summarised as follows:

(EUR thousand)	31/12/2022	31/12/2021
Shareholder loan payables	38,588	1,270,121
Advances	1,300	-
Payables to suppliers	95,148	132,262
Payables to subsidiaries	362,336	478,236
Payables to parent companies	8,700	241
Tax liabilities	872	2,249
Payables to social security and pension institutions	1,113	2,088
Other payables	11,990	7,160
Total	**520,048**	**1,892,358**

Shareholder loan payables (EUR 38,588 thousand)

The item relates to the Credit Line made available to the Company by the shareholder ERG S.p.A. The significant decrease in the item compared to the previous year is mainly due to the receivable waiver by the shareholder ERG S.p.A. in favour of the Company for EUR 517 million, commented on under the item "Other Reserves".

Advances (EUR 1,300 thousand)

The item includes advances from customers for the supply of energy.

Payables to suppliers (EUR 95,148 thousand)

Payables to suppliers stem from commercial transactions.

The payables to suppliers at 31 December 2022 were mostly to Italian counterparties.

The breakdown of trade payables is mainly as follows:

- payable to GME, for an amount of EUR 15,935 thousand, relating to the purchase of electricity;
- payables to ENI S.p.A. for EUR 12,117 thousand and to Eni Global Energy Markets S.p.A. for EUR 26,414 thousand relating to the purchase of gas to be resold to the subsidiary Erg Power S.r.l. for the operation of the CCGT plant;
- payables to other counterparties such as TERNA S.p.A. for EUR 6,453 thousand;
- trade payables to other counterparties.

The item also comprises trade payables to third parties for services connected to maintenance of the wind farms.

It should be noted that on 1 April 2022, trade payables were transferred to the subsidiary ERG Power S.r.l. for EUR 79.4 million, which mainly refer to supplies of utilities and instrumental services by large operators and other third parties, functional to the activities of the scope transferred.

Payables to subsidiaries (EUR 362,336 thousand)

The subject item consists mainly of the following:

- trade payables to group companies, amounting to EUR 66,814 thousand, which mainly refer to payables to wind and solar subsidiaries for the purchase of electricity and guarantee of origin (GO) certificates;
- other payables to subsidiaries, amounting to EUR 72,483 thousand, mainly relate to the payable accrued to subsidiaries as part of the payment of group VAT (EUR 50,933 thousand) and to the payable to the subsidiary ERG Power S.r.l. for a security deposit required to guarantee the payment of invoices for the supply of natural gas in a context of rising prices (EUR 21,550 thousand).
- financial payables to subsidiaries, for an amount of EUR 223,038 thousand, related to zero balance cash pooling, cash advance and centralised treasury relationships mainly to ERG Wind Investments S.r.l. (EUR 58.9 million), ERG Wind Holding S.r.l. (EUR 55.3 million), ERG Wind Bulgaria S.p.A. (EUR 29.3 million), ERG Eolica Campania S.p.A. (EUR 23 million), Corni Eolian S.A. (EUR 17.4 million) and ERG Eolica San Vincenzo S.r.l. (EUR 14.2 million). It should be noted that during the 2022 financial year the following new contracts were signed with the subsidiaries Corni Eolian S.A. (21 July 2022), ERG Wind Bulgaria S.p.A. (26 July 2022), SPV Parco Eolico Aria del Vento (9 September 2022), ERG Wind Holding S.r.l. (9 September 2022) and MP Solar B.V. (3 October 2022).

Payables to parent companies (EUR 8,700 thousand)

The item, amounting to EUR 8,700 thousand, mainly includes charges by the direct parent company ERG S.p.A. for service costs (EUR 1.6 million) and costs related to the finalisation of extraordinary transactions that took place in 2022 (EUR 6.8 million).

Tax payables (EUR 872 thousand)

This item mainly refers to payables to the tax authorities for withholdings for EUR 634 thousand and payables for excise duty related to electricity and gas for EUR 206 thousand.

Payables to social security and pension institutions (EUR 1,113 thousand)

This refers mainly to what is due in salaries and wages for December for social security, pension and insurance obligations. It should be noted that the item decreased also due to the transfer to the subsidiary ERG Power S.r.l. (for EUR 248 thousand).

Other payables (EUR 11,990 thousand)

(EUR thousand)	31/12/2022	31/12/2021
Payables to employees	3,195	2,987
Payables to third parties for equity investments	2,419	2,424
Sundry payables	6,376	1,749
Total	**11,990**	**7,160**

The item "Payables to employees" relates to wages for the period not yet settled and comprises holidays, unused time off "in lieu" and the estimated productivity bonus and variable remuneration linked to company objectives. On 1 April 2022, part of the aforementioned item (amounting to EUR 1.4 million) was transferred to the company ERG Power S.r.l. "Payables to third parties for equity investments" mainly refer to the payable for the acquisition of the equity investment in Laszki (EUR 575 thousand) and the payable, equal to EUR 1,844 thousand, deriving from the merger of ERG Renew S.p.A. The latter relates to the valuation of a put option on 0.69% of Ansaldo Fuel Cells S.p.A. granted by ERG Renew S.p.A. to Gepafin S.p.A. expiring on 29 January 2009. Gepafin S.p.A. had notified exercising of its put option; ERG Renew S.p.A. did not consider the right on said shares of Ansaldo Fuel Cells S.p.A. to be valid and informed Gepafin S.p.A. that it would not purchase the shares that were the subject of the option. Gepafin filed proceedings to obtain payment of the debt and, at present, the proceedings in question are pending before the Court of Cassation.

The item Sundry payables includes EUR 6,300 thousand to customers relating to short-term deposits received as guarantee for the supply of electricity.

The classification by expiry of the main items registered under the liabilities is shown below:

	within 12 months	within 5 years	after 5 years	Total
Payables				
- shareholder loan payables	38,588	-	-	38,588
- advances	1,300	-	-	1,300
- to suppliers	95,148	-	-	95,148
- to subsidiaries	362,336	-	-	362,336
- to parent companies	8,700	-	-	8,700
- tax payables	872	-	-	872
- to social security and pension institutions	1,113	-	-	1,113
- other payables	11,990	-	-	11,990
TOTAL	**520,048**	**-**	**-**	**520,048**

INCOME STATEMENT ANALYSIS

VALUE OF PRODUCTION (EUR 1,139,669 THOUSAND)

Revenue from sales and services (EUR 1,128,858 thousand)

(EUR thousand)	2022	2021
Revenue from sales	1,069,618	742,690
Revenue from the provision of services	59,240	85,822
Total	**1,128,858**	**828,512**

Revenue from sales comprise mainly:

- electricity sales, the supply of steam and other utilities to the other companies operating in the industrial site in Priolo Gargallo, which refer to the period from January to March 2022 prior to the transfer of the business unit.
- sales to the subsidiary ERG Power S.r.l. relating to CO2quotas, purchased by ERG Power Generation S.p.A. by virtue of the mandate granted by the subsidiary to guarantee the supply of the plant's requirements.
- gas sales to third parties relating to the balancing with Snam Rete Gas, and to the subsidiary ERG Power S.r.l. relating to the gas necessary for the operation of the plant, starting from 1 October 2022;
- sales of electricity to third parties and the allocation of white certificates for approximately three months of production;

Note that ERG Power Generation S.p.A. manages the ERG Group's electricity sales, performed in Italy through Energy Management, which refer to the electricity generated by its wind and solar plants, as well as purchases on organised markets and through physical bilateral agreements, with the exception of the energy produced by some wind and solar plants for which dispatching has been outsourced to third parties and, until March 2022, also to the energy produced by the CCGT thermoelectric plant which it had at its disposal under the tolling agreement.

Revenues from services consist of the provision of technical services by central staff and Information Communication Technology services charged back to subsidiaries.
The item also includes the remuneration components stipulated in the Operation & Maintenance service contract with the subsidiary ERG Power S.r.l., with the associated company Priolo Servizi S.C.p.A., and with ISAB S.r.l. with reference to the period prior to the transfer.

Revenue from services includes services rendered to the wind subsidiaries for Operation & Maintenance and BoP, i.e., management and maintenance of the wind aerogenerators and substations. In addition, as from 1 January 2018, this item also includes Operation & Maintenance activities performed in respect of the subsidiaries of the solar business.

