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Årsredovisning
Annual Accounts

för
for

ERG Sweden Holding AB
559309-3759

Räkenskapsåret
The financial year

2023-01-01 – 2023-12-31

Fastställelseintyg/ *Certificate of Adoption*

Undertecknad, styrelseledamot i ERG Sweden Holding AB intygar att resultaträkningen och balansräkningen fastställts på årsstämman den 26 juni 2024. Årstämman beslöt att godkänna styrelsens förslag beträffande det uppkomna resultatet.

Jag intygar också att innehållet i årsredovisningen 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 26th June 2024. 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 a true copy of the original document.

Stockholm den 26 juni 2024.

Name: Marina Stubbing

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Årsredovisning

för

ERG Sweden Holding AB

559309-3759

Räkenskapsåret

2023

Innehållsförteckning

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Styrelsen för ERG Sweden Holding AB avger följande årsredovisning för räkenskapsåret 2023.

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

Information om verksamheten

Föremålet för bolagets verksamhet är att direkt eller indirekt, utveckla, konstruera och uppföra vindkraftparker samt producera och sälja elektricitet samt bedriva därmed förenlig verksamhet.

Företaget har sitt säte i Stockholm.

Ägarförhållanden

Bolaget är ett helägt dotterbolag till ERG Power Generation S.p.A med organisationsnummer IVA 01440590899 med säte i Genoa.

Flerårsöversikt (Tkr)	**2023**	**2022**	**2021** (10 mån)
Nettoomsättning	0	0	0
Resultat efter finansiella poster	-15 920	-31 698	-6 999
Soliditet (%)	8	5	4

För definitioner av nyckeltal, se Redovisnings- och värderingsprinciper.

Förändringar i eget kapital

	Aktie-kapital	**Balanserat resultat**	**Årets resultat**	**Totalt**
Belopp vid årets ingång	50 000	78 161 094	-31 698 384	**46 512 710**
Disposition enligt beslut av årsstämman:				
Balanseras i ny räkning		-31 698 384	31 698 384	**0**
Erhållna aktieägartillskott		58 000 000		**58 000 000**
Årets resultat			-15 920 430	**-15 920 430**
Belopp vid årets utgång	**50 000**	**104 462 710**	**-15 920 430**	**88 592 280**

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Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	104 462 710
årets förlust	-15 920 430
	88 542 280
disponeras så att	
i ny räkning överföres	88 542 280
	88 542 280

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

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Resultaträkning

	Not	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Rörelsens intäkter			
Övriga rörelseintäkter		1 024	66 111
		1 024	**66 111**
Rörelsens kostnader			
Övriga externa kostnader		-940 990	-857 281
Övriga rörelsekostnader		-638	-585
		-941 628	**-857 866**
Rörelseresultat		**-940 604**	**-791 755**
Resultat från finansiella poster			
Övriga ränteintäkter och liknande resultatposter	2	40 029 911	11 640 207
Räntekostnader och liknande resultatposter	3	-55 009 737	-42 546 836
		-14 979 826	**-30 906 629**
Resultat efter finansiella poster		**-15 920 430**	**-31 698 384**
Resultat före skatt		**-15 920 430**	**-31 698 384**
Årets resultat		**-15 920 430**	**-31 698 384**

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Balansräkning

20240701121 68

	Not	2023-12-31	2022-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	4	438 008 061	438 008 061
Fordringar hos koncernföretag	5	618 108 193	570 287 926
		1 056 116 254	**1 008 295 987**
Summa anläggningstillgångar		**1 056 116 254**	**1 008 295 987**
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		33 300 000	0
Övriga fordringar		7	0
		33 300 007	**0**
Kassa och bank		350 565	104 066
Summa omsättningstillgångar		**33 650 572**	**104 066**
SUMMA TILLGÅNGAR		**1 089 766 826**	**1 008 400 053**

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Balansräkning

	Not	2023-12-31	2022-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital		50 000	50 000
		50 000	**50 000**
Fritt eget kapital			
Balanserad vinst eller förlust		104 462 710	78 161 094
Årets resultat		-15 920 430	-31 698 384
		88 542 280	**46 462 710**
Summa eget kapital		**88 592 280**	**46 512 710**
Långfristiga skulder	6		
Skulder till koncernföretag		862 254 593	856 089 828
Övriga skulder		105 449 678	0
Summa långfristiga skulder		**967 704 271**	**856 089 828**
Kortfristiga skulder			
Leverantörsskulder		34 875	31 750
Skulder till koncernföretag		33 300 000	0
Övriga skulder		0	105 639 678
Upplupna kostnader och förutbetalda intäkter		135 400	126 087
Summa kortfristiga skulder		**33 470 275**	**105 797 515**
SUMMA EGET KAPITAL OCH SKULDER		**1 089 766 826**	**1 008 400 053**

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Noter

Not 1 Redovisnings- och värderingsprinciper

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

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.

Redovisningsprinciperna är oförändrade jämfört med föregående år.

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.

Kundfordringar/kortfristiga fordringar
Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Låneskulder och leverantörsskulder
Låneskulder och leverantörsskulder redovisas initialt till anskaffningsvärde efter avdrag för transaktionskostnader. Skiljer sig det redovisade beloppet från det belopp som ska återbetalas vid förfallotidpunkten periodiseras mellanskillnaden som räntekostnad över lånets löptid med hjälp av instrumentets effektivränta. Härigenom överensstämmer vid förfallotidpunkten det redovisade beloppet och det belopp som ska återbetalas.

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.

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Koncernförhållanden

Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning.

Moderföretag i den minsta koncernen företaget ingår och som upprättar koncernredovisning är ERG Power Generation S.p.A med organisationsnummer IVA 01440590899 med säte i Genoa.

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.s

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

	2023	2022
Ränteintäkter och liknande resultatposter som avser fordringar på och andelar i koncernföretag	40 029 904	11 640 207
Övriga ränteintäkter	7	0
	40 029 911	**11 640 207**

Not 3 Räntekostnader och liknande resultatposter

	2023	2022
Räntekostnader och liknande resultatposter som avser skulder till koncernföretag	-53 703 110	-14 651 754
Valutadifferenser	-1 306 627	-27 895 082
	-55 009 737	**-42 546 836**

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Not 4 Andelar i koncernföretag

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	438 008 061	329 758 061
Lämnade aktieägartillskott	0	108 250 000
Utgående ackumulerade anskaffningsvärden	**438 008 061**	**438 008 061**
Utgående redovisat värde	**438 008 061**	**438 008 061**

Not 5 Fordringar hos koncernföretag

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	570 287 926	227 815 723
Tillkommande fordringar	47 820 267	342 472 203
Utgående ackumulerade anskaffningsvärden	**618 108 193**	**570 287 926**
Utgående redovisat värde	**618 108 193**	**570 287 926**

Not 6 Långfristiga skulder

	2023-12-31	2022-12-31
Skulder som ska betalas senare än fem år efter balansdagen	732 600 000	522 489 824
	732 600 000	**522 489 824**

Not 7 Ställda säkerheter

Bolaget har inga ställda säkerheter.

Not 8 Eventualförpliktelser

Styrelsen har inte identifierat några eventualförpliktelser.

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Not 9 Uppgifter om moderföretaget

Bolaget är ett helägt dotterbolag till ERG Power Generation S.p.A med organisationsnummer IVA 01440590899 med säte i Genoa.

Moderföretag i den minsta koncernen företaget ingår och som upprättar koncernredovisning är ERG Power Generation S.p.A med organisationsnummer IVA 01440590899 med säte i Genoa.

Den dag som framgår av min elektroniska underskrift

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Marina Stubbing
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26 June 2024 | 2:27:10 PM BST
Marina Stubbing
Ordförande

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Hanna Scherman
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26 June 2024 | 8:45:00 AM BST
Hanna Scherman

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26 giugno 2024 | 1:17:22 AM PDT
Alessandro Stagnitto

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Certificate Of Completion

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Document Pages: 10 Signatures: 3
Certificate Pages: 3 Initials: 0
AutoNav: Enabled
EnvelopeId Stamping: Enabled
Time Zone: (UTC) Dublin, Edinburgh, Lisbon, London

Envelope Originator:
Annika Saavedra Saavedra
TMF Netherlands B.V., Luna ArenA, Herikerbergweg 238, 1101 CM
-, - -
annika.saavedra.oxelgren@tmf-group.com
IP Address: 145.40.24.112

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Record Tracking

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Holder: Annika Saavedra Saavedra
annika.saavedra.oxelgren@tmf-group.com

Location: DocuSign

Signer Events

Alessandro Stagnitto
astagnitto@erg.eu
Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:
6A3147104F8940A...

Signature Adoption: Drawn on Device
Using IP Address: 85.115.39.180

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Identification Method: Government Issued Id Document
Type of Document: Passport
Identification Level: ID Only
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Country or Region of ID: IT
Result: Passed
Performed: 6/26/2024 9:16:40 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Hanna Scherman
hanna.scherman@tmf-group.com
Team Lead Global Entity Management
22200 TMF Sweden AB
Security Level: Email, Account Authentication (None)

DocuSigned by:
4B62245B841843F...

Signature Adoption: Pre-selected Style
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Identification Method: Electronic ID
Type of Electronic ID: BankID Sweden
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20240701212175

Signer Events	Signature	Timestamp

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Identification Method: Electronic ID
Type of Electronic ID: BankID Sweden
Transaction Unique ID: 62ffb6bc-8067-56d2-8a5b-0944cef7729e
Country or Region of ID: SE
Result: Passed
Performed: 6/26/2024 8:44:38 AM

Electronic Record and Signature Disclosure:
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Marina Stubbing marina.stubbing@tmf-group.com Managing Director, TMF Sweden AB Security Level: Email, Account Authentication (None)	DocuSigned by: Marina Stubbing 42D208EF698849C..	Sent: 6/26/2024 7:22:40 AM Resent: 6/26/2024 10:41:07 AM Viewed: 6/26/2024 2:26:53 PM Signed: 6/26/2024 2:27:10 PM
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Identification Method: Electronic ID
Type of Electronic ID: BankID Sweden
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Electronic Record and Signature Disclosure:
Not Offered via DocuSign

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	**Status**	**Timestamp**
Agent Delivery Events	**Status**	**Timestamp**
Intermediary Delivery Events	**Status**	**Timestamp**
Certified Delivery Events	**Status**	**Timestamp**
Carbon Copy Events	**Status**	**Timestamp**
Witness Events	**Signature**	**Timestamp**
Notary Events	**Signature**	**Timestamp**
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Envelope Summary Events	Status	Timestamps
Certified Delivered	Security Checked	6/26/2024 2:26:53 PM
Signing Complete	Security Checked	6/26/2024 2:27:10 PM
Completed	Security Checked	6/26/2024 2:27:10 PM

Payment Events	Status	Timestamps

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ERG Power Generation

2023 Financial Statements

at 31 December

The Annual Report 2023 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

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2 CONSOLIDATED FINANCIAL STATEMENTS

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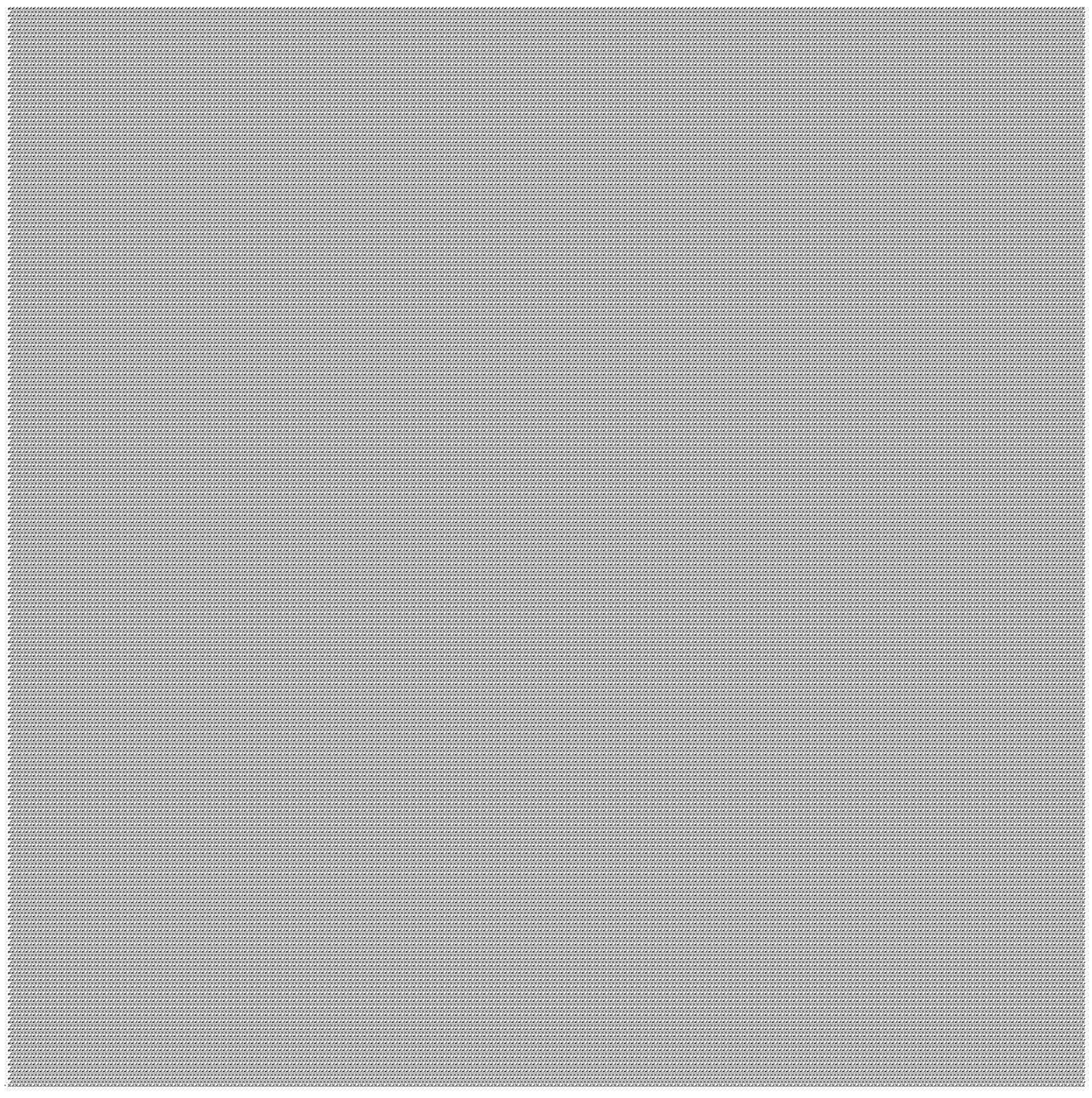
Directors' Report



BASIS FOR PREPARATION

Disclosure pursuant to Articles 70 and 71 of the Issuers' Regulation

The Parent has selected the option, introduced by CONSOB with its resolution no. 18079 of 20 January 2012, of waiving the obligation to make available to the public an information document upon carrying out significant transactions, i.e. mergers, demergers, capital increases by contributions in kind, acquisitions and sales.

Operating segments

It should be noted that starting from 2022, following the significant Asset Rotation process launched in 2021 with the sale of the hydroelectric business and fully completed with the sale of the thermoelectric business in October 2023, the operating results are reported and commented on with reference to the different geographical segments in which ERG operates, in line with the internal methods for measuring the Group's results. It should be noted that the results, shown by geographical segment, reflect the energy sales on markets by Group Energy Management, in addition to the application of effective hedges of the generation margin. The above mentioned hedges include, inter alia, the use of instruments by Energy Management to hedge the price risk. In order to give a clearer representation of business by geographic segment and, secondarily, by technology, the wind and solar results include the hedging carried out in respect of renewables.

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.
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". 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 agreement of the Thermoelectric Business

In 2021, the Group embarked on a major Asset Rotation with the aim of completing its transformation to a pure "Wind&Solar" business model.
On 3 January 2022, ERG finalised the sale of the hydroelectric assets to Enel Produzione, while, as regards the sale of the thermoelectric business, on 17 October 2023 the Group finalised an agreement with Achernar Assets AG, a Swiss investment holding company, for the sale of the entire capital of ERG Power S.r.l.
The consideration in terms of Enterprise Value is equal to EUR 191 million. The agreements also provide for some earn-outs relating to business performance in 2024 and 2025.
In consideration of the above, in this Document the result of ERG Power S.r.l. was therefore recorded in the line "Net profit (loss) from discontinued operations" in accordance with IFRS 5.

2022 income statement amounts

As already noted in the 2022 Group Financial Statements, during 2022 measures were introduced in Italy and abroad to contain the effects of price increases in the electricity sector.
In particular, in Italy reference is made to:

- *the Surplus profits 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);*
- *Article 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 and the Price Cap regulations introduced in other countries.
In order to provide an effective representation, the 2022 comparative amounts have been restated and are therefore shown net of these charges and will therefore be understood as "net clawbacks and windfall taxes". A summary of the various impacts of the above-mentioned measures on EBITDA and EBIT is presented in the chapter "Regulatory measures to curb energy prices rises (clawback measures and windfall tax)".

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 could 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 Officer
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 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 in the onshore wind sector, the Group is also active in the generation of energy from solar sources, being among the top five in Italy and with a gradually increasing presence in France and Spain.
A major player in the oil market until 2008, ERG radically changed its business portfolio in anticipation of long-term energy scenarios, successfully transforming towards a sustainable development model. Today the company is a leading European player in the renewable energy sector.

In 2021, the Group embarked on a major Asset Rotation with the aim of completing its transformation to a pure "Wind&Solar" business model.
On 3 January 2022, ERG finalised the sale of the hydroelectric assets to Enel Produzione, while on 17 October 2023, the sale of the thermoelectric business was completed, pursuing the strategic objective of the 2022-2026 Business Plan of focusing on the core business of the generation of electricity entirely from renewable sources.
As a result of the completion of these important transactions, the Group, whose industrial strategy integrates the ESG (Environmental, Social and Governance) plan, in line with the United Nations Sustainable Development Goals (SDGs), has become a 100% Renewable operator, a key player in the decarbonisation process underway globally, as well as in the realisation of 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 output 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.

The ERG Group, with generation facilities of 3,266 MW of installed renewable capacity (2,747 MW wind, 519 MW solar), operates directly or through its subsidiaries, in the following Geographical Segments:

Italy

In Italy, ERG has a total installed capacity of 1,496 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 1,321 MW of installed capacity, and a leading operator in solar power generation with 175 MW of installed capacity.

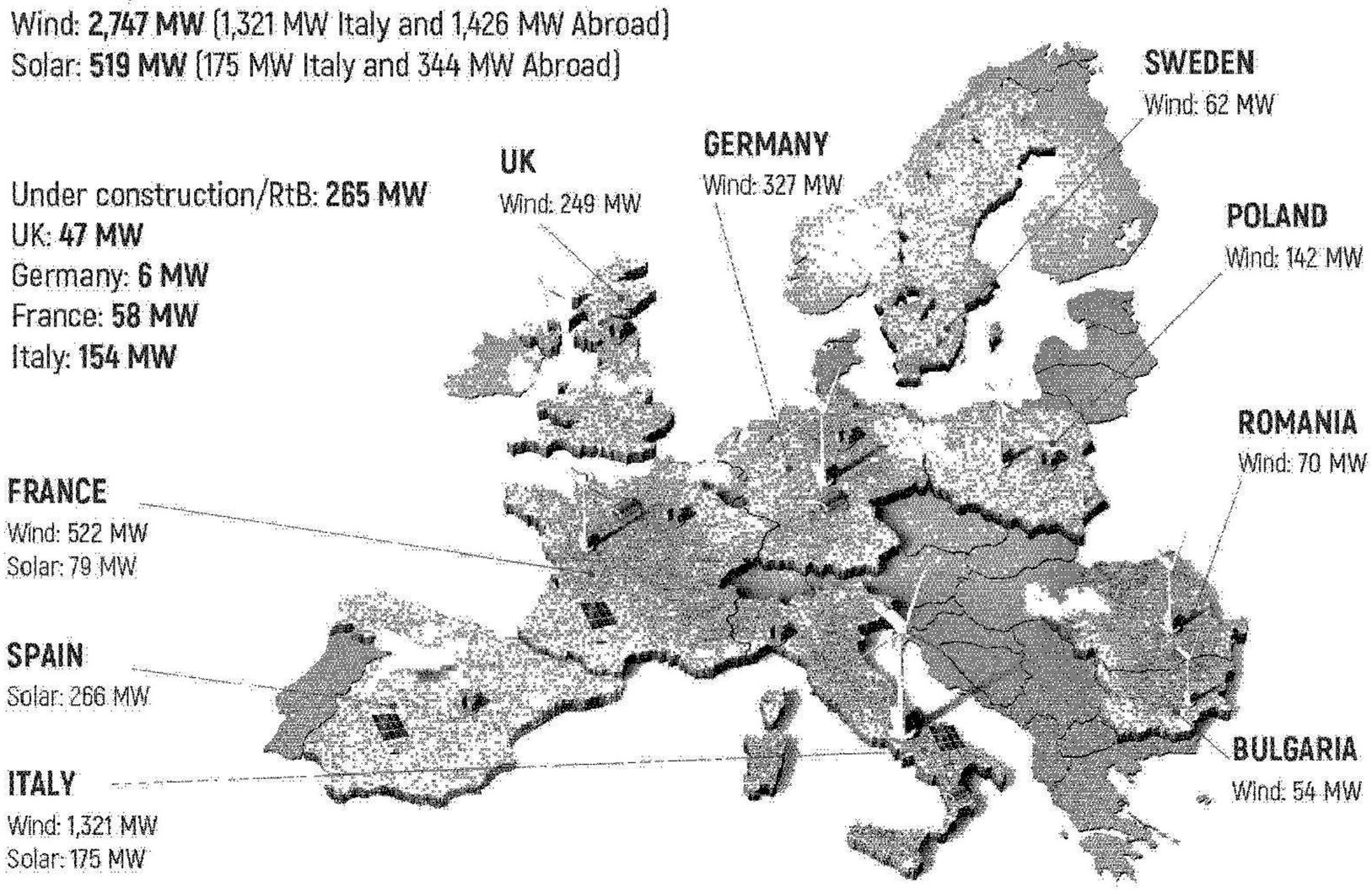
Abroad

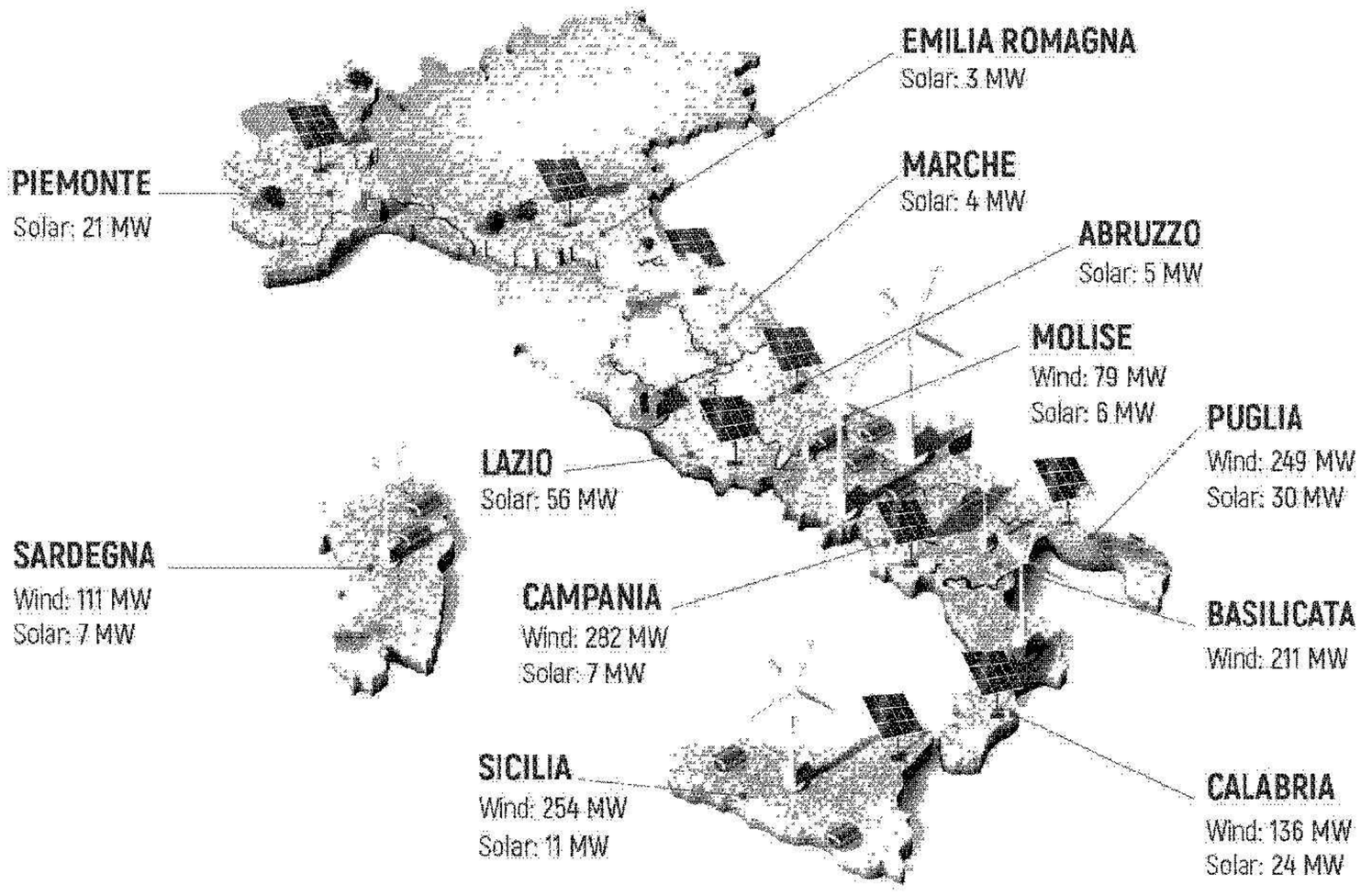
Outside Italy, ERG has a total installed capacity of 1,770 MW.
In wind power, ERG is one of the leading operators in Europe with a significant and growing presence (1,426 MW operational), particularly in France (522 MW), Germany (327 MW), the UK (249 MW), Poland (142 MW), Romania (70 MW), Bulgaria (54 MW) and Sweden (62 MW).
In addition, ERG operates in France and Spain in the generation of electricity from solar sources with 344 MW of installed capacity, of which 79 MW in France and 266 MW in Spain.
On 21 December 2023, the Group announced its entry into the renewable energy market in the United States through a strategic partnership with Apex Clean Energy for the acquisition of a 317-MW portfolio of wind and solar plants. The transaction is expected to close in the second quarter of 2024.

GEOGRAPHICAL SEGMENTS AT 31 DECEMBER 2023

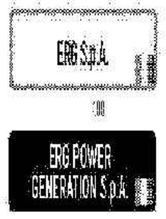
TOTAL: 3,266 MW
Wind: **2,747 MW** (1,321 MW Italy and 1,426 MW Abroad)
Solar: **519 MW** (175 MW Italy and 344 MW Abroad)

Under construction/RtB: **265 MW**
UK: **47 MW**
Germany: **6 MW**
France: **58 MW**
Italy: **154 MW**





SCOPE OF CONSOLIDATION AT 31 DECEMBER 2023



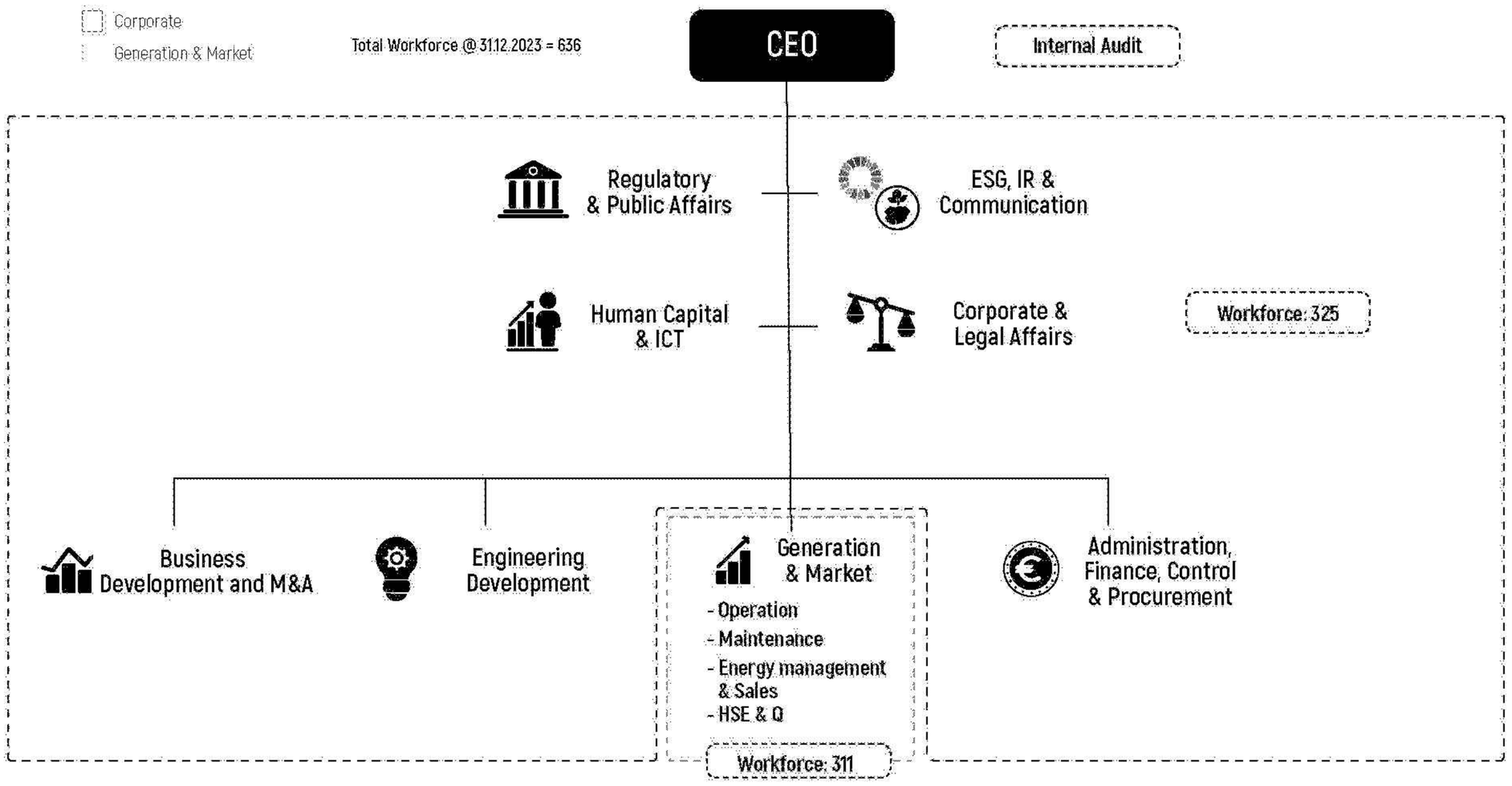
ORGANISATIONAL MODEL

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

- Corporate, which ensures the strategic direction, is directly responsible for business development and ensures management of all business support processes. The company is organised in the following areas:
  - Business Development and Mergers & Acquisitions
  - Engineering Development
  - Administration, Finance, Control & Procurement
  - Human Capital & ICT
  - Regulatory & Public Affairs
  - Corporate & Legal Affairs
  - ESG, IR & Communication
- Generation & Market, which is assigned responsibility for the Group's industrial and commercial processes, organised into:
  - Wind & Solar 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;
  - an area dedicated to identifying and coordinating all the Group's technological innovation opportunities consistent with the Strategic Lines of the Plan.

In order to continue the path of growth started and to achieve the ambitious targets set in the Business Plan, the Group has, since 2022, implemented a business model that although well-established within the various companies remains flexible, taking into account geographical diversification in the countries where the Group operates.
Throughout 2023, the Group continued to reshape its operational model. With the sale process of the Combined Cycle Gas Turbine (CCGT) cogeneration plant completed, it focused increasingly on strengthening the processes involved in developing, engineering, constructing and commissioning new wind and solar power plants, whether developed internally, repowered facilities or those resulting from Merger & Acquisition transactions or co-development agreements.

A new organization to speed up decision making process



STRATEGY

The current macroeconomic scenario is still dominated by geopolitical risks and uncertainties linked to climate change. The instability in the global arena, triggered by the pandemic and prolonged by the Russian invasion of Ukraine, was further exacerbated by the conflict between Israel and Palestine. This, coupled with the Yemeni attacks on the Suez Canal, had serious repercussions on international transportation, resulting in higher costs for both commodities and shipping. From a climate perspective, 2023 was the hottest year since 1850[3] and coincided with the reaching of an all-time high for greenhouse gas emissions[4]. In the meantime, extreme weather events affecting the planet (including heat waves, floods, droughts and fires) increased.

Within this context, which is very challenging both in economic and climate terms, renewable energy sources have enhanced their leading role in driving the worldwide transition towards a green economy. Despite greenflation, with the rising cost of wind and solar power plants, renewable energy remains cheaper and more stable than imported natural gas for Europe.

As a Pure Renewable Player, ERG confirmed its commitment to growing its renewable portfolio in the Wind & Solar sectors, in accordance with the strategic guidelines set out in the 2022-2026 Business Plan, through a policy of geographic (9 EU + US countries) and technological (Wind & Solar) diversification and the gradual securing of revenue.

We remain committed to our growth through three main channels:

- Greenfield and co-development: growth strategy focused on the organic development of proprietary pipelines and co-development agreements in Italy and in the main European reference countries.
- Repowering of our plants: strategy based on technological developments in the wind and solar sector, through asset repowering (replacement of obsolete technologies with new latest generation technologies), aimed at increasing energy generation, taking advantage of the quality of the most productive sites. The revenue of the new wind farms will be secured through participation in the auction system or through long-term agreements (PPAs).
- Mergers & Acquisitions: a strategy based on seizing growth opportunities in renewable energy in countries of interest to the Group, leveraging financial resources from asset rotation, experience gained during the Group's transformation process and synergies from consolidation with its own portfolio.

Our objectives are reflected in the Business Plan, and we are currently working on the new 2024-2028 Plan that will be presented in 2024.

3 Study by Copernicus in Global Climate Highlights 2023
4 According to research by Global Carbon Project

BUSINESS PLAN – RESULTS TO DATE

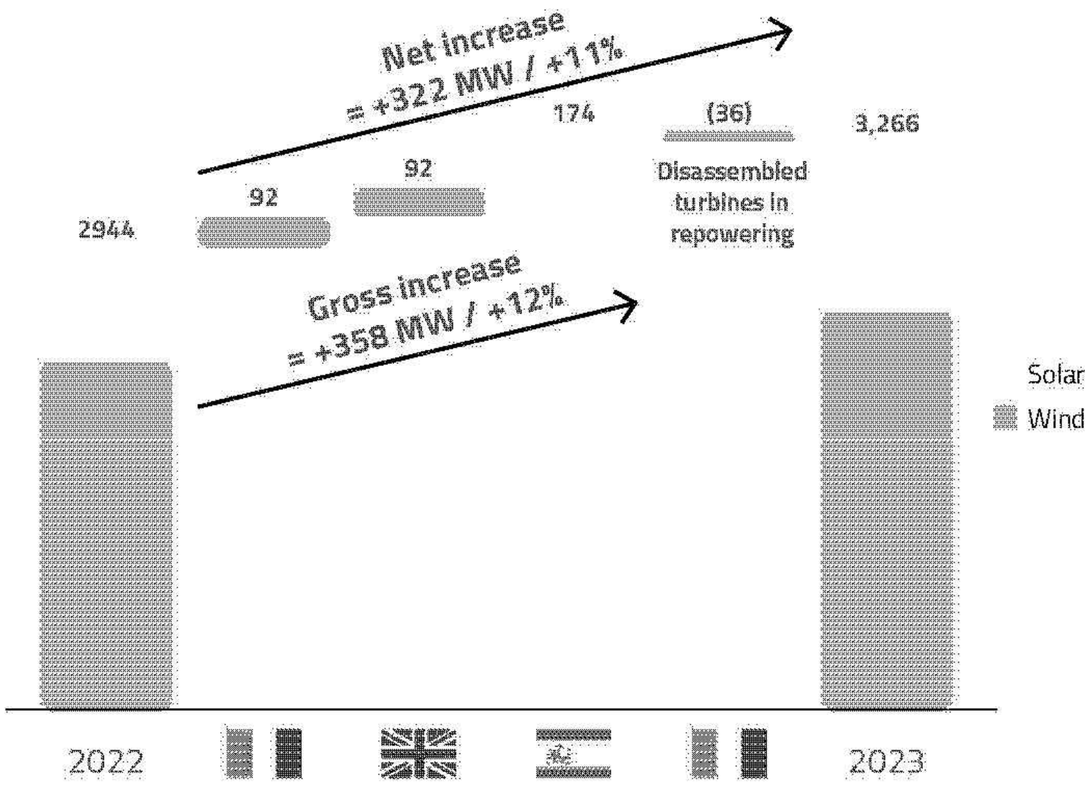
	OBJECTIVES OF THE UPDATED 2022-2026 BP	RESULTS FROM 1H1 TO 31.12.2023
Renewable Portfolio Growth	▪ **4.6 GW** installed capacity in 2026 **(5 GW in 2027)**	▪ +358 MW gross (~ +322 MW net)
Investments/ EBITDA	▪ **EUR 3.5 bn 2022-2026; >EUR 650 mn @2026**	▪ EUR [illegible] mn
Securing revenues	▪ **85-90% adjusted target** regulated of total EBITDA; ▪ PPPs vs. auctions	▪ PPA with EssilorLuxottica for a term of 0.9 TWh ▪ PPA integration with TIM for an additional 200 GWh/year ▪ PPA with STMicroelectronics for 3.75 TWh ▪ PPA with Google totaling ~2 TWh
Geographical diversification	▪ **9 countries**	▪ Increased presence in Spain (+174 MW), Italy (+92 MW gross – [illegible] MW net) and the UK (+92 MW) ▪ Entry into the USA strategic partnership for an [illegible] 317 MW wind and solar power [illegible], expected in H1 2024.
Solar as strategic activity	▪ **~ 860 MW of solar (out of +2,200 MW)** ▪ ~25% solar on Group capacity @2026-27	▪ +174 MW [illegible] in Spain ▪ 16% solar on Group capacity @2023
Investment in innovation	▪ Battery Storage; ▪ Searching for offshore opportunities	▪ Ongoing progression [illegible] storage projects
Asset Rotation for Conventional Sources	▪ **Relaunch of the CCGT divestment process**	▪ Completion of the closing for the sale of the CCGT to Achernar
Incorporation of ESG matters	▪ Confirmed at the heart of ERG's business model	▪ Score improvement in key ESG ratings ▪ Entry into the Nasdaq Sustainable Bond Framework
Dividend policy	▪ **EUR 1 per share (+10% vs previous)**	▪ Dividend of 1 EUR per share

RESULTS AND GROWTH ACHIEVED IN 2023

In 2023, ERG took important steps on its strategic path to decarbonise and grow its RES portfolio.

The Group's installed capacity in wind and solar power increased by 322 MW, of which:
- 56 MW of new wind power capacity through repowering operations in Italy;
- 92 MW wind power built in the UK;
- 174 MW of solar power through M&A transactions in Spain.

There was significant progress in repowering and greenfield projects in Italy in 2023, with around 100 MW authorised and auctioned. The goal of securitising revenue was also pursued through the signing of 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 generated by the Partinico-Monreale wind farm in the province of Palermo, the first of ERG's wind farms to complete repowering operations.



CHANGE IN BUSINESS SCOPE DURING THE YEAR

- Solar Spain

As already mentioned in the Directors' Report at 31 December 2022, on 23 December 2022 ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with Renertia Investment Company for the acquisition of 100% of the share capital of a company that owns a photovoltaic solar system located in Fregenal de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MW.
The enterprise value of the transaction was EUR 30 million. The transaction was completed on 30 June.
It should be noted that the newly acquired Spanish company has been consolidated on an equity basis since 30 June 2023 and economically since the third quarter of 2023.

- Solar Spain

On 5 May 2023, ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with IBV Solar Parks, B.V., a company belonging to the German group ib vogt GmbH, a global platform for the development of industrial solar plants. The agreement concerns the acquisition of a 100% stake in Garnacha Solar S.L., a company that owns a solar power plant located in the region of Castilla and León, in northwestern Spain. The plant, with an installed capacity of 149 MW, completed the construction and commissioning phase in the last quarter of 2023.
The value of the transaction in terms of enterprise value at the Commercial Operating Date was estimated to be EUR 170 million, of which approximately EUR 90 million related to bank loans, with an equity value of EUR 80.5 million. The transaction was completed on 23 June.
The newly acquired Spanish company has been consolidated on an equity basis since 30 June 2023.

- Thermoelectric

On 17 October 2023, the Group finalised the closing with Achernar Energy S.p.A. (a subsidiary of Achernar Assets AG) for the sale of the entire share capital of ERG Power S.r.l. The transaction was concluded in line with what was announced on 29 June 2023.

It should also be noted that, during the year, a wind farm in the United Kingdom with a total capacity of 92 MW, in-house developed and built, and the photovoltaic systems of the newly acquired Spanish companies for a total of 174 MW became fully operational.
In addition, ERG completed the construction and commercial commissioning of two initial repowering projects of the Partinico-Monreale wind farm, for a total installed capacity of 42 MW (+26 MW incremental) and Camporeale for a total installed capacity of 50 MW (+30 MW incremental).

ERG enters the US renewable energy market

On 21 December 2023, the Group announced the signing of a major agreement with Apex Clean Energy Holdings LLC (Apex), a leading independent US clean energy developer, to create a strategic partnership with the mission of managing a portfolio of wind and solar power plants already in operation and potentially develop it.
This transaction represents the Group's first step into the overseas market and envisages the creation of a US holding company into which a wind farm and a solar plant, both recently commissioned, will be transferred, for a total of 317 MW of installed capacity and production estimated at approximately 1 TWh, as well as a cooperation agreement relating to approximately 1 GW of new onshore solar and wind projects under development in the United States.
The holding company will be 75% owned by ERG and 25% by Apex, which will continue with the operational management of the assets. The portfolio consists of a 224.4-MW onshore wind farm located in Iowa that entered into operation in the first half of 2023, with an estimated annual output of over 800 GWh, and a 92.4-MW photovoltaic farm located in Illinois that entered into operation in the second half of 2022, with an estimated annual output of over 150 GWh, equal to a total of 387 kt of CO2 avoided. Both plants are part of the Midcontinent Independent System Operator (MISO), the largest US electricity market in terms of geographical area and second largest in terms of installed capacity. The two plants benefit from Tax Equity agreements with financial counterparties and will be debt-free at closing.

Revenue is secured by long-term sales contracts (PPAs) signed with leading corporate counterparties. The consideration for the acquisition of the majority stake of 75% is equal to USD 270 million. The transaction closing is expected in the second quarter of 2024 and is subject to, among other things, obtaining approval for the investment from a number of US and European authorities (including CFIUS, HSR Commission, DG-Comp) and consent to the change of control from certain relevant third parties (including the counterparties of the Tax Equity Investor and the PPA).