For complete disclosure, we provide below a breakdown of the revenue from sales and services:

	2022	2021
Sales		
Electricity	866,594	635,665
Steam	33,522	72,660
Gas	5,456	-
Gas to Erg Power	118,844	-
CO2	-	11,035
CO2 to Erg Power	34,961	-
GO	1,828	1,290
White Certificates	1,853	1,936
Utilities	6,560	20,093
Total sales	**1,069,618**	**742,679**
Services		
Dispatching Services Market revenues from TERNA	-	1,210
Service contracts in respect of ERG Power	2,190	10,916
Service contract in respect of wind subsidiaries	8,589	7,327
O&M for ERG Power and third parties site	3,294	13,000
O&M for wind subsidiaries	35,479	35,178
Other from subsidiaries	1,998	12,667
Other	7,691	5,535
Total services	**59,240**	**85,832**
TOTAL REVENUE FROM SALES AND SERVICES	**1,128,858**	**828,512**

Revenue for electricity is mainly from large operators in the sector.

Revenue from the sale of electricity refers to the energy produced by the wind and solar plants of its Italian subsidiaries in 2022 and also by the thermoelectric plant, again with reference to the period prior to the transfer of the business unit (until 31 March 2022). The commodity price scenario in 2022 resulted in an increase in revenues from the sale of electricity, the average value of the PUN in 2022 stood at 304 EUR/MWh, up compared to the value recorded in 2021 (125.5 EUR/MWh).

Energy sold in the market includes sales within the IPEX electrical market as well as in the "day-ahead market" (MGP), the "intraday market" (MI) and the "market for dispatching services" (MSD) in addition to being sold to the primary operators of the sector within the OTC (over the counter) platform. The latter were realised by Energy Management in order to develop forward contracts, also with the objective of hedging the generation, in accordance with the Group's risk policy. With regard to the matter in question, it should be noted that with effect from 1 January 2022, the formula for the energy sale price for electricity supply contracts from the SPVs to the Company was amended to also take into account the effects of the hedging contracts stipulated centrally by the Company's Energy Management in order to achieve more adequate margins for both contractual parties.

In 2022, electricity revenue includes the negative impact of the hedging transactions concluded in the period for an amount of EUR 155,385 thousand, for which a detailed table is shown below:

(EUR thousand)	2022	2021
Gains on Power sales cash flow hedges	40,935	180
Gains on Gas sales cash flow hedges	0	0
Total	**40,935**	**180**
Losses on Power sales cash flow hedges	-196,319	-271,567
Losses on Gas sales cash flow hedges		0
Totale	**-196,319**	**-271,567**
Total revenue	**-155,385**	**-271,387**

Sales of steam and utilities relate mainly to the first quarter of 2022 only and to customers from the Priolo industrial area, more specifically Versalis S.p.A., ISAB S.r.l. and Priolo Servizi S.C.p.A.

The value of revenues for white certificates for the year is attributable to the first quarter of 2022.
Revenue for services also includes O&M services provided to the wind and solar subsidiaries.
The item includes also revenue for technical services and central staff services provided to the subsidiaries, in addition to service contracts to the wind and solar companies.
The item "Other from subsidiaries" includes the revenues for the repowering activity carried out in the interest of the company ERG Wind Energy S.r.l. As previously described, the projects relating to Camporeale, Salemi and Castelvetrano obtained Single Authorisation and were awarded a 20-year tariff on the new wind capacity of the plants as part of the auctions called by Gestore dei Servizi Elettrici S.p.A. The deadline for any challenges to the Single Authorisation by third parties having lapsed, ERG Power Generation S.p.A. invoiced the costs relating to engineering, the purchase of blades and other ancillary charges, including internal personnel costs, to the company ERG Wind Energy S.r.l.

The subsidiary will manage the dismantling and construction of the new wind farms directly, with the support of third party suppliers and making use of a service contract with the internal staff of ERG Power Generation S.p.A.
Lastly, the item includes revenues from ERG Wind Energy S.r.l. for the chargeback of charges incurred in relation to projects abandoned during the year.

The item "Other" comprises mainly charge-backs to Terna in regard to fees for Lost Wind Power Output and other services to third parties, including site customers.

Changes in contracts in progress (EUR -279 thousand)

This item reflects the costs of engineering, purchase of the blades and ancillary costs, including internal personnel costs sustained in 2022 by ERG Power Generation S.p.A. for the Repowering & Reblading projects on the plants of a number of wind subsidiaries, as commented in the "Inventories" paragraph of these Notes.

Other revenue and income (EUR 11,090 thousand)

(EUR thousand)	2022	2021
Other revenue and income from group companies	804	567
Feed-in premium	17	10
Insurance indemnities	53	-
Expense recoveries	483	488
Revenue other than the above	9,731	879
Total	**11,090**	**1,944**

"Other revenue from Group companies" regard essentially charge-backs to parent companies and subsidiaries for costs incurred and sale of spare parts.

The item "revenues other than the above" mainly includes the compensation obtained from third parties for the settlement of the arbitration proceedings originating from some disputes arising in relation to the purchase of an equity investment in previous years, as well as the positive effect deriving from the closure of accounting items relating to previous years.

PRODUCTION COSTS (EUR 1,218,451 THOUSAND)

Production costs are broken down as per the table below.

(EUR thousand)	2022	2021
Costs for raw, ancillary and consumable materials	1,095,276	850,818
Services	86,891	176,529
Costs for leased goods	2,132	2,196
Employee expense	21,929	29,614
Amortisation, depreciation and impairment losses	2,661	2,158
Changes in inventories of raw, ancillary and consumable materials and goods	194	(291)
Provisions for risks	8,449	645
Sundry operating costs	919	9,106
Total	**1,218,451**	**1,070,776**

Costs for raw, ancillary and consumable materials and goods (EUR 1,095,276 thousand)

Electricity purchase costs regard mainly purchases from GME and from the wind and solar subsidiaries.

Gas purchase costs are essentially related to Eni, Edison, Eni Global Energy Market S.p.A and GME.

The above costs include the positive adjustment generated by the hedging transactions concluded during the period, amounting to lower costs of EUR 49,013 thousand, for which a detailed table is shown below:

(EUR thousand)	2022	2021
Gains on Power purchases cash flow hedges	11,231	48,932
Gains on Gas purchases cash flow hedges	37,782	125,527
Total	**49,013**	**174,459**
Losses on Power purchases cash flow hedges	0	-73
Losses on Gas purchases cash flow hedges	0	-7,093
Total	**0**	**-7,166**
Total costs	**49,013**	**167,293**

The purchases of utilities and steam relate mainly to the relations with the Companies at the industrial site in Priolo Gargallo in relation to the first quarter of 2022.

Costs include outlays to purchase spare parts, referring to the costs of raw materials acquired by third parties and subsidiaries to conduct maintenance on the wind aerogenerators on behalf of the subsidiaries.

Service costs (EUR 86,891 thousand)

(EUR thousand)	2022	2021
Costs for services from third parties	29,951	40,610
Costs for services from subsidiaries	23,736	97,578
Costs for services from parent companies	33,203	38,341
Total	**86,891**	**176,529**

"Costs for services from subsidiaries" relate to the tolling fee paid to the subsidiary ERG Power S.r.l. until 31 March 2022, the date on which the tolling agreement ended as a result of the aforementioned transfer.

"Costs for services from parent companies" reflect essentially the costs for staff services rendered by the company ERG S.p.A. and include charge-backs for administrators' fees.

"Costs for services from third parties" comprise mainly the following:

(EUR thousand)	2022	2021
Maintenance costs	8,638	9,191
Technical, legal and other consulting services	3,685	1,932
Payments to statutory auditors	73	66
Utilities and consumption	173	26
Insurance costs	231	369
Other services	17,151	29,026
Total	**29,951**	**40,610**

"Maintenance costs" refer to the costs incurred in 2022 for the assistance, management and maintenance activities for the wind farms of subsidiaries.
The item "Technical, legal and other consulting services" mainly includes EUR 2,423 thousand for technical professional consultancy costs, EUR 408 thousand for legal costs, EUR 288 thousand for assessments and testing, EUR 92 thousand for feasibility studies and other minor costs for services.

The item includes also payment to the independent auditors KPMG S.p.A., of which EUR 254 thousand related to the audit services provided and EUR 90 thousand for non-audit services.

"Insurance expenses" includes the premiums paid in previous years.
Note that the items "Costs for services from parent companies" and "Other services" include directors' fees for a total of EUR 792 thousand.

The table below shows the main breakdown of the item "Other services", which includes:

(EUR thousand)	2022	2021
Costs for electricity transport, gas and other capacity charges	7,985	12,260
Other personnel services	2,307	1,739
Italian and foreign bank fees	770	933
Other TERNA and IPEX fees	1,011	7,912
Other services	5,078	6,181
Total	**17,151**	**29,026**

- transport costs relating to gas in the amount of EUR 7,985 thousand. The decrease compared to last year is also due to the fact that in 2021 the item included costs for electricity transport relating to contracts in place with end customers, for which the contracts ended at 31 December 2021;
- sundry personnel services, up slightly compared to 2021, amounted to EUR 2,307 thousand;
- other Terna and IPEX fees amounted to EUR 1,011 thousand in 2022, down compared to 2021 due to the termination of contracts with end customers.

Costs for leased goods (EUR 2,132 thousand)

(EUR thousand)	2022	2021
Rent expenses	396	345
Lease expenses	546	598
Rents and leases	1,191	1,253
Total	**2,132**	**2,196**

Costs for leased goods refer mainly to rent expense on warehouses, fees and costs for leased automobiles and trucks.

[3] Values not including monetary revaluation, expenses, CONSOB supervisory contribution.

Employee costs (EUR 21,929 thousand)

Employee costs relate to the total costs of 279 employees during the year (245 at the end of the year).

(EUR thousand)	2022	2021
Wages and salaries	15,172	21,619
Social security contributions	3,830	5,591
Post-employment benefits	1,237	1,485
Pensions and similar obligations	-	-
Other costs	1,690	919
Total	**21,929**	**29,614**

The average composition of the Company's workforce is shown below, and reflects only in a weighted manner the decrease in personnel in April 2022 due to the transfer of the business unit described above:

	2022	2021
Executives	8	8
Middle managers	44	66
White-collar workers	97	159
Blue-collar workers – Intermediate	131	148
Total	**279**	**381**

Amortisation, depreciation and impairment losses (EUR 2,661 thousand)

(EUR thousand)	2022	2021
Amortisation of intangible assets	1,841	1,496
Depreciation of property, plant and equipment	642	662
Impairment losses of receivables included in current assets and cash and cash equivalents	178	-
Total	**2,661**	**2,158**

Amortisation of the intangible assets refers to the other intangible assets, especially the software used to carry out the activities and the goodwill generated by the merger.

It should be noted that, due to the changes introduced by the 2022 Budget Law, the goodwill subject to tax realignment in 2021 is tax deductible over 50 years.

Change in inventories of raw, ancillary and consumable materials and goods (EUR 194 thousand)

The item refers to the change in inventories of spare parts, acquired in order to conduct maintenance activities on the wind turbines owned by the subsidiaries that produce energy from wind.

Provisions for risks (EUR 8,449 thousand)

The item mainly includes:

- an allocation of a provision for EUR 6.2 million relating to potential risks associated with disposed businesses;
- a risk provision of EUR 1.8 million for future charges deriving from the redefinition of the Group's strategic structure in application of the 2022-2026 Business Plan.

Miscellaneous operating expenses (EUR 919 thousand)

(EUR thousand)	2022	2021
Municipal property tax	6	5
Other duties and taxes	196	215
Other sundry expenses from third parties	716	8,886
Total	**919**	**9,106**

The item decreased significantly in 2022 since in 2021 it mainly reflected the charges deriving from a 2021 settlement agreement finalised with a third party for EUR 7 million as well as the write-off of a VAT receivable for EUR 1.3 million, while in the 2022, the item mainly includes membership fees paid for EUR 410 thousand.

FINANCIAL INCOME AND EXPENSE (EUR 616,149 THOUSAND)

(EUR thousand)	2022	2021
Income from equity investments	590,340	395,474
Other financial income	32,439	20,989
Interest and other financial expense	(6,716)	(9,781)
Exchange rate gains and losses	87	(160)
Total	**616,149**	**406,522**

Income from equity investments (EUR 590,340 thousand)

The item includes the capital gain realised on the sale of the equity investment in ERG Hydro which took place on 3 January 2022, amounting to EUR 231,060 thousand.

The sale value amounted to EUR 1,264,826 thousand, which, against a recognition value of the equity investment of EUR 1,026,916 thousand and ancillary charges of EUR 6,850 thousand, generated the above-mentioned capital gains.

The item also includes the collection of dividends from subsidiaries for EUR 346,769 thousand.

The following table summarises the receipts of dividends, profit reserve distributions and other distributions from subsidiaries in financial year 2022:

(EUR thousand)	2022	2021
Distribution of dividends		
ERG Eolica San Vincenzo S.r.l.	8,619	-
ERG EOLICA CAMPANIA S.P.A.	38,000	5,000
ERG EOLICA ADRIATICA S.R.L.	-	3,000
ERG EOLICA FOSSA DEL LUPO S.R.L.	32,500	14,000
Green Vicari S.r.l.	13,000	1,500
ERG Eolica Faeto S.r.l.	6,926	1,000
ERG Wind Bulgaria S.p.A.	-	263
Andromeda PV S.r.l.	3,841	3,826
ERG Power S.r.l.	75,000	-
ERG Wind Investments S.r.l.	168,884	-
	346,769	**28,589**
Distribution of reserves		
ERG Hydro S.r.l.	-	315,792
ERG Wind Bulgaria S.p.A.	-	4,137
Andromeda PV S.r.l.	12,466	1,956
	12,466	**321,885**
Other income		
ERG Hydro S.r.l.	231,060	45,000
	231,060	**45,000**
Total	**590,295**	**395,474**

Other income (EUR 32,439 thousand)

The item comprises mainly the following:

- financial income of EUR 31,223 thousand for interest income on loans granted to subsidiaries;
- financial income of EUR 314 thousand for interest income from subsidiaries relating to zero balance cash pooling, cash advance and centralised treasury agreements;
- financial income of EUR 432 thousand for interest income from ERG S.p.A. relating to the zero balance cash pooling agreement;
- interest income from third parties due to payment extensions, from the Tax Authorities and from third parties for EUR 409 thousand;
- interest income from banks for EUR 60 thousand.

Interest and other financial expense (EUR -6,716 thousand)

(EUR thousand)	2022	2021
Financial expense due to subsidiaries	815	-
Financial expense due to parent companies	5,555	9,553
Interest payable to banks	-	1
Other expense	347	227
Total	**6,716**	**9,781**

"Financial charges to subsidiaries" relate to interest expense on zero balance cash pooling, cash advance and centralised treasury agreements with wind and solar subsidiaries.

"Financial expense due to parent companies" refers to interest on the financial payable to the parent company ERG S.p.A.

Gains and losses on foreign exchange (EUR 87 thousand)

This item mainly includes the impact of exchange rate differences recognised during the period.

VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES (EUR -228,276 THOUSAND)

(EUR thousand)	2022	2021
Revaluations of derivative financial instruments	551,241	159,190
Impairment of derivative financial instruments	(779,517)	(159,367)
Total revaluations and impairment of derivative financial instruments	**(228,276)**	**(177)**
Revaluations of equity investments	-	19,916
Write-downs of equity investments	-	-
Total revaluations and write-downs of equity investments	**-**	**19,916**
Total	**(228,276)**	**19,739**

The items "Revaluation of derivative financial instruments" and "Impairment of derivative financial instruments" include the allocation to the income statement of the changes in fair value of the derivative instruments open at 31 December 2022, as well as the changes in fair value achieved during 2022 with regard to the financial derivatives that do not fully correlate with the physical underlying.

The significant increase in the revaluations and write-downs of derivative financial instruments is partly attributable to the variability of the current year's energy scenario, which saw spot prices of the underlying deviate significantly from the price set using these instruments.

The item relating to revaluations and write-downs of derivative financial instruments is up in particular also due to the reversal of the effects on foreign subsidiaries. Indeed, as early as 2021 the Company operated under a mandate from

the German subsidiaries to enter into and manage derivative contracts to hedge the electricity price risk for a part of their electricity production, and during 2022 it received a similar mandate from the French and Spanish subsidiaries. As a result of the above, in 2022 the Company finalised additional hedging contracts (futures) to hedge the price of electricity, reversing the effects on the subsidiaries (CFDs). The revaluations and write-downs in question therefore include the accounting of the hedging instruments stipulated on behalf of the foreign subsidiaries, and also include the effect of the reversal of the hedging transactions to the company ERG Power S.r.l. for the period from 1 April 2022 (effective date of transfer described above) to 31 December 2022 as a result of the specific mandate stipulated between the parties.