SIGNIFICANT EVENTS DURING THE YEAR

Data	Area Geografica	Settore	Fatto di rilievo
Press release of 12 January 2023	UK & Nordics	Wind	ERG announces the commissioning of the Creag Riabhach wind farm in the county of Sutherland, in the north of Scotland. The wind farm has a total installed capacity of 92.4 MW and an overall annual output of 271 GWh at full capacity, avoiding the emission of 125 kt of CO2 each year. A large part of the electricity generated 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 confirmed its position in the Bloomberg Gender Equality Index with a significant improvement in score. The Group enters the first quartile of the ranking.
Press release of 9 March 2023	Italy	Wind	EssilorLuxottica and ERG announce the signing of a long-term agreement for the supply of electricity from renewable sources in Italy.
Press release of 15 March 2023	Italy	Corporate	The Board of Directors of ERG S.p.A. approved the 2022 Draft Financial Statements, the update of the Business Plan and the 2022/26 ESG Plan.
Press Release of 26 April 2023	Italy	Corporate	The Shareholders' Meeting of ERG S.p.A. approved the 2022 Financial Statements, resolved on the payment of a dividend of EUR 1.00 per share, confirmed Renato Pizzolla as Board Member and appointed Monica Mannino as Chairwoman of the Board of Statutory Auditors.
Press Release of 4 May 2023	Italy	Corporate	Fitch Ratings agency ("Fitch") confirmed for ERG S.p.A. a Long Term Issuer Default Rating (IDR) of BBB- with stable outlook and a senior unsecured rating of BBB-.
Press Release of 5 May 2023	Spain	Solar	ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with IBV Solar Parks, B.V., a company belonging to the German group ib vogt GmbH, a global platform for the development of industrial solar plants. The agreement concerns the acquisition of a 100% stake in Garnacha Solar S.L., a company that owns a solar power system located in the region of Castilla and León, in northwestern Spain. The plant started commercial commissioning in the fourth quarter of 2023. The value of the transaction in terms of enterprise value is EUR 170 million, with an equity value of EUR 80.5 million. The transaction was completed on **23 June.**
Press release of 9 May 2023	Italy	Wind Solar	New long-term agreement between ERG and TIM for the supply of electricity from renewable sources. The contract provides for the integration of the Power Purchase Agreement previously signed on 14 May 2021 for the supply of 340 GWh/year for 10 years, with an additional volume of 200 GWh per year "baseload" of 100% green energy generated by renewable plants in the ERG portfolio.

Press release of 13 June 2023	**Italy**	**Corporate**	ERG joins the Nasdaq Sustainable Bond Network, a platform dedicated to Sustainable Finance of the New York electronic stock exchange that brings together investors, issuers and investment banks. On the issuer's side, joining will allow the Group to further expand the network of potential international investors attentive to sustainability issues.
Press release of 14 June 2023	**Italy**	**Wind**	ERG has completed construction and started energising the Partinico-Monreale wind farm in Palermo, the first in the Group's portfolio to complete repowering operations. Following the replacement of all obsolete aerogenerators with latest generation models, the farm now has 10 4.2-MW VESTAS V132 turbines with a total installed capacity of 42 MW (compared to the previous 19 turbines for a total of 16 MW) and an estimated annual output of 94 GWh (compared to the previous 27 GWh).
Press release of 16 June 2023	**Italy**	**Wind**	MSCI Inc. has upgraded ERG to an "AAA" rating, up from an "AA" rating in 2022, putting it into the "Leader" category. ERG ranked among the top 18 Utilities internationally, among the 138 companies in the sector analysed by MSCI for ESG performance, and among the approximately 2900 companies examined globally. ERG is also among the ESG Identity Top Performers, within the "Integrated Governance Index 2023", the index that verifies the degree of ESG integration in corporate strategies, placing it among the Italian best practices in corporate governance. The Group reached fourth position, a clear improvement compared to last year's tenth position.
Press release of 29 June 2023	**Italy**	**Thermoelectric**	ERG has signed an agreement with Achernar Assets AG, a Swiss investment holding company, for the sale of the entire share capital of ERG Power S.r.l., owner of the Combined Cycle Gas Turbine (CCGT) cogeneration plant. Subject, among other things, to the successful completion of the golden power procedure at the Italian Presidency of the Council of Ministers, the closing of the transaction is expected by the end of this year.
Press release of 30 June 2023	**Spagna**	**Solar**	ERG, through its subsidiary ERG Spain Holdco, completed the acquisition of 100% of the share capital of Instalación Fotovoltaica Arericsol VIII, a company that owns a photovoltaic system located in Fregenal de la Sierra with an installed capacity of 25 MW.
Press release of 7 July 2023	**Italy**	**Corporate**	Science-Based Target initiative certified ERG's "Net Zero" objectives. ERG is committed to achieving Net Zero by 2040 through a number of actions both in the short term to 2027 (near-term target) and in the long term to 2040 (long-term target).
Press release of 18 July 2023	**Italy**	**Corporate**	The renewal of the programme for the issue of non-convertible medium/long-term bonds (EMTN Programme) is completed.
Press release of 29 September 2023	**Italy**	**Wind**	ERG completed the repowering of its wind farm in Camporeale, Palermo, and started the energisation of the 12 latest-generation 4.2-MW turbines for a total installed capacity of 50.4 MW (compared to the previous 24 wind turbines of 0.85 MW for a total capacity of 20.4 MW) and an estimated annual output of approximately 86 GWh (compared to the previous 31 GWh).
Press release of 17 October 2023	**Italy**	**Thermoelectric**	Closing finalised with Achernar Energy S.p.A. (a subsidiary of Achernar Assets AG), as announced on 29 June 2023, for the sale of the entire share capital of ERG Power S.r.l., the company that owns and operates the low-environmental-impact and high-efficiency Combined Cycle Gas Turbine (CCGT) cogeneration power plant, fuelled by natural gas, in Priolo Gargallo (Syracuse).

Press release of 25 October 2023	Italy	Wind	ERG has launched the first Repowering in Italy of its Partinico Monreale wind farm. The event involved institutions, industry professionals, financial analysts, shareholders and top management of the Group.
Press release of 24 November 2023	Italy	Wind	ERG and STMicroelectronics, a global leader in semiconductors with customers in all electronics application sectors, announced the signing of a fifteen-year Power Purchase Agreement (PPA) for the supply of energy from renewable sources to ST's Italian operating sites in the period 2024-2038. The agreement provides for the sale by ERG of approximately 250 GWh of renewable energy per year, equivalent to a total volume over 15 years of 3.75 TWh, produced by the Sicilian plants of Camporeale in Palermo and Mineo-Militello-Vizzini in Catania.
Press release of 4 December 2023	Spain	Solar	ERG's top management visited the Garnacha photovoltaic system, located in Toro, in the Castilla y León region. The system, acquired by ERG in June 2023, has a total installed capacity of 149MWp and has completed the installation of all production equipment.
Comunicato Stampa del 21 dicembre 2023	United States	Wind / Solar	ERG enters the renewable energy market in the United States through a strategic partnership with Apex Clean Energy for the acquisition of a 317-MW portfolio of wind and solar plants in Iowa and Illinois. The consideration for the acquisition of the majority stake of 75% is equal to USD 270 million. The transaction closing is expected in the first half of 2024.
Press release of 28 December 2023	France	Wind / Solar	ERG, through its subsidiary ERG Eolienne France SAS, signed an agreement with QEnergy France SAS, a leading operator in the renewable energy sector in France, for the acquisition of 100% of CEPE Renouvellement Haut Cabardès SAS, a company that owns a 73.2-MW wind and solar portfolio in France. The value of the transaction in terms of enterprise value is EUR 86 million, with an equity value of approximately EUR 17 million. The closing was completed in January 2024.

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

In the course of 2022, measures were introduced in Italy and abroad to contain the effects of price increases in the electricity sector, which have already been described in the Group Financial Statements at 31 December 2022 and whose effects also impacted the Group Financial Statements at 31 December 2023.
The implementation of these measures resulted in refunds with a negative impact of EUR 12 million on EBITDA in 2023 (EUR 9 million on the Group's net result from continuing operations in 2023). In 2022, this negative impact amounted to EUR 35 million on the EBITDA (EUR 83 million on the Group's net result from continuing operations[5]).
The table below shows the Group's adjusted results both gross and net of the effects of the transitional measures (clawback measures/windfall taxes) in order to give the most transparent representation possible of the impacts in 2023 and 2022, of an extraordinary and temporary nature, resulting from the regulations introduced in various countries in order to counteract the increase in electricity prices.

5 It should be noted that the 2022 financial year included clawback measures and windfall taxes recognised in the income taxes line of EUR 56 million, deriving from the Italian Decree Law of 21 March 2022 (EUR 37 million) and the 2023 Extraordinary Contribution (EUR 19 million) introduced by the 2023 Budget Law (Italian Law 197 of 29 December 2022), as well as the net tax effect of clawback measures in Europe (EUR 28 million).

(EUR million)		12 months 2023	12 months 2022	Change
Revenue (gross clawback)		**753**	**749**	**3**
(-) clawback measures		**12**	**35**	**(24)**
	Italy	*0*	*7*	*(7)*
	France	*6*	*7*	*(2)*
	Germany	*-*	*2*	*(2)*
	Spain	*0*	*-*	*0*
	East Europe[1]	*6*	*19*	*(13)*
Revenue (net clawback)		**741**	**714**	**27**
EBITDA (gross clawback)		**547**	**537**	**10**
(-) clawback measures		**12**	**35**	**(24)**
	Italy	*0*	*7*	*(7)*
	France	*6*	*7*	*(2)*
	Germany	*-*	*2*	*(2)*
	Spain	*0*	*-*	*0*
	East Europe	*6*	*19*	*(13)*
EBITDA (net clawback)		**535**	**518**	**17**
Net profit (loss) from continuing operations attributable to the owners of the parent (gross clawback and windfall tax)		**262**	**245**	**17**
(-) clawback measures and windfall tax		**9**	**83**	**(74)**
	Italy	*0*	*61*	*(61)*
	France	*4*	*5*	*(1)*
	Germany	*-*	*2*	*(2)*
	Spain	*0*	*-*	*0*
	East Europe	*5*	*16*	*(11)*
Net profit (loss) from continuing operations attributable to the owners of the parent (net clawback and windfall tax)		**253**	**161**	**91**

(1) In November 2022, the Romanian Government, with Emergency Act no. 53, established the obligation for operators with capacity exceeding 10 MW to sell all available output at a fixed price of 450 lei/MWh (approximately 90 EUR/MWh), through the signing of PPAs. Consequently, as of that date, the impacts of clawback measures are no longer explicitly represented.

For the sake of clarity, in this Report the adjusted results for both 2023 and the comparative period of 2022 will be shown net of these charges and will therefore be understood as "net clawbacks and windfall taxes".

HIGHLIGHTS

(EUR million)		Reported (1) Year 2023	Reported (1) Year 2022	Adjusted (2) Year 2023	Adjusted (2) Year 2022
MAIN INCOME STATEMENT FIGURES					
Revenue		741	713	741	713
Gross operating profit (loss) (EBITDA)		**547**	**527**	**535**	**518**
Operating profit (EBIT)		**328**	**253**	**326**	**295**
Profit (loss) from continuing operations attributable to the owners of the parent		241	127	253	161
Profit attributable to the owners of the parent (3)		205	423	246	177
MAIN FINANCIAL FIGURES					
Net invested capital (4)		**3,803**	**3,551**	**3,641**	**3,401**
Equity		3,850	3,531	3,858	3,536
Total net financial indebtedness		(47)	157	(217)	2
EBITDA Margin %		**74%**	**74%**	**72%**	**73%**
OPERATING DATA					
Installed capacity at the end of the year – Italy	MW			**1,496**	**1,440**
Electricity output – Italy	GWh			2,784	2,312
Installed capacity at the end of the year – France	MW			**600**	**600**
Electricity output – France	GWh			1,315	1,076
Installed capacity at the end of the year – Germany	MW			**327**	**327**
Electricity output – Germany	GWh			629	556
Installed capacity at the end of the year – UK & Nordics	MW			**311**	**219**
Electricity output – UK & Nordics	GWh			455	226
Installed capacity at the end of the year – Spain	MW			**266**	**92**
Electricity output – Spain	GWh			213	171
Installed capacity – East Europe	MW			**266**	**266**
Electricity output – East Europe	GWh			742	615
Capital expenditure (5)	EUR million			484	943
Employees at the end of the year (6)	Units			**413**	**356**
RICAVI NETTI UNITARI (7)				**117**	**139**
Italy – Wind	EUR/MWh			109	134
Italy – Solar	EUR/MWh			342	317
France – Wind	EUR/MWh			93	91
France – Solar	EUR/MWh			96	96
Germany – Wind	EUR/MWh			140	168
UK & Nordics – Wind	EUR/MWh			111	150
Spain – Solar	EUR/MWh			123	126
East Europe – Wind	EUR/MWh			91	139

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

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

(3) The net profit attributable to the owners of the parent includes the result of the thermoelectric and hydroelectric businesses sold. In 2023, the net profit attributable to the owners of the parent mainly includes the net capital loss recognised on the sale of the CCGT plant. The 2022 comparative figure includes the result of the thermoelectric business, still being sold in 2022, as well as the net capital gain recognised following the sale of the Terni hydroelectric complex.

(4) The figures for 2023 are shown net of the effects deriving from the application of IFRS 16, while the 2022 comparative figures are presented net of the effects deriving from the application of IFRS 16 and IFRS 5, as the thermoelectric business was in the process of being sold.

(5) In property, plant and equipment and intangible assets. The figure for 2023 includes capital expenditure relating to Merger & Acquisition transactions for the acquisitions in Spain amounting to EUR 184 million, while the figure for 2022 included capital expenditure relating to Merger & Acquisition transactions amounting to EUR 638 million following the major acquisitions of wind farms and photovoltaic systems in Italy.

(6) The 2022 comparative figure does not include personnel dedicated to ensuring the operation of the CCGT cogeneration plant, sold in October 2023.

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

COMMENTS ON THE YEAR'S PERFORMANCE

Adjusted revenue in 2023 amounted to EUR 741 million, up compared to 2022 (EUR 713 million), due to the contribution deriving from the acquisitions made in the second half of 2022 and in 2023, the entry into operation of the farms developed internally and entered into operation starting from the second half of 2022 and the better wind speeds recorded in the period in all geographic areas, partly offset by sharply decreasing market prices in all countries. Output amounted to 6.1 TWh, up by a total of 1.2 TWh (+24%) compared to 2022, mainly due to the contribution deriving from the new wind farms and the increased wind levels experienced during the year. The 2023 financial year was characterised by significantly lower market prices compared to the particularly high prices of 2022, even though they were influenced by the introduction of measures to contain the effects of price increases in the electricity sector, which affected the results, albeit only partially, as the Group adopts a hedging policy that envisages sales through fixed tariffs, PPAs under pre-established conditions and financial agreements.

It should be noted that **adjusted EBITDA**[6] amounted to EUR 535 million in 2023 (EUR 518 million in 2022).

ITALY

- **Wind (EUR -2 million):** EBITDA, amounting to EUR 216 million, substantially in line with 2022 (EUR 218 million) due to the lower market prices captured, specially to the elimination of the incentive value (equivalent to EUR 43 per MWh in 2022), substantially offset by the scope effect arising from the acquisition of wind farms carried out in the second half of 2022, the contributions from the farms that came into operation during the year, and the higher wind speeds experienced during the year. Output amounted to 2,528 GWh in 2023 compared to 2,062 GWh in 2022, due to the better wind conditions recorded in the period as well as due to the new capacity in operation (+231 GWh).

- **Solar (EUR +9 million):** EBITDA, amounting to EUR 79 million, up compared to 2022 (EUR 70 million[7]) due to the full contribution of the photovoltaic systems acquired in the second half of 2022 and the higher prices captured thanks to the hedges carried out despite a scenario of lower prices in the reference period. Output amounted to 256 GWh in 2023 compared to 250 GWh in the corresponding period of 2022, mainly due to the scope effect (+21 GWh).

ABROAD

- **Wind (EUR +7 million):** EBITDA, amounting to EUR 223 million, up compared to 2022 (EUR 216 million) mainly due to the contribution from the farms built internally and entering into operation in late 2022 and early 2023 mainly in the UK and the higher wind speeds experienced during the period in all countries, particularly in France, partly offset by the general strong reduction in market prices.

- **Solar (EUR +2 million):** EBITDA, amounting to EUR 25 million, up compared to 2022 (EUR 23 million) due to the contribution of the newly acquired photovoltaic systems in Spain (174 MW), which became operational in the second half of 2023.

Overall, the scope effect related to the increased capacity was EUR 68 million due to the full contribution of the greenfield and repowering plants built internally that entered into operation, as well as the acquisitions made in the second half of 2022 and 2023.
It should also 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.

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6 Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to EUR 14 million, as well as other negative effects of special items for approximately EUR 4 million.
7 Adjusted EBITDA for 2022 included, however, charges of EUR 7 million as a result of the application of the regulations relating to Article 15-bis of Italian Decree Law 4/2022 (the "Sostegni-Ter" Decree).

Adjusted EBIT amounted to EUR 326 million (EUR 295 million in 2022). Depreciation and amortisation amounted to EUR 210 million, down compared with 2022 (EUR 223 million) and reflect the full contribution of the new assets (EUR 27 million), more than offset by the extension of the useful life of wind power assets in Italy and abroad (EUR 27 million) as a result of the Lifetime Extension programmes and the end of the useful life of some wind farm and photovoltaic system components (EUR 13 million) also as a result of the start of Repowering and Revamping investments.

Adjusted net profit (loss) from continuing operations attributable to the owners of the parent amounted to EUR 255 million, a significant increase compared to 2022 (EUR 165 million) and reflects, in addition to the above, lower financial expense of EUR 15 million and lower taxes in comparison with 2022. It should be noted that the 2022 results included the effects of both the Surplus Profits Contribution (introduced by Italian Decree Law of 21 March 2022) in the amount of EUR 37 million, and the Extraordinary Contribution (introduced by the 2023 Budget Law) in the amount of EUR 19 million, both of which were recognised under income taxes.

Reported net profit (loss) attributable to the owners of the parent was EUR 205 million, including the net tax impact of special items, as well as the net capital loss (EUR 43 million) recognised in the sale of the CCGT plant. It should be noted that the reported net profit (loss) attributable to the owners of the parent for 2022 (EUR 423 million) included the net capital gain recognised on the sale of the Terni hydroelectric complex on 3 January 2022 (amounting to approximately EUR 324 million).

In 2023, **capital expenditure** totalled EUR 484 million (EUR 943 million in 2022) and mainly refers to the acquisition of solar systems (EUR 184 million) in Spain in June 2023, organic development and maintenance activities (EUR 305 million compared to EUR 307 million in 2022), related to construction activities in Italy for 47-MW Greenfield and Repowering activities on Italian wind farms for around 269 MW of new wind power capacity (of which 92 MW already completed), as well as construction completion on the wind farms that came into operation between the end of 2022 and early 2023 in the UK for approximately 179 MW and Sweden for 62 MW, and Revamping activities in solar. It should also be noted that construction is underway on three Greenfield farms in France for 59 MW.

Adjusted net financial indebtedness of "continuing operations" totalled **EUR -217 million**, up significantly (EUR -218 million) compared to 31 December 2022 (EUR 2 million). The change reflects the effect of the positive cash flow for the year (EUR 499 million[8]), which includes the proceeds from the financial settlement of certain hedging derivatives, as well as the effects of the sale of the thermoelectric business (EUR 93 million), finalised on 17 October 2023, only partially offset by the acquisitions of two photovoltaic systems in Spain (EUR 184 million), capital expenditure for the year (EUR 301 million) mainly related to the development of the Repowering and Revamping projects in Italy, dividends distributed to shareholders (EUR 54 million) and the payment of taxes (EUR 26 million).
It should also be noted that the indebtedness at the end of the year reflects the negative fair value of commodity futures of roughly EUR 1 million (EUR 153 million at 31 December 2022).
Adjusted net financial indebtedness is presented net of the effects deriving from the application of IFRS 16, therefore excluding the discounting of future lease payments of EUR 170 million at 31 December 2023.

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8 It includes the adjusted EBITDA, the change in working capital and net financial income (expense).

REFERENCE MARKET

PRICE SCENARIO

	Year	
	2023	**2022**
Base load price scenario (EUR/MWh)		
Italy		
Single National Price [1]	127	304
Feed-In Premium (FIP) (former Green Certificates) – Italy	0	43
TTF	41	121
CO_2	83	80
Abroad		
France	97	276
Germany	95	235
Poland	144	207
of which Electricity	112	167
of which Certificates of Origin	32	40
Bulgaria	104	253
Romania	133	295
of which Electricity	104	265
of which Green Certificate	29	29
Northern Ireland	122	226
Great Britain	108	241
Spain	87	168
Sweden SE4	65	152

(1) Single National Price: Italian electricity reference price

REGULATORY FRAMEWORK – INCENTIVES AND TARIFFS

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 gradient coefficient D 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 systems with innovative characteristics. Italian Law no. 129/2010 (so-called "salva 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 5 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 systems 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.

INCENTIVES AND TARIFFS ABROAD

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 so-called "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 can access auctions provided they have a capacity not exceeding 20 MW. For the year 2023, this limit is waived by the transitional provision (§ 100 EEG 2023), and even larger systems may participate in the 2023 auctions provided that they have a capacity not exceeding 100 MW. • 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 systems with a capacity of between 250 kW and 17 MW. • From 2018, auctions for photovoltaic systems with a capacity exceeding 500 kW for the assignment of a two-way CfD with 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 CO 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 – Net Zero Industry Act (NZIA)**
  In March 2023, the European Commission presented the NZIA aimed at supporting investments in manufacturing capacity in green technologies in Europe. For wind, it sets an annual domestic production capacity target of 36 GW. It is further proposed that national governments also adopt criteria other than price for the award of renewable auctions, such as environmental sustainability, energy system integration, and the resilience of supply chains.

- **European Commission – *Wind Power Action Plan, European Wind Charter***
  In October 2023, the European Commission published the Wind Power Action Plan, a programme of activities aimed at increasing the installation of wind farms in the European Union. The main actions include guidelines for establishing the standard rules for renewable energy auctions more quickly, verifying in which cases insufficient auction base prices have prevented the saturation of quotas.
  The plan also provides for the adoption of a specific EU Wind Charter, issued at the end of 2023 and also signed by ERG.

- **European Commission – regulatory acts of the "Fit for 55" package**
  In May 2023, several regulatory acts were published, envisaged by the "Fit for 55" package, to achieve the interim goal of reducing greenhouse gas emissions by 55% compared to 1990, established by the Climate Law of 2021.

  Notably, the new Renewable Energy Directive (EU) 2023/2413, known as RED III, was adopted last October 2023.
  The directive enters into force on 20 November 2023; Member States will have to transpose the directive into national law by 21 May 2025 (18 months after entry into force).
  Compared to the previous RED II, RED III further increases the target for the share of renewable energy in the Union's final energy consumption to 42.5% (RED II: 32%).
  The most far-reaching reform concerns the authorisation system. Within 27 months of entry into force (i.e. by mid-February 2026), Member States must identify "renewable energy fast-track areas" within which authorisation is expected within 12 months for new projects (plus 6 months in exceptional circumstances) and within 6 months for repowering (plus 3 months in exceptional circumstances). Within these areas, environmental impact assessments are not conducted for each individual project but on a zonal basis.
  The development of the network/infrastructure is included in the authorisation procedures.

  The other main measure of the package is Regulation 2023/956, which establishes a carbon border adjustment mechanism (CBAM).

- **European Commission – review of national energy and climate plans**
  In December 2023, the Commission assessed the proposals for the revision of the Integrated National Energy and Climate Plans (INECPs) sent by the Member States, accompanying them with a series of recommendations and assessments.
  Overall, the revised NECPs are not adequate to meet the targets on greenhouse gas emission reduction, renewable energy and energy efficiency and also hamper efforts to improve the Union's energy security.

Main EU measures related to the energy crisis and the increase in electricity and gas prices

- In October 2022, **Regulation (EU) no. 2022/1854** was published. Specifically, this envisages:
  - the establishment of a cap on market revenue from electricity generated 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 revenue" 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 revenue.

Member States may maintain or introduce, under specific conditions, additional revenue limitations aimed at coping with the energy crisis, i.e. not applying the limit for service/redispatch revenue and subjecting 90% of excess revenue to refund.
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 limit will apply from 1 December 2022 to 30 June 2023.
In the same month, the European Commission deemed it unnecessary to extend the Regulation.
It also highlighted how the infra-marginal cap varies considerably among the Member States, entailing considerable implementation complexities for operators. It also states that extending the caps would increase investor uncertainty and the risk of a slowdown in the ecological transition.

- In December 2022, **Regulation (EU) no. 2022/2577** was published, laying down a framework to accelerate the deployment of renewable energy.
  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.
  At the beginning of January 2024, the new **Regulation 2024/223** was adopted, **extending** the authorisation simplification and speeding-up measures for wind power repowering **until June 2025**.

ITALY

- **INECP – revision proposal sent to the European Commission**
  At the end of June 2023, MASE (Italian Ministry for the Environment and Energy Security) sent the European Commission the proposal to update the Integrated National Energy and Climate Plan. The process of updating the Plan will lead to the final approval of the new text by June 2024.
  The installed capacity targets by 2030 in the wind and photovoltaic sector were increased by approximately 28 GW (of which 2 GW offshore) and approximately 80 GW, respectively. The process of simplifying authorisation procedures also continues and the CfD auction instrument is confirmed as the main support mechanism for the development of renewable energy.

- **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.
  The main provisions, which have not yet been implemented, include the confirmation of CfD auctions for industrial-size renewable plants and the assignment to the regions to identify "Suitable Areas" for renewable plants, understood as areas with "high potential" for installation.
  The areas of plants subject to "non-substantial" repowering according to the 2021 Italian "Semplificazioni" Decree are already considered suitable – and therefore subject to authorisation simplification.

- **Italian "Sicurezza Energetica/Energia" Decree Law and subsequent conversion law**
  In December 2023, the decree-law known as the "Sicurezza Energatica" Decree or "Energia" Decree was issued, published in Official Journal no. 287 of 9 December 2023 and converted into law in February 2024.
  The provisions of greatest interest concern the raising of the thresholds for environmental impact assessment and screening for certain types of photovoltaic projects, as well as some changes in the authorisation regimes. It also removes any interpretative doubt on the mandatory but non-binding nature of the opinion of the Italian Ministry of Culture for the environmental impact assessments (EIA) of renewable projects on areas already identified as suitable.
  Photovoltaic systems in agricultural areas, even if not qualified as suitable, can from now on participate in future auctions for renewable energy.
  The single national price (PUN) is to be gradually phased out – preceded by a specific implementing ministerial decree – in favour of zonal prices for end customers maintaining a reference price equivalent to the PUN for a transitional period.
  A new incentive mechanism was also established through a "profile" auction, as an alternative to the Contracts for Differences (CfD) currently envisaged.
  Energy-intensive consumers who commit to installing systems for self-generation from renewable energy, can request an advance from the GSE for a portion of the renewable electricity and related guarantees of origin that they will produce, through the stipulation of two-way contracts for difference. In turn, the GSE will procure this energy by entering into contracts with producers from renewable sources.

- **"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.**
  In January 2022, Italian Decree Law no. 4/2022 "sostegni-ter", subsequently converted into law, was published. This introduced measures to contain the effects of price increases in the electricity sector.
  From 1 February 2022 to 30 June 2023, a two-way compensation mechanism on the price of energy shall be applied on electricity generated by certain renewable energy plants.
  This mechanism applies exclusively to photovoltaic generation incentivised up to the fourth Feed-in Premium, as well as to all non-incentivised generation of RES plants (solar, hydroelectric, geothermal and wind), provided that they entered into operation prior to 1 January 2010. These types of generation 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 Italian 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 "infra-group" the electricity injected into the grid, 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.

- **2024 Budget Law**
  The 2024 Budget Law provides for a number of changes to the tax treatment of certain considerations, in particular the taxation of income such as surface and easement rights, including those relating to renewable energy plants.

- **Italian "Ucraina-bis" or "Taglia prezzi" decree law and related conversion law – "Aiuti" decree-law as well as relevant conversion laws.**
  In May 2022, the law converting Italian Decree Law no. 21/2022 (known as "Ucraina-bis" or "Taglia Prezzi") was published. The law contains the 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 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 extra-taxation.
  The law also contains some **provisions in favour of the development of renewable energies**.
  With regard to the "suitable" areas, the Italian 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 Italian Ministry of Culture and (ii) do not fall within the "buffer zone" of such assets are considered temporarily eligible. The Italian Ministry of Culture participates in the work of the INECP-NRRP Commission but without voting rights.

- **Budget Law 2023 – implementation of Regulation (EU) no. 2022/1854 on the cap on revenue 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 to 30 June 2023, a "cap" is applied to market revenue obtained from the production of electricity fed into the grid by "infra-marginal" plants, therefore including wind plants and photovoltaic systems, not included in the scope of application of Art. 15-bis of the Italian "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 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 generation 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.

- **Further simplification measures for renewable plants.**
  In February 2023, Italian Decree Law no. 13/2023 known as "Semplificazioni 2023" was issued.
  For renewable energies, the need to submit the superintendent's prior verification of archaeological interest with the EIA application is removed.
  The buffer zone for protected assets for wind farms is increased to 3 kilometres and for photovoltaic systems to 500 metres.
  It is also specified that the opinion of the Italian Ministry of Culture is binding only for the authorisation of renewable projects located in areas subject to naturalistic-cultural protection.
  The procedures for the installation of photovoltaic systems in some types of areas are further simplified and other simplifications are introduced for the issue of the single authorisation together with the EIA measure.

- **Italian Law converting the "NRRP" Decree Law**
  In the law converting the "NRRP" Decree of April 2023, the procedures for the authorisation of certain photovoltaic projects and for agrovoltaic plants no more than 3 kilometres away from industrial areas are further simplified.
  For these types of plants in industrial areas with power up to 20 MW, the mere communication of free construction is envisaged.

- **Italian Laws converting the "Enti e PNRR" and "Asset" Decree Laws**
  In July 2023, the law converting Italian Decree Law no. 57/2023 was published. Among the provisions of the law, one notable provision allows for the adjustment to inflation of the base auction tariffs for renewable energy plants governed by the "FER 1" Italian Ministerial Decree.
  The auction values are updated on a monthly basis at the time of publication of the individual notices, by reference to the national consumer price index for the entire community, to take into account the average inflation accumulated between 1 August 2019 and the month of publication of the notice of the relevant procedure.
  With the subsequent law converting Italian Decree Law No. 104/2023, the GSE was granted the right to re-use the quotas not awarded in the previous calls for auctions, including for the "refurbishment" category.

- **ARERA – Resolution approving the forward procurement system for electricity storage capacity.**
  Resolution 247/2023 approved the criteria and conditions for the operation of the storage capacity supply system provided for by Italian Legislative Decree 210/2021.
  There will be periodic auctions defined by Terna for energy storage systems, which will then be made available to operators for the exchange of time-shifting products via a platform defined by the Gestore di Mercati Energetici (GME).
  In December 2023, the measure received a positive verification of compatibility with the guidelines on State aid by the European Commission.

- **ARERA – Resolution 345/2023 on the new Integrated Text on Electricity Dispatching.**
  At the end of July 2023, the Energy Authority launched the new Integrated Text on Electricity Dispatching (TIDE) which will take effect from 2025, with some

exceptions. The new Integrated Text constitutes the regulatory basis for new electricity dispatching compliant with European codes, designed with a view to an electricity system dominated by renewable energies.
The next steps necessary for the full application of the TIDE from 1 January 2025 are the implementation by Terna, the GME and the other parties involved, of all the adjustments to the codes and related texts..

FRANCE

- **Participation in auctions of renewable plants on agricultural land**
  In 2022, the CRE provided for the possibility, under conditions, of renewable plants installed on agricultural land that has been uncultivated for more than five years or used for livestock/grazing to participate in auctions.

- **2023 and 2024 Budget Laws – application of a cap on revenue from electricity.**
  At the end of December 2022, a "revenue cap" for infra-marginal technologies governed by Regulation (EU) 2022/1854 was published in the Budget Law.
  The revenue cap is set at 100 EUR/MWh for wind and photovoltaic technology; the return of revenue exceeding the revenue cap is applied to 90% of the total (intra-marginal contribution).
  The measure applies retroactively from 1 July 2022 to 31 December 2023, with three different payment periods for economic items (1 July 2022 – 30 November 2022; 1 December 2022 – 30 June 2023; 1 July 2023 – 31 December 2023).
  All revenue 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.
  The subsequent 2024 Budget Law provided for the extension to the end of 2024 of the infra-marginal cap, now at 105 EUR/MWh for wind and photovoltaic power. The mechanism will also be applied to 50% of the excess revenue (against the previous 90%).

- **Acceleration law for renewable plants.**
  In March 2023, law no. 2023-175 was published, establishing a plan to adjust administrative procedures to simplify and accelerate project implementation, with the goal of increasing solar power generation capacity tenfold to over 100 GW by 2050, while developing fifty offshore wind farms with a final capacity of 40 GW.
  Provisions are made for "renewable areas" and "exclusion areas",
  the reduction of administrative disputes, the installation of photovoltaic panels along motorways, main roads and car parks.
  The defining framework for agrovoltaic technology is also given.

- **Revision of the Integrated Energy and Climate Plan**
  At the end of November 2023, the French government sent its revised National Energy and Climate Plan (NECP) to the European Commission.
  The goal of carbon neutrality by 2050 is declared, with a 50% reduction in greenhouse gas emissions by 2030 compared to 1990 levels.
  "Decarbonised" energy targets envisage 58% in the energy mix by 2030 and 71% by 2035. For the photovoltaic sector, the target is to install 54-60 GW by 2030 and 75-100 GW by 2035. For onshore wind, 33-35 GW by 2030 and 40-45 GW by 2035.
  The target for offshore wind is reduced to 3.6 GW by 2030 (previously: 5.2-6.2 GW by 2028) and 18 GW by 2035.
  Flexibility capacity (demand-response, batteries, vehicle-to-grid and other systems) is also expected to increase to 25 GW in 2030 and 35 GW in 2035.
  For nuclear power plants, the target is now the installation of 9.9 GW of new capacity by 2026, while a study will confirm a second phase of at least 13 GW, to be defined by 2026.
  The remaining coal-fuelled plants are scheduled to be shut down by 2027, while oil-fuelled plants will be phased out by 2030.

GERMANY

- **EEG Reform 2023**
  In July 2022, the EEG Reform 2023 was published.
  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.
  A new amendment then 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 generation 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).
  The same prices were confirmed for 2024.

- **Implementation of Regulation (EU) no. 2022/1854 on the cap on revenue from electricity.**
  In implementation of Regulation (EU) no. 2022/1854, the German government also adopted a "cap" on unit revenue from the sale of electricity generated with infra-marginal technologies, therefore including renewables such as wind and photovoltaic.
  The cap is applied to renewable sources from 1 December 2022 to 30 June 2023. 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.
  On 9 June 2023, the Federal Government expressed its opinion, ending the mechanism on 30 June 2023.

- **Implementation of the Temporary Regulation on permitting procedures of the European Council no. 2022/2577**
  In March 2023, the Federal Government approved the provisions defined by the EU emergency regulation on the permitting of renewables (EU Regulation no. 2022/2577).
  For areas already subject to a strategic environmental assessment, an environmental impact assessment is no longer required, and the other provisions of the regulation remain directly applicable, including the environmental impact assessment for incremental capacity only for repowering operations.

- **Revision of the Integrated Energy and Climate Plan**
  In November 2023, the German government sent its revised National Energy and Climate Plan (NECP) to the European Commission.
  In terms of greenhouse gas emissions, the stated goal is to achieve carbon neutrality by 2045, while by 2030 Germany is targeting a reduction of at least 65% compared to 1990.
  As regards renewable energy targets, by 2030 it is expected to reach both 40% of total gross consumption and at least 80% of gross electricity consumption.
  Specific objectives are also defined for the reference technologies:
  - onshore wind: 115 GW by 2030 and 160 GW by 2040 (10 GW/year);
  - photovoltaic 215 GW by 2030 and 400 GW by 2040 (22 GW/year);
  - offshore wind: at least 30 GW by 2030, at least 40 GW by 2035 and at least 70 GW by 2045.

  On energy storage, the country aims to strengthen the industrial production of mobile and stationary energy storage systems, investing EUR 1.5 billion of IPCEI funds.
  With regard to the transition from coal power generation, the last power plant is scheduled to be closed by 2038, with the use of lignite from North Rhine-Westphalia to be phased out by 2030.

UK

- **GB: measures to mitigate the increase in the price of electricity and gas.**
  In October 2022, the British energy authority, introduced a cap of 40 GBP/MWh on Balancing Services Use of System charges, applied until 31 March 2023.
  From 1 April 2023 the tariff relating to grid balancing will be levied solely on demand and therefore this charge will no longer apply to producers.

- **Restriction on revenue from the sale of electricity (Electricity Generator Levy)**
  At the end of December 2022, some indications were published on the calculation of the Electricity Generator Levy (EGL), aimed at limiting revenue from the sale of electricity for producers from "infra-marginal" technologies such as wind and photovoltaic.
  The measure is applied from 1 January 2023 to 31 March 2028, 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 revenue 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, then annually indexed to inflation on an annual basis until 31 March 2028, 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. For the period from 1 April 2024 to 31 March 2025, it is therefore 77.94 GBP/MWh. The measure was included in the 2024 Budget Law. The measure also contains an exemption from the EGL for new projects for which the final investment decision was made on or after 22 November 2023.

- **Energy Act 2023**
  In October 2023, the Energy Act 2023 was passed, a new framework for a wide range of energy issues to support the UK on its Net Zero journey. The Great British Nuclear project is launched, with the creation of a public company to promote the government's ambition to reach 24 GW of installed capacity in Great Britain by 2050. The Offshore wind environmental package was also launched, which provides for actions to speed up the licensing of offshore wind projects.
  The Future System Operator, an integrated operator to manage electricity and gas grids in the energy transition period, is also established.

- **Connections action plan**
  Issued in November 2023, it is designed to speed up the connection of electricity generation plants in Great Britain to the transmission grid.
  The plan aims to resolve the current level of congestion in grid connection requests, which is around 500 GW.

SWEDEN

- **2023 Budget Law: electricity cost containment mechanisms resulting from EC Regulation no. 2022/1854.**
  In February 2023, the Swedish government adopted a limit of 1957 SEK/MWh (equivalent to approx. 180 EUR/MWh) for electricity revenue for all infra-marginal generation technologies. The period of application for energy producers runs from 1 March to 30 June 2023. The refund is applied to 90% of revenue exceeding the cap, considering an hourly calculation period; payments are made monthly.

SPAIN

- **2023-2030 NECP revision**
  At the end of June 2023, the Spanish Ministry of Ecological Transition published and put up for consultation the draft National Energy and Climate Plan (Plan Nacional de Energía y Clima 2023-2030).
  Significant increases in renewable energy and decarbonisation targets are expected until 2030.
  In particular, the total renewable capacity target rose to 160 GW: 62 GW for wind power (from 50 GW of the previous NECP) and 76 GW for solar photovoltaics. The storage capacity is increased to 22 GW (from 2.5 GW), while the useful life of the nuclear plants is reduced. Gas generation capacity remains stable at 26 GW and the closure of coal generation plants is scheduled for 2025.

- **Decree on Mechanisms to contain the cost of electricity**
  In May 2022, 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 measure provides for a national 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. The measure was then extended to the whole of 2023, with an increasing cap value up to 65 EUR/MWh in December 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.
  The main measures on the electricity and gas markets include the suspension of the 7% generation tax extended to 31 December 2023, then reintroduced as from 2024 according to a gradual mechanism. 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.
  At the end of 2022, the scope of application of the Social Bonus established by Law no. 24/2013 was expanded. The measure provides for an obligation for specific parties to finance the so-called Bono Social paid to vulnerable customers.

Previously aimed at retail companies, it is applied to all players in the electricity sector, including generation. The amount to be financed for 2023 is 1.465428 EUR/MWh.
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.
In December 2023, a special Royal Decree provided for the reintroduction as from 2024 of the 7% electricity generation tax according to a graduated mechanism for 2024.

POLAND

- **Law for the containment of electricity prices.**
  In November 2022, the Polish government adopted Law no. 2697 for the containment of electricity prices.
  The law introduces a temporary cap on the revenue of electricity producers, 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.
  The cap for plants that access the auction mechanism is equal to the price awarded in the auction (indexed to inflation). For plants that do not participate in the auction, the cap is equal to the reference price in the auction system in force at the calculation date.

- **"Distance act"**
  In March 2023, the law on the "distance act" was published to regulate investments in the wind sector.
  With the exception of areas adjacent to nature parks and reserves, the minimum distance between an onshore wind farm and residential areas stipulated by law is 700 metres, while in relation to the nearest residential or mixed building it is reduced to 500 metres, subject to local public consultation.
  If the authorised distance is less than 700 metres, residents have the right to purchase the energy produced without paying general system charges, the latter being borne by the wind farm operator.

- **Extension of RES auctions to 2027**
  Last January 2022, the European Commission approved the extension until 31 December 2027 of Poland's RES auction programme.
  In July 2022, the Polish Council of Ministers presented a draft regulation 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 photovoltaic power.

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 relating to measures to counter the escalation of gas and electricity prices. The 100% tax levied on net profit above 450 lei/MWh (already introduced from 1 November 2021 at a rate of 80%, then increased to 100% from 1 September 2022) is to be extended until 31 March 2025 for all plants except cogeneration plants.
  An obligation was also introduced 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.
  In a further provision issued in November 2022, the Government 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.
  Renewable plants are exempt from the regulation.

- **Auctions for the award of CfDs for renewable energies.**
  In August 2023, the Romanian Ministry of Energy formalised the adoption of two-way Contracts for Difference (CfDs) on a competitive basis to support the development of renewable energy in the electricity sector.
  The two-way contracts awarded will be at a fixed price for a period of up to 15 years, aimed at new onshore projects with installed capacity exceeding 5 MW. The scheme does not apply to the upgrading/renovation of existing plants.
  Two rounds of auctions are planned (the first in 2024 and the second in 2025), each with separate tenders for onshore technology (wind/PV) and with a total capacity of 5,000 MW. For the first auction, the commissioning of the plant must take place within 36 months from the date of signing the CfD.

BULGARIA

- **Amendment to the 2023 Budget Law – Implementation of Regulation (EU) no. 2022/1854 on the cap on revenue 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 revenue from the sale of electricity through "infra-marginal" technologies, therefore including wind power and photovoltaic. This limit was then extended to the whole of 2024

  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.

PERFORMANCE BY COUNTRY

ADJUSTED REVENUE

(EUR million)	Year 2023	2022	Δ
Italy	**374**	**365**	**9**
Abroad	**367**	**348**	**19**
France	*124*	*98*	*26*
Germany	*89*	*94*	*(5)*
UK & Nordics	*54*	*34*	*20*
Spain	*27*	*22*	*5*
East Europe	*73*	*100*	*(27)*
Total adjusted revenue	**741**	**713**	**28**

ADJUSTED EBITDA

(EUR million)	Year 2023	2022	Δ
Italy	**294**	**288**	**7**
Abroad	**248**	**239**	**9**
France	*78*	*55*	*23*
Germany	*65*	*70*	*(5)*
UK & Nordics	*37*	*24*	*13*
Spain	*20*	*18*	*2*
East Europe	*48*	*72*	*(24)*
Corporate ERG Power Generation	*(7)*	*(8)*	*1*
Adjusted EBITDA	**535**	**518**	**17**

ADJUSTED AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(EUR million)	Year 2023	2022	Δ
Italy	**(116)**	**(125)**	**9**
Abroad	**(94)**	**(98)**	**4**
France	*(39)*	*(46)*	*7*
Germany	*(19)*	*(28)*	*8*
UK & Nordics	*(13)*	*(4)*	*(8)*
Spain	*(5)*	*(4)*	*(1)*
East Europe	*(18)*	*(15)*	*(2)*
Corporate ERG Power Generation	*0*	*0*	*0*
Adjusted amortisation, depreciation and impairment losses	**(210)**	**(223)**	**13**

ADJUSTED OPERATING PROFIT (LOSS)

(EUR million)	Year 2023	2022	Δ
Italy	**178**	**162**	**16**
Abroad	**154**	**141**	**13**
France	*40*	*9*	*31*
Germany	*46*	*42*	*3*
UK & Nordics	*24*	*19*	*4*
Spain	*15*	*14*	*1*
East Europe	*30*	*57*	*(26)*
Corporate ERG Power Generation	*(7)*	*(8)*	*1*
Adjusted amortisation, depreciation and impairment losses	**325**	**295**	**30**

CAPITAL EXPENDITURE (EUR million)	Year 2023	2022	Δ
Italy	**219**	**653**	**(433)**
Abroad	**265**	**290**	**(25)**
France	*25*	*11*	*15*
Germany	*3*	*1*	*1*
UK & Nordics	*45*	*159*	*(114)*
Spain	*190*	*100*	*90*
East Europe	*2*	*20*	*(18)*
Corporate ERG Power Generation	*0*	*0*	*0*
Capital expenditure	**484**	**943**	**(458)**

(1) Includes capital expenditure 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 of each wind farm is influenced by the wind speed profile of the site on which the farm is located, by the sale price of electricity, which can vary in relation to the geographical areas where the plants are located, by the incentive systems for renewable energy sources and by the regulations of organised energy markets.