The net loss of the item revaluation and write-down of derivative instruments is mainly attributable to the closure of the hedging derivatives already stipulated on the production of the hydro-electricity business sold on 3 January 2022.

The item revaluation of equity investments in 2021 included the reversal of the value of the equity investment in ERG Hydro S.r.l., subsequently sold to Enel Produzione S.p.A. on 3 January 2022.

INCOME TAXES FOR THE YEAR (EUR 59,238 THOUSAND)

(EUR thousand)	2022	2021
Current income taxes - IRES	19,511	60,570
Deferred tax assets	40,074	349
Previous year taxes	(347)	437
Total	**59,238**	**61,356**

Current IRES taxes are positive for EUR 19,511 thousand and correspond to the remuneration of the tax loss and interest income transferred to the ERG tax consolidation scheme.

No current IRAP taxes are due during the year, as the relative tax base is negative.

The increase in deferred tax assets compared to the previous year is mainly due to the recognition of deferred tax assets on the amount of the tax loss and the ACE not transferred to the tax consolidation for the year 2022 (EUR 39,570 thousand).

For the changes in deferred taxes, please refer to the corresponding sections of the statement of financial position.

It should be noted that ERG Power Generation did not meet the conditions envisaged for the applicability of the "extraordinary contribution against high bills" pursuant to Article 37 of the Italian Decree Law of 21 March 2022 and the "temporary solidarity contribution" pursuant to the 2023 Budget Law (Italian Law no. 197 of 29 December 2022).

In particular, with reference to the extraordinary contribution against high bills for 2022, the Legislator in the Budget Law for 2023 confirmed ERG Power Generation's interpretation regarding the exclusion from taxation of income for the sale of ERG Hydro S.r.l.

The table below shows the reconciliation between the effective and theoretical tax expense.

RECONCILIATION BETWEEN EFFECTIVE AND THEORETICAL TAX EXPENSE

IRES	
Pre-tax result	309,091
Theoretical tax charge (24%)	**74,182**
Impact of permanent tax changes	(554,174)
Taxable IRES income	(245,083)
IRES rate (24%)	**(58,820)**
IRES reported	**(58,820)**
IRAP	
Difference between production costs and revenues	-78,604
Costs and revenues not relevant for IRAP purposes	21,929
Total theoretical taxable income for IRAP purposes	**(56,675)**
Theoretical tax charge (5.57% rate)	**(3,157)**
Impact of permanent tax changes	15,528
Taxable IRAP income	(41,147)
IRAP rate (4.82%)	**(2,292)**
IRAP reported	**0**
Taxes adjustments previous years	346
Transfer of working hours benefit, tax consolidation	(773)
Other changes (removal of deferred tax assets)	9
Total income taxes as reported in the financial statements	**(59,238)**

COMMITMENTS AND GUARANTEES AND CONTINGENT LIABILITIES NOT INDICATED IN THE STATEMENT OF FINANCIAL POSITION

Sureties in favour of group companies (EUR 10,877 thousand)

As a result of the merger of ERG Renew S.p.A. into ERG Power Generation S.p.A., the latter acquired ownership of the guarantees issued in favour of companies of the wind group, particularly Government Agencies, for restoration of the wind farm areas at the end of the electricity generation activity.

Sureties in favour of third parties issued on credit lines of the parent company (EUR 88,810 thousand)

These regard sureties issued by ERG Power Generation S.p.A. in favour of third parties, guaranteed by the direct parent ERG S.p.A.

These are mainly counterparties with which commercial dealings were carried out, as well as a guarantee in favour of the Italian electricity market operator (GME) directed at allowing operations on said market.

Collateral (EUR 1 thousand)

This item regards collateral dating back to the year 2012 for pledges on wind subsidiaries.

Commitments to suppliers (EUR 1,166 thousand)

These are commitments to suppliers in the field of information & communication technology for operating and capital account expenses to be incurred in the future already contracted for with the counterparty.

DISCLOSURE ON THE FAIR VALUE OF THE FINANCIAL INSTRUMENTS IN ACCORDANCE WITH ARTICLE 2427-BIS OF THE ITALIAN CIVIL CODE

The Company uses certain derivative instruments as part of Group policy to minimise the risks relating mainly to credit, market, liquidity and operational risks.

The following table shows the derivative financial instruments used by the Company at 31 December 2022.

(EUR thousand)			31/12/2022	
Type of contract		**Underlying financial risk**	**MWh/thousand**	**FV**
Contract for Difference & Other/ Physical	Thousands of MWh	**Electricity purchase price risk**	**2,100**	**14,168**
Impact on profit or loss			1,557	90,812
Impact on equity			543	(76,644)
Commodities swaps	Thousands of MWh	**GAS purchase price risk**	**-**	**-**
Impact on profit or loss			-	
Impact on equity			0	
Commodities Futures	Thousands of MWh	**Electricity sale price risk**	**2,945**	**(199,278)**
Impact on profit or loss			2,201	(106,082)
Impact on equity			745	(93,196)
Total			**5,045**	**(185,109)**

Electricity price risk hedging swap

Swaps used to hedge the risk of price fluctuations in gas formulas for provision and supply agreements. In these contracts, the parties undertake to pay or collect at an agreed future date the difference between the established price and the price observed during the reference period.

Electricity price risk hedging CfD

CfD (Contract for Difference) transactions to hedge the risk of fluctuation in the price of electricity with respect to forward agreements for the purchase and sale of electricity. These are contracts whereby the parties undertake to liquidate, at a certain date, the difference between the price agreed and the market price of the reference period.

Futures

Futures transactions are fixed-term, standardised contracts. These are contracts whereby two parties agree to exchange, at a future date, a certain asset at a price determined upon stipulation of the contract.

The fair value is calculated based on the estimate of future cash flows, discounted at the measurement date (Discounted Cash Flow Model). The estimate of variable future prices is carried out on the basis of forward prices of the commodities. The measurement techniques used are based exclusively on parameters such as spot and forward price, interest rates and commodity price directly observable on the market.

OTHER INFORMATION REQUIRED BY ARTICLES 2427 AND 2427-BIS OF THE ITALIAN CIVIL CODE

- No transactions subject to the obligation of retrocession upon completion were carried out (Article 2427, no. 6-ter);
- No financial expenses were posted to the asset values of the Statement of Financial Position during the year (Article 2427, no. 8);
- As regards 2427, there are no significant revenues or costs of an exceptional nature, other than those described in other revenue and income (Article 2427, no. 13);
- No bonus shares, bonds convertible into shares or securities or other similar instruments were issued (Article 2427, no. 18);
- No assets were allocated to a specific business (Article 2427, no. 20), and no loans were granted or stipulated with regard to a specific business (Article 2427, no. 21);
- No finance lease transactions involving the transfer to the lessee of the predominant portion of risks and benefits of the underlying asset were carried out (Article 2427, no. 22);
- Transactions with related parties (Article 2427, no. 22-bis) are illustrated in the next paragraph;
- There are no known agreements whose effects are not mentioned in the Statement of Financial Position (Article 2427, no. 22-ter).

OTHER INFORMATION - DISCLOSURE OBLIGATIONS PERTAINING TO ITALIAN LAW NO. 124/2017 OF 4 AUGUST 2017

Article 1, paragraphs 125-129 of Italian Law no. 124 of 4 August 2017 introduced the obligation for companies that receive grants from public administrations to publish the amounts received in their Notes to the Separate Financial Statements and in the Consolidated Financial Statements, if these are drawn up. In view of the interpretation difficulties encountered in applying these provisions (Assonime – circular no. 5 of 22 February 2019) the legislator intervened, amending the said regulations several times. More specifically, the legal provisions of Italian Law no. 124/17 were most recently revised by Italian Decree Law no. 34 of 30 April 2019, which set forth urgent economic growth measures to resolve specific crisis situations, converted with Italian Law no. 58 of 28 June 2019, which provided responses to important issues in order to simplify and rationalise the regulations under consideration. The ERG Group has therefore decided to state in the separate financial statements of the companies belonging to the Group the grants received from public administrations for use by all the companies and that come under the general scheme of the reference system defined by the State (e.g. feed-in premium, energy efficiency certificates, etc.) with the exception of those belonging to the following categories:

- tax relief;
- training grants received from inter-professional funds (e.g. Fondi impresa), since such funds are a form of partnership governed by private law, financed with the contributions paid by the companies themselves.