ERG operates in the power generation sector in Italy, with an installed capacity of 1,321 MW in wind power and 175 MW in solar power, an increase over the previous year of 56 MW attributable to the Repowering of the Partinico-Monreale wind farm (42 MW of which 26 MW increase) at the end of the second quarter of 2023 and the Camporeale wind farm (50 MW of which 30 MW increase) at the end of the third quarter of 2023.

OPERATING RESULTS	2023	2022	Δ
Installed capacity (MW) (1)	**1,496**	**1,440**	**56**
Wind	1,321	1,265	56
Solar	175	175	0
Output (GWh)	**2,784**	**2,312**	**472**
Wind	2,528	2,062	466
Solar	256	250	7
Load factor % (2)			
Wind	34%	28%	6%
Solar	17%	18%	-1%
Net unit revenue (EUR/MWh)	**131**	**154**	**(23)**
Wind	149	130	19
Solar	342	317	25

(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 **2023**, **electricity output** in Italy amounted to 2,784 GWh, of which 2,528 GWh from wind sources and 256 GWh from photovoltaic systems, up compared to the same period of 2022 (2,312 GWh, of which 2,062 GWh from wind and 250 GWh from solar), as a result of the scope effect (+231 GWh wind and +21 GWh solar) in a context of increased wind speeds.

OPERATING RESULTS

(EUR million)	2023	2022	Δ
Adjusted revenue	**374**	**365**	**9**
Wind	295	285	11
Solar	89	80	9
Adjusted EBITDA	**294**	**288**	**7**
Wind	215	218	(3)
Solar	79	70	9
Amortisation, depreciation and impairment losses	**(116)**	**(125)**	**9**
Wind	(70)	(80)	10
Solar	(46)	(45)	(1)
Adjusted EBIT	**178**	**162**	**16**
Wind	146	138	8
Solar	32	25	8
Capital expenditure in property, plant and equipment and intangible assets	**219**	**653**	**(433)**
Wind	201	522	(321)
Solar	18	131	(112)
EBITDA Margin % (1)	**79%**	**79%**	**0%**
Wind	73%	77%	(4)%
Solar	89%	87%	2%

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

Revenue recorded in **2023** (EUR 374 million) increased compared to 2022 (EUR 365 million) mainly as a result of the full contribution deriving from the acquisitions made in the third quarter of 2022 and the repowering plants that entered into operation in 2023 as well as the higher wind speeds observed in the last months of the year, partially offset by the lower market prices captured and the unit value of the GRIN incentive, which in 2023 was zero compared to 43 EUR/MWh in 2022.

In light of the above, the net unit revenue of wind power in Italy, considering the sale value of the energy, including the value of incentives (formerly green certificates) equal to zero in 2023 and hedging as well as other minor components, for ERG was 109 EUR/MWh (134 EUR/MWh in 2022) due to the lower prices captured compared to a 2022 characterised by strongly higher market prices. The net unit revenue of solar in Italy amounted to 342 EUR/MWh in 2023 (317 EUR/MWh in 2022) due to the hedges applied in line with the Group Risk Policy.

Adjusted EBITDA in Italy in **2023** amounted to EUR 294 million, up compared to 2022 (EUR 288 million), consistent with the comments on revenue.

Depreciation and amortisation for the year decreased compared to 2022, mainly due to the impact of the extension of the useful life of wind assets (EUR 13 million) as a result of the Lifetime Extension programmes, the end of the useful life of certain wind farm and photovoltaic components (EUR 13 million) also as a result of Repowering and Revamping projects, which resulted in the write-down of the related residual book value in previous years, partially offset by the full contribution from the acquisitions made in Italy during the second half of 2022 (EUR 15 million).

Capital expenditure

Capital expenditure in Italy in **2023 (EUR 219 million)** mainly refers to the Repowering activities on the Camporeale (50 MW) and Partinico-Monreale (42 MW) wind farms that came into operation in 2023, the start of repowering activities on the Mineo-Militello and Vizzini (101 MW) and Salemi-Castelvetrano (76 MW) wind farms, the continuation of construction activities at the greenfield plant in Roccapalumba (47 MW), as well as the usual maintenance activities aimed at further increasing the efficiency of the plants. In Solar, significant plant revamping activities continue, aimed at ensuring greater plant efficiency.

Relevant legislative and regulatory updates during the year

See also the "Relevant regulatory and institutional updates" chapter.

MASE – DECREE ON GUARANTEES OF ORIGIN

On 14 July 2023, MASE published Italian Ministerial Decree 224 on Guarantees of Origin (GO), in implementation of Italian Legislative Decree 199/2021 implementing RED II. The aforementioned Ministerial Decree updates the methods for issuing, transferring, recognising and cancelling renewable energy GOs from energy carriers:

- Renewable gases (including biomethane);
- Renewable hydrogen;
- Thermal and/or cooling energy.

The procedures already in place for GOs from renewable electricity generation remain unchanged.
The Ministerial Decree aims in particular to foster transparency in GO exchanges, avoiding duplication phenomena and/or possible cases of greenwashing, by promoting measures (such as a certification service of renewable energy consumption for consumers, and the possibility of issuing GOs, in the case of PPAs and on the producer's instructions, directly to the purchaser) that increase end-users' awareness in their electricity procurement choices.

GSE – new "controlli" regulation

In December 2023, the GSE published the new Regulation for controls on incentivised plants, in implementation of the specific provision of Italian Legislative Decree no. 28/2011, which governs the sanctions that can be imposed on RES operators.
Violations deemed "major" lead to the forfeiture of incentives, while "minor" violations result in a percentage reduction (10-50%) of incentives. The reduction is halved if the operator, prior to the verification/control, spontaneously reports the violations.

WIND

- **ARERA – Average annual value of electricity for incentive calculation**
  In January 2023, ARERA published resolution no. 27/2023 updating the average price for the sale of electricity, equal to 298.05 EUR/MWh, for the purpose of calculating the incentive in lieu of green certificates. This price brings the value of the FIP feed-in tariff to zero for 2023. In January 2024, ARERA published resolution 14/2024, updating it for the following year; the value is 125.96 EUR/MWh. The value of the incentive for 2024 resulting from the envisaged formula is 42.15 EUR/MWh.

- **Onshore wind power auctions – photovoltaic (Group A): ninth auction session pursuant to the 2019 RES Ministerial Decree**
  In May 2022, the GSE opened the ninth call for RES auctions pursuant to Italian Ministerial Decree of 4 July 2019, with a quota reserved for Group A auctions of approximately 1,905 MW not assigned in previous calls, and a base auction price of 66.5 EUR/MWh.
  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).

- **Italian Council of Ministers of March and July 2022 – EIA unlocked. RES plants and subsequent measures**
  In March 2022, 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. The case is currently pending before the Council of State and the hearing has been set for 13 July 2023.

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 (1,426 MW operational), mainly in France (522 MW), Germany (327 MW), Poland (142 MW), UK & Nordics (311 MW), Romania (70 MW), Bulgaria (54 MW).
In addition, ERG operates in France and Spain in the generation of electricity from solar sources with 344 MW of installed capacity, of which 79 MW in France and 266 MW in Spain, increased at the end of 2023 with the entry into operation of the Fregenal de la Sierra and Garnacha photovoltaic farms.

France

OPERATING RESULTS	2023	2022	Δ
Installed capacity (MW) [1]	**600**	**600**	**0**
Wind	521	521	0
Solar	79	79	0
Output (GWh)	**1,315**	**1,076**	**239**
Wind	1,219	982	237
Solar	96	94	1
Load Factor % [2]			
Wind	27%	22%	4%
Solar	14%	14%	0%
Net unit revenue (EUR/MWh)	**93**	**91**	**2**
Wind	93	91	2
Solar	96	96	(0)

(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 **2023, electricity output** in France amounted to 1,315 GWh, of which 1,219 GWh from wind and 96 GWh from photovoltaic systems, up compared to the same period of 2022 (+239 GWh) mainly due to the increased wind levels recorded, in addition to the scope effect (+23 GWh) resulting from the full contribution of the 20-MW wind farm developed internally in 2022.

OPERATING RESULTS (EUR million)	2023	2022	Δ
Adjusted revenue	**124**	**98**	**26**
Wind	115	89	26
Solar	9	9	0
Adjusted EBITDA	**78**	**55**	**23**
Wind	73	50	23
Solar	5	5	0
Amortisation, depreciation and impairment losses	**(39)**	**(46)**	**7**
Wind	(35)	(42)	7
Solar	(4)	(4)	(0)
Adjusted EBIT	**40**	**9**	**31**
Wind	39	8	30
Solar	1	1	0
Capital expenditure in property, plant and equipment and intangible assets	**25**	**9**	**16**
Wind	25	8	17
Solar	0	1	(1)
EBITDA Margin % [1]	**63%**	**56%**	**7%**
Wind	64%	51%	13%
Solar	59%	55%	4%

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

Revenue recorded in **2023** (EUR 124 million) was significantly higher than in the same period of 2022 (EUR 98 million), mainly due to higher production in wind power.
The net unit revenue from wind power in France of 93 EUR/MWh was slightly higher than in the same period of 2022 (91 EUR/MWh) primarily due to the inflation adjustment of fixed sales tariffs, while the net unit revenue of photovoltaic systems totalled 96 EUR/MWh, substantially in line with that recorded in 2022.

Adjusted EBITDA in France in **2023** amounted to EUR 78 million, up compared to 2022 (EUR 55 million), for the same reasons linked to revenue.
Depreciation and amortisation for the period (EUR 39 million) decreased compared to the same period of 2022 (EUR 46 million) due to the impact of the extension of the useful life of wind assets as a result of the Lifetime Extension programmes.

Capital expenditure

Capital expenditure **in 2023 in France (EUR 25 million)** refers to the development and construction activities for new wind farms (59 MW) expected to be commissioned between the end of 2024 and early 2025.

Relevant legislative and regulatory updates during the year

See also the "Relevant regulatory and institutional updates" chapter.

WIND

- **Guarantees of Origin decree**
  In November 2023, a new decree was published implementing the rules on Guarantees of Origin (GO) for electricity following the transposition of Directive (EU) 2018/2001 RED II.
  Specifically, it specifies the rules for GOs from self-consumption electricity, changes the conditions for auctioning GOs of plants benefiting from incentive/support schemes
  and introduces some changes in the auctioning of GOs from plants benefiting from support schemes (which remain at the disposal of the state).
  The possibility of issuing GOs is now also envisaged for plants generating electricity from any primary energy source (including nuclear, gas and coal) or through cogeneration.

- **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 scale 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.

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

- **New Cahiers des Charges for onshore wind power**
  The new Cahier des Charges for auctions starting from 4 December were published in November 2023.
  From that date, only a portion of the plant can be auctioned; partial or total enforcement of the Financial Guarantee is also envisaged in the event of waiver by projects winning the auction.
  Failure to comply with the auction eligibility requirements is sanctioned in a manner commensurate with the seriousness of the violation. Bids with a bid price above the ceiling or with a valuation of the overall carbon footprint of the project that exceeds the envisaged limit will also be excluded from the auction.

- **"Deplafonnement" 2016 FIP, 2017 FIP and CfD**
  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 (so-called "plafonnement"), 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).
  With the 2024 Budget Law, it was clarified that this removal takes place with retroactive effect from 1 January 2022 and, consequently, all subjected support schemes are transformed into 2-way CfDs.

- **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 still be reserved for new wind farms with a maximum number of 6 turbines with a nominal capacity not exceeding 3 MW each, provided, however, that (i) the maximum height is limited to 137 metres 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 2017 FIP 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 2017 FIP 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.
As a result of a further amendment issued in April 2023, the plants benefiting from the 2017 FIP consisting of a maximum of 6 wind turbines connected before 1 October 2022 are temporarily allowed to increase the power of the plant, until 31 December 2023.
The unit power of the turbines can exceed 3 MW, up to a total increase of 1 MW for the entire plant; the 2017 FIP tariff is therefore applied to the total resulting power. However, turbines already installed may not be replaced.

- **Publication of results of onshore wind farm auction May 2023**
  At the beginning of July 2023, the Ministry of Ecological Transition published the results of the auction held in May 2023 for onshore wind.
  The auction was over-subscribed, with 1,800 MW participating (120 projects) out of 925 MW available; 73 projects were awarded, for a total of 1,156 MW, applying the flexibility allowed by current regulations.
  The weighted average price awarded was 85.29 EUR/MWh, while the auction price was not disclosed.
  ERG participated and won with the two projects Parc Eolien De Saint Maurice La Clouere/Limousin (8.8 MW) and Parc Eolien De Porspoder/Bretagne (9 MW), with a tariff of 88 EUR/MWh (indexed for 20 years).

- **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	2023	2022	Δ
Installed capacity (MW) (1)	**327**	**327**	**-**
Output (GWh)	**629**	**556**	**73**
Load factor % (2)	**22%**	**19%**	**3%**
Net unit revenue (EUR/MWh)	**140**	**168**	**(28)**

(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 **2023, electricity output** in Germany amounted to 629 GWh, up compared to the same period of 2022 (556 GWh) due to the higher wind speeds during the period.

OPERATING RESULTS (EUR million)	2023	2022	Δ
Adjusted revenue	**89**	**94**	**(5)**
Adjusted EBITDA	**65**	**70**	**(5)**
Amortisation, depreciation and impairment losses	**(19)**	**(28)**	**8**
Adjusted EBIT	**46**	**42**	**3**
Capital expenditure in property, plant and equipment and intangible assets	**3**	**1**	**1**
EBITDA Margin % (1)	**73%**	**74%**	**-2%**

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

Revenue recorded in **2023** (EUR 89 million) were down slightly mainly due to the lower prices captured, partially offset by the higher wind speeds recorded in the period.
Net unit revenue from wind power in Germany, equal to 140 EUR/MWh, was down compared to 2022 (168 EUR/MWh), due to the effect of lower market prices recorded, mitigated by the application of the one-way incentive mechanism that operates as a floor and the hedging policies adopted.

Adjusted EBITDA in Germany for **2023** amounted to EUR 65 million, a significant decrease compared to 2022 (EUR 70 million), for the same reasons linked to revenue.

Depreciation and amortisation for the period decreased compared to 2022 (EUR 8 million) due to the impact of the extension of the useful life of wind assets as a result of the Lifetime Extension programmes.

UK e Nordics - Wind

OPERATING RESULTS	2023	2022	Δ
Installed capacity (MW) (1)	311	219	92
Output (GWh)	455	226	229
Load Factor % (2)	18%	33%	-15%
Net unit revenue (EUR/MWh)	111	150	(39)

(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 **2023, electricity output** in the UK and Sweden amounted to 455 GWh, a sharp increase compared to 2022 (226 GWh), and refers to the contribution from wind power plants developed internally and commissioned between the end of 2022 and the beginning of 2023 (241 MW). For a better understanding of the Load Factor trend, it should be noted that during the early months of 2023 all of the aforementioned new wind farms were in a commissioning or production ramp-up phase, in a period characterised by winds significantly lower than historical averages.

OPERATING RESULTS (EUR million)	2023	2022	Δ
Adjusted revenue	54	34	20
Adjusted EBITDA	37	24	13
Amortisation, depreciation and impairment losses	(13)	(4)	(8)
Adjusted EBIT	24	19	4
Capital expenditure in property, plant and equipment and intangible assets	45	159	(114)
EBITDA Margin % (1)	67%	70%	-2%

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

Revenue recorded in **2023** amounted to EUR 54 million (EUR 34 million in 2022), up sharply compared to the same period of 2022 due to the contribution from new assets, partly offset by the effect of sales prices in 2023 through PPAs at fixed prices, while it should be noted that the first half of 2022 had benefited from market prices that were significantly higher than the current ones. It should be noted that the farms in Scotland participate in the balancing services market whereby willingness to reduce plant output is remunerated.

Adjusted EBITDA in the UK & Nordics segment for **2023** amounted to EUR 37 million, up significantly compared to 2022 (EUR 24 million), for the same reasons linked to revenue.

Depreciation and amortisation for 2023 increased due to the contribution of the aforementioned wind farms in Scotland.

Capital expenditure

Capital expenditure in UK & Nordics in **2023 (EUR 45 million)** refers to the completion of assets that entered into operation between the end of 2022 and the beginning of 2023 and the construction of a new farm in Northern Ireland. .

Spain - Solar

OPERATING RESULTS	2023	2022	Δ
Installed capacity (MW) (1)	266	92	174
Output (GWh)	213	171	42
Load Factor % (2)	21%	21%	0%
Net unit revenue (EUR/MWh)	123	126	(3)

(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 **2023, electricity output** in Spain amounted to 213 GWh, up compared to the same period of 2022 (171 GWh) due to the contribution deriving from the new photovoltaic farms that came into operation in the second half of 2023 (+174 MW) and the better irradiation recorded in the year.

OPERATING RESULTS (EUR million)	2023	2022	Δ
Adjusted revenue	27	22	5
Adjusted EBITDA	20	18	2
Amortisation, depreciation and impairment losses	(5)	(4)	(1)
Adjusted EBIT	15	14	1
Capital expenditure in property, plant and equipment and intangible assets	190	100	90
EBITDA Margin % (1)	74%	84%	-10%

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

Revenue recorded **in 2023** amounted to EUR 27 million, up compared to 2022 (EUR 22 million) due to the contribution of the scope effect deriving from the entry into operation of the new facilities and increased output partially offset by lower market prices recorded, mitigated by the hedging policies implemented.

Adjusted EBITDA in Spain for **2023** amounted to EUR 20 million, up compared to 2022 (EUR 18 million), for the same reasons linked to revenue.

Capital expenditure

Capital expenditure in **2023 in Spain (EUR 190 million)** mainly refers to the acquisitions made in June 2023, relating to photovoltaic systems that became operational in the second half of 2023.

East Europe - Wind

OPERATING RESULTS	2023	2022	Δ
Installed capacity (MW) (1)	266	266	-
Output (GWh)	742	615	128
Load Factor % (2)	32%	31%	1%
Net unit revenue (EUR/MWh)	91	139	(48)

(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 **2023, electricity output** in East Europe amounted to 742 GWh, up from the same period of 2022 (615 GWh) due to the contribution of the wind farms that came into operation in Poland during 2022 (61 MW), and the increased wind speeds recorded.

OPERATING RESULTS

(EUR million)	2023	2022	Δ
Adjusted revenue	73	100	(27)
Adjusted EBITDA	48	72	(24)
Amortisation, depreciation and impairment losses	(18)	(15)	(2)
Adjusted EBIT	30	57	(26)
Capital expenditure in property, plant and equipment and intangible assets	2	20	(18)
EBITDA Margin % (1)	66%	72%	-6%

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

Revenue recorded **in 2023** was down significantly compared to 2022, mainly due to the reduction in energy prices, only partly offset by the higher output and scope effect deriving from the full contribution of the wind farms that entered into operation in Poland during 2022 (61 MW).
Average unit net revenue in East Europe amounted to 91 EUR/MWh, down sharply from 2022 (139 EUR/MWh net of clawback measures), due to lower market prices.

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

Adjusted EBITDA in East Europe for **2023** amounted to EUR 48 million, a significant decrease compared to 2022 (EUR 72 million), for the same reasons linked to revenue.

Depreciation and amortisation in 2023 increased slightly due to the contribution of the new wind farms that came into operation in Poland in the first few months of 2023 (61 MW).

Relevant legislative and regulatory updates during the year

See also the "Relevant regulatory and institutional updates" 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 programme.
  In July 2022, the Polish Council of Ministers presented a draft regulation 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 photovoltaic power.

- **Definition of 2023 auction prices**
  In November 2023, the new 2023 renewable energy auction prices were updated, increasing them by +10% compared to the 2022 values.

Romania

- **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 440.21 BGN/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.

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 and plant security.
As regards credit risk, there are no positions opened directly with Russian and Ukrainian counterparties.
In relation to plant safety, note the position of some of the Group's wind farms in East 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.

Geopolitical tensions had a strong bullish impact on the commodity markets and in particular gas during 2022, resulting in a sharp increase in electricity prices. These phenomena led to a sudden rise in inflation, as a result of which central banks intervened with restrictive monetary policies by repeatedly raising interest rates to their highest levels in 15 years. In addition, following the increase in energy costs, governments have implemented regulatory and tax measures on the sector through "Clawback measures" aimed at limiting the impacts of these increases for end consumers.
It should be noted, however, that from the end of 2022 there was a reversal of the trend with a reduction in gas prices that continued during 2023 and which, also as a result of a reduction in demand, brought prices down to values close to those before the Ukrainian crisis. This reduction also led to a significant drop in energy prices and a reduction in inflation, which, however, has not yet been followed by an easing of restrictive monetary policies and significant reductions in interest rates.

Finally, it should be noted that the inflationary pressures experienced in 2022 and 2023 led to a significant increase in costs for capital expenditure in renewable plants.

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 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.

Evolution of the regulatory framework

Changes in operating rules, as well as the requirements and obligations that characterise the markets and countries in which ERG operates, may adversely affect the Group's results and/or operating performance and have a significant economic impact on the asset value. This category includes, for example, the possibility that measures (market change and/or windfall taxes) may be adopted in the countries where ERG operates in order to reduce the price perceived by renewable energy sources and consequently lower the supply costs for the system (interventions involving refunds of the price perceived 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 where it operates, in order to prevent and/or mitigate the effects on the different business areas, through safeguards spanning multiple levels, which entail, at the local, national, and European level, collaborative dialogue with institutions and with the bodies governing and regulating the sector through active participation in business associations and in working groups established in the same bodies, as well as the examination of regulatory changes and industry autho-

rity measures, and the preparation of specific position papers to communicate its position in this regard.
To this end, the ERG Group has established specific Organisational Units dealt with the continuous monitoring of developments in key national and international regulations, that track the evolution of the regulatory framework in the countries in which the Group operates.
Among the main matters subject to regulatory developments, the following are highlighted in particular:

- the reform of the Electricity Market both at European level and in the various countries in which the Group operates;
- the reform of the incentive systems for Renewable Energy Sources in the countries in which the Group operates (e.g. transition from FIT to FIP; changes in the auction systems; European Directives; Guidelines on State aid for the environment and energy);
- energy savings certification within the White Certificates mechanism by Gestore dei Servizi Energetici (GSE);
- the implementation of the European Green Deal and the other packages adopted at EU level for the decarbonisation and security of energy supply, as well as the related national implementation plans;
- the rules for obtaining and maintaining the authorisations and permissions for the construction and operation of Renewable energy plants, as well as the incentives associated with them

Climate Change

Climate change risk is the possibility that climate changes in the short, medium and long term may have impacts on ERG's business with economic/financial consequences in terms of (some examples): decreased availability of renewable resources (wind and sun); limitations or impediments to operations; increased O&M costs; increased insurance costs; higher compliance expenses; etc.
To combat the climate change already underway, the Intergovernmental Panel on Climate Change (IPCC) has highlighted in its publications the effects that global warming may have and in part is already having on the planet (among others – intensification of heat waves and of extreme weather events, rising sea levels, thinning Arctic sea ice and continental glaciers) and the importance of keeping the rise of average temperatures under 2°C.The path to reach this goal requires timely interventions in all sectors of the economy and industry on a global scale and the Energy sector is one of the key factors to assure the planet's sustainability.
In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published a series of recommendations on the reporting on risks and the related opportunities, also issued by the European Commission in the publication of June 2019. The TCFD guidelines require providing disclosure with respect to four broad topic areas: Governance; Strategy; Risk Management; Metrics & Targets.

In consideration of the above, the Group expressed observations regarding the main risks associated with climate change as well as the related possible impacts on the various corporate business areas. Moreover, in 2023, the Group conducted an internal study to quantitatively assess how climate change can affect the annual output of assets, in particular wind power. The analysis shows that in general the risks of a decrease in average wind speed, with particular reference to a medium-term horizon (10-15 years) are relatively low. Based on historical/statistical analyses of the percentage change in wind speed, low fluctuations in energy production can be expected, which can have both a positive (increasing output) and negative (reducing output) impact. However, fluctuations of this magnitude in the wind resource are already factored into the time series underlying the output estimates reflected

in the Business Plan. With reference to solar assets, the change in irradiation for the group's solar plants during 2024 will be analysed in depth.

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 economic-financial consequences 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.
- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural events that could cause damage to generation 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 renewable sources, 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 and profitability of a new investment initiative.

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 revenue 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 generation 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 balance. 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;

- The use of Power Purchase Agreements (PPAs) or multi-year contracts through which the supply of electricity between two parties is regulated: the seller, represented by the owner of plants for the production of energy from renewable sources, and the buyer, generally an energy wholesaler or production company; these contracts can be virtual contracts (VPPAs), i.e. financial contracts through which payment is exchanged on the delivery dates on the basis of the price defined in the contract for a variable price, without the physical transfer of the underlying electricity.
- 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;
- Guaranteeing 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/Letters of Patronage) to ensure that the risk profile is aligned with the Group's requirements;
- 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., cash 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 and Fitch);
- An authorisation process (involving the Risk Committee) for uses of cash over 12 months or at banks with a rating below Investment Grade.

Interest Rate Risk

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

The ERG Group mitigates this risk by:

- seeking and finding financial resources at the best conditions offered by the market, in compliance with

the restrictions set by the Risk Committee, including through the use of the bond market which makes it possible to contain the risk through the issue of fixed-rate bonds with medium/long-term maturities;

- regularly monitoring the level of exposure to risk and compliance with the restrictions set by the Risk Committee;
- using derivative instruments (e.g. IRS, Interest Rate Swaps), authorised exclusively in view of the existence of an underlying asset;

pursuing the following objectives:

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

Currency Risk

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

- Profits, as a result of (i) the different percentage of costs and revenue expressed in a foreign currency with respect to when the price conditions were defined (economic risk); (ii) the translation of trade receivables or payables or financial assets or liabilities denominated in a foreign currency (transaction risk);
- On the consolidated financial statements (profit and equity) by effect of the conversion of assets and liabilities of companies that prepare their financial statements in another currency (translation risk).

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

- The acceptance of exchange rate risk, without prejudice to the possible mitigation actions referred to in the following points, in consideration of the reduced exposure that the ERG Group has at the date of approval of this policy. For the purposes of this policy, a level of exposure understood as EBITDA@Risk, calculated at the 95th percentile, higher than 5% of the Group's EBITDA, is considered a warning signal to be submitted to the Risk Committee.
- The review or confirmation at least once a year of the adequacy of the aforementioned exchange rate risk acceptance strategy in light of developments in Wind/Solar technology and/or changes in the macroeconomic scenario.
- The definition of processes and responsibilities for the regular monitoring of the EBITDA@Risk of Foreign Operations in currencies other than the functional currency for the ERG Group, taken individually and in aggregate.
- Where possible, the pursuit of a balance between assets and liabilities expressed in foreign currencies, thereby minimising net exposure, and financing capital expenditures at M/L term in the local currency, the profitability and cash flows of which are mainly expressed in said currency.
- The definition of processes and responsibilities for the approval of any measures to mitigate the level of risk if the periodic monitoring, the annual risk budget or the approval of a strategic investment suggest their implementation. As for monitoring, any mitigation actions must be assessed on the basis of their impact in a consolidated view of the Group and not of the individual subsidiary, subject to exceptions related to specific situations (e.g. financial covenants to be met, loans in foreign currency during the construction phase, commitments under loan agreements) and approved by the Chief Executive Officer;

- The use of financial instruments for risk hedging, authorised by the Chief Executive Officer after consulting the Risk Committee, exclusively in the event of the existence of an underlying asset and if they come under the following:
  - Spot transactions;
  - Currency swaps;
  - Outright forwards;
  - NDF (non-deliverable forwards);
  - Currency futures;
  - Currency options.
- The repatriation, as soon as possible, of the net cash generated in foreign currency by Foreign Operations, within the limits of the liquidity necessary to support their operations, in compliance with the contractual restrictions of project financing and consistently with the expiration dates of any hedging derivatives that may have been approved.

Disputes

This risk refers to the possibility that one of the companies of the ERG Group (or its employees) may be involved in civil and/or administrative and/or tax proceedings and/or in legal actions deriving from potential violations of laws or regulations, from contractual or extra-contractual liability or from other controversies (e.g., labour disputes), which could result in damages or sanctions, or damage the Group's reputation. The risk refers also to the possibility that a Group company may impugn an act or a measure harming its own interests, promulgated by institutions or administrative bodies or by independent authorities.

The ERG Group implements a risk mitigation strategy which involves:

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

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

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

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

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

OPERATIONAL RISKS

Health, Safety and Environment (HSE) Risk

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

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

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

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

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

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

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

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

Information & Communication Technology risks

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

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

To mitigate the potential risks of interruption of business activities on ICT processes regarded as strategic, the Group has a Disaster Recovery system in place which ensures continuity of services and data through an alternate Data Centre, the efficiency of which is subject to regular checks.
In view of the significance of the activities carried out on a daily basis within the electrical market, particular attention is paid to monitoring systems that interface with the market. These systems are subject to specific management and maintenance procedures designed to protect their stability.
There is also an agreement with the CERT (Computer Emergency Response Team), which supports ERG in preventing attacks, and there are insurance policies on Cyber risks.
It is also worth noting that the adoption of remote working has been supported by the investments made by the Group in recent years as part of the ONE ICT plan for the modernisation and digitalisation of processes: innovative mobile solutions, hybrid cloud platforms, high-capacity remote collaboration and videoconferencing systems, modern and mobility-oriented personal technological equipment, with a focus on utmost attention to security. As regards this latter aspect, the Group has had in place for some years now specific solutions, processes and resources for the management of system security and company data, using a risk-based approach and with the aim of guaranteeing business continuity and maximum resilience in the face of both incidents and cyber-attacks. Finally, it should be noted that the certification process according to the ISO 27001 and ISO 27019 standards is underway.

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 revenue 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, 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 (FAs) signed. In particular, the Vestas FA provides for a "steel" clause with fixed prices for 15 months from September 2020 and, for all WTG ex-works deliveries from January 2022, indexing to the price of steel limited only to the weight of the tower (excluding nacelles, rotor/hub, drive train, other components).

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

COMPLIANCE RISKS

Risk of violation of Anti-Corruption Regulations

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

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

- A system of behavioural rules adopted by group companies (Code of Ethics, 231 Model and Anti-corruption Policy) has been defined, which all employees are required to comply with 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 (e.g. 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 continued to pursue the objective of "zero accidents at work", implementing preventive and protective measures with the aim of minimising the frequency and severity of accidents.
The efforts made in 2023 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. A total of six accidents occurred of which: five in Italy, four to internal staff and one to staff of an external company, and one to an employee in France.
The SARS-CoV-2 pandemic conditions have now come to an end, and on 5 May 2023, the World Health Organisation officially declared the end of the health emergency. Given the current regulatory framework, Sars-Cov-2 infection can be assimilated to other potential viral infections. Therefore, all the company documents issued at the time to manage the emergency, including infection prevention protocols, have ceased to apply, although they remain ready in the event of changes leading to a return to an emergency condition.
Among the multi-year prevention initiatives that the Group promotes, the "Leadership in Safety" project continued throughout 2023. This project is aimed at encouraging the adoption of behavioural leadership models in relation to Safety matters by senior positions for Occupational Safety, starting from top management down to local supervisors who directly manage workers' operational activities. In 2023, the focus was on the effects of "cultural diversity" in relation to Occupational Safety management.

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.

HSE&Q Management Systems and Certifications

As is now established practice, the ERG Group has adopted as tools for continuous improvement, management systems for occupational health and safety, environmental protection and quality, consistent with international standards. Specifically:

- ERG S.p.A. has adopted an occupational health and safety management system certified according to the ISO 45001 standard. During 2023, as required by the standard, the supervisory audit of its occupational health and safety management system was carried out with a positive outcome.

- ERG Power Generation S.p.A., including all subsidiaries in Italy, has adopted an integrated HSEQ management system in accordance with ISO 45001, ISO 14001 and ISO 9001, respectively. In 2023, it underwent a supervisory audit of its integrated Health and Safety, Environment and Quality system with a positive outcome.
- ERG France Sarl and ERG Developpement France Sas, including all subsidiaries in France, have adopted an integrated HSEQ management system in accordance with ISO 45001, ISO 14001 and ISO 9001, respectively. In 2023, they underwent a supervisory audit of their integrated Health and Safety, Environment and Quality system with a positive outcome.
- ERG Germany GmbH, including all subsidiaries in Germany, has adopted an integrated HSE management system in accordance with ISO 45001 and ISO 14001, respectively. In 2023, it underwent a supervisory audit of its integrated Health and Safety and Environment system with a positive outcome.
- ERG UK Holding LTD, including all subsidiaries in the UK, has adopted an integrated HSE management system in accordance with ISO 45001 and ISO 14001, respectively. In 2023, it underwent a supervisory audit of its integrated Health and Safety and Environment system with a positive outcome.

GOVERNANCE

ERG carries out its activity in compliance with the highest Corporate Governance standards, constantly applying the principles of integrity, impartiality and transparency.
With the objective of assuring these principles at all times in company life, the Group implemented a Governance System and an Internal Audit and Risk Management System that not only complies with current legal and regulatory provisions, but is also aligned with domestic and international best practices and, in particular, with the recommendations of the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. (the "Code").
The elements that constitute Corporate Governance are the **statutory bodies**, the **board committees** and the **corporate governance** documents that regulate their operation[9].

The **Board of Directors**, appointed by the Shareholders' Meeting of 26 April 2021, comprises 12 members – 6 of whom are independent[10] (one elected by the non-controlling investors) – in compliance with the gender balance criterion[11]; the mandate of the Board of Directors will expire on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023.
On 26 April 2023, the Shareholders' Meeting, pursuant to Article 15, paragraph 6, of the Articles of Association, confirmed Renato Pizzolla as Director, on the basis of the proposal formulated, pursuant to Article 126-bis of the TUF, by the shareholder SQ Renewables S.p.A. Director Renato Pizzolla's term of office will expire together with the other members of the Board of Directors and therefore on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023. The Board of Directors, which met at the end of the Shareholders' Meeting, confirmed the Director Renato Pizzolla as member of the Strategic Committee.

In compliance with the provisions of the Code, the **Nominations and Remuneration Committee** is composed of three independent directors, all belonging to the less represented gender on the Board of Directors, and has the task, among other things, of formulating proposals to the Board itself for the remuneration of Directors with delegated powers or serving in particular offices and formulating opinions to the Chief Executive Officer for the definition of remuneration policies and incentive plans for key managers and the top management of the Group.

ERG has adopted a **Remuneration Policy** for the members of the Board of Directors and key managers in line with the provisions of the Code, aimed at encouraging the pursuit of sustainable success through the creation of long-term value for the benefit of shareholders, taking into account the interests of other relevant stakeholders[12].

The **Control, Risk and Sustainability Committee** comprises, in accordance with the Code, three independent directors, all of the less represented gender in the Board of Directors, and its task is to support the assessments and the decisions of the Board of Directors relating, inter alia, to the internal control and risk management system and to the approval of the periodic financial reports, of the consolidated non-financial statement and of the ESG Plan.

ERG deems correct **risk management and mitigation** within the Group to be of fundamental importance and it has therefore defined a policy directed at specifying the rules and attributing the related responsibilities.
With particular reference to financial and market risks, the Group strengthened the **Risk Committee** some time ago; this is an internal committee comprising the Chief Executive Officer and Top Management, tasked with supporting

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9 For detailed information, please refer to the section "Report on corporate governance and ownership" and to the "Consolidated non-financial statement" relating to 2023 available on the Company's website (www.erg.eu).
10 Both with reference to the provisions of Art. 148, third paragraph, of the TUF, and the provisions of Art. 2, recommendation 7, of the Code. At its meeting on 12 October 2023, the Board of Directors confirmed its positive assessment of the independence of the aforementioned Directors, also taking into account, pursuant to the provisions of Article 2, Recommendation 7, second paragraph, of the Corporate Governance Code, the "quantitative" and "qualitative" criteria defined in the Regulations for the operations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee.
11 Pursuant to Art. 147-ter, paragraph 1-ter, of the TUF, as amended by Italian Law no. 160 of 27 December 2019, at least two fifths of the Directors elected were reserved to the less represented gender.
12 For more detailed information, please refer to the Report on the remuneration policy and the fees paid.

the Chief Executive Officer in the definition of strategies and policies for the management of financial and market risks and in the process of (i) authorisation of said risks management operations, (ii) monitoring the implementation of major operations and (iii) checking their relative effects; for this purpose, the Company has formalised a multi-year hedging policy, identifying minimum and maximum limits to the hedges that are periodically monitored in terms of execution and performance.

ERG has established a very rigid **system for controlling and assessing investments** (both in terms of M&A and organic growth), in order to respect the set profitability parameters. In this context, the following perform a central role :

- the **Investment Committee**, an internal committee comprising the Chief Executive Officer and the Top Management, tasked with providing support in the assessment of investment proposals by the Group and expressing a technical and economic-financial opinion for the Strategic Committee on each investment proposal;
- the **Strategic Committee**, a committee within the board, comprising the executive Deputy Chairman – Chair of the Committee – the non-executive Deputy Chairman, the Chief Executive Officer, three Directors (one independent[13] and two non-executive) with the task, inter alia, of providing support to the Chief Executive Officer and the Executive Deputy Chairman for the definition of definition of strategic business and portfolio guidelines, as well as the half-yearly review of threshold rates, and guidelines and policies on strategic finance and for individual extraordinary financial transactions. Moreover, pursuant to the provisions of Art. 1, lett. a) of the Code, the Committee also examines the long-term strategic plans and capital expenditure budgets of the Group, and the strategic benefits of significant investments and transactions effected at Group level, as well as the consistency of economic and financial returns with respect to the threshold rates, and comments on the need to involve the Board of Directors, in accordance with the provisions of Group Investment Guidelines.

13 Both with reference to the provisions of Art. 148, third paragraph, of the TUF, and the provisions of Art. 2, recommendation 7, of the Code.

HUMAN CAPITAL

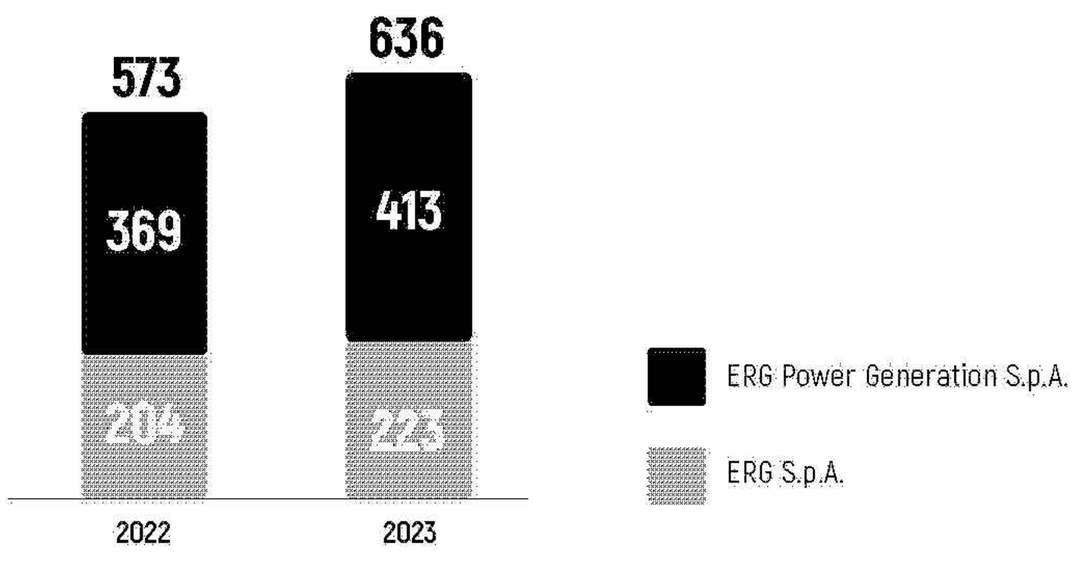
In line with the objectives of our Business Plan, again in 2023 ERG's commitment was strongly oriented in three directions:

- the strengthening of the organisational structure through the addition of resources, particularly abroad and in the areas dealing with business development process;
- the continuous improvement and adaptation of the organisational model;
- the optimisation of the Human Capital development model.

ORGANISATION & PROCESSES

With regard to the Group structure, please refer to the information provided previously in the "Organisational Model" section.
In terms of Group headcount, at 31 December 2023 ERG had 636 employees (+63 compared to 31 December 2022), divided as follows:

- ERG S.p.A.: 223 people, up compared to 204 in 2022;
- ERG Power Generation S.p.A. and its subsidiaries: 413 employees, an increase of 44 compared to 2022 and significant ongoing reskilling, hiring of young talent and qualitative remix efforts.



The increase in the workforce was the result of the Group's desire to strengthen its organisational structure, to ensure the achievement of the important business objectives in the business plan, with particular reference to:

- the strengthening of the areas of expertise necessary for industrial development, particularly with regard to Business Development and Mergers & Acquisitions and Engineering Development;
- the continuation of the in-sourcing plan in terms of Operations & Maintenance of the Wind generation technology and the structuring of countries outside of Italy, also in relation to the staff areas;
- the acquisition of skills for the management of the new Solar technology, included in the Group's generating pool starting from early 2018 and characterised by specific technical and managerial features that need to be adequately handled, with an industrial approach, with adequate resources in terms of the quantity and quality of skills.