Type of contribution	Disbursing party	Revenue recorded in 2022 (EUR thousand)	Collection in 2022 (EUR thousand) (*)
White Certificates	GSE	1,853	

(*) It should be noted that the credit item in question was transferred to ERG Power S.r.l. as part of the sale of the business unit on 1 April 2022

In accordance with the provisions of Article 3-quater of Italian Law no. 12 of 11 February 2019, for any funds received, please refer to the indications contained in the National Register of State Aid under Article 52 of Italian Law no. 234 of 24 December 2012.

It should be noted that as from 2021 the fixed premiums resulting from the awarding of the Capacity Market auctions for the delivery years 2022, 2023 and 2024 were entered in the National Register of State Aid.
The auctions fr the delivery years 2022 and 2023 were held in November 2019 and specifically concern the CCGT plant in Priolo Gargallo (SR), which was awarded a total amount of EUR 22.4 million relating to the 2022 and 2023 financial years.
Insofar as necessary, it should be noted that, in 2022, the plant was transferred as a business unit from ERG Power Generation S.p.A. to ERG Power S.r.l.
With regard to the Capacity Market auction held in February 2022, it should be noted that ERG Power Generation S.p.A. was awarded EUR 7 million for two energy storage plants located in the Central-Southern Area and Sicily. The payments will be made starting from 2024 for a period of 15 years.
It should be noted that with reference to the 2022 financial year, ERG Power Generation S.p.A. has benefited from the contribution relief, recognised by INPS, pursuant to Article 1 paragraphs 161 to 168 of Italian Law no. 178 of 30 December 2020 ("Decontribuzione Sud" - [Southern tax relief]) for an amount equal to EUR 0.8 million.

RELATIONS WITH PARENT COMPANIES, SUBSIDIARIES, ASSOCIATES, COMPANIES CONTROLLED BY THE PARENT COMPANIES AND OTHER RELATED PARTIES

The main relations between the Company and the companies that form part of the ERG Group are set out below, with transactions settled on an arm's length basis.

Intra-group relations in 2022 refer to Company operations.

The trade receivables mainly relate to:

- service, O&M and BoP contracts with the wind and solar companies;
- service, CO2 and gas sales contracts with ERG Power S.r.l.;
- the contract for the sale of electricity to Priolo Servizi S.C.p.A.

Trade payables mainly relate to:

- charge-backs by the parent company ERG S.p.A. relating to services and remuneration to Directors who are employees of the parent company;
- the Tolling agreement until 31 March 2022 with the company ERG Power S.r.l.;
- contracts for the purchase of electricity produced by the SPV.

Financial assets and liabilities refer to loan, zero balance cash pooling, cash advance and centralised treasury agreements in place between ERG Power Generation S.p.A. and Group companies.
It should be noted that, starting from November 2021, the Company is mandated by the German subsidiaries to stipulate and manage derivative contracts hedging the price risk of electricity for part of their electricity production, and during 2022 also received mandates from the French and Spanish subsidiaries.
The Company has therefore finalised hedging contracts (futures) to hedge the price of electricity, reversing the effects on the subsidiaries (CFDs). In addition, it should be noted that the effects of hedging derivatives on electricity sales and gas purchases carried out from 1 April 2022 to 31 December 2022, stipulated on a mandate granted by the same, were reversed to the subsidiary ERG Power S.r.l.

The table below summarises the financial and equity items for the year 2022 with group companies.

	Revenue			Costs		
	Sales and services	Other revenue	Financial income	Purchases	Costs for services and other costs	Financial expense
Subsidiaries						
ERG Power S.r.l.	158,908	-	171,081	-	(23,736)	(158,935)
ERG Wind Investments S.r.l.	15	-	-	-	-	(231)
ERG Wind Holdings (Italy) S.r.l.	19,711	154	-	(77)	-	-
ERG Wind Sardegna S.r.l.	-	-	26	-	-	-
ERG Wind Sicilia 6 S.r.l.	-	-	385	-	-	-
ERG Wind Sicilia 3 S.r.l.	-	-	5	-	-	-
ERG Wind MEG 1 LLP	0	-	1,323	-	-	(2,713)
ERG Wind MEG 2 LLP	0	-	963	-	-	(2,638)
ERG Wind MEG 3 LLP	0	-	951	-	-	(3,205)
ERG Wind MEG 4 LLP	0	-	798	-	-	(2,842)
ERG Wind Energy S.r.l.	1,844	-	78	(77,996)	-	-
ERG Wind Park Beteiligungs Gmbh	-	-	6,103	-	-	-
ERG Wind French Holdings S.a.s.	-	-	1,261	-	-	-
ERG Germany GmbH	605	252	54	(30)	-	-
ERG France Sarl	967	70	-	(14)	-	-
Voltwerk Energy Park 8 Gmbh	1	-	167	-	-	(195)
Voltwerk Windpark Worbzig Gmbh	1	-	259	-	-	(646)
Voltwerk Windpark Beesenstedt Gmbh	1	-	389	-	-	(919)
Windpark Cottbuser Halde GmbH	1	-	1,245	-	-	(2,341)
WP Achmer Vinte Gmbh	1	-	955	-	-	(1,468)
ERG Wind 117 (Frehne) Gmbh	1	-	639	-	-	(966)

	Revenue			Costs		
	Sales and services	Other revenue	Financial income	Purchases	Costs for services and other costs	Financial expense
Parc Eolien de Garcelles-Sacqueville S.a.s.	0	-	-	-	-	-
ERG Wind Hollige GmbH & Co. KG	0	-	566	-	-	(824)
SIGAR Mob Co. KG	0	-	395	-	-	(686)
ERG Wind Offenheim GmbH & Co. KG	0	-	672	-	-	(2,674)
ERG Wind Nack GmbH & Co. KG	0	-	492	-	-	(1,512)
ERG Wind Norath GmbH & Co. KG	0	-	670	-	-	(983)
ERG Wind France 1	-	-	241	-	-	-
Ferme Eolienne de Teterchen	0	-	692	-	-	(1,660)
C.P. de Montbeliard	0	-	632	-	-	(1,370)
C.P. de St Florentine	0	-	1,305	-	-	(2,292)
C.P. de Murat	1	-	3,062	-	-	(1,375)
ERG Eolica San Vincenzo S.r.l.	2,269	-	-	(6,118)	-	(57)
ERG Eolica Faeto S.r.l.	1,056	-	-	(5,924)	-	(14)
ERG Eolica Ginestra S.r.l.	1,383	-	48	(7,404)	(8)	(4)
ERG Eolica Tirreno S.r.l.	15	79	120	-	-	(1)
Green Vicari S.r.l.	1,251	-	-	(7,348)	-	(20)
ERG Eolica Fossa del Lupo S.r.l.	5,307	-	-	(35,281)	-	-
ERG Eolica Adriatica S.r.l.	3,934	-	433	(28,756)	-	(14)
ERG Eolica Campania S.p.A.	3,708	-	-	(31,972)	(212)	(79)
EW Orneta 2 Sp. z.o.o.	10	-	666	-	-	-
Hydro Inv.	10	-	-	-	-	-
Blachy - Paires 2	10	-	-	-	-	-
Corni Eolian	30	-	-	-	-	(55)
Globo Energy EOOD	3	-	-	-	-	-
K&S Energy EOOD	3	-	-	-	-	-
K&S Energy 1 EOOD	6	-	-	-	-	-
K&S Energy 2 EOOD	6	-	-	-	-	-
Mark 1 EOOD	4	-	-	-	-	-
Mark 2 EOOD	4	-	-	-	-	-
VG 1 EOOD	3	-	-	-	-	-
VG 2 EOOD	6	-	-	-	-	-
VG 3 EOOD	6	-	-	-	-	-
VG 4 EOOD	6	-	-	-	-	-
VG 5 EOOD	6	-	-	-	-	-
VG 6 EOOD	6	-	-	-	-	-
Wind Park Kavarna Est	6	-	-	-	-	-
Wind Park Kavarna Ovest	6	-	-	-	-	-
WP Bulgaria 4 EOOD	4	-	-	-	-	-
ERG Wind Bulgaria SpA	16	-	-	-	-	(90)
Weselberg GmbH	1	-	1,673	-	-	(3,986)
ERG Eolienne France	-	-	7,982	-	-	-
Parc Eolienne de la Voie Sacrée	0	-	1,075	-	-	(3,123)
Parc Eolienne d'Epense	0	-	288	-	-	(565)
ERG Solar Holding S.r.l.	32	-	1,063	-	-	(11)
Calabria Solar S.r.l.	2,217	-	-	(4,834)	-	-
ERG Solar Piemonte 3 S.r.l.	535	-	912	(2,412)	-	(8)
WP France 6	-	-	147	-	-	-
ISAB Energy Solare S.r.l.	6	-	46	-	-	(2)
ERG Wind Park Linda GmbH	1	-	130	-	-	-
Creagg Riabhach	15	34	-	-	-	-
Fond du Moulin	0	-	332	-	-	(965)
Mont Felix	0	-	476	-	-	(707)
Chemin Vert	0	-	726	-	-	(1,190)
Le Marquay	0	-	1,085	-	-	(1,900)
Les Trentes	0	-	-	-	-	-
Sole de Bellevue	0	-	3	-	-	(475)
Craiggore Energy Ltd	-	9	-	-	-	-