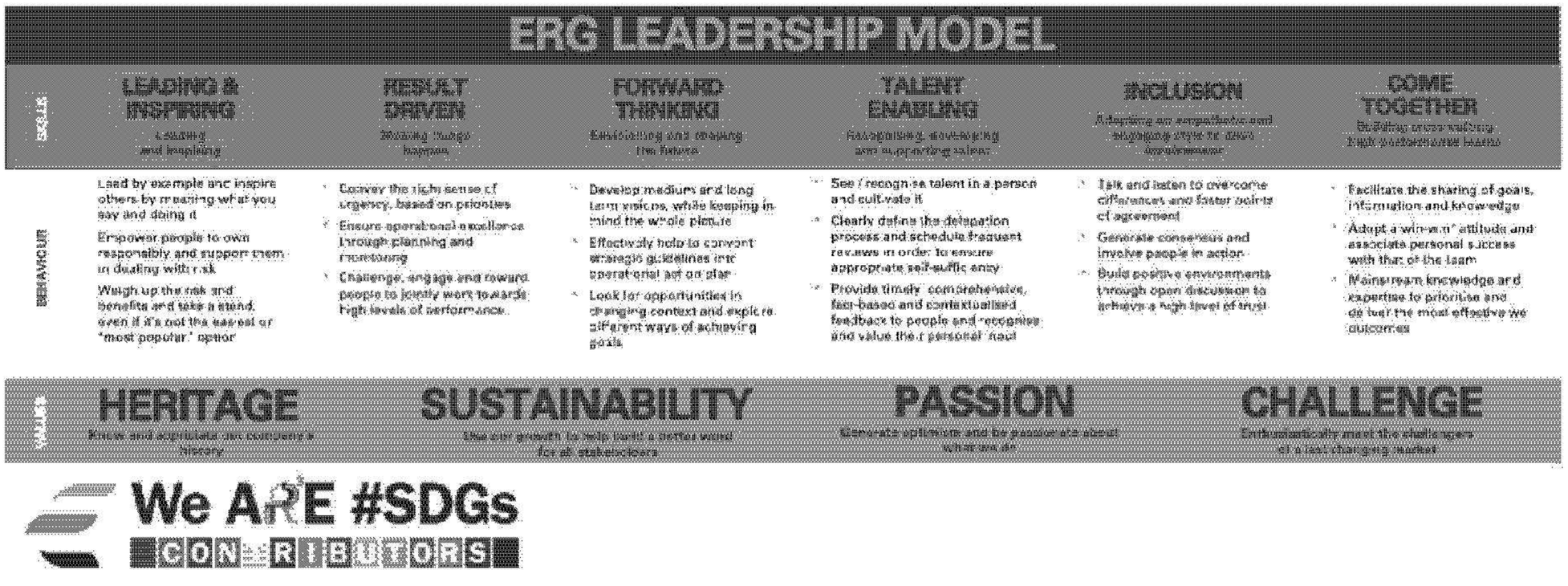
The average age of the Group's personnel is approximately 41.7 years, down compared with the 2022 figure (41.9 years), and the level of education shows a percentage of high school and university graduates of approximately 96.9% with respect to the entire population, up 0.4% on the 2022 figure.

HUMAN CAPITAL MANAGEMENT AND DEVELOPMENT

The management and development of human capital are guided by two pillars that support the achievement of company results, both of which are indispensable for maintaining a high level of competitiveness and for sustaining a corporate culture geared towards transparently communicating values and strategy to the entire organisation by placing the person at the heart of the Company:

- Organisational Development: organisational model, processes, roles and responsibilities aimed at the management and growth of our Group;
- Talent Management: recruitment and selection, leadership development, performance, potential assessment, talent management, succession planning aimed at enhancing people's value.

Our Leadership Model allows us to relate with people on "how" to achieve results through values, skills and behaviours that also drive career development within the Group.



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Furthermore, the combination of human and organisational capital makes it possible to interpret and anticipate market needs by planning actions and defining strategies to manage change.

The processes that drive the development of human capital implement the Leadership Model as individual and collective operational plans and can be managed through a portal that everyone can access from the day they are hired. In line with this approach, we suggest a "holistic vision" of individuals. People Managers are encouraged, through the various Talent Management processes, to observe and interact with their staff, considering their performance, skills, development potential, and motivation. We also suggest that all Group people follow the same model for self-examination. In fact, we promote self-responsibility and commitment to managing one's own personal and professional development. Talent is the key to achieving extraordinary results naturally and passionately; this is why we offer paths to recognise it, use it and develop it to grow together with the Group. We regard talent as a founding element of diversity and enhance it precisely because it is an individual characteristic.

In order to ensure the continuous adaptation of skills and knowledge assets to changing business conditions, it is essential to adopt a training strategy adapted to the challenges dictated by ever-increasing competition and a complex and changing scenario. In October 2023, ERG launched ERG Academy, the training ecosystem that will further enable ERG people to work on their skills by sharing knowledge and tailoring activities to their learning style. For this reason, ERG has equipped itself with a new Learning Management System, which is perfectly integrated within the new portal and allows the management of Human Capital development processes. Over 29,000 hours of training were carried out in 2023, involving 99% of the workforce. A third of the hours were dedicated to the Safety Training Programme, focusing mainly on Leadership in Safety. A quarter of the sessions were dedicated to technical-specialist improvement initiatives, notably courses designed for Wind Technology maintenance technicians. Finally, a quarter of the hours were dedicated to management training which, alongside the usual courses related to the Leadership Model and ERG's culture, included days on Human Rights and Inclusion. Language training accounted for around 15% of the hours provided, compliance and on-the-job training for around 2%.

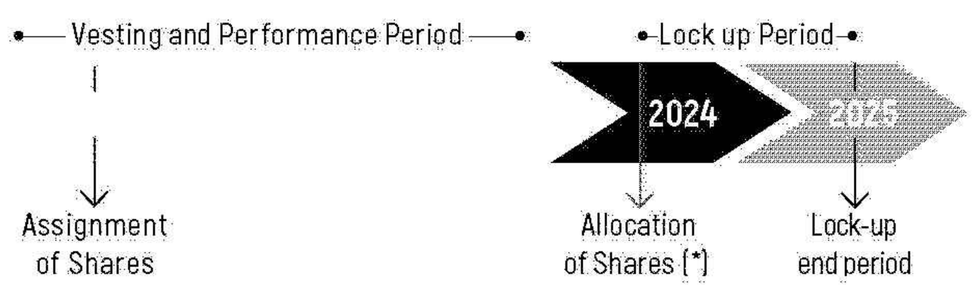
GENERATE RESULTS AND SHARE SUCCESS

Our remuneration policy pursues the principle of promoting sustainable value, generating results and sharing success. The fundamental principle that the ERG Group pursues is to guarantee equal opportunities of economic recognition to all its people, each according to their respective characteristics and professional skills, by applying strict policies and procedures aimed at preventing any discriminatory behaviour. Over time, the remuneration structure aims to appropriately remunerate the skills, experience and contribution required for the various roles, thus taking into account the challenges assigned and the results achieved.

Sustainability is an integral part of business activities, with the definition of medium- to long-term strategies and sustainability targets being fundamental elements of incentive system objectives. Each incentive system envisages a Group sustainability objective, which is shared among all participants in the system. This objective consists of four sub-objectives aligned with the Pillars of the ESG Plan: Planet, Engagement, People, Governance.

The Group's sustainability target in the short-term system is worth 20% of the total relative variable remuneration for the CEO and 10% for the other participants. 47% of beneficiaries work on at least 1 additional personal sustainability objective, which on average represents 17% of the short-term variable remuneration target. The number of objectives linked to sustainability issues is 39% of the total number of objectives.

The short-term incentive is dedicated to the Chief Executive Officer, the Group Managers and a selected population of Professionals. The system is based on a Management By Objectives (MBO) approach in which the balance chosen between Group Economic objectives (50% CEO, 30% other beneficiaries), Group Sustainability objectives (20% CEO, 10% other beneficiaries) and individuals (30% CEO, 60% other beneficiaries), is in line with the best practices of leading companies in terms of managerial incentives and was designed to further support the development of leadership and individual initiative with a view to sustainable success.



The Medium/Long-Term Incentive System is defined in line with the objectives of the 2021-2025 Business Plan and its time horizon is aligned with the duration of the three-year mandate of the new Board of Directors appointed by the shareholders' meeting of 26 April 2021.

The 2021-2023 Performance Share Plan is intended for the Chief Executive Officer, the Executive Deputy Chairman, the Directors and a small population of Senior Managers defined on the basis of the levers that can be used to achieve the 2021-2025 business plan.
The System provides for the allocation of a predefined number of Shares, free of charge ("Performance Shares"), at the end of a three-year vesting period, subject to the attainment of a predetermined minimum financial performance (Performance Condition). The Performance Condition is equal to 90% of the expected value of the Group's cumulative EBITDA for the financial years 2021, 2022 and 2023.
The system also envisages that if, in addition to the Target EBITDA, the Outstanding Listing is also reached, the number of shares awarded increases according to the level of value creation for shareholders and up to a predetermined maximum.
The number of shares so determined will be increased or decreased by ±10% depending on the level of achievement of the Sustainability Objective consisting of specific indicators defined in line with the 2021-2025 ESG Plan.
At the end of the vesting period, 25% of the shares allocated will be subject to a lock-up period, equal to eight months, during which these shares are subject to a restriction of non-transferability.

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

2023 INDUSTRIAL RELATIONS

During 2023, the relationship with the trade unions was characterised by dialogue, collaboration and transparency, consolidating a working method that has proved effective and efficient over time. These factors have played a fundamental role in reaching significant agreements at both national and local level, bringing tangible improvements to the quality of work and ensuring the company's long-term competitiveness in the face of the complex challenges of the national context.

Particularly significant was the renewal in June 2023 of the regulatory and economic part of the Supplementary Agreement on the Performance Bonus for the three-year period 2023-2025. With this update, the essential role of variable remuneration in involving employees in the company's operating mechanisms and in promoting work efficiency was reaffirmed. The new wording provides for the activation of welfare tools with the conversion of the Performance Bonus into goods and/or services, taking advantage of government tax concessions, and with the introduction of extraordinary benefits to meet the needs of employees and their families.

To support parent and families, an annual contribution has been introduced for nurseries and pre-schools to support parents (both female and male) in managing everyday life and facilitating their return to work after parental leave. To encourage prevention, a particularly important issue for ERG, an additional annual supplementary contribution has been introduced to be used for specific health check-ups. As far as work flexibility is concerned, an option has been introduced for up to 10 days of remote working a month for parents of children under the age of 14 and/or employees with parents with serious disabilities or who need assistance.

In April 2023 the memorandum of understanding was confirmed and updated to outline the progress in terms of developing the technical and professional skills of the resources within the scope, with particular reference to the technical and maintenance area. In order to achieve its growth objectives, ERG considers it necessary to strengthen the organisation's skills, not least through a re-skilling and up-skilling programme, but also by strengthening the various organisational structures involved.

In May 2023, the supplementary agreement for the Genoa office was signed, introducing as a particular sign of attention to environmental issues and support for employees the reimbursement of public transport season tickets and an increase in leave hours for specialist visits, extending their use to cover the care of children or other family members.

Lastly, in December 2023, a trade union agreement was signed whereby the ERG Group, confirming its attention to the welfare of its employees, wished to contribute once again this year with an extraordinary subsidy to support the purchasing power of the company's workforce by granting blue-collar and white-collar employees a fuel bonus worth EUR 200.00.

FINANCIAL STATEMENTS AND OTHER INFORMATION

INCOME STATEMENT

This section contains both the reported operating results, calculated on the basis of the figures presented in the Notes to the Consolidated Financial Statements, and the adjusted operating results, presented to exclude special items, and with the reclassification for IFRS 16.

It should be noted that, as indicated in the paragraph "Basis for preparation", the 2023 and 2022 figures were presented in accordance with IFRS 5 with reference to the process for the sale of the thermoelectric business[14], therefore reclassifying to the line "Profit (loss) from discontinued operations" for 2023 the result of the subsidiary ERG Power S.r.l. It should be noted that the 2022 reported figure included the net capital gain recognised following the sale of the Terni hydroelectric complex (equal to EUR 324 million), while the reported 2023 figure includes the net loss recognised on the sale of the CCGT plant (EUR 43 million).

The 2022 comparative figures have been restated and are shown net of "clawbacks and windfall taxes".

Finally, it should be noted that the newly-acquired Spanish companies, owners of photovoltaic systems, have been consolidated on an equity basis as from 30 June 2023, reflecting the consequent economic impact during the second half of the year, following the start of operations of the farms.

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	
(milioni di Euro)		2023	2022	2023	2022
Revenue	1	741	713	741	713
Other income	2	25	12	26	12
Total revenue		**765**	**725**	**766**	**725**
Purchases and change in inventories	3	(14)	(15)	(14)	(15)
Services and other operating costs	4	(175)	(156)	(188)	(165)
Personnel expense		(29)	(27)	(29)	(26)
Gross operating profit (loss) (EBITDA)		**547**	**527**	**535**	**518**
Amortisation, depreciation and impairment of non-current assets	5	(219)	(273)	(210)	(223)
Operating profit (loss) (EBIT)		**328**	**253**	**326**	**295**
Net financial income (expense)	6	(7)	(16)	5	(10)
Net gains (losses) on equity investments		2	(0)	(0)	0
Profit before taxes		**323**	**237**	**331**	**286**
Income taxes	7	(80)	(106)	(76)	(120)
Net profit (loss) from continuing operations		**243**	**131**	**255**	**165**
Net profit (loss) from discontinued operations		(36)	296	(7)	16
Profit (loss) for the year		**207**	**428**	**248**	**181**
Non-controlling interests		(2)	(4)	(2)	(4)
Profit (loss) attributable to the owners of the parent		**205**	**423**	**246**	**177**

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 and solar installations in operation.

14 The sale of the entire share capital of ERG Power S.r.l., owner of the CCGT plant, was completed on 17 October.

Reported revenue in 2023 amounted to EUR 741 million, up compared to 2022 (EUR 713 million), due to the contribution deriving from the acquisitions made in the second half of 2022 and in 2023, the entry into operation of the farms developed internally and entered into operation starting from the second half of 2022 and the better wind speeds recorded in the period in all geographic areas, partly offset by sharply decreasing market prices in all countries. It should be noted that revenue include the **effects related to the Regulatory measures to curb energy price rises (clawback measure and windfall tax)**, which resulted in repayments in 2023 of approximately EUR 12 million (EUR 35 million in 2022).

2 - Other income

This mainly includes insurance reimbursements, indemnities and expense recoveries. The item includes contractual indemnities received from suppliers for EUR 4 million as well as the partial release of provisions for risks (EUR 10 million), since the prerequisites for their recognition no longer exist, and insurance indemnities amounting to approximately EUR 5 million.
In the comparative period, the item included the partial release of the provision for fiscal risks relating to local taxes (EUR 6 million) in consideration of various favourable rulings issued in some legal disputes.

3 - Purchases and changes in inventories

The item includes costs for purchases 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.
Other operating costs mainly relate to rent, provisions for risks and charges and to taxes other than income taxes.
Lease payment charges (lease costs for IFRS 16 purposes) for EUR 13 million are classified under this item of the reclassified income statement. For a more detailed explanation of this classification, please refer to the "IFRS 16" paragraph, available under "Definitions" in the "Alternative Performance Indicators" section.

5 - Amortisation, depreciation and impairment

Amortisation/depreciation refer to wind and photovoltaic plants. The significant decrease in the period was due to the extension of the useful life of wind farm assets in Italy and abroad for EUR 27 million in 2023 as a result of the Lifetime Extension programmes and the end of the useful life of certain wind farm and photovoltaic components (EUR 11 million) also as a result of the start of Repowering investments, which had led to their impairment in previous years, partly offset by the full contribution of new assets (EUR 27 million in 2023).
It should be noted that the adjusted values do not include:

- the amortisation and depreciation related to the application of IFRS 16 equal to EUR 7 million in 2023, as previously discussed under item 4.

6 - Net financial income (expense)

Reported net financial expenses in 2023 amounted to EUR 7 million, a significant decrease compared to 2022 (EUR 16 million), as a result of lower financial expenses to the parent company ERG S.p.A.
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:

- oneri finanziari (5 milioni) relativi al rimborso di alcuni Project Financing avvenuti nell'esercizio in capo alla società ERG Eolica Fossa del Lupo S.r.l., EW Orneta 2 sp. Z o.o. e Garnacha Solar S.L.U, società titolare di un impianto fotovoltaico acquisita nel corso del 2023;
- oneri finanziari legati al debito rilevato in applicazione del metodo patrimoniale introdotto dall'IFRS 16 (7 milioni), come già commentato alla voce 4.

7 - Income taxes

Reported income taxes amounted to EUR 80 million, down significantly from EUR 106 million in 2022, which included the impact of Article 37 of the Italian Decree Law of 21 March 2022 in the amount of EUR 37 million (the so-called Surplus Profits Contribution) and the 2023 extraordinary contribution in the amount of EUR 19 million, only partly offset by a higher taxable income effect for the results of the period.

Adjusted income taxes amounted to EUR 76 million, down significantly compared with EUR 120 million in 2022. As already noted, taxes for 2022 included the impact deriving from Article 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 37 million (the Surplus Profits Contribution) and the 2023 extraordinary contribution of EUR 19 million.
The adjusted tax rate, obtained from the ratio between income taxes and pre-tax profit, amounted to 24% (46% in 2022).

8 – Net profit (loss) from discontinued operations

The **reported net profit (loss) from discontinued operations** includes the result of the company ERG Power S.r.l., sold on 17 October 2023, and reflects the net capital loss (EUR 43 million) recognised in the sale of the CCGT plant. The result for 2022 included the net gain recognised on the sale of the Terni hydroelectric complex on 3 January 2022 (amounting to approximately EUR 324 million) and the result of the thermoelectric business.
Adjusted net profit (loss) from discontinued operations includes the result of ERG Power S.r.l.[15], which was sold on 17 October 2023, amounting to EUR -7 million in 2023. This amount includes amortisation and depreciation for the period of EUR 14 million (net tax) and does not include the overall impact of the effects linked to the sale of the asset (totalling EUR 43 million), considered special items.

15 The sale of the entire share capital of ERG Power S.r.l., owner of the CCGT plant, was completed on 17 October.

STATEMENT OF FINANCIAL POSITION

The reclassified statement of financial position contains the assets and liabilities of the mandatory financial statements, used in the preparation of the annual financial report, highlighting the uses of resources in non-current assets and in working capital and the related funding sources. For the definition of the indicators for the main items used in the Reclassified Statement of Financial Position, reference is made to that indicated in the "Alternative Performance Indicators" section below.
Both the reported values and the adjusted values are shown below. The adjusted values at 31 December 2023 do not include the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 170 million with a balancing entry in net invested capital amounting to approximately EUR 162 million.
It should be noted that, in the comparative period, 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)	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**
Non-current assets	3,987	3,656	3,823	3,503
Net operating working capital	66	96	66	96
Employee benefits	(2)	(3)	(2)	(3)
Other assets	371	485	372	487
Other liabilities	(618)	(683)	(618)	(683)
Net invested capital of continuing operations	**3,803**	**3,551**	**3,641**	**3,401**
Net invested capital of assets held for sale	**0**	**235**	**0**	**235**
Net invested capital	**3,803**	**3,786**	**3,641**	**3,636**
Equity attributable to the owners of the parent	3,843	3,522	3,851	3,526
Non-controlling interests	7	9	7	9
Net financial indebtedness	(47)	157	(217)	2
Current net financial indebtedness	0	98	0	98
Equity and financial indebtedness	**3,803**	**3,786**	**3,641**	**3,636**

1 - Non-current assets

(EUR million)	**Intangible assets**	**Property, plant and equipment**	**Financial assets**	**Total**
Non-current assets at 31/12/2022	**1,354**	**2,264**	**38**	**3,656**
Capital expenditure	1	303	0	**301**
Change in consolidation scope	86	123	16	**226**
Divestments and other changes	2	16	(5)	**12**
Amortisation and depreciation	(64)	(156)	0	**(219)**
IFRS 16 change	0	12	0	**12**
Non-current assets at 31/12/2023	**1,379**	**2,559**	**49**	**3,987**
Adjustment for impact of IFRS 5				
Adjustment for impact of IFRS 16	0	(164)	0	**(164)**
Adjusted non-current assets at 31/12/2023	**1,379**	**2,395**	**49**	**3,823**

The item **"Capital expenditure"** refers to the construction activities in Italy for 47 MW of Greenfield and the Repowering of Italian wind farms for approximately 269 MW of new wind capacity, as well as the completion of the construction of the wind farms that entered into operation between the end of 2022 and the beginning of 2023 in the UK for approximately 179 MW, Poland for 61 MW and Sweden for 62 MW. Construction has also started on two Greenfield farms in France for 59 MW and one in Northern Ireland for 47 MW.

The line **Changes in consolidation scope** refers to the impact of the recent acquisitions in Spain of two photovoltaic systems that become operational during the second half of 2023.
The line "Divestments and other changes" comprises disposals of non-current assets, the use of main component spare parts and reclassifications.

2 - Net operating working capital

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

3 - Other assets

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

4 - Other liabilities

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

5 - Non-controlling interests

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

6 - Net financial indebtedness

It should be noted that the adjusted indebtedness does not include the financial liability linked to the application of IFRS 16 of approximately EUR 170 million (EUR 155 million at 31 December 2022), the increase of which is attributable to the change in scope of consolidation following the acquisitions of photovoltaic systems in Spain finalised during 2023.

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

NON-CURRENT INDEBTEDNESS

(EUR million)	2023	2022
Non-current bank loans and borrowings	-	-
Current portion of loans and borrowings	-	-
Non-current financial liabilities	11	2
Total	**11**	**2**
Non-current Project Financing	98	212
Current portion of Project Financing	(17)	(55)
Non-current Project Financing	**81**	**156**
IFRS 16 financial liabilities (non-current)	**164**	**150**
Reported non-current indebtedness	**256**	**308**
IFRS 16 Adjustment	**(164)**	**(150)**
Adjusted non-current indebtedness	**92**	**158**

The liabilities for "Project Financing" totalling EUR 98 million at 31 December 2023 relate to:

- EUR 80 million in loans relating to the company Andromeda S.r.l., owner of a photovoltaic system in Central Italy;
- EUR 18 million in loans issued for the construction of a wind farm in Germany;

At the end of 2023, bank loans were repaid to the Spanish company Garnacha Solar S.L.U acquired in June 2023 and owner of a photovoltaic system that entered into operation in October 2023 for a total amount of EUR 84 million.

The breakdown of current net financial indebtedness is shown below:

CURRENT FINANCIAL INDEBTEDNESS

(EUR million)	2023	2022
Current bank loans and borrowings	0	0
Current portion of loans and borrowings	-	-
Other current financial liabilities	21	26
Current financial liabilities	**21**	**26**
Cash and cash equivalents	-	-
Securities and other current financial assets	(296)	(128)
Current financial assets	**(296)**	**(128)**
Current Project Financing	17	55
Cash and cash equivalents	(52)	(111)
Project Financing	**(35)**	**(55)**
IFRS 16 Current financial liabilities	**6**	**6**
IFRS 5	**-**	**(98)**
Current indebtedness (and cash and cash equivalents)	**(303)**	**(249)**
IFRS 16 Adjustment	**(6)**	**(6)**
IFRS 5	**-**	**98**
Adjusted current indebtedness	**(309)**	**(157)**

(1) The 2022 figure includes the impact of the application of IFRS 5 in relation to the cash and cash equivalents of the thermoelectric business.

Other current financial liabilities include liabilities relating to deferred components of considerations for the purchase of assets and authorisations (EUR 20 million) in relation to the newly acquired Spanish companies;
Securities and other current financial receivables include financial receivables from the parent company ERG S.p.A. as part of the treasury relationship.

Cash flows

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

	Year	
(EUR million)	**2023**	**2022**
Adjusted IAS EBITDA	535	554
Change in working capital	(37)	14
Cash flows from operations	**498**	**568**
Capital expenditure in property, plant and equipment and intangible assets	(301)	(304)
Asset acquisitions and business combinations	(184)	(638)
Proceeds from the sale of ERG Hydro	5	1,265
Capital expenditure on non-current financial assets	6	(6)
Divestments and other changes	1	(11)
Cash flows from investments/divestments	**(472)**	**306**
Adjusted financial income (expense)	5	(10)
Financial expense for closing loans	(5)	-
Net gains (losses) on equity investments	88	0
Collection distribution reserves ERG Power	(0)	75
Cash flows from financing activities	**88**	**66**
Cash flows from tax management	**(26)**	**(90)**
Distribution of dividends	(54)	(54)
Capital injection ERG Power Generation	30	517
Other changes in equity	154	(46)
Cash flows from Equity	**130**	**417**
Change in scope of consolidation	**74**	**(69)**
Cash Flow Thermo 2022	**24**	**(104)**
Opening net financial indebtedness	**100**	**1,194**
Net change	*(317)*	*(1,094)*
Closing net financial indebtedness	**(217)**	**100**
Net change	-	*(98)*
Closing net financial indebtedness	**(217)**	**1**

(1) On 17 October 2023, the closing was finalised for the sale of the entire capital of ERG Power S.r.l., owner of the Priolo Gargallo thermoelectric plant.

Cash flows from operations in 2023 were positive at EUR 498 million, down slightly compared with the corresponding period of 2022 (EUR 568 million), mainly due to the operating results for the year and the change in working capital, as well as the financial settlement of certain hedging derivatives. Cash flow from operations also includes the payment of clawback measures and windfall taxes of approximately EUR 23 million in France and East Europe.

Cash flows from investments in 2023 reflect the impact of the recent acquisitions of two photovoltaic companies in Spain (EUR 184 million), as well as capital expenditure in the period (EUR 301 million) aimed at developments on Repowering, Revamping and Greenfield projects in Italy, and the finalisation of wind farms in the UK, France and Sweden.

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

Cash flows from tax management refer to the payment of direct taxes during the year.

Cash flows from Equity refer to the changes in the hedging reserve tied to derivative financial instruments, to the translation reserve and to the dividends distributed to shareholders (EUR 54 million).

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 Financial Statements, with the exclusion of significant special income components of an exceptional nature (special items);
- **EBITDA** is an indicator of operating performance calculated by adding "Amortisation, depreciation and impairment of non-current assets" to the Operating profit (EBIT). Gross operating profit (EBITDA) is explicitly indicated as a subtotal in the 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 Financial Statements, with the exclusion of significant special income statement components of an exceptional nature (special items) and with the reclassification of the impact tied to the IFRS 16 application;
- **EBITDA margin** is an indicator of the operating performance calculated by comparing the adjusted EBITDA to the Revenue from sales and services of each individual business segment;
- The **adjusted tax rate** is calculated by comparing the adjusted amounts of taxes and profit before taxes;
- **Profit (loss) from continuing operations** does not include the result from assets held for sale relating to the thermoelectric and hydroelectric businesses reclassified under the item "Profit (loss) from discontinued operations".
- **Profit (loss) from continuing operations** is the profit (loss) from continuing operations, with the exclusion of significant income statement components of an exceptional nature (special items) and with the reclassification of the impact tied to the application of IFRS 16, net of the related tax effects.
- **Adjusted profit attributable to the owners of the parent** is the profit attributable to the owners of the parent, with the exclusion of significant special income statement components of an exceptional nature (special items), and with the reclassification of the impact tied to the IFRS 16 application, net of the related tax effects.
- **Capital expenditure** are the sum of capital expenditure in property, plant and equipment and intangible assets;
- **Net operating working capital** is the sum of Inventories, Trade receivables and Trade payables;
- **Net invested capital** is the sum of Non-current assets, Net operating working capital, Liabilities related to Post-employment benefits, Other assets and Other liabilities;
- **Adjusted net invested capital** is Net invested capital, as defined above, with the exclusion of the impact relative to the application of IFRS 16 mainly linked to the increase in right-of-use assets;
- **Net financial indebtedness** is an indicator of the financial structure and is determined in accordance with ESMA Guidelines 32-382-1138 (Guidelines on Prospectus disclosures) and CONSOB Warning Notice no. 5/2021, including the portion of non-current assets relative to derivative financial instruments.
- **Adjusted net financial indebtedness of continuing operations** is the net financial indebtedness, as defined above, net of the liability linked to the discounting of future lease payments, following the application of IFRS 16.

- **Financial leverage** is calculated by comparing the adjusted net financial indebtedness (including Project Financing) to the adjusted net invested capital.
- **Special items** include significant special income components of an exceptional nature. These include:
  - income and expense connected to events whose occurrence is non-recurring, i.e. those transactions or events that do not frequently re-occur over the normal course of business;
  - income and expense related to events that are not typical of normal business activities, such as restructuring and environmental costs;
  - capital gains and losses linked to the disposal of assets;
  - significant impairment losses recognised on assets following impairment tests;
  - income and the associated reversals recognised in application of IFRS 9, in relation to the restructuring of loans in place.

IFRS 16

The Group, as lessee, has recognised new liabilities for leases and higher right-of-use assets related mainly to the Wind business and to the relative use of land, warehouses, buildings, equipment, substations and machine inventory. The application of the standard has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as depreciation of the right-of-use assets and as financial expense correlated to the liability linked to the discounting of future lease payments.
Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially when the relative lease payments were made.
The application of IFRS 16 in the first half of 2023 has therefore led to:

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 14 million;
- an increase (approximately EUR 170 million) in the net financial indebtedness and the net invested capital (approximately EUR 162 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 7 million) linked to the application of the above-mentioned method.

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

Reconciliation with adjusted operating results

GROSS OPERATING PROFIT (LOSS) (EBITDA)	12 months	
(EUR million)	2023	2022
EBITDA from continuing operations	**547**	**527**
Special items exclusion		
- *IFRS 16 reclassification*	*(13)*	*(11)*
Italy		
- *Reversal of ancillary charges on non-recurring operations (Special Projects)*	*1*	*3*
- *Reversal of allocation for provision for disposed businesses*	*1*	*1*
Adjusted EBITDA	**535**	**518**

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	12 months	
(EUR million)	2023	2022
Amortisation, depreciation and impairment losses	**(219)**	**(273)**
Special items exclusion:		
- *Adjustment for impact of IFRS 16*[1]	*7*	*7*
- *Reversal of write-down Repowering Wind Italy*[2]	*2*	*43*
Adjusted depreciation and amortisation	**(210)**	**(223)**

PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	12 months	
(EUR million)	2023	2022
Profit attributable to the owners of the parent	**241**	**131**
Special items exclusion		
Exclusion of IFRS 16 impact	*1*	*1*
Exclusion of ancillary charges on loan prepayments [3]	*4*	*0*
Exclusion of ancillary charges on non-recurring transactions [4]	*1*	*2*
Exclusion of impairment losses recognised on Repowering Wind Italy	*2*	*31*
Exclusion of expenses related to disposed businesses [5]	*(2)*	*(0)*
Exclusion of Tax Asset UK and substitute tax Solar Italy [6]	*6*	*(1)*
Exclusion of the net gain on refinancing (IFRS 9) [7]	*0*	*1*
Adjusted profit attributable to owners of the parent	**253**	**161**

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

(2) Charges related to Repowering and Revamping projects in Italy already impaired in the previous period. The 2022 figure refers to the impairment losses recognised on 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 system following the authorisation of a Revamping project.

(3) Financial expense related to the early closure of project financing and Corporate loans as part of Liability Management transactions.

(4) Ancillary charges relating to other non-recurring transactions and other acquisitions in 2023 related to the newly acquired photovoltaic companies in Spain, as well as unsuccessful acquisitions.

(5) Income relating to exceptional items on businesses disposed of by the Group. In 2023, the amount refers to the price adjustments relating to the sale of the Terni hydroelectric complex (EUR 2 million) and the integrated downstream business (EUR 3 million).

(6) Reversal of tax asset on UK-registered company and reversal of ERG Solar Holding S.r.l. substitute tax benefit

(7) IFRS 9 does not allow for the deferment of the positive economic effects of the renegotiation of loans on the residual life of the liability: this resulted in a net expense of approximately EUR 1 million being accounted for in 2023. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted Income Statement financial expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.

Below is the reconciliation between the Consolidated Financial Statements and the Adjusted Consolidated Financial Statements shown and commented upon in this document:

INCOME STATEMENT 2023

(EUR million)	Financial Statements	IFRS 5 adjustment Thermo	Adjustment for impact of IFRS 16	Adjustment for impact of IFRS 9	Reversal of special items	Adjusted Income Statement
Revenue	741	-	-	-	-	741
Other income	25	-	-	-	1	26
Total revenue	**765**	**-**	**-**	**-**	**1**	**766**
Purchases and change in inventories	(14)	-	-	-	-	(14)
Services and other operating costs	(175)	-	(13)	-	0	(188)
Personnel expense	(29)	-	-	-	-	(29)
Gross operating profit (loss) (EBITDA)	**547**	**-**	**(13)**	**-**	**1**	**535**
Amortisation, depreciation and impairment of non-current assets	(219)	-	7	-	2	(210)
Operating profit (loss) (EBIT)	**328**	**-**	**(6)**	**-**	**4**	**326**
Net financial income (expense)	(7)	-	7	5	-	5
Net gains (losses) on equity investments	2	-	-	-	(2)	(0)
Profit before taxes	**323**	**-**	**1**	**5**	**1**	**331**
Income taxes	(80)	-	-	(1)	5	(76)
Net profit (loss) from continuing operations	**243**	**-**	**1**	**4**	**7**	**255**
Net profit (loss) from discontinued operations	(36)	29	-	-	-	(7)
Profit (loss) for the year	**207**	**29**	**1**	**4**	**7**	**248**
Non-controlling interests	(2)	-	-	-	-	(2)
Profit (loss) attributable to the owners of the parent	**205**	**(29)**	**1**	**4**	**7**	**246**

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 2023 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)	2023	2022
Revenue from sales and services	841,856	1,128,858
Increases in non-current assets for internal work	3,945	(279)
Other revenue and income	1,820	11,090
TOTAL REVENUE	**847,621**	**1,139,669**
Purchases	(776,592)	(1,095,276)
Change in inventories	1,244	(194)
Services and other operating costs	(77,123)	(98,569)
Personnel expense	(17,235)	(21,929)
GROSS OPERATING PROFIT (EBITDA)	**(22,085)**	**(76,299)**
Economic-technical amortisation, depreciation and impairment	(2,693)	(2,483)
OPERATING PROFIT (EBIT)	**(24,778)**	**(78,782)**
Net financial income (expense)	216,235	616,149
Value adjustments to financial assets and liabilities	(25,029)	(228,276)
NET PROFIT (LOSS) FROM ORDINARY OPERATIONS	**166,429**	**309,091**
Income taxes	(12,762)	59,238
PROFIT FOR THE YEAR	**153,668**	**368,329**

Revenue from sales and services

Revenue from sales and services, amounting to EUR 842 million, mainly consist of revenue from the sale of energy and Guarantees of Origin produced by the wind farms and solar systems of its Italian subsidiaries. Revenue from sales includes the negative impact of the hedging transactions carried out during the year. It should also be noted that revenue include the sale of gas and CO2 to ERG Power S.r.l. until 30 September 2023.
Revenue reflect a decrease compared to 2022 mainly due to the scenario effect
Revenue from sales and services include revenue from services, equal to EUR 52 million, relating to services rendered to subsidiaries for Operation & Maintenance and BoP, i.e., management and maintenance services of the wind aerogenerators and substations.
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

This item for 2023 includes the change in the period in engineering costs, blade purchases and ancillary charges, including internal personnel costs sustained for the Repowering & Reblading projects, net of chargebacks made to the subsidiaries owning the wind farms.

Other revenue and income

The item "revenue other than the above" includes in 2023 the release of a provision for charges due to the elimination of the potential risk estimated in previous years and the chargebacks to parent companies and subsidiaries for recovery of expenses. This item decreased from last year because in 2022 it mainly included the consideration obtained from third parties for the settlement of arbitration proceedings arising from certain disputes that arose in connection with the purchase of an equity investment in past years.

Purchases

Purchases mainly include costs for the purchase of electricity, primarily from GME and from the subsidiaries, as well as, until 30 September 2023, purchases of gas and CO2 for the CCGT plant owned by ERG Power S.r.l.
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 compared to the previous year, since in 2022 it included the chargeback of the "Tolling fee", paid to the subsidiary ERG Power S.r.l. pertaining to the first quarter of 2022 (equal to EUR 23 million).
The costs in 2023 mainly 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 expense decreased slightly compared to 2022, in line with the Company's lower average annual headcount.

Depreciation and impairment losses

Economic-technical amortisation of EUR 2.1 million was allocated during the year for intangible assets and EUR 0.6 million for property, plant and equipment.

Net financial income (expense)

This item includes mainly income from equity investments for dividends, distributions of reserves from subsidiaries for approximately EUR 160 million, and interest income from subsidiaries and parent companies (for EUR 91 million).
The item also includes the capital loss realised on the sale of the company ERG Power S.r.l. for EUR 31 million and financial expense accrued to subsidiaries for approximately EUR 6 million.
The item is down because in 2022 it included the capital gain, net of ancillary costs, realised on the sale of ERG Hydro's equity investment in the amount of EUR 231 million.

Value adjustments to financial assets

The net item includes mainly the write-down of the investment in Ginestra S.r.l., the fair value of derivative instruments open at 31 December 2023 and the changes in fair value of non-hedging instruments made during 2023. The item improved mainly because in 2022 it included the effect of the closure of hedging derivatives already entered into on the output of the hydro-electric business sold on 3 January 2022.

Income taxes

There was a total tax amount of EUR 12.8 million to pay on the net profit for the year.

STATEMENT OF FINANCIAL POSITION

(EUR thousand)	31/12/2023	31/12/2022
Non-current assets	3,425,354	3,262,197
Net operating working capital	(7,385)	39,570
Employee benefits	(1,806)	(1,939)
Other assets	111,671	320,457
Other liabilities	(67,056)	(198,870)
Net invested capital	**3,460,778**	**3,421,415**
Equity	3,535,123	3,278,158
Non-current financial indebtedness		-
Current financial indebtedness	(74,345)	143,257
Equity and financial indebtedness	**3,460,778**	**3,421,415**

The net invested capital amounted to EUR 3,461 million at 31 December 2023.

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 in 2022 the item included the equity investment in the subsidiary ERG Power S.r.l. equal to EUR 35 million reclassified to net operating working capital in consideration of the Group's intention to sell the asset in question, which was actually sold on 17 October 2023, as previously commented.

Other assets

These consist mainly of receivables from the tax authorities, which decreased compared to 2022 due to lower deferred tax assets, and other receivables from Group companies.
This item also includes receivables for hedging derivatives on commodities (down by EUR 82 million compared to 2022, mainly due to the scenario effect).

Other liabilities

These mainly comprise short-term tax liabilities, which decreased compared to 2022 mainly due to lower Group VAT payables, and amounts due to Group companies and other liabilities. This item also includes payables for hedging derivatives on commodities, down compared to 2022 due to the scenario effect.

FINANCIAL INDEBTEDNESS

(EUR thousand)	31/12/2023	31/12/2022
Current bank loans and borrowings	-	-
Financial payables due to Group companies	235,030	261,627
Financial payables due to third parties within 12 months	1,844	2,419
Current financial liabilities	**236,874**	**264,046**
Cash and cash equivalents	(4,185)	(1,413)
Financial receivables from Group companies	(291,536)	(116,560)
Other current financial receivables	(15,497)	(2,816)
Current financial assets	**(311,219)**	**(120,789)**
Total	**(74,345)**	**143,257**

Net financial indebtedness mainly comprises:

- other financial payables to Group companies, in particular to Subsidiaries for EUR 235 million;
- financial payables due to third parties mainly include the payable arising from the merger of ERG Renew S.p.A. relating 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. and maturing on 29 January 2009;
- financial receivables from Group companies, mainly from the Parent Company, increased due to the liquidity generated by the Subsidiaries;
- other short-term financial receivables, which mainly consist of short-term investments of liquidity (Time Deposits).

MANAGEMENT NOTES ON THE MAIN NON-CONSOLIDATED SUBSIDIARIES, ASSOCIATES

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
- Parc Photovoltaique de la Vallée Brousse
- Parc Eolien de six chemins
- Parc Photovoltaique de la Vallée de la Doulaye
- ERG Germany Verwaltungs GmbH
- ERG Windpark Bischhausen & Co. KG
- ERG Windpark Bokel GmbH & Co. KG
- ERG Windpark Heyen Gmbh & Co. KG

The scope of consolidation also includes the following subsidiaries in liquidation:

- ERG Petroleos S.A. in liquidation
- Eolico Troina S.r.l. in liquidation

Disclosure in accordance with Article 2.6.2, paragraph 7, of the Regulation of Borsa Italiana S.p.A.

In relation to the obligation under Article 2.6.2 , paragraph 7, of the Regulations of the Markets organised and managed by Borsa Italiana S.p.A. and taking into account the provisions of Article 36 of the Market Regulations adopted by CONSOB with its resolution no. 16191 of 29 October 2007 as amended, it is certified that (i) ERG S.p.A. acquired from ERG UK Holding Limited, Creag Riabhach Wind Farm Ltd and Sandy Knowe Wind Farm Limited (the companies), the articles of association, the composition and the powers of the related corporate bodies; (ii) the companies provide the Group's auditors with the necessary information to carry out the audit of the annual and interim financial reports of ERG S.p.A. and have an administrative and accounting system capable of duly providing to the Management and to the auditors of the Group the income statement, statement of financial position and financial data necessary for the preparation of the consolidated financial statements.
It is hereby certified that ERG S.p.A. has made the financial statements of the companies available to the public at the registered office.

MANAGEMENT AND COORDINATION ACTIVITIES BY ERG S.P.A.

ERG S.p.A. carries out management and coordination activities in respect of Italian and foreign direct and indirect subsidiaries, which benefit from the advantages, the synergies and the economies of scale deriving from their inclusion in the Group; these activities are carried out in compliance with the management and operational autonomy of the aforementioned subsidiaries and involve (i) the definition of business strategies, the corporate governance system and the corporate structures, as well as (ii) the determination of shared general policies pertaining to human resources, information & communication technology, accounting, financial statements, taxation, procurement, finance, investments, risk management, legal and corporate affairs, communication, institutional relations, corporate social responsibility, business development and M&A and engineering development.
Taking into account the corporate organisational model adopted by the Group as from 1 January 2017, the directly and indirectly controlled Italian companies with respect to which, in 2023, in accordance with Articles 2497 et seq. of the Italian Civil Code, the management and coordination activities were carried out within the scope outlined above are:
ERG Power Generation S.p.A. and its following Italian subsidiaries:

- Breva Wind S.r.l.
- ERG Eolica Adriatica S.r.l.
- ERG Eolica Campania S.r.l.
- ERG Eolica Faeto S.r.l.
- ERG Eolica Fossa del Lupo S.r.l.
- ERG Eolica Ginestra S.r.l.
- ERG Eolica San Vincenzo S.r.l.
- ERG Eolica Tirreno S.r.l.
- ERG Solar Holding S.r.l.
- ERG Sviluppo Italia S.r.l.
- ERG Wind Bulgaria S.p.A.
- ERG Wind Investments S.r.l.
- Ginestra S.r.l.
- Green Vicari S.r.l.
- ISAB Energy Solare S.r.l.
- Eolico Troina S.r.l. in liquidation
- Andromeda PV S.r.l.
- Calabria Solar S.r.l.
- ERG Solar Piemonte 3 S.r.l.
- Fattoria Solare Futurasun S.r.l.
- ERG Wind Holdings (Italy) S.r.l.
- ERG Wind Sardegna S.r.l.
- ERG Wind Sicilia 6 S.r.l.
- ERG Wind Sicilia 3 S.r.l.
- ERG Wind 6 S.r.l.
- ERG Wind Energy S.r.l.

In 2023, ERG S.p.A. managed its various equity investments, held directly and indirectly, including through service contracts for staff activities, for a total price of EUR 34.3 million. As the consolidator, ERG S.p.A. also manages the national tax consolidation scheme with the main subsidiaries of the Group. All transactions are related to ordinary operations and they are settled at market conditions.

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 2023 of the aforementioned company:

- Board of Directors' meeting of 27 February 2023:
  - agenda item 1. Wind development projects in France

- Board of Directors' meeting of 13 March 2023:
  - agenda item 5. Amendment of multi-year electricity supply contract with Telenergia S.r.l. (Tim Group); inherent and consequent resolutions
  - agenda item 7. Contracts for the establishment of rights in rem; inherent and consequent resolutions
  - agenda item 10. Update of the ERG Group's Anti-Corruption Policy

- Board of Directors' meeting of 29 March 2023:
  - agenda item 1. Preparatory activities for a possible transaction in the renewable energy sector

- Board of Directors' meeting of 26 April 2023:
  - agenda item 2. New transaction in the renewable energy sector in Spain
  - agenda item 3. Extra-budget as part of the SA2 Network Recovery project of the ERG Power S.r.l. CCGT
  - agenda item 4. Land purchase contract; inherent and consequent resolutions

- Board of Directors' meeting of 10 May 2023:
  - agenda item 3. Quarterly forecast for the annual investments budget
  - agenda item 4. Contracts for the establishment of rights in rem under the Buenaventura project; inherent and consequent resolutions
  - agenda item 5. Remuneration of the Chairman and Chief Executive Officer

- Board of Directors' meeting of 28 June 2023:
  - agenda item 1. Extraordinary transaction in Italy; inherent and consequent resolutions
  - agenda item 2. Contracts for the establishment of rights in rem; inherent and consequent resolutions

- Board of Directors' meeting of 27 July 2023:
  - agenda item 3. New wind power project in France; inherent and consequent resolutions
  - agenda item 4. Quarterly forecast for the annual investments budget
  - agenda item 5. Incorporation of new companies in Italy and France

- Board of Directors' meeting of 3 August 2023:
  - agenda item 1. New transaction in the renewable energy sector in Italy; inherent and consequent resolutions

- Board of Directors' meeting of 12 September 2023:
  - agenda item 1. Repowering Projects in Italy: termination of existing tender contracts and signing of new agreements; inherent and consequent resolutions
  - agenda item 2. Intragroup corporate transactions in Poland; inherent and consequent resolutions
  - agenda item 3. Amendment of the Framework Agreement with Renergetica S.p.A.; inherent and consequent resolutions
  - agenda item 4. CO2 repurchase agreement for the use of liquidity; inherent and consequent resolutions

- Board of Directors' meeting of 20 October 2023:
  - agenda item 1. Contract for the use of state-owned land in the municipality of Syracuse; inherent and consequent resolutions
  - agenda item 2. Establishment of new companies in France; inherent and consequent resolutions

- Board of Directors' meeting of 10 November 2023:
  - agenda item 3. Agreement linked to the construction of the wind farm headed by Laszki Wind sp.z o.o.; inherent and consequent resolutions
  - agenda item 4. Quarterly forecast for the annual investments budget
  - agenda item 5. Multi-year electricity supply contract with ST Microelectronics S.r.l.; inherent and consequent resolutions

- Board of Directors' meeting of 14 December 2023:
  - agenda item 1. New transactions in the renewable energy sector; inherent and consequent resolutions
  - agenda item 2. Multi-year electricity supply contract with Turquoise Computing System S.r.l.; inherent and consequent resolutions
  - agenda item 3. Early repayment of the Project Financing of the indirect subsidiary Garnacha Solar SLU; inherent and consequent resolutions
  - agenda item 4. Investment budget for 2024
  - agenda item 5. Calendar of meetings of corporate bodies for 2024

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
17 January 2024	**Italy**	**Corporate**	ERG is confirmed among the Corporate Knights "Global 100". ERG ranked 28th in the 2024 ranking, a significant improvement compared to the 54th position in 2023
24 January 2024	**Italy**	**Corporate**	TIM and ERG: kick-off for the "Missione Ambiente – Generazioni a scuola di Sostenibilità" (Mission Environment – Generations at Sustainability School) project, aimed at promoting the spread of a sustainability culture.
29 January 2024	**France**	**Wind Solar**	Completion of the acquisition of a 73.2-MW wind and solar portfolio in France. The acquisition portfolio consists of two photovoltaic farms in operation (20.4 MW), one in an advanced state of construction (28.8 MW) and a wind farm in the commissioning phase (24 MW).
1 February 2024	**Italy**	**Wind**	ERG and Google sign a 20-year agreement for the supply of 2 TWh of renewable energy
6 February 2024	**Italy**	**Corporate**	ERG is confirmed as being on the Carbon Disclosure Project's "A list" for the second year
19 February 2024	**Italy**	**Corporate**	Completion of the share buy-back programme
23 February 2024	**Italy**	**Wind**	ERG continues to grow in Italy with the completion of the construction and start-up of the greenfield plant at Roccapalumba in Sicily (47 MW).
29 February 2024	**Italy**	**Corporate**	The Board of Directors of ERG S.p.A. approved the Policy for Gender Equality, strengthening its commitment to Diversity and Inclusion.
1 March 2024	**Italy**	**Solar**	"Social Purpose for Solar Revamping", the project conceived by ERG to guarantee a second life to photovoltaic panels resulting from the revamping activities of its solar systems, was presented today at Key Energy 2024.

BUSINESS OUTLOOK

The context in which the Group operates is characterised by extreme volatility and uncertainty. Prices for commodities and electricity appear to be lower in early 2024 than in 2023. 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, when carried out with a portfolio approach by the Group's Energy Management through ERG Power Generation S.p.A., are allocated from a management standpoint to the various project companies, which own the Production Units (PUs). The hedge allocation criterion follows a cascade mechanism which, with the idea of mitigating the associated risks, has the following order of priority:

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

However, no hedges are envisaged for production subject to two-way for-difference incentive mechanisms. The expected outlook for the main operating and performance indicators in 2024 compared to 2023 is as follows. It should be noted that starting from 2024 the impact on EBITDA of the application of IFRS 16 will no longer be separately reported as a special item.

Italy

Wind EBITDA is expected to increase as a result of the GRIN incentive, which stands at 42 EUR/MWh in 2024 compared to zero in 2023, the full contribution from the two Repowering wind farms that became operational in 2023 for a total of 56 MW of new additional capacity (92 MW gross of the decommissioning of old plants), an internally built wind farm that became operational in early 2024 (47 MW) and two additional Repowering wind farms scheduled to become operational in the final months of the year for a total of 101 MW (177 MW gross of the decommissioning of old plants). These results are partly offset by lower expected market prices and lower expected volumes compared to the high wind speeds recorded in 2023.
Solar EBITDA is expected to increase compared to 2023 mainly due to higher captured prices from forward hedging in 2023 and higher volumes from plant revamping and repowering activities.

Wind & Solar Italy EBITDA for 2024 is expected to increase compared to 2023.

Abroad

Wind EBITDA is expected to decrease compared to 2023, mainly due to lower sales prices compared to those captured in 2023. This lower result is partly offset by the contribution, starting in the second half of the year, from the acquisition in the US (224 MW) and the one in France in January 2024 (24 MW), as well as the entry into operation in the final months of the year of two newly built wind farms in France (41 MW).
Solar EBITDA is expected to increase compared to 2023 mainly as a result of the contribution, starting from the second half of the year, from the system acquired in the US (92 MW), from the two systems acquired in Spain and gradually entered into operation in the second half of 2023 (25 MW and 149 MW), and the contribution from the recent acquisition in France (49 MW).

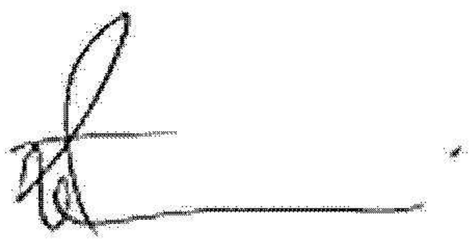
Wind & Solar abroad EBITDA is therefore expected to decrease compared to 2023.

2024 Guidance

For the year 2024, at Group level, EBITDA is estimated in the range between EUR 520 million and EUR 580 million, up from the 2023 result (EUR 534 million, including the application of IFRS 16).
Capital expenditure is in the range of EUR 550 million to EUR 600 million (EUR 489 million in 2023) and includes the recent acquisitions in the US and France, the construction of the farms scheduled to become operational between 2024 and 2025, and the completion of those that came on stream during 2023.
Adjusted net financial indebtedness at the end of 2024 is expected to be in the range between EUR 1,750 million and EUR 1,850 million (EUR 1,445 million at the end of 2023), including the distribution of the ordinary dividend of EUR 1 per share.[16]

Genoa, 11 March 2024

on behalf of the Board of Directors
The Chief Executive Officer
Renato Sturani



16 Does not include the IFRS 16 payable estimated at EUR 210 million.

Consolidated Financial Statements

INCOME STATEMENT (1)

(EUR thousand)	Notes	2023	2022
Revenue	1	740,721	712,819
Other income	2	24,572	11,743
Purchases	3	(14,126)	(15,038)
Services and other operating costs	4	(174,898)	(156,161)
Personnel expense	5	(29,182)	(26,811)
GROSS OPERATING PROFIT (EBITDA)		**547,086**	**526,552**
Amortisation of intangible assets	20	(63,878)	(55,031)
Depreciation of property, plant and equipment	20	(155,578)	(174,862)
Reversals of impairment losses (impairment losses)	20	-	(43,185)
OPERATING PROFIT (LOSS)		**327,631**	**253,472**
Financial income	35	167,457	140,611
Financial expense	35	(174,317)	(156,526)
Net financial income (expense)		**(6,859)**	**(15,915)**
Other net gains (losses) on equity investments	24	2,373	(188)
Net gains (losses) on equity investments		**2,373**	**(188)**
PROFIT (LOSS) BEFORE TAXES		**323,144**	**237,370**
Income taxes	39	(80,352)	(105,667)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**242,792**	**131,702**
Profit (loss) from discontinued operations		(35,577)	296,131
PROFIT FOR THE YEAR		**207,215**	**427,834**
Non-controlling interests		(1,829)	(4,158)
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**205,386**	**423,675**

(1) The notes commenting on individual items are an integral part of these consolidated financial statements.

(2) The 2023 and 2022 figures have been reported in accordance with IFRS 5 with reference to the already completed sale of the Thermoelectric Business. It should be noted that in the comparative figures for 2022, the line "Net profit (loss) from discontinued operations" also includes the capital gain deriving from the sale of the hydroelectric business in application of IFRS 5. See **Section VII Discontinued operations.**

STATEMENT OF COMPREHENSIVE INCOME (1)

(EUR thousand)	Note	2023	2022
Profit for the year		207,215	427,834
Changes that will not be reclassified to profit or loss			
Actuarial gains (losses)		82	79
Related tax		(20)	(19)
	15	**62**	**60**
Changes that will be reclassified to profit or loss			
Changes in the hedging reserve		152,389	262,844
Related tax		(36,573)	(63,083)
	28	**115,816**	**199,761**
Changes in the translation reserve		25,318	(21,195)
Related tax		(4,805)	4,023
	28	**20,512**	**(17,172)**
Other comprehensive income net of the tax effect		**136,390**	**182,649**
Comprehensive income for the year		**343,606**	**610,483**
Non-controlling interests		**1,829**	**4,158**
Comprehensive income attributable to the owners of the parent		**341,776**	**606,324**

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

STATEMENT OF FINANCIAL POSITION (1)

(EUR thousand)	Note	31/12/2023	31/12/2022
Authorisations and Concessions	14	952,847	931,901
Other intangible assets	15	14,041	13,813
Goodwill	16	412,502	408,042
Property, plant and equipment	17	2,394,647	2,111,576
Right-of-use assets	18	163,906	152,358
Equity investments recognised according to the cost method	22	2,172	1,228
Financial assets measured at fair value	30	17,066	5,436
Other non-current financial assets	24	46,423	36,765
Deferred tax assets	41	74,595	150,166
Other non-current assets	10	44,844	53,130
Non-current assets		**4,123,043**	**3,864,416**
Inventories	7	20,019	17,602
Trade receivables	6	157,720	203,789
Other current assets	8	115,468	92,738
Current tax assets	40	28,905	26,131
Financial assets measured at fair value	30	16,027	105,813
Current financial assets	31	278,680	127,527
Cash and cash equivalents	29	51,671	110,714
Current assets		**668,491**	**684,315**
Assets held for sale		**-**	**226,085**
TOTAL ASSETS		**4,791,533**	**4,774,816**
Share capital	27	100,000	100,000
Other reserves	27	2,763,006	2,536,485
Retained earnings	27	774,927	461,887
Profit for the year	27	205,386	423,428
Equity attributable to the owners of the parent		**3,843,319**	**3,521,800**
Non-controlling interests	28	6,668	9,336
Equity		**3,849,987**	**3,531,136**
LIABILITIES			
Employee benefits	13	2,333	2,513
Deferred tax liabilities	41	214,031	191,727
Provisions for dismantling expenses	19	78,830	92,613
Other non-current provisions	25	43,853	31,960
Financial liabilities measured at fair value	34	5,830	(0)
Non-current financial liabilities	32	92,042	158,249
Non-current lease liabilities	33	164,331	149,624
Other non-current liabilities	12	44,634	30,989
Non-current liabilities		**645,883**	**657,674**
Other current provisions	25	36.483	37,572
Trade payables	8	111.942	125,465
Financial liabilities measured at fair value	34	5.908	76,644
Current financial liabilities	32	38.519	120,733
Current lease liabilities	33	5.680	5,741
Other current liabilities	11	56.913	78,059
Current tax liabilities	40	40.216	52,373
Current liabilities		**295.662**	**496,586**
TOTAL LIABILITIES		**941.546**	**1,154,260**
Liabilities associated with assets held for sale		**-**	**89,420**
TOTAL EQUITY AND LIABILITIES		**4.791.533**	**4,774,816**

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

STATEMENT OF CASH FLOWS (1) (2)

(EUR thousand)	2023	2022
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A):		
Profit for the year	207,215	427,834
Amortisation, depreciation and impairment of non-current assets	219,356	276,258
Increase in other provisions	12,282	33,027
Decrease in other provisions	(13,977)	(14,695)
Impairment of current receivables and assets	(8,799)	8,420
Net gains (losses) on equity investments	(2,373)	188
Changes to post-employment benefits	(180)	(116)
Financial expense	6,859	15,915
Income taxes	80,352	105,667
Other changes in non-monetary items	(52,419)	(6,310)
	448,316	**846,188**
Change in other current assets and liabilities:		
Change in inventories	(2,316)	(680)
Change in trade receivables	54,868	91,602
Change in trade payables	(17,215)	(78,639)
Net change in other receivables/payables and other assets/liabilities	47,933	(36,207)
Change in fair value of hedging derivatives on commodities with monetary recognition	152,916	(34,549)
Tax payment	(28,071)	(89,795)
	-	-
	208,115	**(148,268)**
CASH FLOWS FROM CONTINUING OPERATIONS (A)	**656,431**	**697,920**
CASH FLOWS FROM DISCONTINUED OPERATIONS	*202,534*	*(43,594)*
CASH FLOWS FROM OPERATING ACTIVITIES	**858,964**	**654,326**
CASH FLOWS FROM INVESTING ACTIVITIES (B):		
Acquisition of intangible assets and goodwill	(3,397)	(2,577)
Acquisition of property, plant and equipment	(299,765)	(308,077)
Acquisitions of equity investments and other non-current financial assets	5,208	(4,120)
Net change in other increases/decreases in non-current assets	18,741	(44,719)
Collection from disposal of equity investments for price adjustment clauses	2,373	
Proceeds from discontinued operations	92,857	1,093,438
Disposals of intangible assets and goodwill	294	(7,425)
Disposals of property, plant and equipment and related gains/losses	3,500	513
Disposals of equity investments and other non-current financial assets	126	(995)
Net change in other current financial assets	(134,351)	39,045
Change in the Consolidation Scope due to business combination (3)	(84,697)	(392,232)
Change in the Consolidation Scope due to acquisition of assets (3)	-	(23,467)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES OF CONTINUING OPERATIONS (B)	**(399,111)**	**349,385**
CASH FLOWS FROM (USED IN) DISCONTINUED INVESTING ACTIVITIES	*(2,749)*	*102,742*
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(401,860)**	**452,127**
CASH FLOWS FROM FINANCING ACTIVITIES (C):		
Decrease in non-current loans	(118,117)	(90,218)
Net change in loans to Group companies not consolidated line by line	(37,820)	(1,232,347)
Net change in other current financial assets/liabilities	(111,534)	(182,906)
Interest paid	(6,569)	(19,780)
Early closure of loans	(4,799)	(2,900)
ERG Power Generation share capital increase	30,000	517,000
Dividends paid to third parties	(54,496)	(54,467)
Decrease in lease liabilities	(13,028)	(3,747)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES OF CONTINUING OPERATIONS (C):	**(316,362)**	**(1,069,365)**
CASH FLOWS FROM DISCONTINUED FINANCING ACTIVITIES	*(199,784)*	*(69,146)*
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(516,146)**	**(1,138,511)**
NET CASH FLOWS FOR THE YEAR (A+B+C)	**(59,043)**	**(22,060)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**110,714**	**132,774**
NET CASH FLOWS FOR THE YEAR	(59,043)	(22,060)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**51,671**	**110,713**

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

(2) The figures are presented net of the cash flows generated by the "Discontinued operations". The cash flows generated by "Discontinued operations" are indicated separately for the cash 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 for the year	Equity attributable to the owners of the parent	Non-controlling interests	Equity
BALANCE AT 31/12/2021	**100,000**	**2,140,403**	**208,645**	**2,449,050**	**9,639**	**2,458,689**
Allocation of 2021 profit	-	208,645	(208,645)	-	0	-
Share-based payments with equity-linked instruments	-	-	-	-	-	-
Transactions with Shareholders:						
Distribution of dividends	-	(50,001)	-	(50,001)	(4,466)	(54,467)
Capital increase	-	517,000		517,000	-	517,000
Other changes	-	(573)	-	(573)	-	(573)
2022 profit (loss)	-	-	423,675	423,675	4,158	427,834
Actuarial gains (losses)	-	60	-	60	-	60
Changes in the hedging reserve	-	199,761	-	199,761	-	199,761
Exchange gains (losses)	-	(17,172)	-	(17,172)	-	(17,172)
Comprehensive income (expense)	**-**	**182,649**	**423,675**	**606,324**	**4,162**	**610,483**
BALANCE AT 31/12/2022	**100,000**	**2,998,123**	**423,675**	**3,521,800**	**9,335**	**3,531,136**
Allocation of 2022 profit	-	423,675	(423,675)	-	-	-
Share-based payments with equity-linked instruments	-	-	-	-	-	-
Transactions with Shareholders:						
Distribution of dividends	-	(50,000)	-	(50,000)	(4,496)	(54,496)
Capital increase	-	30,000		30,000	-	30,000
Other changes	-	(255)	-	(255)	-	(255)
2023 profit	-	-	205,386	205,386	1,829	207,215
Actuarial gains (losses)	-	62	-	62	-	62
Changes in the hedging reserve	-	115,816	-	115,816	-	115,816
Exchange gains (losses)	-	20,512	-	20,512	-	20,512
Comprehensive income (expense)	**-**	**136,390**	**205,386**	**341,776**	**1,829**	**343,606**
BALANCE AT 31/12/2023	**100,000**	**3,537,933**	**205,386**	**3,843,319**	**6,668**	**3,849,987**

(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 2023 Consolidated Financial Statements comprise the financial statements of ERG Power Generation S.p.A. and of its subsidiaries (together, "ERG" or "ERG Group").
The ERG Group's core business is the generation of electricity from renewable sources, wind and solar in Italy, France, Germany, Spain, the United Kingdom, Poland, Romania, Bulgaria and Sweden.
The publication of these Consolidated Financial Statements was authorised by the Board of Directors on 11 March 2024.

BASIS OF PREPARATION

Unless indicated otherwise, these Consolidated Financial Statements are expressed in thousands of Euro (functional currency of the parent ERG Power Generation 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 37 – 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 Consolidated Financial Statements consist of:

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

- the **Statement of Changes in Equity** is prepared according to the provisions of IAS 1 and shows separately the flows relating to the components of the reserve for other components of comprehensive income.

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

Furthermore, as required by CONSOB resolution no. 15519 dated 27 July 2006 in **Note 44 – 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 45 – Related parties**.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Relevant information on the accounting standards adopted and recognition and measurement criteria

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

By their very nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that, in subsequent years, the current carrying amounts may differ as a result of the change in the subjective assessments used.

Financial Statement Area	Description of the accounting estimates and assumptions
Impairment testing of goodwill, authorisations and concessions, other 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 assessment of possible impacts of climate change. For further details, please refer to Note 21 – Impairment testing.to **Note 21 – Impairment testing**.
Definition of the useful life of Authorisations and concessions, other intangible assets, property, plant and equipment and the related amortisation and depreciation	Authorisations and concessions are amortised on the basis of their residual duration. Other intangible assets are amortised over a maximum period of 5 years. The useful life of property, plant and equipment is reviewed annually and adjusted where the most recent estimate differs from the previous ones. Any changes in estimates relating to useful life are recognised prospectively. If an item of property, plant and equipment comprises various parts having different useful lives, these parts are recognised separately (significant components). See section **III. Investing Activities** for more details. During the financial year, the Group changed the estimate of the useful lives of some wind farms in Europe in order to align with more recent and accurate estimates, also validated by external professionals and experts, to provide a more consistent representation of these plants. The amendment has an effect on the current year and in future years, in compliance with the provisions of IAS 8 Accounting standards, changes in accounting estimates and errors. See **Note 20 – Amortisation, depreciation and impairment losses.**
Recoverability of deferred tax assets	These are recognised on the basis of the Group's future taxable of profits as forecast by business plans as well as of the expected settlement and renewal of tax consolidation agreements (**Note 41 – Deferred taxes**).
Measurement of provisions and contingent liabilities related to civil, administrative and tax proceedings	The measurement processes are based on complex elements that by their nature imply reliance on the Directors' judgement, also taking into account the elements acquired by external consultants, and involve both determining the degree of likelihood of the occurrence of conditions that may entail a cash outlay and hence classification among liabilities or among contingent liabilities, and quantifying the related amount. See **section IV. Provisions and Contingent Liabilities**.

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 Combinations	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 the initial accounting for the business combination is still provisional at the Reporting Date.
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 Business

Starting in the 2021 financial year, the Group had initiated a competitive process aimed at divesting the **thermoelectric business**, as part of a broader asset rotation process aimed at achieving a business model focused entirely on wind and solar power generation. On 29 June 2023, the Group signed an agreement with Achernar Assets AG, a Swiss investment holding, for the sale of the entire quota capital of ERG Power S.r.l. The transaction closed on 17 October 2023. Included in the scope of the sale were 144 people dedicated to ensuring the operation of the thermal power plant.

In consideration of the above, for the purposes of these Financial Statements, the classification of the related results up to the date of loss of control (date of Closing) has been maintained in the line **"Net profit (loss) from discontinued operations"**.

For further details, please refer to section **VII. Discontinued operations**.

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

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

The application of these measures also had effects in 2023, resulting in refunds for a negative impact in 2023 of approximately EUR 12 million on the net result from continuing operations (EUR 35 million in 2022).

The breakdown by country of the impacts of the aforementioned measures for the Group in financial years 2023 and 2022 is provided below.

(EUR million)

Country	Sostegni-Ter (Art. 15 bis Italian Decree Law no. 4/2022)	Windfall taxes/ Price Cap Europe	Total	Accounting
Italy	0	-	0	Note 1 – Revenue
France	-	6	6	Note 1 – Revenue
Poland	-	4	4	Note 1 – Revenue
Bulgaria	-	1	1	Note 1 – Revenue
Spain	-	0	0	Note 1 – Revenue
Total	**0**	**12**	**12**	

(EUR million)

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

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

For the 2023 financial year, reference is made in particular to the Price cap regulations in France, Poland and Bulgaria. It should be noted that the 2022 financial year included windfall tax measures in the income taxes line amounting to EUR 83 million, deriving from the Italian Decree Law of 21 March 2022 (EUR 37 million) and the Extraordinary Contribution (EUR 19 million) introduced by the 2023 Budget Law (Italian Law 197 of 29 December 2022), as well as the net tax effect of the windfall tax in Romania (EUR 13 million) and the Price cap regulations in Europe (EUR 10 million).

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 operational and economic/financial consequences in terms of, among other things: decreased availability of renewable resources (wind and sun); limitations or impediments to operations, increased Operation & Maintenance costs, increased insurance costs, higher compliance costs, etc. Based on the latest report from the Intergovernmental Panel on Climate Change (IPCC) on climate change, it is confirmed that global temperatures are rising and there is a noticeable trend in variations of windiness, with an increase in extreme events. However, the assessment of climate change damages is characterised by high uncertainty due to: (i) the difficulty in accurately predicting the future effects of climate change, both in terms of magnitude and geographical distribution, and (ii) the difficulty in assessing the possible vulnerabilities and/or resilience of the sectors analysed.

The European Commission has proposed the "Repower EU" plan to accelerate the clean energy transition and diversify energy sources. The main measures include increasing renewable energy targets and simplifying authorisation procedures.

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 economic-financial consequences in the medium/long term deriving from possible lower output. In compliance with the guidelines of the ESMA Public statement – European common enforcement priorities for 2023 annual financial reports (document ESMA32-193237008-1793 of 25 October 2023), Climate Change considerations, with impacts deemed not relevant, are reflected in the medium-term (Market Plan) and long-term (impairment test) Business Plans [1].
- Catastrophic events referring in particular to "acute" and "chronic" physical phenomena linked to extreme natural events that could cause damage to generation 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.

ERG's risk management strategy focuses, in particular, on the technological and geographical diversification of renewable energy sources, also by leveraging local synergies. The Group also uses weather forecasting tools and statistical models to mitigate the impacts of Climate Change. The Group is therefore committed to contributing to the fight against climate change by investing in zero-emission technologies, such as wind and solar, to align with the European and United Nations objectives on renewable energy.

For more details on the Group's approach to the types of risks generated by Climate Change and the strategy for managing these risks, please refer to the **Directors' Report**.

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1 ERG conducted an internal study in 2023 to quantitatively assess how climate change can affect the annual output of assets, in particular wind power. The analysis shows that in general the risks of a decrease in average wind speed, with particular reference to a medium-term horizon (10-15 years) are relatively low. Based on historical/statistical analyses of the percentage change in wind speed, low fluctuations in energy production can be expected, which can have both a positive (increasing output) and negative (reducing output) impact. However, fluctuations of this magnitude in the wind resource are already factored into the time series underlying the output estimates reflected in the Business Plan. With reference to solar assets, the change in irradiation for the group's solar plants during 2024 will be analysed in depth.

BASIS OF CONSOLIDATION AND CHANGES IN THE SCOPE OF CONSOLIDATION

Relevant information on the accounting standards adopted and recognition and measurement criteria

Consolidation criteria and methods [2]
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 46 – List of Group companies and transactions during the period****.*
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 46 – List of Group companies and transactions during the year*** *and* ***Note 28 – 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**	4.340	4.542
Romania	**RON - Leu Romeno**	4.976	4.947
UK	**GBP - Sterlina britannica**	0.869	0.870
Bulgaria	**BGN - LEV Bulgaro**	1.956	1.956
Sweden	**SEK - Corona Svedese**	11.100	11.480

(1) Change on 31 December 2023.
(2) Average exchange rate for 2023.

Changes in relevant accounting standards: Global minimum top-up tax
The Organisation for Economic Co-operation and Development (OECD), in accordance with the Pillar 2, has introduced a global minimum tax that applies to multinational enterprise groups with annual revenue of EUR 750 million or more from consolidated financial statements in at least two of the four financial years immediately preceding the relevant financial year. It should be noted that the Group exceeded this threshold.
It should be noted that, for global minimum tax purposes, if a jurisdiction in which the multinational enterprise group operates enacts or substantially enacts changes to its tax law, the entire group may be affected regardless of whether a similar tax law has been enacted or substantially enacted in the parent jurisdiction. Therefore, the parent must monitor the progress of the legislative procedure in each jurisdiction in which it operates to determine if and when it may be impacted by the global minimum tax.
The Group has adopted the document "International tax reform – Pillar 2 Model Rules (Amendments to IAS 12)" published on 23 May 2023, which introduced a requirement to provide new disclosures with respect to current tax expense (income) related to Pillar 2 income taxes and a temporary exception to the recognition and disclosure of deferred tax information with respect to the global minimum tax. These amendments entered into force immediately.
The exception provided for by IAS 12 applies retroactively. However, since at 31 December 2022, no jurisdiction in which the Group operates had enacted or substantially enacted new tax legislation to introduce the global minimum tax, retroactive application has no effect on the Group's consolidated financial statements. With regard to prospective application, please refer to ***Note 39 – Income taxes****.*

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

The following is a summary of the changes in the scope of consolidation, which occurred in the year 2023, relating to the Solar Spain business

- on 23 June 2023 ERG, through its subsidiary ERG Hamburg Holding GmbH, completed the acquisition from IBV Solar Parks, B.V. – a company in the German group ib vogt GmbH – of 100% of **Garnacha Solar S.L.U.**, a company that owns a photovoltaic system located in the region of Castilla and León, in the north-west of Spain. The system has an installed capacity of 149 MWp and became operational in the fourth quarter of 2023.
- On 30 June 2023 ERG, through its subsidiary ERG Spain Holdco S.L.U., completed the acquisition from Renertia Gestion Solar II, S.C.R.-PYME S.A., a company linked to Renertia Investment Company, of 100% of the share capital of Instalación Fotovoltaica Arericsol VIII, S.L.U., a company that owns a photovoltaic system located in **Fregenal** de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MWp. The Fregenal system, built during 2022, went into operation in July 2023 and will have an estimated total annual output of around 50 GWh.

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

(EUR thousand)	Garnacha	Fregenal	TOTAL
Authorisations and Concessions	67,345	14,683	82,028
Goodwill	2,771	1,608	4,379
Property, plant and equipment	104,246	18,994	123,240
Right-of-use assets	14,995	2,468	17,463
Other non-current financial assets	15,937	-	15,937
Deferred tax assets	825	-	825
Non-current assets	**206,118**	**37,754**	**243,872**
Inventories	-	100	100
Other current assets	1,059	404	1,463
Financial assets measured at fair value*	1,751	-	1,751
Cash and cash equivalents*	(49,357)	(12,413)	(61,771)
Current assets	**(46,548)**	**(11,909)**	**(58,457)**
TOTAL ASSETS	**159,571**	**25,845**	**185,415**
Deferred tax liabilities	17,294	3,671	20,965
Provisions for dismantling expenses	2,704	581	3,285
Other non-current provisions	12,500	-	12,500
Non-current financial liabilities*	75,370	-	75,370
Non-current lease liabilities*	14,995	2,468	17,463
Other non-current liabilities	3,300	54	3,354
Non-current liabilities	**126,163**	**6,774**	**132,936**
Trade payables	3,692	-	3,692
Current financial liabilities*	28,956	19,071	48,027
Current tax liabilities	759	-	759
Current liabilities	**33,407**	**19,071**	**52,478**
TOTAL EQUITY AND LIABILITIES	**159,570**	**25,845**	**185,415**
***Impact on Net Financial Indebtedness (a)**	**(166,927)**	**(33,953)**	**(200,880)**
IFRS 16 impact on Net financial Indebtedness (b)	*(14,995)*	*(2,468)*	*(17,463)*
Impact on Net Financial Indebtedness Directors' Report c = (a-b)	**(151,932)**	**(31,485)**	**(183,417)**

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

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

For further details on business combinations, please refer to **Note 43 – Business combinations** and asset acquisition in section **VIII. Other Notes**.

Lastly, it should be noted that on 17 October 2023, ERG finalised the closing with Achernar Assets AG for the sale of the entire share capital of ERG Power S.r.l. in line with what was communicated on 29 June 2023, following the conditions precedent set forth in the sale agreement, including the completion of the golden power procedure at the Italian Presidency of the Council of Ministers.

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 or loss and the statement of financial position items relating to the operating working capital as well as other assets and liabilities.
Please note that the balance sheet and income statement figures relating to the thermoelectric business, which was sold on 17 October 2023, have been reported in accordance with IFRS 5. For further details, please refer to **Section VII – Discontinued operations**.

REPORTING BY OPERATING SEGMENT

Relevant information on the accounting standards adopted and recognition and measurement criteria

Following the previously mentioned Asset Rotation process, starting from 2022, the operating results are presented and commented on with reference to the various geographical segments in which the Group operates, in line with the new internal methods for measuring the Group's results, and in line with the 2022-2026 Business Plan approved by the Board of Directors on 14 March 2022, aimed at reinvesting the resources deriving from divestments and the growth strategy in Wind and Solar through a policy of geographical and technological diversification.
It should be noted that the results, shown by geographical segment as from 2022, reflect the energy sales on markets by Group Energy Management, in addition to the application of effective hedges of the generation margin. The above mentioned hedges include, inter alia, the use of instruments by Energy Management to hedge the price risk. In order to give a clearer representation of business by geographic segment and, secondarily, by technology, the wind and solar results include the hedging carried out in respect of renewables.
The operating segments identified pursuant to IFRS 8 therefore coincide with the various geographical areas in which the Group operates: Italy, France, Germany, Eastern European countries, UK & Nordics (United Kingdom and Sweden) and Spain.
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 information by geographical segment on the results indicated in the financial statements.
*With reference to Italy, and the completed thermoelectric sector divestiture process, the relevant results have been reclassified as "Discontinued operations", and therefore the summary income statement and balance sheet data of this divested operating segment have not been reported in the segment reporting below. For more information, refer to **Note 42 – Net profit (loss) from discontinued operations**.*

It is noted that in the Directors' Report, in order to facilitate an understanding of the operating segments' performance, the operating results are also shown with the exclusion of significant special income components of an exceptional nature (non-recurring items, reclassifications and other): these results are indicated with the term "adjusted".
*For more information on the operating segment performance and the measurement and reconciliation of adjusted results and other alternative performance indicators, please refer to the Directors' Report and to **Note 44 – Non-recurring items**.*

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

Gross operating profit (loss) and operating profit (loss) 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 (loss) 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 impairment losses on authorisations and concessions, other intangible assets, property, plant and equipment and right-of-use assets.

Reporting by geographical segment

2023

(EUR million)	TOTAL	of which Italy	France	Germany	East Europe	UK & Nordics	Spain
Revenue	**741**	374	124	89	73	54	27
Gross operating profit (loss) (EBITDA)	**547**	292	81	67	49	38	20
Amortisation, depreciation and impairment losses	**(219)**	(122)	(40)	(20)	(18)	(14)	(6)
Operating profit (EBIT)	**328**	170	41	47	31	25	14
Capital expenditure in non-current assets	**303**	221	25	3	2	45	7

2022

(EUR million))	TOTAL	of which Italy	France	Germany	East Europe	UK & Nordics	Spain
Revenue	**713**	399	98	94	66	34	22
Gross operating profit (loss) (EBITDA)	**527**	281	58	73	72	24	18
Amortisation, depreciation and impairment losses	**(273)**	(172)	(47)	(29)	(15)	(5)	(4)
Operating profit (EBIT)	**253**	109	10	44	57	20	14
Capital expenditure in non-current assets	**304**	114	11	1	20	159	-

REVENUE AND OPERATING MARGINS

NOTE 1 - REVENUE

Relevant information on the accounting standards adopted 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;*
   - *Sales of electricity through Power Purchase Agreements (PPAs), including short-term;*
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 sales. For further details, please refer to ***Note 37 – 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 revenue generated through feed-in tariffs regulated by auctions and using a two-way incentive mechanism, under certain predefined conditions, these incentives could be structured as derivative financial instruments. It should be noted that, at the date of this Document, there are no types of 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 de-

mand (Certificates of Origin) and supply (Green Certificates) of renewable energy.
Green Certificates are essentially awarded for every 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.*

It is noted that the Group, as 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, regularly enters into medium/long-term supply contracts based on 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. The transfer of the energy may be physical or there may be provision for the exchange on the delivery date of a differential based on the price defined in the contract for a variable price, without the physical transfer of the underlying electricity (financial or virtual PPA, VPPA). VPPAs are accounted for in accordance with IFRS 9 without the application of the own use exemption; see ***Note 36 – Financial Instruments for more information****.*

As previously mentioned, it should be noted that as a result of the current process of divestment of the Thermoelectric Business, in this document we have continued to show the relative contribution of the Thermoelectric Business for the first nine months of 2023 in the line "Net profit (loss) from discontinued operations", in accordance with IFRS 5.
Finally, it should be noted that revenue is shown net of the effects of the transitional measures (clawback measures)..

2023

(EUR thousand)	Italy	France	Germany	East Europe	UK & Nordics	Spain	Totale
Revenue from sales							
Energy to the market	243,306	29,604	78,383	62,840	21,561	26,747	462,440
Incentive rate – Feed-in Tariff	80,092	81,434	10,931	-	-	-	172,457
Power Purchase Agreement	44,578	12,644	-	-	32,665	-	89,888
Renewable energy certificates abroad	-	-	-	9,929	-	-	9,929
Total Revenue from sales	**367,976**	**123,682**	**89,314**	**72,769**	**54,226**	**26,747**	**734,714**
Revenue from services							
Other – Services	6,007	-	-	-	-	-	6,007
Total Revenue from services	**6,007**	**-**	**-**	**-**	**-**	**-**	**6,007**
Total Revenue	**373,983**	**123,682**	**89,314**	**72,769**	**54,226**	**26,747**	**740,721**
of which Wind	**285,441**	**114,515**	**89,314**	**72,769**	**54,226**	**-**	**616,265**
of which Solar	**88,542**	**9,167**	**-**	**-**	**-**	**26,747**	**124,456**

2022

(EUR thousand)	Italy	France	Germany	East Europe	UK & Nordics	Spain	Totale
Revenue from sales							
Energy to the market	174,220	11,614	841	86,000	4,688	21,713	299,075
Incentive rate – Feed-in Tariff	149,606	74,285	93,368	-	-	-	317,259
Power Purchase Agreement	29,229	11,072	-	-	29,278	-	69,579
Renewable energy certificates abroad	-	-	-	14,060	-	-	14,060
Total Revenue from sales	**353,055**	**96,970**	**94,210**	**100,060**	**33,966**	**21,713**	**699,973**
Revenue from services							
Other – Services	12,845	-	-	-	-	-	12,845
Total Revenue from services	**12,845**	**-**	**-**	**-**	**-**	**-**	**12,845**
Revenue from services	**365,900**	**96,970**	**94,210**	**100,060**	**33,966**	**21,713**	**712,819**
Other – Services	**268,564**	**87,933**	**94,210**	**100,060**	**33,966**	**-**	**584,732**
Total Revenue from services	**97,337**	**9,036**	**-**	**-**	**-**	**21,713**	**128,087**

Revenue increased slightly compared to 2022 as a result of the full contribution from the acquisitions made in the second half of 2022, the entry into operation of the wind farms developed internally and the gradual start of operations in

the second half of 2022 and early 2023, partly offset by lower market prices in all countries where the Group operates.

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 positive impact of EUR 39 million (negative EUR 127 million in 2022) of commodity hedging derivatives. Please refer to **Note 37 – Disclosure on financial risks for further** details.

(EUR thousand)	2023	2022
Gains on power sales cash flow hedges	168,241	69,216
Losses on power sales cash flow hedges	(129,738)	(196,323)
Total revenue	**38,503**	**(127,107)**

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 in all countries in which the Group operates, 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. Finally, for solar companies, it is specified that the GSE pays the incentive tariffs in constant monthly instalments equal to 90% of the estimated average annual producibility of each plant, in the calendar year of production, and makes the adjustment, in relation to actual production, by 30 June of the following year. Advance payments are made at the end of the second month following that of the accrual period.

Below is a summary, by country, of the PPAs finalised by 31 December 2023.

COUNTRY	CONTRACT DURATION	COUNTERPARTY	VOLUME	TYPE	PRICE	PLANT / CAPACITY	ACCOUNTING
ITALY	January 2022 / 10 years	TIM	≈340 GWh Baseload / Pay as produced	PHYSICAL	COLLAR	WIND ITALY Portfolio / 77 MW (*)	IFRS 15
ITALY	January 2023 / April 2024 / 12 years	LUXOTTICA	≈70 GWh Baseload	PHYSICAL (from April 2024)	FIXED	Partinico / Monreale / 42 MW	IFRS 15
ITALY	January 2024 / 15 years	ST MICROE-LECTRONICS	≈250 GWh Baseload	PHYSICAL	FIXED	Camporeale / Mineo-Militello-Vizzini / 151 MW	IFRS 15
ITALY	June 2024 / 20 years	GOOGLE	≈100 GWh Pay as produced	FINANCIAL	FIXED	Roccapalumba 47 MW	IFRS 9
FRANCE	May - September 2021/5 years	ENGIE	≈45 GWh Pay as produced	PHYSICAL	FIXED	Bois Bigot / Bois de l'Arche / 21 MW	IFRS 15
FRANCE	October - December 2021/5 years	ENGIE	≈100 GWh Pay as produced	PHYSICAL	FIXED	Theta Portfolio / 55 MW	IFRS 15
UK	January 2022/6 years	ELECTROROUTE	≈240 GWh Pay as produced	PHYSICAL	FIXED	Evishagaran / Craggoire / 70 MW	IFRS 15
UK	January 2023 / January 2024 / 10 years	ENGIE UK	≈530 GWh Baseload	PHYSICAL	FIXED	Sandy Knowe / Creagh Riabhach 179 MW	IFRS 15
SPAIN	January - March 2024 /12 years	GOOGLE	≈193 GWh Pay as produced	FINANCIAL	FLOOR	Garnacha / 149 MW	IFRS 9

* PPA amended in 2023. Integrated baseload volume of 23 MW baseload equal to approximately 200 GWh/year

NOTE 2 - OTHER INCOME

Other income mainly comprises insurance reimbursements, indemnities and expense recoveries, minor chargebacks to third parties and operating grants.

(EUR thousand)	2023	2022
Release of excess cost allocations	11,483	1,717
Indemnities	9,016	1,934
Other income	3,506	7,534
Reimbursement of expenses	566	558
Total	**24,572**	**11,743**

This item mainly includes contractual indemnities and guarantees received from suppliers for EUR 7 million, as well as, for EUR 6 million, the release of provisions for tax risks and provisions for risks and charges recorded at the time of the acquisition of certain companies, since the conditions that had led to their recognition in previous years no longer existed. Lastly, the item includes the release of part of the provision for tax risks on local taxes for EUR 6 million following the positive outcome of the dispute with the Italian Revenue Agency over the determination of the cadastral income on wind towers, as better described in **Note 25 – Other provisions**.

NOTE 3 - OTHER PURCHASES

This item, amounting to EUR 14,126 thousand (EUR 15,038 thousand in 2022), mainly includes the costs for the purchase of plant components (spare parts) with a useful life not exceeding one year and consumables mainly in relation to wind farms, as well as energy purchases. The item is shown net of the change in inventories of EUR 2,407 thousand (EUR 1,684 thousand in 2022).
It should be noted that in 2022, a positive impact of EUR 11 million from commodity hedging derivatives was recognised. Please refer to **Note 37 – Disclosure on financial risks** for further details.

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

(EUR thousand)	2023	2022
Services	148,278	139,980
Taxes and duties	13,091	1,313
Accruals for risks and charges	6,582	2,344
Rental, lease and hire expenses	3,018	11,463
Impairment of receivables	343	300
Other operating costs	3,586	3,760
Total	**174,898**	**156,161**

Rental, lease and hire expenses refer mainly to royalties and fees for the use of company software, not falling within the scope of application of IFRS 16.
Taxes and duties refer mainly to the municipal taxes on Italian and foreign wind farms, and other taxes and duties in Italy and abroad.

Services are broken down as follows:

(EUR thousand)	2023	2022
Costs for services from Group companies not consolidated line by line	35,555	32,761
Maintenance and repairs	45,870	39,921
General and Information Technology (IT) services	19,797	21,375
Consultancy	12,285	11,383
Insurance	5,789	4,675
Royalties and land rights	11,933	10,316
Costs for electricity transport	6,437	989
Utilities and consumption	9,139	12,738
Commercial, distribution and transport costs	1,361	2,765
Advertising and promotions	112	57
Total	**148,278**	**136,980**

- **Maintenance and repairs** mainly include ordinary maintenance costs for electricity generation plants; the increase is due to the business combinations (acquisitions) carried out during the year, as well as the contribution of the wind farms that came into operation in the United Kingdom.
- **General and Information Technology (IT) services** relate to IT services, bank expenses, overheads, security and cleaning services and ancillary personnel and HSE (Health, Safety and Environment) costs.
- **Consultancy** mainly includes expenses for legal, technical and professional consultancy.
- **Commercial, distribution and grid connection costs** include the costs of distribution and connection to the grid.