	Ricavi			Costi		
	Sales and services	Other revenue	Financial income	Purchases	Costs for services and other costs	Financial expense
ERG Development Germany GmbH	-	116	-	-	-	-
Barkow 1 GmbH	1	-	813	-	-	(1,273)
Barkow 2 GmbH	1	-	813	-	-	(1,273)
Barkow 3 GmbH	1	-	827	-	-	(1,266)
Laszki Wind sp. zo.o	-	-	1,263	-	-	-
ERG Sweden Holding AB	-	-	1,378	-	-	-
ERG Spain HoldCo	-	41	1,674	-	-	-
Almansol	0	-	12	-	-	(1,006)
Tabernas	0	-	13	-	-	(696)
ERG Solar Holding 2 S.r.l.	6	-	-	-	-	-
MPV Solar BV	-	-	-	-	-	(13)
Ginestra S.r.l.	-	-	133	-	-	-
Robinia S.r.l.	-	-	122	-	-	-
Sesma S.r.l.	-	-	44	-	-	-
Six For Power S.r.l.	-	-	85	-	-	-
ERG Wind Holding S.r.l.	4	-	-	-	-	(171)
Taverna Caduta S.r.l.	-	-	-	(896)	-	-
Lucus Power S.r.l.	-	-	-	(857)	-	-
Wincap S.r.l.	-	-	-	(1,205)	-	-
Conza Energia S.r.l.	-	-	-	(2,336)	-	-
Breva Wind S.r.l.	-	-	-	(209)	-	-
SPV Parco Eolico Aria del Vento S.r.l.	-	-	0	(989)	-	(9)
San Mauro S.r.l.	-	-	-	(612)	-	-
Andromeda S.r.l.	361	-	649	-	-	-
ERG UK Holding	134	-	5,152	-	-	-
Sandy Knowe	15	32	-	-	-	-
Evishagaran	1	17	-	-	-	-
ERG Poland Holding	18	-	978	-	-	-
Associates						
Priolo Servizi S.c.a.r.l.	5,089	-	-	-	-	-
Parent companies						
ERG S.p.A.	88	-	(4,770)	-	(33,203)	(12,996)

	Receivables			Payables		
	Trade	Other	Financial	Trade	Other	Financial
Subsidiaries						
ERG Power S.r.l.	70,762	3,293	98,335	(17,671)	(57,821)	-
ERG Wind Park Beteiligungs GmbH	-	-	185,488	-	-	-
ERG Germany GmbH	133	18	0	(23)	-	-
ERG France Sarl	3	45	-	(14)	-	-
Voltwerk Energy Park 8 GmbH	-	-	3,979	(8)	-	(87)
Voltwerk Windpark Worbzig Gmbh	1	-	91	(25)	-	(303)
Voltwerk Windpark Beesenstedt GmbH	-	0	93	(36)	-	(387)
Windpark Cottbuser Halde GmbH	-	-	293	(58)	-	(968)
WP Achmer Vinte GmbH	-	-	296	(9)	-	(674)
ERG Wind 117 (Frehne) GmbH	-	0	180	(8)	-	(414)
Parc Eolien de Garcelles-Sacqueville S.a.s.	-	0	-	-	-	-
Parc Eolien du Patis S.a.s.	-	0	-	-	-	-
Parc Eolien de St Riquier 1 S.a.s.	-	0	-	-	-	-
Parc Eolien de la Souterraine	-	0	-	-	-	-
ERG Wind Hollige GmbH & Co. KG	67	-	147	(167)	-	(548)
SIGAR Mob Co. KG	49	-	130	-	-	(444)

	Receivables			Payables		
	Trade	Other	Financial	Trade	Other	Financial
ERG Wind Offenheim GmbH & Co. KG	0	-	292	(317)	-	(1,239)
ERG Wind Nack GmbH & Co. KG	0	-	146	(161)	-	(877)
ERG Wind Norath GmbH & Co. KG	79	-	217	-	-	(650)
Omniwatt	-	0	-	-	-	-
ERG Wind France 1	0	0	-	-	-	-
Ferme Eolienne de Teterchen	-	0	692	-	-	(1,660)
C.P. de Montbeliard	-	0	632	-	-	(1,370)
C.P. de St Florentine	-	0	844	(312)	-	(1,114)
C.P. de Murat	-	-	2,101	(204)	-	352
ERG Eolica San Vincenzo S.r.l.	506	-	-	(629)	(275)	(14,232)
ERG Eolica Faeto S.r.l.	177	98	-	(1,003)	(92)	(4,633)
ERG Eolica Ginestra S.r.l.	303	15	-	(1,409)	(171)	(813)
ERG Eolica Tirreno S.r.l.	224	-	21,720	-	(1,637)	(417)
Parc Eolien du Carreau S.a.s.	-	0	-	-	-	-
Parc Eolien de la Bruyére S.a.s.	-	0	-	-	-	-
Parc Eolien les Mardeaux S.a.s.	-	0	-	-	-	-
Parc Eolien de Lihus S.a.s.	-	0	-	-	-	-
Parc Eolien de Hetomesnil S.a.s.	-	0	-	-	-	-
Green Vicari S.r.l.	183	-	-	(1,562)	(261)	(5,181)
ERG Eolica Fossa del Lupo S.r.l.	929	-	-	(5,573)	(811)	-
ERG Eolica Adriatica S.r.l.	690	-	7,699	(4,941)	(473)	(257)
ERG Eolica Campania S.p.A.	507	57	-	(7,068)	(462)	(23,096)
EW Orneta 2 Sp. z.o.o.	5	-	35,813	-	-	-
Hydro Inv. (PL)	5	-	-	-	-	-
Blachy P (PL) - Paires 2	5	-	-	-	-	-
Corni Eolian	25	-	-	-	-	(17,477)
Globo Energy EOOD	6	-	-	-	-	-
K&S Energy EOOD	6	0	-	-	-	-
K&S Energy 1 EOOD	12	-	-	-	-	-
K&S Energy 2 EOOD	12	-	-	-	-	-
Mark 1 EOOD	8	-	-	-	-	-
Mark 2 EOOD	8	-	-	-	-	-
VG 1 EOOD	6	-	-	-	-	-
VG 2 EOOD	12	-	-	-	-	-
VG 3 EOOD	12	-	-	-	-	-
VG 4 EOOD	12	-	-	-	-	-
VG 5 EOOD	12	-	-	-	-	-
VG 6 EOOD	12	-	-	-	-	-
Wind Park Kavarna Est	12	-	-	-	-	-
Wind Park Kavarna Ovest	12	-	-	-	-	-
WP Bulgaria 4 EOOD	9	-	-	-	-	-
ERG Wind Bulgaria S.p.A.	6	2	-	-	-	(29,372)
Weselberg GmbH	0	0	450	(155)	-	(1,743)
ERG Eolienne France	4	-	368,196	-	-	-
Parc Eolienne de la Voie Sacrée	-	0	1,075	(375)	-	(1,709)
Parc Eolienne d'Epense	-	0	288	-	-	(565)
ERG Solar Holding S.r.l.	17	12	36,983	-	-	(603)
Calabria Solar S.r.l.	375	30	-	(315)	(1.171)	-