NOTE 5 - PERSONNEL EXPENSE

(EUR thousand)	2023	2022
Wages and salaries	21,800	19,282
Social security expenses	5,483	5,188
Post-employment benefits	833	1,066
Other personnel costs	1,065	1,275
Total	**29,182**	**26,811**

At 31 December 2023, the total number of employees[3] was 413 (369 in 2022).
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 managers, for the details of which please see **Note 45 – Related Parties**.

It is noted that costs in 2022 included charges of EUR 0.9 million relating to an extraordinary bonus paid to some Group employees for the special contribution made in the year for the purpose of implementing the Group's Business Plan. "Other personnel costs" include additional post-employment benefits.

3 The number of employees does not include personnel dedicated to ensuring the operation of the CCGT cogeneration plant, sold on 17 October 2023.

WORKING CAPITAL AND OTHER ASSETS AND LIABILITIES

(EUR thousand)	Notes	31/12/2023	31/12/2022
Trade receivables	6	157,720	203,789
Inventories	7	20,019	17,602
Trade payables	8	(111,942)	(125,465)
Operating working capital		**65,797**	**95,927**
Other current assets	9	115,468	92,738
Other non-current assets	10	44,844	53,130
Other non-current liabilities	12	(44,634)	(30,989)
Other current liabilities	11	(56,913)	(78,059)
Employee benefits	13	2,333	2,513
Other assets (liabilities)		**61,097**	**39,333**

NOTE 6 - TRADE RECEIVABLES

Relevant information on the accounting standards adopted 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.

(EUR thousand)	31/12/2023	31/12/2022
Receivables from customers	116,844	157,159
Receivables for incentives	43,861	58,722
Receivables from Group companies not consolidated on a line-by-line basis	902	595
Loss allowance	(3,888)	(12,687)
Total	**157,720**	**203,789**

The item includes mainly receivables for the supply of electricity to third parties (including incentives, feed-in tariff, green certificates and Feed-in Premium).

The change in the year is mainly attributable to the zero value of the GRIN incentive in the wind business in Italy and to a particularly unfavourable price scenario compared to the 2022 financial year.

For information concerning receivables from non-consolidated group companies, reference is made to **Note 45 – Related parties**.

The loss allowance changed as follows:

(EUR thousand)	31/12/2023	Incrementi	Decrementi	31/12/2022
Loss allowance	(3,888)	-	8,799	(12,687)
Total	**(3,888)**	**-**	**8,799**	**(12,687)**

The decrease in the year relates mainly to the utilisation for write-off of receivables for incentives in Eastern Europe, following a ruling by the Supreme Administrative Court in April 2023 that they are irrecoverable. The related loss allowance was recognised for the purposes of the Consolidated Financial Statements at 31 December 2021.

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)	31/12/2023	31/12/2022
Receivables not past due	**143,826**	**195,776**
Receivables past due:		
within 30 days	9,881	7,028
within 60 days	-	55
within 90 days	40	42
after 90 days	3,973	889
Total	**157,720**	**203,789**

It should be noted that the amount of receivables due within 30 days was fully collected in January 2024.

NOTE 7 - INVENTORIES

Relevant information on the accounting standards adopted 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.

Inventories, amounting to EUR 20,019 thousand (EUR 17,602 thousand at 31 December 2022), mainly include spare parts for wind farms and photovoltaic systems in Italy, France and Germany.

NOTE 8 - TRADE PAYABLES

Relevant information on the accounting standards adopted 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.

Trade payables, amounting to EUR 112 million (EUR 125 million at 31 December 2022), mainly include payables for maintenance and other services from third parties for plants in operation (approximately EUR 56 million), for capital expenditure related to wind farms under construction (approximately EUR 40 million) and for purchases of electricity (EUR 13 million). The change mainly concerns electricity purchases, impacted by lower prices and lower volumes in 2023, offset by higher payables for capital expenditure in the current year.

NOTE 9 - OTHER CURRENT ASSETS AND RECEIVABLES

(EUR thousand)	31/12/2023	31/12/2022
VAT receivables	33,302	37,574
Tax assets	11,102	2,532
Receivables from Group companies	13,405	20,640
Portions of deferred charges	33,709	26,581
Other assets	23,951	5,411
Total	**115,468**	**92,738**

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 40– 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 10 million and to deferred charges relating to development projects for approximately EUR 11 million.

NOTE 10 - OTHER NON-CURRENT ASSETS

Other non-current assets, equal to EUR 44,844 thousand (EUR 53,130 thousand at 31 December 2022) 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 17 million due as compensation for the liability tied to interest and revaluations on the grants under Italian Law no. 488/1992 relating to wind farms acquired with the ERG Wind transaction and revoked by the Italian Ministry of Economic Development as discussed more thoroughly in **Note 24 – Other non-current financial assets**;
- deferred tax charges relating to subsequent years (EUR 5 million), relating mainly to the substitute tax on the Andromeda PV S.r.l. goodwill exemption.

NOTE 11 - OTHER CURRENT LIABILITIES

(EUR thousand)	31/12/2023	31/12/2022
Payables to Group companies not consolidated on a line-by-line basis	21,344	23,834
Portions of income deferred to subsequent years	17,075	22,690
Employees	2,803	4,134
Pension and social security institutions	1,935	1,692
Tax liabilities	1,734	2,034
Other current liabilities	12,023	23,675
Total	**56,913**	**78,059**

The change in the item **Other current liabilities** mainly refers to short-term guarantee deposits received from Group customers, as well as to changes in minor items.
The change in the item **Employees** refers mainly to the payment of bonuses related to the Management Compensation Plan.

NOTE 12 - OTHER NON-CURRENT LIABILITIES

(EUR thousand)	31/12/2023	31/12/2022
Liabilities for prior year taxes from merger of foreign companies	18,594	18,594
Price of Wind Group acquisition	9,821	9,821
Portions of income deferred to subsequent years	14,499	810
Other minor items	1,720	1,763
Total	**44,634**	**30,989**

The change in **Portions of income deferred to subsequent years** includes the difference in the fair value of a VPPA at the subscription date with respect to the transaction price, equal to EUR 14 million for the non-current portion, which is expected to reverse over the duration of the agreement.

NOTE 13 - EMPLOYEE BENEFITS

Relevant information on the accounting standards adopted and recognition and measurement criteria

Employee benefits include the estimated liability relating to the benefits payable to employees when they terminate their employment.

Short-term benefits for employees

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

Post-employment benefits

These are provided through:

- *defined contribution plans: contributions paid to independent institutions that deal with their administrative and financial management are recognised as a cost in profit/(loss) over the period in which the employees work;*
- *defined benefit plans: the sum of future obligations under these plans is based on actuarial assumptions using the projected unit credit method. The calculation is 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 termination benefits are recognised as a cost when the Group has committed without possibility of withdrawal to offer said benefits or, if prior, when the Group recognises the restructuring costs. Benefits entirely due beyond twelve months from the reporting date are discounted.

(EUR thousand)	31/12/2023	31/12/2022
Balance at the beginning of the year	**2,513**	**3,261**
Liabilities held for sale	0	(748)
Revaluation	4	-
Decreases in the year	(184)	-
Balance at the end of the year	**2,333**	**2,513**

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

	2023	2022
Discount rate[4]	3.2%	3.8%
Inflation rate	2.5%	3.0%
Average turnover rate	3.0%	3.0%
Average rate of salary increase	1.5%	1.5%
Average age	42	45

(1) Listing at 31 December 2023 of the iBoxx Corporate EUR benchmark index with a duration of 10+ and AA rating.

III. INVESTING ACTIVITIES

NOTE 14 - AUTHORISATIONS AND CONCESSIONS

Relevant information on the accounting standards adopted 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. **Note 21 - Impairment Test.**

(EUR thousand)	Authorisations and concessions
Historical cost	1,328,260
Amortisation	(396,358)
BALANCE AT 31/12/2022	**931,901**
Changes for the year:	
Change in scope of consolidation	82,028
Capital expenditure	710
Amortisation	(61,837)
Other changes	45
Historical cost	1,411,043
Amortisation	(458,196)
BALANCE AT 31/12/2023	**952,847**

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

The change in the scope of consolidation refers to the Garnacha and Fregenal business combinations that took place during the year. For further details, please refer to **Note 43 – Business combinations and asset acquisition**.

NOTE 15 - OTHER INTANGIBLE ASSETS

Relevant information on the accounting standards adopted and recognition and measurement criteria

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

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

(EUR thousand)	Other intangible assets	Assets under development	Total
Historical cost	24,039	7,014	31,054
Amortisation	(17,240)		(17,240)
BALANCE AT 31/12/2022	**6,422**	**6,973**	**13,397**
Changes for the year:			
Capital expenditure	654	2,033	2,687
Capitalisations and reclassifications from/to intangible assets	4,468	(4,468)	-
Amortisation	(2,041)	-	(2,041)
Historical cost	27,028	4,538	31,566
Amortisation	(17,525)		(17,525)
BALANCE AT 31/12/2023	**9,503**	**4,538**	**14,041**

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.

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

NOTE 16 - GOODWILL

Relevant information on the accounting standards adopted 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 additional information, reference is made to ***Note 21 – Impairment Testing****.*

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

(EUR million)	Wind Italy	Solar Italy	Wind France	Solar France	Wind Germany	Solar Spain	Total
Balance at 31/12/2022	194	86	77	15	32	4	408
Changes for the year:							
"Garnacha" business combination	-	-	-	-	-	3	3
"Fregenal" Business Combination	-	-	-	-	-	2	2
Saldo al 31/12/2023	194	86	77	15	32	9	412

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 Testing**.

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

Relevant information on the accounting standards adopted 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 ***Note 21 – Impairment Testing****). 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 the previous ones. 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	3.33 - 5
Photovoltaic modules	3.33 - 5
Industrial and commercial buildings	2.75 - 5.5
Automation and control systems	10
Lightweight constructions	10
General plant	5 - 10
Motor vehicles, furniture and furnishings	10 - 16
Surface rights and other civil works	3.5
Other miscellaneous goods/equipment	14 - 16

(EUR million)	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
Historical cost	93,616	4,684,004	26,210	214,445	**5,018,275**
Depreciation and impairment losses	(46,558)	(2,843,384)	(16,759)	-	**(2,906,700)**
BALANCE AT 31/12/2022	**47,058**	**1,840,620**	**9,451**	**214,445**	**2,111,576**
Changes for the year:					
Change in scope of consolidation	-	123,240	-	-	**123,240**
Capital expenditure	3,778	87,839	1,176	206,972	**299,765**
Capitalisations and reclassifications from/to property, plant and equipment	-	65,861	90	(65,951)	-
Disposals and divestments	-	(2,216)	(289)	-	**(2,505)**
Depreciation	(2,757)	(139,125)	(4,611)	-	**(146,494)**
Impairment losses	-	-	-	-	-
Other changes	553	6,217	2,295	-	**9,065**
Historical cost	87,076	4,425,632	24,756	355,466	**4,892,930**
Depreciation and impairment losses	(38,444)	(2,443,195)	(16,644)	-	**(2,498,283)**
BALANCE AT 31/12/2023	**48,632**	**1,982,436**	**8,112**	**355,466**	**2,394,647**

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 consolidation scope** refers mainly to the aforementioned business combinations that have occurred in the period, relating to the acquisition of photovoltaic systems in Spain.
For a more detailed analysis, reference should be made to **Note 43 – Business combinations and asset acquisition**.
Capital expenditure mainly refers to organic development activities for approximately EUR 300 million (EUR 307 million in 2022), related to construction activities in Italy, including Repowering projects, as well as to the completion of construction activities of wind farms that will come into operation between the end of 2022 and the beginning of 2023 in the UK and Sweden, solar Revamping activities in Italy and wind farm construction activities in France.
The item **Reclassifications** includes reclassifications between different asset classes, relating to the completion of wind farms under construction, particularly for Repowering activities in Italy (Partinico-Monreale and Camporeale).
The item **Other changes** mainly refers to the change in the exchange rate effect during the year for approximately EUR 21 million, and to the capitalisation of financial interest relating to the organic growth of the wind farms under construction for approximately EUR 4 million, offset by the net decrease in the item dismantling costs for approximately EUR 15 million, due to the alignment of inflation and discounting rates for the period.
With regard to the existence of restrictions on the assets held by the Group, please refer to **Note 32 – Current and non-current financial liabilities**.

NOTE 18 - RIGHT-OF-USE ASSETS

Relevant information on the accounting standards adopted and recognition and measurement criteria
Leases
The Group's leases, as per the IFRS 16 definition, relate to land, warehouses, properties, equipment, substations and vehicle fleet. Leased assets are recorded in the Consolidated Financial Statements with the recognition of an asset representing the right to use the underlying asset and a liability representing the obligation to make lease payments.
Financial liabilities are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses the incremental borrowing rate (determined as the sum of the Group's credit spread and the forward curve based on Euro area swap rates).
Main assumptions – lease evaluation
The group uses subjective assessments to determine whether a contract contains a lease. The Group analysed all the lease contracts, defining the lease term for each of them, the "non-cancellable" period. The Group's leases have an average term of 24 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 plant	Other assets	Total
BALANCE AT 31/12/2022	**151,565**	**510**	**284**	**152,359**
Increase in right-of-use assets	3,086	361	616	4,063
Increase in right-of-use assets due to business combinations	17,463	-	-	17,463
Derecognition of right-of-use assets	(946)	-	(49)	(995)
Depreciation for the year	(8,837)	(15)	(131)	(8,984)
BALANCE AT 31/12/2023	**162,331**	**856**	**720**	**163,906**

The increase for the year in the item Land and buildings is mainly due to the recognition of the right of use on the land of the wind farms and photovoltaic systems referring to the aforementioned Garnacha and Fregenal business combinations.
For further details on business combinations, please refer to **Note 43 – Business Combinations and Asset Acquisition** in Section VIII. Other Notes.

NOTE 19 - PROVISIONS FOR DISMANTLING EXPENSES

Relevant information on the accounting standards adopted 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 2.8%-6.9%.

(EUR million)	31/12/2023	Increases	Decreases	Change in the consolidation scope	31/12/2022
Provisions for dismantling expenses	78,830	6,997	(24,065)	3,285	92,613
Total	**78,830**	**6,997**	**(24,065)**	**3,285**	**92,613**

La movimentazione dell'esercizio è principalmente legata alla rideterminazione degli oneri di ripristino di alcuni parchi eolici e solari principalmente nel Regno Unito, Italia, Francia e Spagna dovuta all'allineamento dei tassi di inflazione e di attualizzazione del periodo. Si segnala inoltre il decremento netto per l'utilizzo di fondi nell'ambito delle attività di Repowering e Revamping su alcuni parchi in Italia. La **Variazione area di consolidamento** si riferisce alle già commentate acquisizioni avvenute nell'esercizio.

NOTE 20 - AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Relevant information on the accounting standards adopted 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)	2023	2022
Amortisation and impairment losses – Rights and Concessions	61,837	53,757
Amortisation and impairment losses – Other intangible assets	2,041	1,275
Total Amortisation and impairment loses of intangible assets	**63,878**	**55,031**
Depreciation and Impairment losses – Property, Plant and Equipment	146,594	167,111
Depreciation of right-of-use assets	8,984	7,752
Total Depreciation and impairment losses of property, plant and equipment	**155,578**	**174,862**
Reversals of impartment losses (impairment losses) of Authorisations and Concessions and Other intangible assets	-	8,281
Reversals of impartment losses (impairment losses) of Property, plant and equipment	-	34,904
Reversals of impairment losses (impairment losses)	**-**	**43,185**
Total	**219,456**	**273,079**

Amortisation and depreciation refer to wind and solar plants..

It should be noted that during the year, in line with IAS 8 as a change in accounting estimates, as already described in the section "**Use of Estimates – Risks and Uncertainties**", the residual useful life of certain wind power assets not subject to Repowering in Italy was revised, based on technical appraisals, and in Europe, for wind farms with similar technology subject to LTE certification ("Lifetime Extension" programme), resulting in lower depreciation and amortisation in the year of approximately EUR 27 million.
This change is partially offset by the contribution made by wind and solar assets acquired in the second half of 2022 and the entry into operation of the plants developed internally and gradually becoming operational throughout 2022 and 2023.
It should be noted that 2022 included 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, and the write-down of the net residual value of the property, plant and equipment of photovoltaic systems in the Italy portfolio, following the start of a number of Revamping projects for approximately EUR 23 million.

NOTE 21 - IMPAIRMENT TESTING

Relevant information on the accounting standards adopted 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.*

It should be noted that the recoverable value is also determined by considering the assumptions that a market participant would use in determining the value of the asset being measured.

In addition, it should be noted that, since the goodwill has been allocated to Groups of CGUs, impairment testing is carried out in the following phases:

- *The first impairment test is performed at the level of the individual CGU without goodwill (bottom-up test) and any impairment loss is recognised in the income statement;*
- *The second impairment test is performed on the set of CGUs to which the goodwill relates (top-down test).*

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 23 February 2024.

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 CGUs 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 eleven groups of CGUs.

The recoverable value of the Groups of CGUs 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:

- the groups of CGUs 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, for the Repowering and Revamping projects 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 (6.18% in Italy, 5.34% in France, 5.09% in Germany and 5.82% in Spain).

Goodwill allocated to CGU Groups:

(EUR million)	Italy	France	Germany	Spain
Wind	194	77	32	-
Solar	86	15	-	9
Total	**280**	**92**	**32**	**9**

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
Basis of recoverable value	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)	6.18%	6.18%	5.34%	5.34%	5.09%	5.82%

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

- the update of the 2023-2027 Business Plan examined by the Board of Directors of ERG S.p.A. on 12 March 2024;
- for subsequent years, the data processed on the basis of models simulating the macroeconomic and energy scenario and assuming a steady production trend.

Taking into account the uncertainty factors related to the current geopolitical and energy context, the Group has conducted its own analyses for each geographical segment, taking into particular consideration the updating of the energy scenario, including in the medium/long term, changes to the discount rate, the risks related to the climate as well as changes in the regulatory scenario.
Specifically, with reference to the requirements of the ESMA Public Statement of 25 October 2023, in 2023 the Group conducted an internal study to quantitatively assess how **climate change** can affect the annual output of assets, in particular wind power. The analysis shows that in general the risks of a decrease in average wind speed, with particular reference to a medium-term horizon (10-15 years) are relatively low. Based on historical/statistical analyses of the percentage change in wind speed, low fluctuations in energy production can be expected, which can have both a positive (increasing output) and negative (reducing output) impact. However, fluctuations of this magnitude in the wind resource are already factored into the time series underlying the output estimates reflected in the forward-looking projections. With reference to solar assets, the change in irradiation for the group's solar plants during 2024 will be analysed in depth.

Energy scenario

It should be noted that the geopolitical tensions that characterised 2022 had strong bullish impacts on the commodity markets and in particular gas, with a consequent sharp increase in electricity prices. These phenomena led to a sudden rise in inflation, as a result of which central banks intervened with restrictive monetary policies by repeatedly raising interest rates to their highest levels in 15 years. In addition, following the increase in energy costs, governments implemented regulatory and tax measures on the sector through "Clawback measures" aimed at limiting the impacts of these increases for end consumers.
It should be noted, however, that from the end of 2022 there was a reversal of the trend with a reduction in gas prices that continued during 2023 and which, also as a result of a reduction in demand, brought prices down to values close to those before the Ukrainian crisis. This reduction also led to a significant drop in energy prices and a reduction in inflation, which, however, has not yet been followed by an easing of restrictive monetary policies and significant reductions in interest rates.
Finally, it should be noted that the inflationary pressures experienced in 2022 and 2023 led to a significant increase in costs for capital expenditure in renewable plants.

Discount rate

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

- specific rates are determined for each Group of CGUs, in line with the configuration of the expected flows;
- the rates are updated twice a year (in the annual and half-yearly financial statements) regardless of the extent of the change compared to the last approved rate;
- the country risk component is included in the discount rate.

If the cash flows used for valuation purposes are not representative of the average expected flows, the WACC must be increased by a premium aimed at considering the greater risk.
In summary, the Group has divided the estimation process into two main phases (i) Definition of the comparable basket for each Group of CGUs; (ii) Calculation on the basis of the baskets identified of the parameters for determining the return on risk capital, the cost of debt and the capital structure for each group of CGUs.

In consideration of the above, the discount rates determined in line with the calculation method used for the impairment test carried out for the 2022 Financial Statements were used. .

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[4] and the carrying amount[5]:

(EUR million)

CGU Group	Headroom*
Wind Italy	809
Solar Italy	47
Wind France	212
Solar France	0
Wind Germany	34
Solar Spain	12

* 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	(193)	(340)
Solar Italy	(31)	(29)
Wind France	(76)	(107)
Solar France	(7)	(10)
Wind Germany	(32)	(39)
Solar Spain	(29)	(58)

* 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.

- Wind Italy: -24.1%
- Solar Italy: -14.3%

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4 The recoverable value is considered in line with the definition of the carrying amount defined in the following note
5 The carrying amount corresponds to the Net Invested Capital and is determined by the algebraic sum of the Non-current assets (including Goodwill), Net operating working capital, Liabilities related to Post-employment benefits, Other assets and Other non-financial liabilities, and the lease payables of all the companies within the group of CGUs [check], 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.

- Wind France: -6.3%
- Solar France: 0.0%
- Wind Germany: -12.8%
- Solar Spain: -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.

- Wind Italy: 10.1%
- Solar Italy: 8.8%
- Wind France: 7.8%
- Solar France: 5.3%
- Wind Germany: 6.0%
- Solar Spain: 5.8%

Finally, it should be noted that with reference to the photovoltaic systems in Spain, the cash flow projection underlying the impairment test assumed the application of the Impuesto sobre el valor de la producción de la energía eléctrica until 2028, assuming for that year the elimination of the Spanish tariff deficit, a condition underlying the tax.
In terms of sensitivities, were the tax to cease to apply in 2029 and remain in place until the end of the assets' financial year, the headroom indicated by the impairment test would be EUR 12 million lower.

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 2023 Consolidated Financial Statements, the Group verified whether there are any indications that either property, plant and equipment or intangible assets with finite useful lives may have become impaired.
To this end, it is specified that for the ERG Group:

- **property, plant and equipment** are represented by the electricity generation plants of different technologies (wind farms and solar plants in Italy and abroad);
- **intangible assets** are mainly represented by the residual value of the values[6] allocated in the purchase price allocation and recorded as increases in the value of the concessions, authorisations and rights to operate wind farms and solar systems, 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)

6 Values relating to business combinations from previous years.

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.

Recoverable value of groups of CGUs

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.

NOTE 22 - EQUITY INVESTMENTS

Relevant information on the accounting standards adopted and recognition and measurement criteria

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 equity investment in the Consolidated Financial Statements, the value of the equity 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 2023 is shown below:

(EUR million)	Measured at equity	Measured at cost	Total
Equity investments:			
- in subsidiaries not consolidated on a line-by-line basis	-	1,101	1,101
- in associates	1,071	-	1,071
- in other companies	-	-	-
TOTAL	**1,071**	**1,101**	**2,172**

(EUR million)	Subsidiaries not consolidated on a line-by-line basis	Jointly controlled subsidiaries	Associates	Total
BALANCE AT 31/12/2022	**1,129**	**99**	**-**	**1,228**
Changes for the year:				
Acquisitions/share capital increases/increases	-	-	1,071	1,071
Change in consolidation method	(33)	-	-	(33)
Disposals and divestments	-	(99)	-	(99)
Measurement using the equity method	4	-	-	4
BALANCE AT 31/12/2023	**1,101**	**-**	**1,071**	**2,172**

NOTE 23 - NET GAINS (LOSSES) ON EQUITY INVESTMENTS

Income and charges from equity investments amounting to EUR 2,373 thousand mainly include the positive effect deriving from the collection of the price adjustment relating to the sale of ERG Hydro S.r.l. in previous years.

NOTE 24 - OTHER NON-CURRENT FINANCIAL ASSETS

(EUR million)	31/12/2023	31/12/2022
Assets tied up in the Escrow Account – Italian Law no. 488/92 grants	24,240	24,240
Security deposits and other minor	22,183	12,525
Total	**46,423**	**36,765**

The **assets 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 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 and 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 Italian 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 President of the Republic of Italy 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 judgement 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

Relevant information on the accounting standards adopted and recognition and measurement criteria

The amounts recorded under Other provisions against obligations existing at the reporting date are measured on the basis of the best estimate of the financial outlay that will be necessary to fulfil the obligation. Changes in estimates are reflected in the income statement in the period in which the change occurs.
The other categories of provisions reflect the measurement of probable liabilities related to some pending disputes for which it was possible to make a reliable estimate of the corresponding expected obligation. For these provisions, no discounting was applied because of the uncertainty about the utilisation times.

(EUR million)	31/12/2023	Increases	Decreases	Change in the consolidation scope	31/12/2022
Provisions for tax risks	31,914	338	(8,611)	12,500	27,687
Provisions for institutional counterparty risks	33,767	10,092	-	-	23,674
Provision for disposed businesses	8,007	-	(441)	-	8,448
Provision for legal risks	540	28	(2,372)	-	2,884
Other provisions for risks and charges	6,109	1,824	(2,553)	-	6,838
Total other provisions	**80,336**	**12,282**	**(13,977)**	**12,500**	**69,531**

The **Provision for tax risks** includes, among other provisions recognised mainly as part of the acquisitions that took place in this and past years, 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 increase in the change in the scope of consolidation refers to the recognition of a provision against tax and legal risks identified in relation to the acquisitions during the year. The decrease in the year mainly refers to the release and use of some provisions recognised as part of the acquisitions made in previous periods and the positive development of the above-mentioned local tax litigation.

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 18 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 foreign company charges related to Romania (EUR 9 million), recognised in 2015 upon the dissolution of the LUKERG Renew joint venture, as well as contingent charges related to Poland (EUR 4 million) for the calculation of clawback measures for certain 2023 revenue.

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 period mainly refers to risks on potential higher contractual charges (approximately EUR 3 million) as well as risks relating to disputes involving some foreign companies. The decrease mainly refers to the use or release of provisions for sundry risks and charges in some Italian companies for which the requirements that had originally led to their recognition are no longer met.

NOTE 26 - CONTINGENT LIABILITIES AND DISPUTES

operations.
Where no explicit mention is made of a provision, the Group has assessed the corresponding risk as possible and provides the relevant information.

Significant contingent liabilities, represented by the following, are disclosed in the notes to the Consolidated Financial Statements:

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events not wholly within the company's control;
- present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that settlement will not be onerous.

For the purposes of these 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:

(EUR million)	31/12/2023	31/12/20212
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	2,471,568	2,441,568
Retained earnings	774,927	461,887
Other reserves	264,401	67,880
Profit for the year	205,387	423,429
Equity attributable to the owners of the parent	**3,843,320**	**3,521,800**
Non-controlling interests	6,668	9,335
Equity	**3,849,987**	**3,531,136**

Dividends

The dividends paid by ERG Power Generation S.p.A. to the parent company ERG S.p.A. in 2023 amounted to EUR 50 million (EUR 50 million in 2022).

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 on the statement of comprehensive income of hedging derivatives in the amount of EUR 117,470 thousand, please refer to the Statement of comprehensive income.

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%	6.668	1.829

Note also that dividends of EUR 4,496 thousand were paid to non-controlling interests

NET FINANCIAL POSITION

Relevant information on the accounting standards adopted 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 indebtedness 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 through other comprehensive income (FVOCI)**. These instruments are recognised at fair value even after initial recognition. They mainly include debt securities, equities and derivative instruments classified by the Group as hedging instruments. Interest income calculated in accordance with the effective interest method, exchange gains and losses and impairment losses are recognised in profit or loss for the year; other net gains and losses are recognised in the Statement of Comprehensive Income. When the financial asset is derecognised, the gains or losses previously recognised in the Statement of Comprehensive Income are reclassified to the income statement.*

Financial assets and liabilities measured at amortised cost using the effective interest method or at FVTPL. Any changes to financial 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)	31/12/2023	31/12/2022
Cash and notes on hand	(51,671)	(110,714)
	(51,671)	**(110,714)**
Current loan assets	(295,587)	(166,744)
	(295,587)	**(295,587)**
Bank loans and borrowings	340	86
Current portion of Project Financing	16,837	55,070
Loans and borrowings to ERG S.p.A.	34	37,854
Other current financial liabilities	21,309	27,723
	38,519	**120,733**
Current lease liabilities	**5,680**	**5,741**
Net current financial position	**(303,059)**	**(150,984)**
Non-current portion of Project Financing	81,235	156,282
Other non-current payables	10,646	1,967

Non-current financial liabilities	91,881	158,249
Non-current lease liabilities	164,331	149,624
Net non-current financial position	256,212	307,872
NET FINANCIAL INDEBTEDNESS	(46,847)	156,889
Net financial indebtedness Liabilities associated with assets held for sale	-	98,334

Indirect and contingent indebtedness

In accordance with ESMA Guidelines, the description and nature of the Group's indirect and contingent indebtedness at 31 December 2023 is provided below.

The Group's indirect and contingent indebtedness at 31 December 2023 mainly refers to commitments to build assets over the next 12 months and amounts to approximately EUR 224 million, mainly attributable to the development of wind farms in France and the United Kingdom (approximately EUR 83 million), repowering and revamping projects on wind farms and photovoltaic systems in Italy for approximately EUR 108 million and the development of greenfield wind projects in Italy for approximately EUR 18 million.

NOTE 29 - CASH AND CASH EQUIVALENTS

Relevant information on the accounting standards adopted 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 52 million at 31 December 2023 (EUR 131 million at 31 December 2022), 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 9 million.

NOTE 30 - FINANCIAL ASSETS MEASURED AT FAIR VALUE

(EUR thousand)	31/12/2023	31/12/2022	Impact on Net Financial Indebtedness
Fair value derivatives hedging interest rates	159	-	
Assets for Virtual Power Purchase Agreements	16,907	5,436	
Total non-current portion	**17,066**	**5,436**	
Assets for commodity hedging derivatives	15,166	72,033	
Assets for Virtual Power Purchase Agreements	861	-	
Assets for non-commodity hedging derivatives	-	33,780	✔
Total current portion	**16,027**	**105,813**	

The non-current portion, equal to approximately EUR 17 million at 31 December 2023 (EUR 5 million at 31 December 2022), consists mainly of receivables relating to the positive fair value of the VPPA in Italy subscribed during the year.

The current portion, amounting to approximately EUR 16 million at 31 December 2023 (EUR 106 million at 31 December 2022), consisted mainly of receivables referring to the positive fair value of commodity price risk hedging instruments, amounting to approximately EUR 15 million (EUR 72 million at 31 December 2022). The decrease in this item compared to 31 December 2022 is attributable to the early termination of certain derivative financial instruments in 2023.

NOTE 31 - CURRENT FINANCIAL ASSETS

The item, amounting to EUR 279 million at 31 December 2023 (EUR 128 million at 31 December 2022), fully included in the net financial position, consists mainly of financial receivables from the parent company ERG S.p.A.
In 2022, the item mainly referred to collateral deposits on transactions on futures derivatives.

NOTE 32 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Project Financing, amounting to EUR 97 million at 31 December 2023 (EUR 232 million at 31 December 2022) refers to:

- loans for EUR 79 million, with final maturity in November 2028, relating to the construction of a solar system through an Italian company;
- loans amounting to EUR 18 million, with a final maturity of December 2038, granted for the construction of a wind farm through a company incorporated under German law.

The decrease is mainly linked to the early repayment of the project financing relating to the companies ERG Eolica Fossa del Lupo and EW Orneta 2 SP Z.O.O.
These loans are recognised net of ancillary expenses recognised using the amortised cost method (EUR 0.3 million).

Project financing is guaranteed by the underlying asset. Please refer to the following section for a comment on any pertaining covenants and negative pledges.

Other liabilities for the non-current portion refer to deferred components of the consideration for the acquisition of companies operating in the wind business abroad for approximately EUR 11 million, and for the current portion refer to deferred components of the consideration for the acquisition of companies operating in the solar business abroad for approximately EUR 21 million.

Covenants and negative pledges

At the reporting date, all the covenants on the Group's loans had been satisfied.

The above-mentioned financial liabilities contain covenants typical of the financial market, which place limits on the financed company in line with the prevailing market practice for similar agreements.
These agreements contain also negative pledges, clauses that generally prohibit assets being used as collateral for any other third-party lenders and protect the creditor's right over the assets pledged by the debtor as a guarantee for repayment of the loan.
As regards commitments and guarantees issued in favour of lenders, these mainly refer to:
i. the special lien on movable assets
ii. the mortgage of real estate
iii. the pledge on restricted current accounts
iv. the pledge on 100% of the share capital (including the pledge of 100% of the share capital of any subsidiaries).

The table below provides details on the financial parameters relating to the above loans/Project Financing.

2023 Consolidated Financial Statements	2022 Consolidated Financial Statements	Project Financing/Loans	Compliance with covenant(s)	Event of Default	Remedies in case of Event of Default*
•	✓	ERG Eolica Fossa del Lupo S.r.l. Project Financing	n/a	HDSCR less than 1.05x and FDSCR less than 1.05x	n/a
•	✓	EW Orneta 2 SP. Z.O.O. Project Financing	n/a	HDSCR less than 1.10x and LLCR less than 1.10x	n/a
✓	✓	Windpark Linda GmbH Project Financing	✓	HDSCR less than 1.05x	✓
✓	✓	Andromeda PV S.r.l. Project Financing	✓	Historical Annual DSCR and Projected Annual DSCR greater than 1.10x	✓
✓	•	Garnacha Solar S.l. Project Financing	n/a	FDSCR and HDSCR less than 1.05x and LLCR less than 1.05x	✓
✓	•	ERG Solar Fregenal de la Sierra Project Financing	n/a	Fisso	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.

Key:
✓ Present
• Not present
n/a Not applicable

NOTE 33 - LEASE LIABILITIES

Financial liabilities arising as a result of the application of IFRS 16 equal to EUR 170 million (EUR 157 million in 2022) of which EUR 164 million (EUR 150 million in 2022) medium/long-term and EUR 6 million short-term (EUR 6 million in 2022). 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 period.
The increase in the period 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)	31/12/2023	31/12/2022	Impact on Net Financial Indebtedness
Liabilities for Virtual Power Purchase Agreements	5,830	-	-
Total non-current portion	**5,830**	**-**	
Fair value of derivatives hedging exchange rate	2,349	-	
Liabilities for commodity hedging derivatives	3,030	76,644	
Liabilities for Virtual Power Purchase Agreements	530	-	
Total current portion	**5,908**	**76,644**	

The non-current portion, amounting to EUR 6 million, includes the medium/long-term portion of the negative fair value of the VPPA in Spain.
The current portion of EUR 6 million (EUR 77 million at 31 December 2022) consists of:

- liabilities related to the negative fair value of commodity price risk hedging instruments amounting to approximately EUR 3 million, which do not fall under the classification of financial liabilities and are therefore not included in the net financial position;
- liabilities related to the negative fair value of EUR/USD exchange rate hedging instruments, amounting to approximately EUR 2 million, subscribed by ERG Power Generation S.p.A. as part of the acquisition in the United States, the closing of which is expected within the first half of 2024;
- the current portion of liabilities related to the negative fair value of the VPPA in Spain acquired as part of the Garnacha business combination during the year, amounting to approximately EUR 0.5 million.

NOTE 35 - NET FINANCIAL INCOME (EXPENSE)

	2023			2022		
(EUR thousand)	Financial income	Financial expense	Net	Financial income	Financial expense	Net
Bank interest income (expense) on current accounts	171	(14)	*156*	77	(100)	*(23)*
Financial income (expense) on interest rate derivatives – differential	448	-	*448*	588	-	*588*
Financial income (expenses) from the parent company	217	(442)	*(225)*	54	(12,939)	*(12,885)*
Financial income (expenses) from associates	0	(0)	*(0)*	(0)	-	*(0)*
Interest expense on project financing	-	(6,948)	*(6,948)*	-	(10,014)	*(10,014)*
Liability management transactions	1,851	(6,650)	*(4,799)*	(346)	-	*(346)*
Liquidity management/Cost of debt	**2,687**	**(14,055)**	***(11,368)***	**373**	**(23,053)**	***(22,680)***
Other financial income (expense)	6,117	2,331	*8,447*	10,641	(7,747)	*2,894*
Derivative financial income (expenses) – change in fair value	158,297	(154,825)	*3,473*	129,185	(118,269)	*10,916*
Loan renegotiations gain (loss)	-	(213)	*(213)*	-	(1,003)	*(1,003)*
Amortised cost on loans, borrowings and project financing	-	(41)	*(41)*	-	(744)	*(744)*
Interest expense on lease liabilities	-	(7,137)	*(7,137)*	-	(5,383)	*(5,383)*
Exchange gains (losses)	357	(378)	*(21)*	412	(326)	*86*
Other income (expense)	**164,771**	**(160,262)**	***4,509***	**140,238**	**(133,473)**	***6,766***
Totale	**167,457**	**(174,317)**	***(6,859)***	**140,611**	**(156,526)**	***(15,915)***

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 2023, 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 2023.

NOTE 36 - FINANCIAL INSTRUMENTS

Relevant information on the accounting standards adopted 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 tho-

se 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 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 year in which the change took place.

The following table shows, for each financial asset and liability, the carrying amount and the fair value. Information on the fair value of financial assets and liabilities not measured at fair value are excluded, when the carrying amount represents a reasonable approximation of fair value.

31/12/2023 (EUR thousand)	Fair value – Hedging instruments	FVTPL instruments – other	Financial assets measured at amortised cost	Other financial liabilities	Total Carrying Amount	Fair value	Level 1	Level 2	Level 3
Equity investments	-	1,101	-	-	1,101	1,101	0	1,101	-
Other non-current financial assets	-	-	46,423	-	46,423	46,423	-	46,423	-
Interest rate swap hedging	160	-	-	-	160	160	-	160	-
Commodity derivatives	3,199	11,779	-	-	14,978	14,978	11,779	3,199	-
Virtual Power Purchase Agreements	17,768	-	-	-	17,768	17,768	-	-	17,768
Other current financial assets	-	-	278,680	-	278,680	278,680	-	278,680	-
Trade receivables	-	-	157,720	-	157,720	157,720	-	-	-
Other assets	-	-	56,866	-	56,866	56,866	-	56,866	-
Cash and cash equivalents	-	-	51,671	-	51,671	51,671	-	-	-
Total assets	**21,127**	**13,341**	**591,360**	**-**	**643,135**	**643,135**			
Non-recourse project financing	-	-	-	98,072	98,072	102,306	-	102,306	-
Bank borrowings to parent companies	-	-	-	374	374	374	-	374	-
Financial liabilities	-	-	-	31,954	31,954	31,954	-	31,954	-
Foreign exchange derivatives	2,349	-	-	-	2,349	2,349	-	2,349	-
Commodity derivatives	-	11,792	-	-	11,792	11,792	11,792	-	-
Virtual Power Purchase Agreements	6,360	-	-	-	6,360	6,360	-	-	6,360
Trade payables	-	-	-	111,942	111,942	111,942	-	-	-
Other liabilities	-	-	-	-	92,946	92,946	-	92,946	-
Total liabilities	**8,709**	**11,792**	**-**	**242,342**	**355,789**	**360,023**			

(*) 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:

Type	Instrument	Pricing model	Calculation tool	Market data used	Data provider	IFRS 7 hierarchy
Commodity derivatives	Commodity Swap	Discounted Cash Flow	- MS Excel - FINCAD XL	- Official spot quotes on reference commodities	Refinitiv Eikon	Level 2
	Commodity Future	Listed instrument		- Official settlement prices – Source: EEX	EEX via Refinitiv Eikon	Level 1
	Contract for Difference (CfD)	Discounted Cash Flow	- MS Excel - FINCAD XL	- Forward national single price quoted on the OTC market - Zero coupon curve on the Euro	EEX via Refinitiv Eikon Refinitiv Eikon	Level 2
	Virtual Power Purchase Agreement (VPPA)(1)	Discounted Cash Flow Monte Carlo method (option measurement)	- MS Excel - FINCAD XL	- Official spot/forward prices of reference commodities - Historical volatility of the reference commodities - Zero coupon curve of the reference currency - ECB spot exchange rates	Refinitiv Eikon	Level 3
Foreign exchange derivatives	Forward purchase/ sale (Outright, FX Forward)	Discounted Cash Flow	- MS Excel - FINCAD XL	- medium/long-term interest rates (swap rates) for both reference currencies. - ECB spot exchange rates	Refinitiv Eikon	Level 2

(1). Since these are instruments with average delivery terms of more than 10 years, if for long-term maturities there are no easily identifiable price quotations in the active market and therefore the price of the last available maturity date has to be replicated, the fair value at the date of initial recognition is estimated, with no accounting impact in the financial statements, and at each closing date the difference between the fair value at the valuation date and the estimated fair value at the date the contract was signed is recognised.

NOTE 37 - DISCLOSURE ON FINANCIAL RISKS

The main risks identified and actively managed by the Group include the following:

- the **Credit risk**, which highlights the possibility of default of a counterparty or any impairment of the assigned credit rating;
- the **Market risk**, deriving from exposure to interest rate and exchange rate fluctuations, and the change in the prices of the products sold and of the purchases of raw materials (commodity price volatility risk);
- the **Liquidity risk**, the risk of available financial resources being insufficient to fulfil payment commitments.

The ERG Group attaches great importance to identifying and measuring risks and to the related controls, in order to ensure efficient management of the risks it runs. Consistently with this objective, an advanced Risk Management system was adopted that assures, in compliance with the existing policies on the matter, the identification, measurement and central level control for the entire Group of the degree of exposure to individual risks.
The Group Risk Management & Corporate Finance function ensures consistency with the assigned risk limits and provides adequate support with its own analyses, both to individual subsidiaries and to the Risk Committee and Top Management of the Parent, for strategic decisions.

Credit risk

Exposure to credit risk, inherent in the probability that a given counterparty will not be able to fulfil its contractual obligations, is managed by means of appropriate analysis and evaluation, also supported by primary providers on the analysis of the credit risk, assigning each counterparty an internal rating (Internal Based Rating, summary indicator of creditworthiness assessment). The rating classes provide an estimation of the probability of default of a specific counterparty, on which the degree of creditworthiness assigned depends, which is accurately monitored and must not be overrun. The choice of counterparties both for the industrial business and financial negotiations underlies the decisions of the Credit Committee, whose choices are supported by creditworthiness analyses.
Concentration risk, in particular per customer, is also continuously monitored without ever having presented alert situations, also in view of the characteristics of the sector in which the Group operates.

At 31 December 2023, maximum exposure to credit risk on trade receivables, broken down by geographical region, is as follows:

(EUR thousand)	31/12/2023	31/12/2022
Italy	80,308	118,490
France	33,002	17,198
Germany	7,726	9,485
Bulgaria	1,944	4,965
Poland	6,541	21,381
Romania	20,310	21,868
UK	4,545	7,694
Sweden	613	-
Spain	2,905	1,383
Total	**157,894**	**202,465**

The following table provides information on the Group's exposure to credit risk at year-end, by classifying receivables (see **Note 6 – Trade receivables**) according to the credit rating corresponding to the ratings assigned by the information provider and assigned internally.

(EUR thousand)	31/12/2023	31/12/2022
AAA Rating	4,924	9,485
AA+/AA- Rating	8,108	24,892
A+/A- Rating	8,008	20,073
BBB+/BBB- Rating	64,803	51,655
BB+/BB- Rating	45,174	76,625
B+/B- Rating	18,226	205
CCC Rating	371	652
CC Rating	3,990	-
Total	**153,605**	**183,587**

In relation to receivables not subject to impairment, 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 2023 (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)	Valore contabile	Percentuale di perdita medio ponderata*	Fondo svalutazione
AAA Rating	4,924	0,02%	1
AA+/AA- Rating	8,108	0,04%	3
A+/A- Rating	8,008	0,11%	9
BBB+/BBB- Rating	64,803	0,11%	73
BB+/BB- Rating	45,174	0,15%	70
B+/B- Rating	18,226	0,47%	85
CCC Rating	371	0,97%	4
CC Rating	3,990	1,37%	55
Total	**153,605**		**299**

* 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 2023 and at 31 December 2022 on the basis of non-discounted contractual payments and the relative carrying amount..

31/12/2023

			Payable maturity				
(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	98,071	*114,715*	-	8,969	12,071	80,420	13,254
Payables to parent companies	34	*34*	34	-	-	-	-
Other liabilities	32,116	*32,116*	-	-	21,309	10,807	-
Trade payables	111,942	*111,942*	47,536	64,406	-	-	-
Total non-derivative financial liabilities	**242,163**	**258,808**	**47,571**	**73,375**	**33,380**	**91,227**	**13,254**
Virtual Power Purchase Agreements	6,360	*6,360*	-	133	398	2,120	3,710
Exchange rate risk derivatives	2,349	*2,349*	-	-	2,349	-	-
Derivatives commodity price risk	3,030	*3,030*	-		3,030	-	-
Total derivative financial liabilities	**11,738**	**11,738**	**-**	**133**	**5,776**	**2,120**	**3,710**

31/12/2022

			Payable maturity				
(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 liabilities	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**
Derivatives commodity price risk	76,644	*76,644*	-	-	76,644	-	-
Total derivative financial liabilities	**76,644**	**76,644**	**-**	**-**	**76,644**	**-**	**-**

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 generally pursued by using derivative contracts such as Interest Rate Swaps and Interest Rate Options (plain vanilla).
At 31 December 2023, there were no interest rate hedging derivatives with a significant impact on the Group..

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.

	Dec-23		
thousands of MWh	**Hedge Nominal**	**Trading Nominal**	**Total**
Future	165		165
CFD	131	1,372	1,504
VPPA	4,314	-	4,314
Total	**4,610**	**1,372**	**5,982**

The following tables show the breakdown of the derivative financial instruments tied to different types of commodities and show in the case of reasonable changes in prices – while holding all other variables constant – the impact on variations in pre-tax profit (due to variations in the fair value of financial assets and liabilities) and equity attributable to the owners of the parent (due to variations in the fair value of cash flow derivatives) of a +/-25% change in the price of commodities.

Impact on profit or loss

(EUR million)	2023	2022
Shock-up (+25% change in commodities price))	(0.0)	(6.9)
Shock-down (-25% change in commodities price)	(0.0)	6.9

Impact on equity

(EUR million)	2023	2022
Shock-up (+25% change in commodities price)	(28.3)	(19.5)
Shock-down (-25% change in commodities price)	32.6	,5

Market risk – exchange rate

It identifies the unexpected future change in exchange rates that could result in higher costs for the Group (transactional risk), or impacts on the consolidated financial statements due to the conversion of assets and liabilities of companies reporting in other currencies (translational risk). The management of exchange rate risk consists mainly of its acceptance, given the small exposure the Group has as of the date of approval of this policy. Warning levels and the possible use of derivative financial instruments to hedge risk are in place. The Group also adopts a strategy based on pursuing a balance between assets and liabilities in foreign currencies, thus minimising net exposure, and financing M/L-term investments in local currencies, the profitability and cash flows of which are mainly expressed in that currency.

In the case of extraordinary transactions, it may be necessary to hedge against the variability of the exchange rate between the date of the decision to enter into a financial asset (coinciding with the trading of a derivative instrument) and the actual entering into of that financial asset, when deemed highly probable.

	Dec-23		
EUR million	**Hedge Nominal**	**Trading Nominal**	**Total**
Forward	246	-	246
Total	**246**	**-**	**246**

The following tables show the breakdown of the derivative financial instruments linked to the EUR/USD exchange rate and show the impact on pre-tax profit (due to changes in the fair value of financial assets and liabilities) and equity attributable to the owners of the parent (due to changes in the fair value of derivative instruments in cash flow hedges) of a +/-10% change in the exchange rate, assuming reasonable changes in prices, with all other variables held constant.

Impact on profit or loss

(EUR million)	2023	2022
Shock-up (+10% change in interest rate)	(0.2)	-
Shock-down (-10% change in interest rate)	0.2	-

Impact on equity

(EUR million)	2023	2022
Shock-up (+10% change in interest rate)	(14.6)	-
Shock-down (-10% change in interest rate)	22.1	-

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/CfD (Contract for Difference)**: 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 derivative instruments entered into by ERG to hedge the exposure to financial risks existing at 31 December 2023 are:

Interest Rate derivatives

- *Interest Rate Option instruments that make it possible to set upper limits (cap) and lower limits (floor) to interest rate fluctuations relating to loans indexed to a variable rate;*
- *Interest Rate Swap instruments, including Prehedge instruments, to bring bank loans with fixed and variable rate to the risk profile deemed most appropriate. IRS contracts provide that the counterparties, with reference to a defined notional value and to pre-set maturities, mutually exchange interest flows calculated in relation to fixed rates or to variable rate parameters agreed previously;*

Commodity derivatives

- *CfDs are used to hedge the risk of electricity price fluctuations; via this instrument it is possible to buy or sell block quantities of electricity by paying on maturity the difference between the price agreed to in the contract and the market price reported in the reference period;*
- *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 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 sales transactions with derivative financial instruments as a counter-entry;*
- *financial or "virtual" Power Purchase Agreements (VPPAs), entered into in order to stabilise the revenue structure with counterparties whereby on delivery dates a payment based on the price defined in the agreement is exchanged for a variable price, without the physical transfer of the underlying electricity.*

Foreign exchange derivatives

- *outright forwards, which are used to hedge against exchange rate fluctuations between the date of the decision to enter into a financial asset (coinciding with the negotiation of the derivative that is the subject of this HDR) and the actual entering into that financial asset.*

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.

NOTE 38 - GUARANTEES, COMMITMENTS AND RISKS

Sureties given (EUR 6 million)

These are mainly guarantees issued in favour of third parties, guaranteed by the parent company, and include a guarantee in favour of the Manager of the Electricity Market (GME) for the purpose of allowing operations on that market.

Other Guarantees and commitments made (EUR 3 million)

VI. TAXATION

NOTE 39 - INCOME TAXES

Relevant information on the accounting standards adopted 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 Scheme.

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% - 32.2%;
UK 19% (25% from 1 April 2023);
Romania 16%;
Poland 19%;
Bulgaria 10% (15% from 1 January 2024 for groups subject to Pillar 2);
Sweden 20.6%;
Spain 25%.

On 22 December 2022, the text of Directive no. 2022/2523/EU was published in the Official Journal of the European Union, which provides for the transposition into EU legislation of the rules on the Global Minimum top-up Tax envisaged by Pillar 2 prepared by OECD as part of Action 1 of the BEPS ("Base Erosion and Profit Shifting") project. The objective of the Directive is to limit harmful tax competition between States, setting the minimum level of effective taxation (Effective Tax Rate – ETR) at 15%, at the aggregate level for each individual State, through the application of a possible supplementary tax (Top-Up-Tax – TUT).
Based on the provisions of the Directive, the new legislation must be transposed into the law of the Member States of the European Union by 31 December 2023 and enters into force from tax year 2024.
In Italy, Directive 2022/2523/EU was transposed into national law with Italian Legislative Decree no. 209 of 27 December 2023, which entered into force on 29 December 2023.
During the financial year, a "Qualified Domestic Minimum Tax" was introduced in Bulgaria, the only country in which the Group operates with an Effective Tax rate below 15%, adjusting the minimum tax level to 15% for groups subject to Pillar 2 from 2024.
The Group adjusted the rate to 15% on deferred taxation related to the "Qualified Domestic Minimum Tax" in Bulgaria as of this financial year, with an overall impact of higher deferred tax liabilities of EUR 0.5 million.
Finally, it should be noted that if in Bulgaria the tax legislation that transposes the effective tax rate at 15% had entered into force from 1 January 2023, the impact for the Group on income taxes for the period would have been approximately EUR 0.5 million.

*As regards **Deferred taxes**, reference is made to the comments in the following Notes*

(EUR thousand)	2023	2022
Current income taxes	51,258	151,181
Previous years taxes	(2,191)	1,349
Deferred tax assets and liabilities	31,285	(46,864)
Total	**80,352**	**105,667**

It should be noted that the comparative figures for financial year 2022 included the effects of the "Surplus profits contribution" introduced by Italian Decree Law no. 21/2022 and the "Temporary Solidarity Contribution" introduced by the 2023 Budget Law, the total impacts of which were estimated at approximately EUR 56 million for continuing operations.

NOTE 40 - CURRENT TAX ASSETS AND LIABILITIES

Current tax assets refer mainly to advances on direct taxes for the year 2023.
Current tax liabilities refer mainly to tax liabilities on direct taxes for the year 2023.

NOTE 41 - DEFERRED TAXATION

Relevant information on the accounting standards adopted and recognition and measurement criteria

Pursuant to the accrual basis of accounting, the Consolidated Financial Statements include deferred tax assets and liabilities arising from temporary differences deriving from adjustments made to consolidated companies' financial statements to comply with the Group's accounting policies, as well as from temporary differences between the carrying amounts and related tax bases, and on unused tax losses.

Deferred tax assets are allocated when their future recovery is probable.

The recoverability of the temporary differences and of the tax losses is contextualised within the various expiry dates of the tax consolidation agreements.

The quantitative limit of 80% does not apply for tax losses generated in the first three years from the incorporation of the company, provided that they refer to a new productive activity.

Deferred taxes are calculated on the basis of the tax rates expected to be in force in the periods in which the taxable and deductible temporary differences will be reversed.

Deferred tax assets

	31/12/2023	
(EUR thousand)	**Temporary differences**	**Tax effect**
Deferred tax assets		
Provisions for risks and charges	48,178	10,941
Tax losses	260,321	61,150
Amortisation, depreciation and impairment of non-current assets	268,488	64,430
Other impairment losses	11,440	2,577
Other	281,469	67,845
Total	**869,895**	**206,943**
Offsettable deferred taxes		**(132,348)**
Total deferred tax assets after offsetting		**74,595**

The Group considers it reasonably certain that the deferred tax assets recognised at 31 December 2023 will be recovered.

Deferred tax liabilities

	31/12/2023	
(EUR thousand)	**Temporary differences**	**Tax effect**
Deferred tax liabilities		
Purchase price allocation	1,280,314	309,127
Amortisation and depreciation of non-current assets	221,200	46,872
IFRS 9 tax effects	1,725	414
Other	(37,421)	(10,035)
Total	**1,465,818**	**346,378**
Offsettable deferred taxes		**(132,348)**
Total deferred tax liabilities after offsetting		**214,031**

VII. DISCONTINUED OPERATIONS

In 2021, the Group embarked on a major Asset Rotation with the aim of completing its transformation to a pure "Wind&Solar" business model.
On 3 January 2022, ERG finalised the sale of the hydroelectric assets to Enel Produzione, while, on 17 October 2023 it finalised an agreement with Achernar Assets AG, a Swiss investment holding company, for the sale of the entire capital of ERG Power S.r.l., owner of the CCGT plant.
The Enterprise Value of the thermoelectric business was EUR 191.5 million, including items related to working capital and tax credits totalling EUR 88.5 million, which were collected by the closing. The agreements also envisage some earn-outs related to the performance of the business in 2024 and 2025 as well as some tax items totalling approximately EUR 14 million, which would bring the valuation of the plant to a total of EUR 205.5 million. The price, which is based on a Locked Box Date of 1 January 2023, was subject to adjustments at the closing based on the mechanisms set forth in the contract. Included in the scope of the sale were 144 people dedicated to ensuring the operation of the thermal power plant.

The aforementioned sale is presented as a Discontinued Operation pursuant to IFRS 5. The item **Net profit (loss) from discontinued operations** in the income statement includes up to the date of loss of control (closing date) and for the year 2022, the economic contribution of the thermoelectric business, including the capital loss, net of the tax effect, arising from the sale.
It should also be noted that the 2022 results also include the capital gain, net of the tax effect, that arose from the sale of the assets of the hydroelectric business.

NOTE 42 - NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

Relevant information on the accounting standards adopted and recognition and measurement criteria

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 Consolidated Financial Statements, so that the disclosure refers to all operations discontinued by the end of the most recent reporting year.

The consolidated income statements are presented in accordance with IFRS 5, which regulates the way in which the results of discontinued operations are presented in the financial statements, thus excluding from the profit or loss from continuing operations the profit or loss of the subsidiary ERG Power S.r.l. in both periods. It should be noted that the 2022 result 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 discontinued operations**".

The income statement for the first nine months of 2023 and for 2022 of discontinued operations is shown below:

(EUR thousand)	Note	17 October 2023 Contribution Thermoelectric Business	Thermoelectric Business – capital loss	Net profit (loss) from discontinued operations		2022 Contribution Thermoelectric Business	Net profit (loss) from discontinued operations
Revenue	a	526,787		526,787	-	1,436,402	1,436,402
Other income	b	37,761		37,761	-	19,893	19,893
Purchases	c	(407,582)		(407,582)	-	(1,338,930)	(1,338,930)
Services and other operating costs	d	(94,885)		(94,885)	-	(47,881)	(47,881)
Personnel expense	e	(9,166)		(9,166)	-	(12,224)	(12,224)
GROSS OPERATING PROFIT (EBITDA)		**52,915**		**52,915**	**-**	**57,260**	**57,260**
Amortisation of intangible assets		-		-	-	(238)	(238)
Depreciation of property, plant and equipment and right-of-use assets		-		-	-	(2,605)	(2,605)
Reversals of impairment losses (impairment losses)		-		-	-	(80,805)	(80,805)
OPERATING PROFIT (LOSS)		52,915		52,915	-	(26,387)	(26,387)
Financial income		(2,491)		(2,491)	-	(171,081)	(171,081)
Financial expense		(156)		(156)	-	170,838	170,838
Net financial income (expense)		**(2,647)**		**(2,647)**	**-**	**(242)**	**(242)**
Net gains (losses) on equity-accounted investments		31		31	-	111	111
Other net gains (losses) on equity investments	f	-	(82,009)	(82,009)	323,943	-	323,943
Net gains (losses) on equity investments		**31**	**(82,009)**	**(81,978)**	**323,943**	**111**	**324,054**
PROFIT (LOSS) BEFORE TAXES		**50,299**	**(82,009)**	**(31,710)**	**323,943**	**(26,519)**	**297,424**
Income taxes		(3,867)	-	(3,867)	-	(3,293)	(3,293)
Net profit (loss) from discontinued operations		**46,432**	**(82,009)**	**(35,577)**	**323,943**	**(29,811)**	**294,131**

Notes

a) Revenue for the financial year 2023 pertaining to the Group mainly refer to revenue from the sale of energy and other utilities to third parties of the CCGT plant. The decrease in revenue compared to the comparison year is explained by an extraordinarily negative energy scenario for gas-fired generation margins that was further worsened by the measures to maximise non-natural gas thermoelectric generation provided for in Italian Decree Law no. 14 of 25 February 2022 (Art. 5-bis) and the subsequent Guidelines of the Italian Minister of Ecological Transition, which expired on 1 April 2023, and an extraordinary downtime that occurred in early 2023 and has now been resolved;

b) Other revenue relate to the assignment of a tax credit accrued on natural gas in the second quarter of 2023;

c) Purchases of commodities refer to purchase costs for gas, energy and raw materials referring to the CCGT plant of ERG Power S.r.l.;

d) 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;

e) Personnel expense relating to the employees of ERG Power S.r.l.;

f) Net income (expense) from equity investments include the capital loss recognised on the sale of ERG Power S.r.l.'s CCGT plant, inclusive of ancillary selling costs.

Cash Flows

The following are the cash flows generated by Discontinued operations:

(EUR thousand)	2023	2022
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**-**	**10,000**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES OF ASSETS HELD FOR SALE	*202,534*	*(43,594)*
CASH FLOWS FROM DISCONTINUED INVESTING ACTIVITIES	*(2,749)*	*4,407*
CASH FLOWS FROM DISCONTINUED FINANCING ACTIVITIES	*(199,784)*	*29,189*
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**-**	**-**

VIII. OTHER NOTES

NOTE 43 - BUSINESS COMBINATIONS AND ASSET ACQUISITION

Relevant information on the accounting standards adopted 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 years 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.

"Garnacha" business combination

On 23 June 2023 ERG, through its subsidiary ERG Hamburg Holding GmbH, completed the 100% acquisition from IBV Solar Parks, B.V. – a company belonging to the German group ib vogt GmbH, a global platform for the development of industrial solar plants – of Garnacha Solar S.L.U., a company that owns a photovoltaic system located in the region of Castilla and León, in the north-west of Spain.

The system has an installed capacity of 149 MWp and entered into commercial operation during the fourth quarter of 2023.

The Garnacha photovoltaic farm, equipped with double-sided panels and the latest generation tracker system, is expected to have a load factor of around 22% and an estimated total annual production of around 280 GWh, corresponding to 136 kt of CO2 emissions avoided each year. 70% of the electricity generated by the plant benefits from a 12-year "pay as produced" Power Purchase Agreement (PPA) with a leading corporate counterparty.

As per the press release of 23 June 2023, the enterprise value of the transaction was EUR 170 million, with an equity value of EUR 80.5 million.

The transaction is a business combination pursuant to the definition provided by IFRS 3. To this end, it should be noted that the scope of acquisition includes plants, Operation & Maintenance contracts and land lease contracts. 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 EUR 53 million for the acquisition of 100% of the share capital of the acquirees. It should also be noted that a net financial indebtedness, including the shareholder loan, of EUR 114 million was assumed.

It should be noted that acquisition-related costs incurred by the Group totalled EUR 0.9 million, related to legal fees and due diligence costs, of which EUR 0.8 million were incurred in 2023 and EUR 0.1 million in 2022. These costs were included in the Services and other operating costs item in the respective periods.

Measurement of the assets and liabilities of the business combination at the acquisition date

The acquisition was recognised on a definitive basis; the fair values of the assets acquired were determined on the basis of the best estimate available at the acquisition date and are shown in the table below:

(EUR thousand)	Acquisition figures	Adjustment to the acquisition figures	Assets acquired and liabilities assumed
Authorisations and Concessions	-	67,345	67,345
Property, plant and equipment	104,246	-	104,246
Right-of-use assets	14,995	-	14,995
Equity investments	1,071	-	1,071
Other non-current financial assets	3,437	12,500	15,937
Deferred tax assets	-	825	825
Non-current assets	**122,678**	**80,670**	**203,347**
Other current assets	1,059	-	1,059
Instruments measured at fair value*	-	1,751	1,751
Cash and cash equivalents*	3,836	-	3,836
Current assets	**4,895**	**1,751**	**6,646**
TOTAL ASSETS	**127,572**	**82,421**	**209,993**
Equity attributable to the owners of the parent	1,096	49,326	50,422
Total Equity	**1,096**	**49,326**	**50,422**
Deferred tax liabilities	-	17,294	17,294
Provisions for dismantling expenses	2,704	-	2,704
Other non-current provisions	-	12,500	12,500
Non-current financial liabilities*	75,370	-	75,370
Non-current lease liabilities*	14,995	-	14,995
Other non-current liabilities	-	3,300	3,300
Non-current liabilities	**93,068**	**33,094**	**126,163**
Trade payables	3,692	-	3,692
Current financial liabilities*	28,956	-	28,956
Current tax liabilities	759	-	759
Current liabilities	**33,408**	**-**	**33,408**
TOTAL EQUITY AND LIABILITIES	**127,572**	**82,421**	**209,993**
* **Impact on Net Financial Indebtedness**	**(115,484)**	**1,751**	**(113,734)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (30 June 2023) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: photovoltaic systems under construction recognised at acquisition cost including ancillary costs, costs directly attributable to the asset and adjusted by the related accumulated depreciation and capitalisation of dismantling costs;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **other non-current financial assets**: fixed assets relating to a financial commitment related to the electricity sub-station;
- **cash and cash equivalent**s: cash on hand held in current accounts;
- **provision for dismantling charges**: provisions for dismantling charges accounted for as a balancing entry to the increase in the carrying amount of the asset;
- **non-current financial liabilities**: medium-long term portion of bank borrowings for project financing and recording of accrued interest;
- **lease liabilitie**s: recognition of the present value of payments due for the right of use of land;

- **trade payable**s: payables to suppliers in connection with the construction of the plant;
- **current financial liabilities**: Shareholder loan to ERG Hamburg Holding. This financial payable was repaid in full as part of the Liability Management activities carried out by the Group;
-

the following fair values determined on a provisional basis were included in the column **Adjustment to the acquisition figures**:

- **intangible assets**: gain allocated upon recognition of the acquisition; this gain was posted to the item "Authorisations and Concessions" taking into account a time horizon of 40 years;
- **instruments measured at fair value**: adjustment to the positive fair value of the derivatives hedging the interest rate of the project financing;
- **Other non-current financial ass**ets: inclusion of "special indemnities" determined at the time of acquisition;
- **Other non-current liabilities**: referring to the recognition of the estimated fair value at the date of initial recognition of the VPPA signed with Google;
- **Deferred tax liabilities** related to the allocation referred to above;
- **other non-current provisions**: recognition of charges for contingent liabilities recognised at the time of acquisition, offset by the aforementioned "special indemnities".

Determination of goodwill

The difference between the total acquisition price and the fair value of the acquired assets and liabilities was recognised as goodwill, as illustrated in the following table:

( )	
Acquisition price	53,193
Fair value of the acquired net assets	50,422
Goodwill	**2,771**

Garnacha contribution in 2023

In the period between the date of first consolidation (1 July 2023) and the date of these Consolidated Financial Statements, the acquired company did not contribute significant revenue, EBITDA and net profit for the period to the Group's income statement, as the farm has been operational since the end of the second half of 2023. It should be noted that for the same reason, if the acquisition had taken place on 1 January 2023, the acquired companies would have made no further contribution to the Group's income statement.

"Fregenal" Business Combination

On **30 June 2023** ERG, through its subsidiary ERG Spain HoldCO S.L.U., finalised the acquisition from RENERTIA GESTION SOLAR II, S.C.R.-PYME, a company linked to Renertia Investment Company – a Spanish venture capital that operates and invests in the development, construction and management of renewable plants – of 100% of INSTALACIÓN FOTOVOLTAICA ARERICSOL VIII, S.L.U., a company that owns a photovoltaic system located in Fregenal de la Sierra, in the autonomous community of Extremadura, with an installed capacity of 25 MWp.
The system, built by Aresol during 2022, has been in commercial operation since July 2023. Located in one of the Spanish regions with the largest solar resource at European level, the Fregenal project will have an estimated total annual production of around 50 GWh, equal to over 2,000 equivalent hours corresponding to 24 kt of CO2 emissions avoided each year.
As per the press release of 30 June 2023, the enterprise value of the transaction is EUR 30.4 million.

The transaction is a business combination pursuant to the definition provided by IFRS 3. To this end, it should be noted that the scope of acquisition includes plants, Operation & Maintenance contracts and land lease contracts. 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 EUR 16 million for the acquisition of 100% of the share capital of the acquirees. It should also be noted that liabilities of approximately EUR 18 million were assumed.
It should be specified that the acquisition-related costs incurred by the Group amounted to EUR 0.1 million, concerning legal expense and costs of due diligence. These costs were included in the Services and other operating costs item in the respective periods.

Measurement of the assets and liabilities of the business combination at the acquisition date

The acquisition was recognised on a definitive basis; the fair values of the assets acquired were determined on the basis of the best estimate available at the acquisition date and are shown in the table below:

(EUR thousand)	Acquisition figures	Adjustment to the acquisition figures	Assets acquired and liabilities assumed
Authorisations and Concessions	-	14,683	14,683
Property, plant and equipment	18,994	-	18,994
Right-of-use assets	2,468	-	2,468
Non-current assets	**21,462**	**14,683**	**36,145**
Inventories	100	-	100
Other current assets	404	-	404
Cash and cash equivalents*	3,154	-	3,154
Current assets	**3,658**	**-**	**3,658**
TOTALE ATTIVITÀ	**25,120**	**14,683**	**39,803**
Equity attributable to the owners of the parent	2,946	11,013	13,959
Total Equity	**2,946**	**11,013**	**13,959**
Deferred tax liabilities	-	3,671	3,671
Provisions for dismantling expenses	581	-	581
Non-current lease liabilities*	2,468	-	2,468
Other non-current liabilities	54	-	54
Non-current liabilities	**3,103**	**3,671**	**6,774**
Current financial liabilities*	19,071	-	19,071
Current liabilities	**19,071**	**-**	**19,071**
TOTAL EQUITY AND LIABILITIES	**25,120**	**14,683**	**39,803**
* **Impact on Net Financial Indebtedness**	**(18,386)**	**-**	**(18,386)**

The **Acquisition figures** column shows the opening balances determined on the basis of the accounting records at the date of first-time consolidation (30 June 2023) of the acquirees expressed in accordance with the IFRS:

- **property, plant and equipment**: photovoltaic systems recognised at acquisition cost including ancillary costs, costs directly attributable to the asset and adjusted by the related accumulated depreciation and capitalisation of dismantling costs;
- **right-of-use assets**: recognition of the right of use on land according to the provisions of IFRS 16;
- **cash and cash equivalents**: cash on hand held in current accounts;
- **provision for dismantling charges**: provisions for dismantling charges accounted for as a balancing entry to the increase in the carrying amount of the asset;
- **lease liabilities**: recognition of the present value of payments due for the right of use of land;
- non-current financial liabilities: bank borrowings for project financing and Shareholder loan to ERG Spain HoldCO S.L.U.;
- **trade payables**: mainly relative to payables to third-party suppliers for O&M;

the following fair values determined on a provisional basis were included in the column **Adjustment to the acquisition figures**:

- **intangible assets**: gain allocated upon recognition of the acquisition; this gain was posted to the item "Authorisations and Concessions" taking into account a time horizon of 40 years;
- **deferred tax liabilities**: related to the allocation referred to above.

Determination of goodwill

The difference between the total acquisition consideration and the net value of the assets and liabilities acquired was not material and was recognised as goodwill as shown in the table below:

( )	
Acquisition price	15,567
Fair value of the acquired net assets	13,959
Goodwill	**1,608**

"Fregenal" contribution in 2023

In the period between the date of first-time consolidation (1 July 2023) and the reporting date of these Consolidated Financial Statements, the acquirees contributed to the Group's income statement with revenue of EUR 1.1 million, a gross operating profit (EBITDA) of EUR 0.8 million and a net profit for the year of EUR 0.1 million. It should be noted that if the acquisition had taken place on 1 January 2023, the acquirees would not have contributed further to the Group's income statement as the fleet became operational in the second half of 2023.

NOTE 44 - 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 45 – Related parties**.

(EUR thousand)		2023		2022
Revenue		-		-
Other income		(1,045)		-
Purchases		-		-
Change in inventories		-		-
Services and other operating costs		(356)	6)	(1,979)
Personnel expense		-	7)	(1,071)
Amortisation, depreciation and impairment of non-current assets	1)	(2,188)	8)	(43,268)
Net financial income (expense)	2)	(4,799)	9)	(1,363)
Net gains (losses) on equity investments	3)	2,375		46
Income taxes	4)	(4,226)	10)	(37,432)
Profit (loss) from continuing operations (non-recurring items)		**(10,240)**		**(85,067)**
Profit (loss) from discontinued operations (non-recurring items)	5)	(42,930)	11)	254,027
Profit (loss) generated by non-recurring items		**(53,170)**		**168,960**
Non-controlling interests		-		-
Profit (loss) of Group non-recurring items		**(53,170)**		**168,960**

In **2023**:

1) Charges related to certain Repowering and Revamping projects in Italy already impaired in the previous period;
2) Charges related to the early termination of certain project financing of Italian and foreign wind and solar companies, including the related hedging derivatives and the related effects connected with the renegotiation of loans accounted for in accordance with IFRS 9, as part of Liability Management activities;
3) Gains on equity investments mainly refer to price adjustments on sales of equity investments related to discontinued businesses that took place in previous years;
4) The item mainly includes the tax effect of the items commented on above;
5) Profit (loss) from discontinued operations refers to:
   a. a.the capital loss, net of related charges, from the sale of the CCGT in the amount of EUR 81 million;
   b. positive items linked to working capital and tax receivables for approximately EUR 38 million already envisaged in the Sale Agreement.

In **2022**:

6) Services and other operating costs refer to unsuccessful acquisition projects and to provisions for disposed businesses;
7) extraordinary bonuses, also including the portion of the Special Contribution referring to Group management.
8) 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;
9) Charges related to the early closure of Project Financing, as part of Liability Management activities;
10) 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;
11) 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.

NOTA 45 - 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)	Other income	Services and other costs	Financial income	Financial expense
ERG S.p.A.	80	35,536	4,627	442
Other non-consolidated companies	19	-	3,399	-
Directors and statutory auditors	-	609	-	-
TOTAL	**99**	**36,145**	**8,026**	**442**

(EUR thousand)	Other current assets	Current financial assets	Current financial liabilities	Other current liabilities
ERG S.p.A.	13,405	294,827	-	21,345
Other non-consolidated companies		2,793	2,747	
TOTAL	**13,405**	**297,621**	**2,747**	**21,345**

NOTE 46 - LIST OF GROUP COMPANIES AND TRANSACTIONS FOR THE YEAR

The transactions that took place during the year regarding equity investments are reported below:

- On 27 April 2023, ERG Spain Holdco S.L.U. acquired 100% of the share capital, amounting to EUR 25,000, of the German company ERG Hamburg Holding GmbH.
- On 3 May 2023, following the exercise of the put option, ERG UK Holding Ltd sold the entire equity investment held in the English company Rigghill Wind Farm Limited, equal to 50% of the related share capital.
- On 12 June 2023, the deed of cross-border merger by incorporation of MP Solar B.V. into ERG Solar Holding 2 S.r.l. was signed, and subsequently registered on 21 June 2023 with the competent Register of Companies. The merger took effect from 30 June 2023, while accounting and tax effects apply as from 1 January 2023.
- On 16 June 2023, the deed of merger by incorporation of the companies Photosun S.r.l., PVProject S.r.l., Robinia S.r.l., Sesma S.r.l., Six for Power S.r.l., SVS 1 S.r.l. and ERG Solar Holding 2 S.r.l. into GINESTRA S.r.l. was signed, and subsequently registered on 26 June 2023 with the competent Register of Companies. The merger took effect from 30 June 2023, while accounting and tax effects apply as from 1 January 2023.
- On 28 September 2023, the Italian company ERG Sviluppo Italia S.r.l. was incorporated, with registered office at Via De Marini 1, Genoa, and a share capital of EUR 20,000, fully subscribed and paid-in by ERG Power Generation S.p.A.
- On 29 November 2023, the French company Parc Photovoltaique de la Valle de la Doulaye SAS was incorporated, with registered office in Paris and a share capital of EUR 7,500, fully subscribed by ERG Eolienne France SAS.
- Effective as of 30 November 2023, ERG Power Generation S.p.A. transferred to ERG Poland Holding sp. z o.o. the 100% equity interest held in Laszki Wind sp. z o.o. as consideration for the reserved share capital increase resolved by the Shareholders' Meeting of ERG Poland Holding sp. z o.o. As a result of the transfer, the share capital of ERG Poland Holding sp. z o.o. increased from PLN 5,000 to PLN 10,000.
- On 20 December 2023, the deed of merger by incorporation of the companies of Conza Energia S.r.l., Lucus Power S.r.l., San Mauro S.r.l., SPV Parco Eolico Aria del Vento S.r.l., Taca Wind S.r.l., WinCap S.r.l. and ERG Wind Holding S.r.l. into Breva Wind S.r.l. was executed, and ultimately registered on 29 December 2023 with the competent Companies' Register. The mergers took effect from 31 December 2023, while accounting and tax effects apply as from 1 January 2023.

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 companies consolidated on a line-by-line basis:

	Registered office	Direct investment	Group's investment	Currency ('000)	Share Capital [1]	Equity [1]
ERG Power Generation S.p.A.						
Corni Eolian SA	Constanța (Romania)	100%	100%	RON	95,679	336,676
ERG Eolica Adriatica S.r.l.	Genoa (Italy)	100%	100%	Eur	10	63,424
ERG Eolica Campania S.r.l.	Genoa (Italy)	100%	100%	Eur	120	66,570
ERG Eolica Faeto S.r.l.	Genoa (Italy)	100%	100%	Eur	10	8,997
ERG Eolica Fossa del Lupo S.r.l.	Genoa (Italy)	100%	100%	Eur	50	55,322
ERG Eolica Ginestra S.r.l.	Genoa (Italy)	100%	100%	Eur	10	38,622
ERG Eolica San Vincenzo S.r.l.	Genoa (Italy)	100%	100%	Eur	3,500	21,255
ERG Eolica Tirreno S.r.l.	Genoa (Italy)	100%	100%	Eur	10	201
ERG Eolienne France S.a.s. [3]	Paris (France)	100%	100%	Eur	209,551	223,752
ERG Solar Holding S.r.l. [3]	Genoa (Italy)	100%	100%	Eur	20	119,823

ERG UK Holding Ltd(3)	Edinburgh (UK)	100%	100%	GBP	0	27,392
ERG Wind Bulgaria S.p.A.(3)	Genoa (Italy)	100%	100%	Eur	50	21,198
ERG Wind Investments Srl(3)	Genoa (Italy)	100%	100%	Eur	97,046	433,467
ERG Windpark Beteiligungs GmbH(3)	Hamburg (Germany)	100%	100%	Eur	25	8,626
ERG Wind Neunte Gmbh	Hamburg (Germany)	100%	100%	Eur	25	116
EW Orneta 2 sp. Z.O.O.(3)	Warsaw (Poland)	100%	100%	PLN	164,688	183,807
Green Vicari S.r.l.	Genoa (Italy)	100%	100%	Eur	119	15,061
ISAB Energy Solare S.r.l.	Genoa (Italy)	100%	100%	Eur	100	309
Andromeda PV S.r.l.	Genoa (Italy)	100%	79%	Eur	50	83,438
ERG Poland Holding Sp. Z.o.o(3)	Warsaw (Poland)	100%	100%	PLN	10	1,659
ERG Sweden Holding AB(3)	Stockholm (Sweden)	100%	100%	SEK	50	46,513
ERG Spain Holco S.L.U.(3)	Madrid (Spain)	100%	100%	Eur	3,500	33,543
Ginestra S.r.l.(2)	Genoa (Italy)	100%	100%	Eur	20	78,847
Breva Wind S.r.l.(2)	Genoa (Italy)	100%	100%	Eur	7,100	439,755
ERG Sviluppo Italia S.r.l.	Genoa (Italy)	100%	100%	Eur	20	20

(1) figures referring to the latest approved financial statements, unless otherwise indicated.
(2) provisional accounting figure for Equity at 1 January 2023 following the above mergers.
(3) the companies exercise the right not to prepare consolidated financial statements in accordance with local regulations in force.

	Registered office	Direct investment	Group's investment	Currency ('000)	Share Capital (1)	Equity(1)
ERG Eolienne France S.a.s.						
Eoliennes du Vent Solaire S.a.s.	Paris (France)	100%	100%	Eur	37	1,124
Parc Eolien de Lihus S.a.s.	Paris (France)	100%	100%	Eur	1,114	2,973
Parc Eolien de Hetomesnil S.a.s.	Paris (France)	100%	100%	Eur	1,114	3,071
Parc Eolien de la Bruyère S.a.s.	Paris (France)	100%	100%	Eur	1,060	4,466
Parc Eolien du Carreau S.a.s.	Paris (France)	100%	100%	Eur	861	5,532
Parc Eolien les Mardeaux S.a.s.	Paris (France)	100%	100%	Eur	1,097	2,440
ERG Energies Renouvelables S.a.S.	Paris (France)	100%	100%	Eur	100	(2,049)
Parc Eolien de la valleè de Torfou S.à r.l.	Paris (France)	100%	100%	Eur	8	1,547
Parc Eolien du Melier S.a.r.l.	Paris (France)	100%	100%	Eur	8	(144)
Parc Eolienne de la Voie Sacree S.a.s.	Paris (France)	100%	100%	Eur	74	4,512
Parc Eolienne d'Epense S.a.s.	Paris (France)	100%	100%	Eur	802	993
ERG Wind French Holdings S.a.s.	Paris (France)	100%	100%	Eur	1,410	1,260
ERG Wind France 1 S.a.s.	Paris (France)	100%	100%	Eur	1,097	13,235
WP France 10 S.a.s.	Paris (France)	100%	100%	Eur	6	(410)
WP France 6 S.a.s.	Paris (France)	100%	100%	Eur	6	3,079
ERG France S.à r.l.	Paris (France)	100%	100%	Eur	2,000	(2,611)
Les Moulins de Fruges SAS	Paris (France)	100%	100%	Eur	42,100	22,790
Ferme Eolienne De Saint Pierre De Maillé 1 S.A.S.	Paris (France)	100%	100%	Eur	5,639	1,958
Parc Eolien de St Riquier 3 SAS	Paris (France)	100%	100%	Eur	37	659
Parc Eolien de St Riquier 4 SAS	Paris (France)	100%	100%	Eur	37	(214)
Holding Quesnoy 2 S.A.S.	Paris (France)	100%	100%	Eur	2,810	1,653
Holding Chery S.A.S.	Paris (France)	100%	100%	Euro	2,410	1,112
Omniwatt Sas	Paris (France)	100%	100%	Eur	2,201	(6,369)
Ferme Eolienne de Moquepanier	Paris (France)	100%	100%	Eur	2,519	(4,099)
Ferme Eolienne de Clamecy Sas	Paris (France)	100%	100%	Eur	2,000	2,030
Crampon Puchot Energies Sas	Paris (France)	100%	100%	Eur	1,091	445
Solaires Sisteron Sas	Paris (France)	100%	100%	Euro	334	(1,532)
Solaire Sénezergues Sas	Paris (France)	100%	100%	Eur	0	(1,253)
Solaire Arpajon-sur-Cere Sas	Paris (France)	100%	100%	Eur	451	(1,450)
Arsac 1 Sas	Paris (France)	100%	100%	Eur	0	(1,415)

Arsac 3 Sas	Paris (France)	100%	100%	Eur	1	(1,994)
Solaire Greoux Sas	Paris (France)	100%	100%	Eur	0	(1,645)
Solaire Salaunes Sas	Paris (France)	100%	100%	Eur	0	(1,469)
ERG Energies Renouvelables S.a.S.						
ERG Développement France S.a.s	Paris (France)	100%	100%	Eur	100	(2,049)
Caen Renewables Energy Sas (en liquidation)	Paris (France)	100%	100%	Eur	0	-
Parc Eolien de la Charente Limousine S.à r.l.	Paris (France)	100%	100%	Eur	8	29
Parc Eolien de la Boeme S.à r.l.	Paris (France)	100%	100%	Eur	7,5	(77)
Parc Eolien du Moulin du Bois S.à r.l.	Paris (France)	100%	100%	Eur	7,5	67
Parc Eolien des Bouchats S.à r.l.	Paris (France)	100%	100%	Eur	7,5	(677)
Parc Eolien de Saint Maurice la Clouere S.à r.l.	Paris (France)	100%	100%	Eur	7,5	(94)
Parc Eolien du Pays a Part S.à r.l.	Paris (France)	100%	100%	Eur	7,5	(71)
Parc Eolien de Saint Sulpice S.à r.l.	Paris (France)	100%	100%	Eur	7,5	(72)
Parc Eolien du Plateaux de l'Ajoux S.à r.l.	Paris (France)	100%	100%	Eur	7,5	(37)
Parc Eolien des Terres et Vents de Ravieres S.à r.l.	Paris (France)	100%	100%	Eur	7,5	(43)
Parc Eolien de Porspoder S.à r.l.	Paris (France)	100%	100%	Eur	7,5	(52)
ERG Solar Holding S.r.l.						
Calabria Solar S.r.l.	Genoa (Italy)	100%	100%	Eur	10	21,148
ERG Solar Piemonte 3 S.r.l.	Genoa (Italy)	100%	100%	Eur	10	17,860
ERG UK Holding Ltd						
Craiggore Energy Ltd	Belfast (UK)	100%	100%	GBP	0	0
Creag Riabhach Wind Farm Ltd	Edinburgh (UK)	100%	100%	GBP	50	(0)
Evishagaran Windfarm LTD	Belfast (UK)	100%	100%	GBP	0	8,455
Sandy Knowe Wind Farm LTD	London (UK)	100%	100%	GBP	0	(0)
Corlacky Energy LTD	Belfast (UK)	100%	100%	GBP	0	0

(1) figures referring to the latest approved financial statements

	Registered office	Direct investment	Group's investment	Currency ('000)	Share Capital (1)	Equity (1) (2)
ERG Wind Bulgaria S.p.A.						
Globo Energy EOOD	Sofia (Bulgaria)	100%	100%	BGN	4,379	7,761
K&S Energy EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,179	4,391
K&S Energy 1 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,023	6,552
K&S Energy 2 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,051	6,846
Mark 1 EOOD	Sofia (Bulgaria)	100%	100%	BGN	4,113	7,411
Mark 2 EOOD	Sofia (Bulgaria)	100%	100%	BGN	4,113	7,441
VG-1 EOOD	Sofia (Bulgaria)	100%	100%	BGN	1,520	2,772
VG-2 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,034	6,625
VG-3 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,057	5,706
VG-4 EOOD	Sofia (Bulgaria)	100%	100%	BGN	2,955	7,374
VG-5 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,059	5,798
VG-6 EOOD	Sofia (Bulgaria)	100%	100%	BGN	3,023	5,559
Wind Park Kavarna East EOOD	Sofia (Bulgaria)	100%	100%	BGN	505	4,017
Wind Park Kavarna West EOOD	Sofia (Bulgaria)	100%	100%	BGN	175	4,104
WP Bulgaria 4 EOOD	Sofia (Bulgaria)	100%	100%	BGN	2,157	3,948
ERG Wind France 1 S.a.s.						
Cepe Pays De Montbeliard S.a.s.	Paris (France)	100%	100%	Eur	365	2,621
Cepe de Murat S.a.s.	Paris (France)	100%	100%	Eur	444	4,265
Cepe de Saint Florentin S.a.s.	Paris (France)	100%	100%	Eur	251	1,022
Ferme Eolienne de Teterchen S.a.s.	Paris (France)	100%	100%	Eur	100	1,335
Parc Eolien du Bois de l'Arche S.a.s.	Paris (France)	100%	100%	Eur	100	3,145
Parc Eolien du Bois de Bigot S.a.s.	Paris (France)	100%	100%	Eur	80	1,943