	Receivables			Payables		
	Trade	Other	Financial	Trade	Other	Financial
ERG Solar Piemonte 3 S.r.l.	94	-	30,543	(121)	(98)	(162)
Epuron Sas	0	-	-	-	-	-
ISAB Energy Solare	6	-	2,138	-	(4)	(627)
ERG Wind Park Linda GmbH	-	-	7,789	-	-	-
Creagg Riabhach	295	-	-	-	-	-
Le Moulin de Frouges	-	0	-	-	-	-
Fond du Moulin	-	0	332	(94)	-	(611)
Mont Felix	-	0	828	-	-	(1,059)
Chemin Vert	-	0	726	-	-	(1,190)
Le Marquay	-	0	708	(156)	-	(1,311)
Les Trentes	-	0	-	-	-	-
Sole de Bellevue	-	0	3	-	-	(475)
Craiggore Energy Ltd	157	0	-	-	-	-
ERG Development Germany GmbH	116	-	-	-	-	-
Barkow 1 GmbH	-	-	249	(9)	-	(573)
Barkow 2 GmbH	-	-	249	(455)	-	(573)
Barkow 3 GmbH	-	-	247	(9)	-	(573)
Laszki Wind sp. zo.o	-	-	53,432	-	-	-
ERG Sweden Holding AB	-	-	76,987	-	-	-
ERG Spain HoldCo	6	27	47,906	-	-	-
Almansol	0	0	-	(242)	-	(477)
Tabernas	14	0	-	(230)	-	(416)
ERG Solar Holding 2 S.r.l.	7	-	-	-	-	-
MPV Solar BV	-	-	-	-	-	(4,014)
Ginestra Srl	-	-	12,897	-	-	-
Robinia Srl	-	-	11,282	-	-	-
Sesma Srl	-	-	4,148	-	-	-
Six for Power SRL	-	-	8,191	-	-	-
ERG Wind Holding S.r.l.	5	-	-	-	-	(55,494)
Taverna Caduta Wind S.r.l.	-	-	-	(896)	-	-
Lucus Power S.r.l.	-	-	-	(857)	-	-
Wincap S.r.l.	-	-	-	(1,205)	-	-
Conza Energia S.r.l.	-	-	-	(2,336)	-	-
Breva Wind S.r.l.	-	-	-	(209)	-	-
SPV Parco Eolico Aria del Vento S.r.l.	-	-	-	(989)	-	(7,555)
San Mauro S.r.l.	-	-	-	(612)	-	-
Andromeda S.r.l.	41	-	7,883	-	(215)	-
ERG UK Holding (GBP)	181	74	335,626	-	-	-
Sandy Knowe (GBP)	6,051	-	-	-	-	-
Evishagaran (GBP)	284	331	-	-	-	-
ERG Poland Holding	20	-	37,689	-	-	-
ERG Wind Investments S.r.l.	5	-	-	-	-	(59,104)
ERG Wind Holdings (Italy) S.r.l.	2,505	114	-	(7)	(0)	-
ERG Wind Sardegna S.r.l.	-	-	1,243	-	(10)	-
ERG Wind Sicilia 6 S.r.l.	-	-	26,141	-	(2)	-
ERG Wind 6 S.r.l.	-	-	-	-	(2)	-
ERG Wind Sicilia 3 S.r.l.	-	-	355	-	(1)	-
ERG Wind MEG 1 LLP	-	-	275	(867)	-	(1,160)

ERG Wind MEG 2 LLP	-	0	217	(748)	-	(1,321)
ERG Wind MEG 3 LLP	-	0	377	(285)	-	(1,786)
ERG Wind MEG 4 LLP	-	0	304	(262)	-	(1,559)
ERG Wind Energy S.r.l.	2,178	141	41,078	(14,182)	(8,978)	-
Parent companies						
ERG S.p.A.	510	19,512	18,224	(8,700)	0	(38,588)
Companies subject to control by parent companies						
ERG Germany GmbH	-	-	0	-	-	-
ERG France Sarl	-	-	(0)	-	-	-

OPERATING RESULTS

The financial statements for the year ended 31 December 2022 close with a profit of EUR 368,329 thousand, after taxes of EUR 59,238 thousand.

KEY FIGURES FROM THE MOST RECENT FINANCIAL STATEMENTS OF ERG S.P.A., WHICH CARRIES OUT THE MANAGEMENT AND COORDINATION OF ERG POWER GENERATION S.P.A.

STATO PATRIMONIALE

(EUR thousand)	31/12/2021
Intangible assets	2,392
Property, plant and equipment	9,275
Right-of-use assets	1,307
Equity investments	2,086,367
Other non-current financial assets	-
Deferred tax assets	10,294
Other non-current assets	579
Non-current assets	**2,110,214**
Trade receivables	1,143
Other receivables and current assets	29,838
Current tax assets	75,688
Financial assets measured at fair value	8,118
Current financial assets	1,573,992
Cash and cash equivalents	727,579
Current assets	**2,416,357**
Assets held for sale	-
TOTAL ASSETS	**4,526,571**
Equity	**1,189,314**
Employee benefits	1,411
Provision for disposed businesses	74,903
Other non-current provisions	1,058
Non-current financial liabilities measured at fair value	6,087
Non-current financial liabilities	1,840,070
Non-current lease liabilities	559
Other non-current liabilities	-
Non-current liabilities	**1,924,088**
Other current provisions	2,523
Trade payables	8,629
Current financial liabilities measured at fair value	8,114
Other current financial liabilities	1,313,654
Current lease liabilities (2)	760
Other current liabilities	9,953
Current tax liabilities	69,535
Current liabilities	**1,413,169**
TOTAL LIABILITIES	**4,526,571**

INCOME STATEMENT

(EUR thousand)	2021
Revenue	38,302
Other income	1,728
Purchases	(165)
Services and other operating costs	(34,079)
Personnel expense	(27,000)
GROSS OPERATING PROFIT (EBITDA)	**(21,216)**
Amortisation, depreciation and impairment of non-current assets	**(3,686)**
OPERATING PROFIT (EBIT)	**(24,901)**
Financial income	23,742
Financial expense	(33,339)
Net financial income (expense)	**(9,596)**
Net gains (losses) on equity investments	50,729
Net gains (losses) on equity investments	**50,729**
PROFIT (LOSS) BEFORE TAXES	**16,231**
Income taxes	4,895
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**21,126**
Net income from assets held for sale	-
PROFIT FOR THE YEAR	**21,126**

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 12 January 2023, ERG announced 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.

PROPOSAL BY THE BOARD OF DIRECTORS

Dear Shareholders,

We would like to conclude this report by calling upon you:

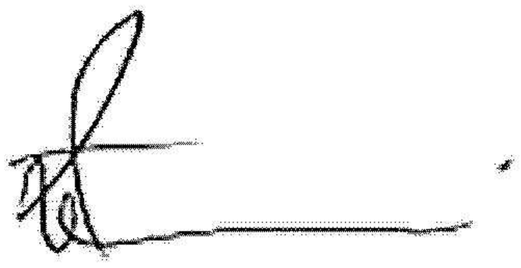
- to approve the financial statements of your Company for the year ended 31 December 2022, which show a profit of EUR 368,329,421.88;
- carry forward the profit for the year.

Genoa, 13 March 2023

on behalf of the Board of Directors

The Chief Executive Officer

Renato Alessandro Sturani



BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING FOR APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022, PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of ERG Power Generation S.p.A.

During the year ended 31 December 2022, we conducted the supervisory activities required of the Board of Statutory Auditors, in accordance with Article 2403 of the Italian Civil Code and Italian Legislative Decree no. 58/98, as applicable, based on the standards of conduct of the Board of Statutory Auditors in companies controlled by companies with shares listed on regulated markets, issued by the Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili (National Board of Chartered Accountants), also taking into account the specific applicable regulations.

The Board states that it was able to verify compliance with all legislative and regulatory provisions.

As regards the main activities carried out by the Company and its Subsidiaries in 2022, reference is made to the explanatory notes to the Company's financial statements.

As regards the activities carried out by the Board during the 2022 financial year:

- we held 5 meetings of the Board of Statutory Auditors and participated in the (3) Shareholders' Meetings and the (11) Board of Directors' meetings, monitoring compliance with the articles of association and with the laws and regulations that govern the operation of Company bodies;
- we obtained information from the Directors, at least every quarter, on the overall activities carried out by the Company and on the transactions of greatest economic and financial relevance, verifying that the actions decided on and carried out complied with the law and with the articles of association and that they were not openly imprudent or reckless, potentially in conflict of interest or conflicting with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's capital;
- we verified the legitimacy of the management decisions made by the Management Body and their economic adequacy, excluding a verification of merit with regard to opportunity and feasibility;

- we checked the adequacy of the internal control system, structured at Group level and constantly updated, both within the parent company as well as within the subsidiaries. The Board of Statutory Auditors has acknowledged - based on the reports received - the positive assessment of the ERG S.p.A. Control and Risk Committee on the adequacy of the overall internal control system, as stated in its annual report on the activities carried out in 2022;
- we monitored the adequacy of the organisational structure;
- we noted in the joint meetings and from the report received from the Supervisory Body, established pursuant to Italian Legislative Decree 231/01, that no significant critical aspects were identified during the year as regards the implementation and effectiveness of the Organisation and Management Model;
- the administrative-accounting system, to the extent that we verified and assessed through information obtained from the Head of the respective function, from an examination of the corporate documentation and from an analysis of the work carried out by the Independent Auditors, is suitable in accurately representing the operating events;
- we verified the timeliness with which the parent company was provided both the data required to draw up the Financial Statements and the information required to fulfil the disclosure obligations pursuant to Articles 114 and 115 of Italian Legislative Decree no. 58/98;
- confirming all the current certifications of the Integrated Management Systems of ERG Power Generation S.p.A. and all its subsidiaries, the parent company ERG S.p.A. has had an ISO 45001 certified management system for the management of health and safety aspects since December 2019.

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During the supervisory activities, as described above:

- we did not identify any transaction that was atypical or could be defined as unusual either with respect to third parties or with intra-group companies or related parties, in terms of nature or extent;
- we found that ordinary transactions had been carried out on an intra-group basis and with related parties, confirming the existence of and compliance with procedures to ensure that these operations were duly documented, settled on an arm's length basis and in line with the best interests of the companies. These transactions were adequately illustrated by the Directors in the Financial Statements and in the Directors' Report, to which reference is made. With regard in particular to intra-group service agreements, we agreed with the cost charge-back criteria employed;
- on the basis of what emerged from the impairment test which we will explain below, we confirmed the consent expressed by the Board of Statutory Auditors in office during the year of recognition, of goodwill generated by the merger by incorporation, effective 1 January 2017, of ERG Renew Operations & Maintenance S.r.l. and ERG Renew S.p.A. into ERG Power Generation S.p.A. amounting to EUR 3,754 thousand, with an estimated useful life of ten years and a residual value in the 2022 financial statements of EUR 1,501 thousand;
- no complaints were made by the shareholders in accordance with Article 2408 of the Italian Civil Code;
- we did not find any omissions or actions liable to censure or unlawful actions to be reported to the competent bodies or to be mentioned in this Report;

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Moreover, we highlight the following:

- the company subject to management and coordination of the parent company ERG S.p.A.: in addition to the definition of business strategies, this activity includes the indication of strategic guidelines from an organisational perspective and personnel policies, as well as management of strategic finance and group treasury with respect to tax-related issues, especially with regard to planning, communication policies, policies regarding the environment, health and safety, and the IT systems;
- the obligations with regard to advertising, envisaged by Article 2497-bis of the Italian Civil Code, were also respected. In particular, the decisions made as part of the management and coordination by ERG S.p.A. were mentioned in the Directors' Report;
- in view of the ERG Group's intention to proceed with the sale of the equity investment in ERG Power S.r.l., and thus of the CCGT asset, following the Antitrust Authority's refusal to authorise the sale to Enel Produzione S.p.A., the equity investment in ERG Power S.r.l. was included in current assets;
- the company proceeded to check the presence of impairment indicators in compliance with the provisions of OIC 9 accounting standard; the tests carried out did not identify any items requiring attention regarding the property, plant and equipment or the intangible assets or the equity investments and there were no write-downs made;
- the company participates in the Domestic Tax Consolidation scheme, pursuant to Articles 117 et seq. of the Consolidated Law on Income Taxes, with the company ERG S.p.A., as consolidating company.

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The auditing of the Financial Statements was carried out by KPMG S.p.A., already appointed by parent company ERG S.p.A. to audit its Separate Financial Statements and the Consolidated Financial Statements.

During the year, regular contact was maintained with the Independent Auditors, both through formal meetings attended by the Company's administrative managers, and through informal contact maintained with the individual members of the Board and representatives of the Independent Auditors, for the mutual exchange of relevant data and information.

The utmost collaboration was always noted, also with regard to the preliminary activities for preparation of the financial statements, and no significant facts or aspects worthy of mention were identified.

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We examined the Consolidated Financial Statements for the year ended 31 December 2022, prepared in accordance with the IASB international accounting standards and, since we are not responsible for the analytical control of the

content of the Financial Statements as mentioned above, we monitored the general approach given to the same, their general compliance with the law as regards formation and structure, and in this regard we have no particular observations to report.

We verified compliance with the legal provisions relating to the preparation of the Directors' Report and in this regard we have no particular observations to report.

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Specifically with regard to the supervisory activity for the Separate Financial Statements, the auditing of which was assigned to the independent auditors KPMG S.p.A., we declare that:

- the laws governing the preparation and arrangement of the financial statements and of the Directors' Report were respected. Moreover, the adoption of accounting standards based on the prospect of the company as a going concern is considered to be suitable, given the information illustrated in the Directors' Report with regard to the company's business outlook; the financial statement formats adopted and the accounting standards applied, described in the Notes to the Financial Statements, are compliant with the provisions of the law and adequate in relation to the company's business;
- as per the previous year, the Company has drawn up the Financial Statements in accordance with Italian accounting standards, for the purposes of lodging them with the Company Registry, also drawing up the periodic reports for the submission of the economic and financial position used to draw up the interim financial reports and the Consolidated Financial Statements of ERG S.p.A. in accordance with the IAS/IFRS international accounting standards;
- the Financial Statements agree with the facts and information of which the Board of Statutory Auditors became aware in the performance of its supervisory duties and in the exercise of its oversight and inspection powers;
- the Directors' Report is consistent with the requirements of Article 2428 of the Italian Civil Code and with the data and entries shown in the financial statements; in compliance with audit standard 720B, the Independent Auditors attests to the compliance of the Directors' Report with the law and issues a declaration on any significant errors. Therefore, the Board refers to the information provided by the Auditor in its report.

The Directors' Report includes also a description of the following:

- developments of the applicable regulatory framework in 2022, with reference to the matters considered to be of greatest interest or more directly relevant to the activities carried out directly or indirectly by the Company;
- the main risks and uncertainties to which the Company is exposed, in accordance with Article 2428 of the Italian Civil Code;
- significant events occurring after the reporting date that do not represent facts to be brought to your attention.

The Notes to the Financial Statements illustrate adequately any changes in the equity items, indicating the possibility of use and distribution of each item, along with any tax restrictions.

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The Independent Auditors' Report, issued pursuant to Articles 14 of Italian Legislative Decree no. 39 of 27/1/2010 and 165 of Italian Legislative Decree no. 58 of 24/2/1998, on this day, expresses the opinion that *"the financial statements provide a true and accurate representation of the financial and economic position of ERG Power Generation S.p.A. at 31 December 2022, and of the economic results and cash flows for the year ended at said date, in accordance with the Italian legislation governing the drafting criteria"*.

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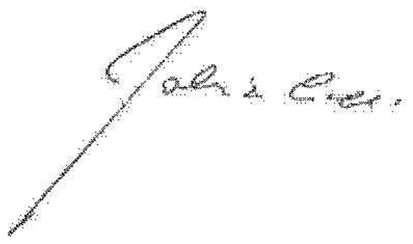
The Board of Statutory Auditors, within the scope of its responsibilities, acknowledging the results of the Separate Financial Statements at 31 December 2022 and of the Independent Auditors' Report on said financial statements, has no objections with regard to approval of the financial statements and of the proposal for allocation of profit as indicated by the Directors in the Notes to the Financial Statements.

Genoa, 24 March 2023

The Board of Statutory Auditors

Chairman

(Mr Fabrizio Cavalli)



Standing Auditor

(Ms Luisella Bergero)

Standing Auditor

(Mr Vincenzo Campo Antico)

AUDITORS' REPORT

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the sole shareholder of
ERG Power Generation S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ERG Power Generation S.p.A. (the "Company"), which comprise the balance sheet as at 31 December 2022, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the financial position of ERG Power Generation S.p.A. as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of ERG Power Generation S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

As required by the law, the Company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of ERG Power Generation S.p.A. does not extend to such data.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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Responsibilities of the Company's directors and board of statutory auditors ("Collegio Sindacale") for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of ERG Power Generation S.p.A. are responsible for the preparation of the directors' report at 31 December 2022 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Company's financial statements at 31 December 2022 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the Company's financial statements at 31 December 2022 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 24 March 2023

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit

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ERG S.p.A. - April 2023

The pubblication is available in pdf format at

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