ERG Wind French Holdings S.a.s.						
Parc Eolien de la Chaude Vallee Sarl	Paris (France)	100%	100%	Eur	8	297
Parc Eolien de Morvilers Sarl	Paris (France)	100%	100%	Eur	8	540
Parc Eolien de Garcelles-Sacqueville SAS	Paris (France)	100%	100%	Eur	1,037	380
Parc Eolien du Patis SAS	Paris (France)	100%	100%	Eur	1,164	1,946
Parc Eolien Hauts Moulins	Paris (France)	100%	100%	Eur	15	824
Parc Eolien Moulins des Camps	Paris (France)	100%	100%	Eur	15	936
Parc Eolien de St Riquier 1 SAS	Paris (France)	100%	100%	Eur	37	241
SAS Société d'Exploitation du Parc Eolien de la Souterraine	Paris (France)	100%	100%	Eur	505	(188)
Parc Eolien de Oyre Saint Sauveur	Paris (France)	100%	100%	Eur	37	176
Société d'Exploitation du Parc Eolien Le Nouvion Sas	Paris (France)	100%	100%	Eur	37	(3,453)
ERG Wind Investments Ltd,						
ERG Wind Holdings (Italy) S,r,l,	Genoa (Italy)	100%	100%	Eur	212	202,088
ERG Wind MEI 2-14-1 LTD	London (UK)	100%	100%	Eur	0	(5,366)
ERG Wind MEI 2-14-2 LTD	London (UK)	100%	100%	Eur	0	(933)
ERG Wind Holdings (Italy) S,r,l,						
ERG Wind Energy S,r,l,	Genoa (Italy)	68%	100%	Eur	1,525	302,102
ERG Wind Sardegna S,r,l,	Genoa (Italy)	100%	100%	Eur	77	81,885
ERG Wind Sicilia 6 S,r,l,	Genoa (Italy)	100%	100%	Eur	77	44,231
ERG Wind Sicilia 6 S,r,l,						
ERG Wind 6 S,r,l,	Genoa (Italy)	100%	100%	Eur	77	43,255
ERG Wind Sicilia 3 S,r,l,	Genoa (Italy)	100%	100%	Eur	77	22,792
ERG Wind MEI 2-14-1 Ltd,						
ERG Wind MEG 1 LLP [2]	London (UK)	80%	100%	Eur	-	38,575
ERG Wind MEG 2 LLP [2]	London (UK)	80%	100%	Eur	-	32,392
ERG Wind MEG 3 LLP [2]	London (UK)	80%	100%	Eur	-	33,086
ERG Wind MEG 4 LLP [2]	London (UK)	80%	100%	Eur	-	31,844

(1) figures referring to the latest approved financial statements

(2) the remaining 20% is held by ERG Wind MEI 2-14-2

	Registered office	Direct investment	Group's investment	Currency ('000)	Share Capital [1]	Equity [1]
ERG Wind Park Beteiligungs GmbH						
ERG Wind 117 GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	1	(2,889)
Voltwerk Energy Park 8 Gmbh & Co. KG	Hamburg (Germany)	100%	100%	Eur	1	(2,992)
Voltwerk Windpark Worbzig Gmbh & Co. KG	Hamburg (Germany)	100%	100%	Eur	0	-
Voltwerk Windpark Beesenstedt Gmbh & Co. KG	Hamburg (Germany)	100%	100%	Eur	1	1
Windpark Cottbuser Halde Gmbh & Co. KG	Hamburg (Germany)	100%	100%	Eur	5	(8,556)
Windpark Achmer Vinte GmbH & Co. KG RENDITEFONDS	Hamburg (Germany)	100%	100%	Eur	7,500	(3,754)
ERG Wind Weselberg GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	9	(2,641)
Windpark Linda GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	2	(527)
ERG Development Germany GmbH & Co.KG	Hamburg (Germany)	100%	100%	Eur	3	(130)
UGE Barkow GmbH & und Co. KG UMWELTGERECHTE ENERGIE	Hamburg (Germany)	100%	100%	Eur	1	(3,300)
UGE Barkow Zwei GmbH & und Co. KG UMWELTGERECHTE ENERGIE	Hamburg (Germany)	100%	100%	Eur	1	(2,091)
UGE Barkow Drei GmbH & und Co. KG UMWELTGERECHTE ENERGIE	Hamburg (Germany)	100%	100%	Eur	1	(2,441)
ERG Germany Gmbh	Hamburg (Germany)	100%	100%	Eur	210	(969)
ERG Wind Ebersgrun GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	162	(5,276)
ERG Wind Hollige GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	200	(7,891)
ERG Wind Norath GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	185	(5,939)
ERG Wind Offenheim GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	287	(7,753)

ERG Wind Nack GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	228	(6,263)
ERG Windpark Aukrug Gmbh & Co. KG	Hamburg (Germany)	100%	100%	Eur	5	5
ERG Windpark Reinsdorf GmbH & Co. KG	Hamburg (Germany)	100%	100%	Eur	5	5
EW Orneta 2 Z.O.O.						
Blachy Pruszynsky-Energy SP.Z.O.O.	Warsaw (Poland)	100%	100%	PLN	7,100	78,654
Hydro Inwestycje SP.Z.O.O.	Warsaw (Poland)	100%	100%	PLN	42	55,056
Les Moulins de Fruges S.a.s.						
Société d'exploitation du Parc Eolien de Mont Felix S.a.r.l.	Paris (France)	100%	100%	Eur	1,891	3,030
Société d'exploitation du Parc Eolien de Fond du Moulin S.a.r.l.	Paris (France)	100%	100%	Eur	344	(627)
Société d'exploitation du Parc Eolien Le Chemin Vert S.a.r.l.	Paris (France)	100%	100%	Eur	1,804	(1,133)
Société d'exploitation du Parc Eolien Le Marquay S.a.r.l.	Paris (France)	100%	100%	Eur	679	(687)
Société d'exploitation du Parc Eolien Les Trente S.a.r.l.	Paris (France)	100%	100%	Eur	1,935	295
Société d'exploitation du Parc Eolien de Sole de Bellevue S.a.r.l.	Paris (France)	100%	100%	Eur	1,925	1,581
Holding Chery S.a.s.						
Ferme Eolienne De Chery S.A.S.	Paris (France)	100%	100%	Eur	37	394
Holding Quesnoy 2 S.a.s.						
Ferme Eolienne De Quesnoy-Sur-Airaines 2 S.A.S.	Paris (France)	100%	100%	Eur	37	278
ERG Poland Holding						
EW Piotrków kujawski SP. z.o.o.,	Warsaw (Poland)	100%	100%	PLN	5	1,470
Laszki Wind Sp. Z.o.o	Warsaw (Poland)	100%	100%	PLN	5	(7,450)
ERG Sweden Holding AB						
Furukraft AB	Stockholm (Sweden)	100%	100%	SEK	50	65,249
Omniwatt S.a.s.						
Omnigreen Sas	Paris (France)	100%	100%	Eur	25	(29)
Capenergie 3 Wind GmbH	Frankfurt (Germany)	100%	100%	Eur	25	(29)
LES EOLIENNES DE SAINT FRAIGNE S.A.S.	Paris (France)	100%	100%	Eur	3,700	4,024
NEUILLY SAINT FRONT ENERGIES S.A.S.	Paris (France)	100%	100%	Eur	37	(1,320)
MONNES ENERGIES S.à r.l.	Paris (France)	100%	100%	Eur	1	(1,096)
Omnigreen S.a.s.						
SAINTE HELENE ENERGIES S.à r.l.	Paris (France)	100%	100%	Eur	1	(3,058)
IEL EXPLOITATION 12 S.à r.l.	Paris (France)	100%	100%	Eur	1	(1,459)
REUILLY ET DIOU ENERGIES S.à r.l.	Paris (France)	100%	100%	Eur	601	1,270
Capenergie 3 Wind GmbH						
SAINT CONGARD ENERGIES S.A.S.	Paris (France)	100%	100%	Eur	2	(1,332)
Crampon Puchot Energies S.a.s.						
Wkn Picardie Verte II S.a.s	Paris (France)	100%	100%	Eur	1	4,931
ERG Spain Holco S.L.U						
ERG Solar Almansa S.L.U.	Madrid (Spagna)	100%	100%	Eur	0	7
ERG Solar Taberna S.L.U.	Madrid (Spagna)	100%	100%	Eur	0	(0)
ERG Solar Fregenal de la Sierra S.L.U.	Madrid (Spagna)	100%	100%	Eur	3,000	13,831
ERG Solar Montiel S.L.U.	Madrid (Spagna)	100%	100%	Eur	3	3
ERG Solar El Abuelito S.L.U.	Madrid (Spagna)	100%	100%	Eur	3	3
ERG Solar Buenaventura S.L.U.	Madrid (Spagna)	100%	100%	Eur	10	46
ERG Hamburg Holding GmbH	Hamburg (Germany)	100%	100%	Eur	25	56,925
ERG Hamburg Holding GmbH						
Garnacha Solar S.L.U.	Madrid (Spain)	100%	100%	Eur	6,000	52,241

(1) figures referring to the latest approved financial statements

List of companies measured at cost:

	Registered office	Direct investment	Group's investment	Currency ('000)	Share Capital (1)	Equity (1)	Carrying amount 31/12/2023
ERG Power Generation S.p.A.							
ERG Germany Verwaltungs GmbH(3)	Paris (France)	100%	100%	Eur	25	25	25
Eolico Troina S.r.l. in liquidazione(2)	Palermo (Italy)	99%	99%	Eur	20	232	25
Subsidiaries							**50**
ERG Eolienne France S.a.s.							
Parc Eolien de Saint-Loup sur Cher SARL(3)	Paris (France)	100%	100%	Eur	8	(3)	8
Parc Eolien du Puits Gergil SARL(3)	Paris (France)	100%	100%	Eur	8	(3)	8
Parc Eolien du Plateau de la Perche SARL(3)	Paris (France)	100%	100%	Eur	8	(3)	8
Parc Eolien des Boules SARL(3)	Paris (France)	100%	100%	Eur	8	(3)	8
Ferme Eolienne de la voie Sacree sud SAS(3)	Paris (France)	100%	100%	Eur	10	(72)	10
Francese Parc Eolien Des Grandes Bornes Sas(3)	Paris (France)	100%	100%	Eur	8	8	8
Parc Eolien Des Jonquilles Sas(3)	Paris (France)	100%	100%	Eur	8	8	8
Parc Eolien De La Pleine De Burel Sas(3)	Paris (France)	100%	100%	Eur	8	8	8
Parc Eolien de Saint Priest en Murat Sas(3)	Paris (France)	100%	100%	Eur	8	8	8
Parc Eolien de Vent Communaux Sas(3)	Paris (France)	100%	100%	Eur	8	8	8
Parc Eolien de la Foye SAS(3)	Paris (France)	100%	100%	Eur	8	8	8
Parc Photovoltaique de la Vallee de la Doulaye SAS (4)	Paris (France)	100%	100%	Eur	8	8	8
Subsidiaries							**86**
ERG Wind Park Beteiligungs GmbH							
ERG Windpark Bischhausen Gmbh & Co. KG(3)	Hamburg (Germany)	100%	100%	Eur	5	5	5
ERG Windpark Heyen Gmbh & Co. KG(3)	Hamburg (Germany)	100%	100%	Eur	5	5	5
ERG Windpark Bokel Gmbh & Co. KG(3)	Hamburg (Germany)	100%	100%	Eur	5	5	5
ERG Windpark Jeggeleben GmbH & Co. KG(3)	Hamburg (Germany)	100%	100%	Eur	5	5	5
Subsidiaries							**20**
ERG UK Holding Ltd.							
High Cairn Wind Farm Limited(3)	Edinburgh (UK)	100%	100%	GBP	0	-	-
Creggan Wind Farm Limited(3)	Seebeck House (UK)	100%	100%	GBP	0	-	-
Longburn Wind Farm LTD(3)	Seebeck House (UK)	100%	100%	GBP	0	-	-
Subsidiaries							-
ERG Solar Holding S.r.l.							
Fattoria Solare Futurasun S.r.l. (3)	Genoa (Italia)	100%	100%	Eur	10	10	-
Subsidiaries							-
ERG Spain Holco S.L.U.							
ERG Solar Montiel S.L.U.(3)	Madrid (Spain)	100%	100%	Eur	3	(2)	131
ERG Solar El Abuelito S.L.U.(3)	Madrid (Spain)	100%	100%	Eur	3	(2)	166
ERG Solar Buenaventura S.L.U.(3)	Madrid (Spain)	100%	100%	Eur	10	46	422

Subsidiaries								**238**
Garnacha Solar S.L.U.								
TORO RENOVABLES 400KV S.L.(4)	Madrid (Spain)	23,68%	23,68%	Eur	3	1,899	1,071	
Subsidiaries								**1,071**

(1) figures referring to the latest approved financial statements
(2) company in liquidation.
(3) companies measured at cost as they are not yet operational.
(4) the Company is owned by 10 other shareholders, owners of other photovoltaic projects, with shareholdings ranging from 5.0% to 8.3%.

NOTE 47 - ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED STARTING ON 1 JANUARY 2023

As from 1 January 2023, 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 IAS 1 – Disclosure on accounting standards (IASB publication date February 2021);[7]
- Amendment to IAS 8 – Definition of accounting estimates (IASB publication date February 2021);
- Amendments to IAS 12 – Deferred taxes related to assets and liabilities arising from a single transaction (IASB publication date May 2021);
- IFRS 17 – Insurance Contracts, including amendments issued in June 2020 (IASB publication date May 2017 and June 2020). IFRS 17 is a new accounting standard for the recognition, measurement, presentation and disclosure of insurance contracts issued by an entity and/or reinsurance contracts held by an entity. Based on the accounting analyses carried out by the Group's management, the contracts issued by ERG do not represent transactions that may fall within the definition of an insurance contract.
- Amendments to IFRS 17 – Initial application of IFRS 17 and IFRS 9 – Comparative Information (IASB publication date December 2021);
- Amendments to IAS 12[8] – International Tax Reform – Pillar Two Model Rules (IASB publication date May 2023). For details, please refer to **Note 39 – Income taxes**.

NOTE 48 - IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS, PUBLISHED BUT NOT YET ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2023

Below are the new standards or amendments to the standards, applicable, if approved by the European Union, for annual periods beginning on or after 1 January 2023 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.

7 The document published by the IASB includes amendments to "IFRS Practice Statements 2 – Making Materiality Judgments" which have not been endorsed by the European Union as they do not relate to an accounting standard or an interpretation.
8 Amendment that applies immediately from publication on 23 May 2023, retroactively from 1 January 2023.

Entry into force	Description	Issue date	Approved
	Amendments to IFRS 16 "Leases" – Lease liabilities in a sale and leaseback	22 settembre 2022	20 November 2023
1 January 2024	Amendment 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	19 December 2023
	Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" on supplier finance agreements	25 May 2023	No
1 January 2025	Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" on lack of exchangeability	15 August 2023	No

Any impacts of the aforesaid standards are currently being assessed.

NOTE 49 - 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)	2023 revenue	of which feed-in premium	of which white certificates	of which guarantees of origin	of which DD	of which RES
Wind Italy	8	-	-	6	-	2
Solar Italy	72	72	-	0.1	0.2	-
Total	**80**	**72**	**-**	**6**	**0.2**	**2**

(EUR million)	Receipts 2023	of which feed-in premium	of which white certificates	of which guarantees of origin	of which DD	of which RES
Wind Italy	4	-	-	2	-	2
Solar Italy	71	71	-	0.1	0.3	-
Total	**75**	**71**	**-**	**2**	**0.3**	**2**

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 with reference to the 2023 financial year, ERG Power Generation S.p.A. benefited from the contribution relief, recognised by INPS, pursuant to Article 1 paragraphs 161 to 168 of Italian Law no. 178 of 30 December 2020 ("Decontribuzione Sud") for an amount equal to EUR 0.7 million.

NOTE 50 - 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 2023 (EUR million)
Statutory audit	Auditor of the parent	parent	188
	Auditor of the parent	subsidiaries	605
	Network of the parent's auditor	subsidiaries	477
Total audit services			**1,270**
Non-audit services	Auditor of the parent	parent	21
	Auditor of the parent	subsidiaries	41
Total non-audit services			**62**
Total			**1,332**

NOTE 51 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Date	Geographical segment	Sector	Significant event
24 January 2024	**Italy**	**Corporate**	TIM and ERG: kick-off for the "Missione Ambiente – Generazioni a scuola di Sostenibilità" (Mission Environment – Generations at Sustainability School) project, aimed at promoting the spread of a sustainability culture.
29 January 2024	**France**	**Wind Solar**	Completion of the acquisition of a 73.2-MW wind and solar portfolio in France. The acquisition portfolio consists of two photovoltaic farms in operation (20.4 MW), one in an advanced state of construction (28.8 MW) and a wind farm in the commissioning phase (24 MW).
1 February 2024	**Italy**	**Corporate**	ERG and Google sign a 20-year agreement for the supply of 2 TWh of renewable energy.
23 February 2024	**Italy**	**Wind**	ERG continues to grow in Italy with the completion of the construction and start-up of the greenfield plant at Roccapalumba in Sicily (47 MW).

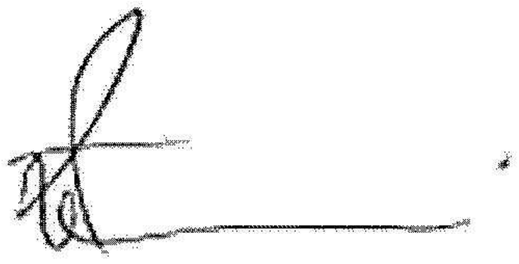
There are no significant events to report that may have an impact on the statement of financial position at 31 December 2023.

NOTE 52 - PUBLICATION DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 11 March 2024, 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, 11 March 2024

on behalf of the Board of Directors
The Chief Executive Officer
Renato Sturani



AUDITORS' REPORT

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16121 GENOVA GE
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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 2023, 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 2023 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

Società per azioni
Capitale sociale
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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.

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 2023 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 2023 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 2023 and has been prepared in compliance with the applicable law.

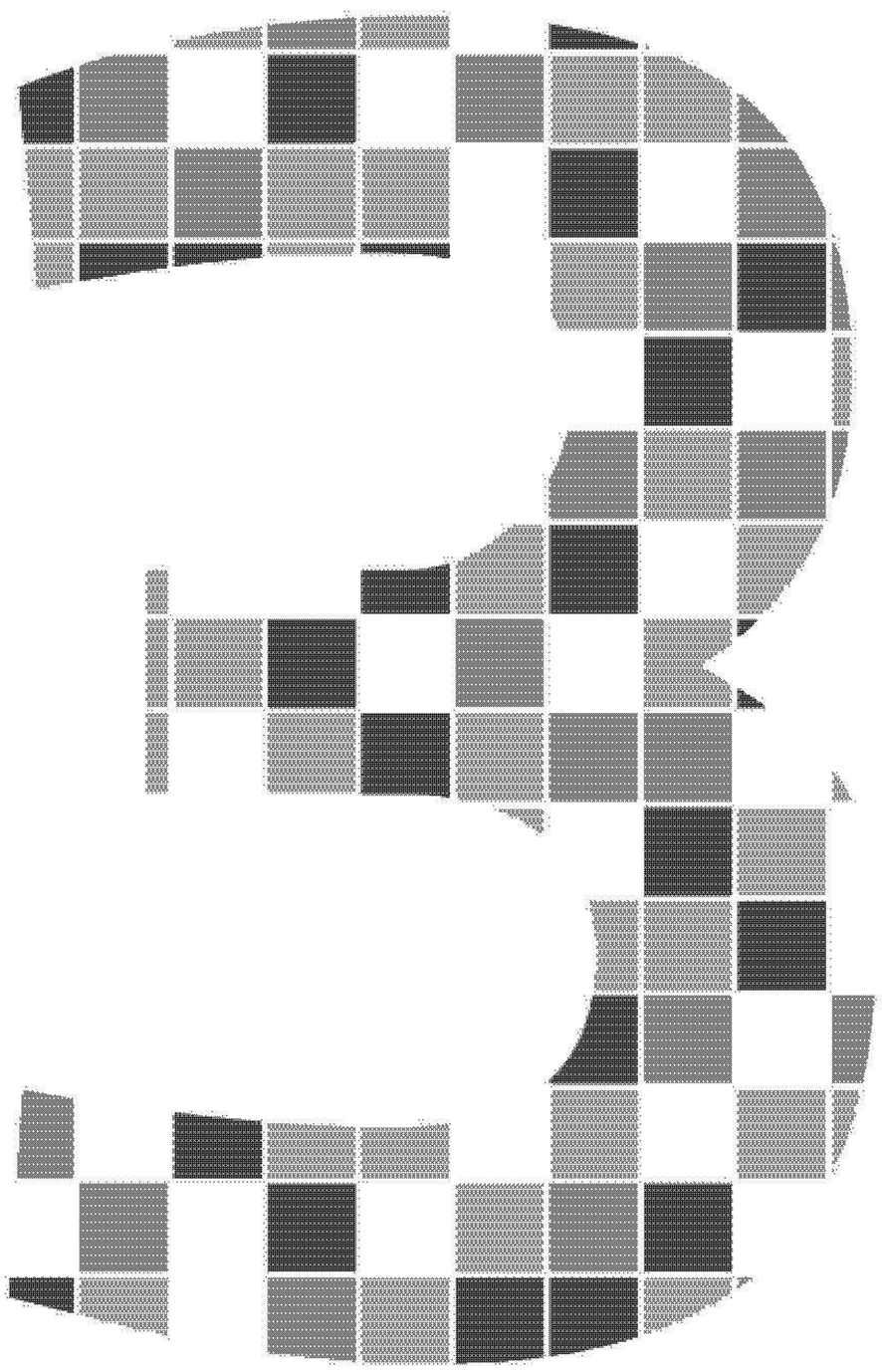
With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 25 March 2024

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit



STATEMENT OF FINANCIAL POSITION

ASSETS

(Eur)	31/12/2023	31/12/2022
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	3,981,643	3,649,486
4) Concessions, licences, trademarks and similar rightsi	6,167	6,667
5) Goodwill	1,126,086	1,501,448
6) Assets under development and advances	1,867,119	2,018,935
7) Other	1,440	1,680
Total	**6,982,455**	**7,178,216**
II, Property, plant and equipment		
1) Land and buildings	186,365	150,940
2) Plant and machinery	134,301	144,696
3) Industrial and commercial equipment	1,517,318	1,674,419
4) Other assets	146,740	221,561
5) Assets under construction and advances	234,754	142,418
Total	**2,219,478**	**2,334,034**
III, Financial assets		
1) Equity investments in:		
a) subsidiaries	1,936,132,505	1,878,558,822
b) associates	-	-
c) parent companies	-	-
d) companies subject to control by parent companies	-	-
d-bis) other companies	5,666	4,922
	1,936,138,171	**1,878,563,744**
2) Receivables:		
a) from subsidiaries	1,478,906,055	1,365,221,429
b) from associates	-	-
c) from parent companies	-	-
d) from companies subject to control by the parent companies	-	-
d-bis) from others	1,108,006	8,899,377
	1,480,014,061	**1,374,120,806**
3) Other securities	-	-
4) Derivative financial instruments	-	-
Total	**3,416,152,232**	**3,252,684,550**
OTAL NON-CURRENT ASSETS (B)	**3,425,354,165**	**3,262,196,800**

(Eur)			31/12/2023		31/12/2022	
C) CURRENT ASSETS						
I, Inventories						
1) Raw, ancillary and consumable materials			11,527,697		10,284,423	
2) Work in progress and semi-finished products			-		-	
3) Contracts in progress			8,015,113		4,069,694	
4) prodotti finiti e merci			-		-	
5) Advances			-		-	
Total			**19,542,810**		**14,354,117**	
		of which beyond		of which beyond		
II, Receivables		12 months:		12 months:		
1)	from customers	-	55,171,631	-	74,745,446	
2)	from subsidiaries	-	8,892,896	-	91,262,677	
3)	from associates	-	-	-	-	
4)	from parent companies	-	11,432,147	-	20,022,338	
4-quater)	assets for substitute tax from realignment		-		-	
5)	from companies subject to control by parent companies	-	-	-	-	
5-bis)	tax receivables	338,197	16,351,382	-	46,231,947	
5-ter)	deferred tax assets	25,577,162	26,242,519	43,776,563	92,450,160	
5-quater)	from others	16,743,606	32,330,818	18,059,369	40,063,138	
Total			**150,421,393**		**364,775,706**	
III, Short-term financial assets						
1)	Equity investments in subsidiaries		-		34,460,863	
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		35,978,928		118,328,648	
6)	Other securities		-		-	
7)	Financial assets for centralised treasury management in respect of parent company		291,511,370		18,224,231	
8)	Financial assets for centralised treasury management in respect of subsidiarie		24,231		98,335,280	
Total			**327,514,529**		**269,349,022**	
IV, Cash and cash equivalents						
1) Bank and postal deposits			4,185,463		1,413,256	
2) Cheques			-		-	
3) Cash and notes on hand			-		-	
Total			**4,185,463**		**1,413,256**	
TOTAL CURRENT ASSETS (C)			**501,664,195**		**649,892,101**	
D) Accruals and deferrals			4,586,319		1,792,563	
TOTAL ASSETS			3,931,604,679		3,913,881,464	

LIABILITIES

(Eur)		31/12/2023	31/12/2022
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	1,858,732,646	1,828,732,646
	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 Surplus	5,855,286	5,855,286
	Merger Surplus 2017	606,980,447	606,980,447
VII)	Reserve for transactions to hedge expected cash flows	2,403,961	(120,892,671)
VIII)	Retained earnings	772,429,200	454,099,778
IX)	Retained earnings	153,667,976	368,329,422
X)	Negative reserve for treasury shares in portfolio	-	-
TOTAL		**3,535,122,705**	**3,278,158,097**
B)	**PROVISIONS FOR RISKS AND CHARGES**		
1)	for pensions and similar obligations	-	-
2)	for taxes, including deferred	976,715	-
3)	financial derivative liabilities	17,373,647	104,126,901
4)	other	10,017,365	9,609,809
TOTAL		**28,367,727**	**113,736,710**
C)	**POST-EMPLOYMENT BENEFITS**	**1,805,646**	**1,939,024**

		of which beyond		of which beyond	
D)	**PAYABLES**	12 months:		12 months:	
1)	Bonds	-	-	-	-
2)	Convertible bonds	-	-	-	-
3)	Shareholder loan payables	-	14,366	-	38,588,361
4)	Payables to banks	-	-	-	-
5)	Payables to other lenders	-	-	-	-
6)	Advances	-	359,058	-	1,300,000
7)	Payables to suppliers	-	23,494,506	-	95,148,464
8)	Payables represented by securities	-	-	-	-
9)	Payables to subsidiaries	-	318,142,909	-	362,335,419
10)	Payables to associates	-	-	-	-
11)	Payables to parent companies	-	1,164,471	-	8,700,345
11-bis)	Payables to companies subject to control by parent companies	-	-	-	-
12)	Tax liabilities	-	4,126,104	-	871,926
13)	Payables to social security and pension institutions	-	1,120,614	-	1,113,196
14)	Other payables	-	3,507,538	-	11,989,922
TOTAL			**351,929,566**		**520,047,633**
E)	**ACCRUALS AND DEFERRALS**		**14,379,036**		**1**
TOTAL LIABILITIES			**3,931,604,679**		**3,913,881,464**

INCOME STATEMENT

(Eur)		2023	2022
A)	**VALUE OF PRODUCTION**		
1)	Revenue from sales and services	841,856,263	1,128,858,454
2)	Changes in inventories of work in progress, semi-finished products and finished products	-	-
3)	Changes in contracts in progress	3,945,419	(279,277)
4)	Increases in non-current assets for internal work	-	-
5)	Other revenue and income		
	- other	1,820,434	11,089,715
	- operating grants	-	-
TOTAL		**847,622,116**	**1,139,668,892**
B)	**COST OF PRODUCTION**		
6)	For raw, ancillary and consumable materials and goods	(776,591,520)	(1,095,275,501)
7)	For services	(72,677,701)	(86,890,701)
8)	For leased goods	(2,124,583)	(2,132,498)
9)	For employees:		
	a) salaries and wages	(12,765,086)	(15,171,736)
	b) social security contributions	(3,206,889)	(3,830,060)
	c) post-employment benefits	(832,811)	(1,237,277)
	d) pensions and similar obligations	-	-
	e) other costs	(430,143)	(1,690,075)
		(17,234,929)	(21,929,148)
10)	Amortisation, depreciation and impairment losses:		
	a) amortisation of intangible assets	(2,085,644)	(1,841,160)
	b) depreciation of property, plant and equipment	(607,416)	(641,798)
	c) other impairment losses of non-current assets	-	-
	d) Changes in inventories of work in progress, semi-finished products and finished products	-	(177,682)
		(2,693,060)	(2,660,640)
11)	Changes in inventories of raw, ancillary and consumable materials and goods	1,243,275	(194,132)
12)	Provisions for risks	(1,631,854)	(8,449,343)
13)	Other provisions	-	-
14)	Sundry operating costs	(688,615)	(918,695)
TOTAL		**(872,398,987)**	**(1,218,450,658)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)		**(24,776,871)**	**(78,781,766)**

(Eur)	2023	2022
C) FINANCIAL INCOME AND EXPENSE		
15) Income from equity investments:		
- from subsidiaries	160,452,268	590,294,705
- from associates	-	-
- from parent companies	-	-
- from companies subject to control by parent companies	-	-
- from others	2,374,957	45,567
	162,827,225	**590,340,272**
16) Other financial income:		
a) from receivables recorded under non-current assets		
- from subsidiaries	81,022,710	31,222,711
- from associates	-	-
- from parent companies	-	-
- from companies subject to control by parent companiesi	-	-
- from others	-	-
	81,022,710	**31,222,711**
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	3,412,597	314,519
- from associates	-	-
- from parent companies	4,613,068	431,576
- from companies subject to control by parent companies	-	-
- from others	1,910,969	469,852
	9,936,634	**1,215,947**
	90,959,344	**32,438,658**
17) Interest and other financial expense		
- to subsidiaries	(35,363,281)	(814,917)
- to associates	-	-
- to parent companies	(441,231)	(5,554,865)
- to companies subject to control by parent companies	-	-
- to others	(1,738,739)	(346,514)
	(37,543,251)	**(6,716,296)**
17-bis) Exchange rate gains and losses	(8,037)	86,556
TOTAL	**216,235,281**	**616,149,190**

(Eur)	2023	2022
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES		
18) Revaluations:		
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	254,252,474	551,240,821
	254,252,474	**551,240,821**
19) Impairment losses:		
a) of equity investments	(27,652,082)	-
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	(251,629,135)	(779,517,151)
	(279,281,217)	**(779,517,151)**
TOTAL ADJUSTMENTS (18-19) (D)	**(25,028,743)**	**(228,276,330)**
PROFIT (LOSS) BEFORE TAXES (A - B +/- C +/- D)	**166,429,667**	**309,091,094**
20) Income taxes for the year: current, deferred and prepaid	(12,761,691)	59,238,328
21) PROFIT (LOSS) FOR THE YEAR	**153,667,976**	**368,329,422**

STATEMENT OF CASH FLOWS

(Eur)		2023	2022
A.	**CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD)**		
	Profit (loss) for the year	153,667,976	368,329,422
	Income taxes	12,761,691	(59,238,328)
	Interest expense/(interest income)	(22,294,147)	(25,722,362)
	(Dividends)	(162,827,225)	(359,279,728)
	(Capital gains)/capital losses from the disposal of assets	30,982,584	(231,060,544)
1.	**Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from transfers**	**12,290,879**	**(306,971,540)**
	Allocations to provisions	2,464,665	9,638,169
	Amortisation/depreciation of non-current assets	2,693,060	2,482,958
	Impairment lossesre	27,652,082	177,682
	Other adjustments for non-monetary elements	(423,163)	(342,953)
	Value adjustments to financial assets and liabilities of financial derivatives that do not involve financial transactions	90,825,190	(74,683,636)
2.	**Cash flow before changes in net working capital**	**135,502,712**	**(369,699,320)**
	Decreases/(increases) in inventories	(5,188,693)	473,409
	Decreases/(increases) in trade receivables	97,805,140	8,407,409
	Increases/(decreases) in trade payables	(80,018,971)	(75,821,345)
	Decreases/(increases) in accrued income and prepaid expenses	(2,793,756)	(7,671,750)
	Increases/(decreases) in accrued expenses and deferred income	(1)	-
	Other changes in net working capital	(22,988,293)	46,660,971
3.	**Cash flow after changes in net working capital**	**122,318,139**	**(397,650,626)**
	Interest received/(paid)	22,294,147	25,722,362
	Income taxes (paid)/collected for national tax consolidation scheme	16,063,566	64,597,089
	Dividends received	162,827,225	359,279,728
	(Use of post-employment benefits provision)	(966,189)	(1,242,273)
	(Use of provisions)	(811,693)	(969,189)
4.	**Cash flow after other adjustments**	**321,725,195**	**49,737,091**
CASH FLOW FROM OPERATING ACTIVITIES (A)		**321,725,195**	**49,737,091**

(Eur)	2023	2022
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
(Capital expenditure)	(777,368)	(515,674)
Divestments	289,205	-
Intangible assets		
Capital expenditure)	(1,755,215)	(2,253,407)
Divestments	-	-
Financial assets		
(Capital expenditure)	(201,798,437)	(667,358,525)
Divestments	15,830,754	89,595,689
Current financial assets		
(Capital expenditure)		
Divestments	3,338,917	1,227,870,986
Liquidity transferred for sale of business unit	-	(9,999,997)
FLUSSO FINANZIARIO DELL'ATTIVITÀ DI INVESTIMENTO (B)	**(184,872,143)**	**637,339,073**
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	(176,572,734)	(886,929,407)
Loans taken outi	-	-
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	92,491,889	245,360,317
Dividends (and advances on dividends) paid	(50,000,000)	(50,000,000)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(134,080,846)**	**(691,569,090)**
Increase (decrease) of cash and cash equivalents (A±B±C))	**2,772,205**	**(4,492,926)**
Opening cash and cash equivalentsi	**1,413,256**	**5,906,181**
CLOSING CASH AND CASH EQUIVALENTS	**4,185,463**	**1,413,256**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

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 2022 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 to the Financial Statements.

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 ERG Power Generation S.p.A. had signed an agreement on 9 February 2022 with Enel Produzione S.p.A. to sell the entire share capital of ERG Power S.r.l. However, since the sale was not completed, ERG had initiated the necessary steps by the end of 2022 to begin a new competitive process to find a new buyer. On 17 October 2023, ERG Power Generation S.p.A. finalised the closing with Achernar Energy S.p.A. (a subsidiary of Achernar Assets AG) for the sale of the entire share capital of ERG Power S.r.l. The transaction was concluded following the fulfilment of the conditions precedent stipulated in the sales agreement and in line with the agreement signed between the parties on 29 June 2023.

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 www.erg.eu/en, while the consolidated financial statements of San Quirico S.p.A. are available at the company's registered office.

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 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 output 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.

The ERG Group, with generation facilities of 3,266 MW of installed renewable capacity (2,747 MW wind, 519 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 1,496 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 1,321 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 1,770 MW.
In wind power, ERG is one of the leading operators in Europe with a significant and growing presence (1,426 MW operational), particularly in France (522 MW), Germany (327 MW), the UK (249 MW), Poland (142 MW), Romania (70 MW), Bulgaria (54 MW) and Sweden (62 MW).
In addition, ERG operates in France and Spain in the generation of electricity from solar sources with 344 MW of installed capacity, of which 79 MW in France and 266 MW in Spain.
On 21 December 2023, the Group announced its entry into the renewable energy market in the United States through a strategic partnership with Apex Clean Energy for the acquisition of a 317-MW portfolio of wind and solar plants. The transaction is expected to close in the second quarter of 2024.

Therefore, at 31 December 2023, ERG Power Generation S.p.A. is assigned responsibility for the Group's industrial and commercial processes, organised into:

- Wind & Solar 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;
- an area dedicated to identifying and coordinating all the Group's technological innovation opportunities consistent with the Strategic Lines of the Plan.

The Company's corporate purpose is to develop business both in Italy and abroad:
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, the

use of biomass, solid urban waste or related fuels for their waste to energy conversion in electricity generation plants, the generation and sale of steam, industrial wastewater and related products such as, by way of example, securities and instruments related to the aforementioned activities, as well as in the area of environmental protection;

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 in the above-mentioned sectors such as, for example, energy efficiency improvement activities 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).

Scenario

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 and plant security.
As regards credit risk, there are no positions opened directly with Russian and Ukrainian counterparties.
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.

Geopolitical tensions had a strong bullish impact on the commodity markets and in particular gas during 2022, resulting in a sharp increase in electricity prices. These phenomena led to a sudden rise in inflation, as a result of which central banks intervened with restrictive monetary policies by repeatedly raising interest rates to their highest levels in 15 years.
In addition, following the increase in energy costs, governments have implemented regulatory and tax measures on the sector through "Clawback measures" aimed at limiting the impacts of these increases for end consumers.
It should be noted, however, that from the end of 2022 there was a reversal of the trend with a reduction in gas prices that continued during 2023 and which, also as a result of a reduction in demand, brought prices down to values close to those before the Ukrainian crisis. This reduction also led to a significant drop in energy prices and a reduction in inflation, which, however, has not yet been followed by an easing of restrictive monetary policies and significant reductions in interest rates.

Finally, it should be noted that the inflationary pressures experienced in 2022 and 2023 led to a significant increase in costs for capital expenditure in renewable plants.

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 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 applied to software and leasehold improvements is 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 2023 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 2023 following the Group's impairment tests, except as described in the Equity Investments section of these Notes to the Financial Statements.

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 revenue, 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, calcu-

lating 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 revenue 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 realisation 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.

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.

Revenue and costs for the year

Revenue 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.
Revenue 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.
Revenue for the performance of services are recognised upon completion and/or accrual.

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.

It should be noted that on 19 April 2023 the new standard on revenue was published, which will apply to financial years starting from 1 January 2024. Any impacts will be absorbed by the company as from financial year 2024.

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.

On 22 December 2022, the text of Directive no. 2022/2523/EU was published in the Official Journal of the European Union, which provides for the transposition into EU legislation of the rules on the Global Minimum Tax envisaged by Pillar 2 prepared by OECD as part of Action 1 of the BEPS ("Base Erosion and Profit Shifting") project. This Directive was transposed into Italian law by Legislative Decree no. 209 of 27 December 2023, which entered into force on 29 December 2023. The aim is to limit harmful tax competition between countries by setting the minimum level of effective taxation at an aggregate level per country to 15% from 2024.
The Group falls within the scope of application of the regulation, however, it should be noted that the average effective tax rate of ERG Power Generation S.p.A. would not have changed if the legislation relating to the global minimum taxation had already been in force with reference to the year 2023..

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 is noted that on 17 October 2023, the closing was finalised with Achernar Energy S.p.A. for the sale of the entire share capital of ERG Power S.r.l.
In this regard, it should be noted that ERG Power S.r.l. was classified as a subsidiary in the 2022 Financial Statements, being such as at 31 December 2022. Consequently, the economic and equity transactions between the Company and ERG Power S.r.l. were shown in the separate financial statements and in the corresponding analysis tables in relations with subsidiaries. In addition, the figures for 2023 are shown in relations with subsidiaries up to the date of sale of the previously reported equity investment.

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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.

STATEMENT OF FINANCIAL POSITION ANALYSIS

ASSETS

NON-CURRENT ASSETS (EUR 3,425,354 THOUSAND)

Intangible assets (EUR 6,982 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	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**
Changes in the year::							
Acquisitions	-	394	-	-	1,500	-	1,894
Capitalisations/reclassifications	-	1,648	-	-	(1,652)	-	(4)
Disposals and divestments	-	-	-	-	-	-	-
Amortisation	-	(1,710)	(1)	(375)	-	-	(2,086)
Impairment losses	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Historical cost	**22**	**13,089**	**616**	**3,754**	**1,867**	**6,002**	**25,350**
Amortisation	(22)	(9,107)	(610)	(2,628)	-	(6,000)	(18,367)
Balance at 31/12/2023	**-**	**3,982**	**6**	**1,126**	**1,867**	**1**	**6,982**

At 31 December 2023, intangible assets totalled EUR 6,982 thousand.
They mainly refer to software relating to electricity marketing activities and the monitoring and control of power generation, consumption and transmission intended for long-term use and currently in use.

The item also includes EUR 1,126 thousand regarding the residual value at 31 December 2023 of the goodwill generated by the merger, effective 1 January 2017, with ERG Renew S.p.A.

Assets under development, amounting to EUR 1,867 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 2,219 thousand)

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under development and advances	Total
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**
Changes in the year:						
Acquisitions	2	-	575	19	180	776
Capitalisations/reclassifications	59	-	32	2	(88)	5
Disposals and divestments	-	-	(288)	(1)	-	(289)
Depreciation	(26)	(10)	(476)	(95)	-	(607)
Impairment losses	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Historical cost	1,199	322	5,849	2,710	235	10,315
Revaluations	-	-	-	-	-	-
	1,199	**322**	**5,849**	**2,710**	**235**	**10,315**
Depreciation	(126)	(137)	(4,331)	(2,563)	-	(7,157)
Impairment losses	(887)	(51)	-	-	-	(938)
Balance at 31/12/2023	**186**	**134**	**1,517**	**147**	**235**	**2,219**

At 31 December 2023, property, plant and equipment amounted to EUR 2,219 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 electricity sales activities, 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.

FINANCIAL ASSETS (EUR 3,416,152 THOUSAND)

Equity investments (EUR 1,936,138 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) (3)	Equity (1) (2) (3)	Carrying amount
Subsidiaries						
ERG Eolica Adriatica S.r.l.	Genoa (Italy)	100%	100%	10	75,048	69,817
ERG Eolica Campania S.r.l.	Genoa (Italy)	100%	100%	120	66,897	100,104
ERG Eolica Faeto S.r.l.	Genoa (Italy)	100%	100%	10	7,725	5,322
ERG Eolica Fossa del Lupo S.r.l.	Genoa (Italy)	100%	100%	50	95,835	46,020
ERG Eolica Ginestra S.r.l.	Genoa (Italy)	100%	100%	10	40,502	46,728
ERG Eolica San Vincenzo S.r.l.	Genoa (Italy)	100%	100%	3,500	27,569	20,875
ERG Wind Bulgaria S.p.A.	Genoa (Italy)	100%	100%	50	21,134	32,178
ERG Wind Investments S.r.l.	Genoa (Italy)	100%	100%	97,046	470,756	365,903
ERG Eolica Tirreno S.r.l.	Genoa (Italy)	100%	100%	10	188	406
Green Vicari S.r.l.	Genoa (Italy)	100%	100%	119	14,206	18,570
Breva Wind S.r.l.	Genoa (Italy)	100%	100%	7,100	455,369	438,160
Eolico Troina S.r.l. in liquidazione	Palermo (Italy)	99%	99%	20	250	25
Andromeda PV S.r.l.	Genoa (Italy)	78,5%	78,5%	50	70,102	96,519
ERG Solar Holding S.r.l.	Genoa (Italy)	100%	100%	20	121,485	171,713
ISAB Energy Solare S.r.l.	Genoa (Italy)	100%	100%	100	196	-
Ginestra S.r.l.	Genoa (Italy)	100%	100%	20	51,122	51,242
ERG Sviluppo Italia S.r.l.	Genoa (Italy)	100%	100%	20	(70)	20
ERG Eolienne France S.a.s.	Paris (Franc)	100%	100%	209,551	223,752	241,095
ERG Wind Neunte Gmbh	Hamburg (Germany)	100%	100%	25	116	88
ERG Wind Park Beteiligungs Gmbh	Hamburg (Germany)	100%	100%	25	8,626	12,169
ERG Germany Verwaltungs GmbH	Hamburg (Germany)	100%	100%	25	15	25
ERG Spain Holdco S.L.U.	Madrid (Spain)	100%	100%	4	33,543	91,179
ERG UK Holding Ltd	Edinburgh (UK)	100%	100%	0	16,636	25,914
ERG Sweden Holding AB	Stockholm (Sweden)	100%	100%	50	46,513	13,005
ERG Poland Holding Sp. Z.O.O.	Warsaw (Poland)	100%	100%	10	1,659	1,133
EW Orneta 2 sp Z.O.O.	Warsaw (Poland)	100%	100%	164,688	183,807	35,720
Corni Eolian SA	Constanța (Romania)	100%	100%	95,679	336,676	52,202
Total equity investments in subsidiaries						**1,936,133**

(1) Figures referring to the latest approved financial statements
(2) Figures reported in EUR thousand.
(3) The Share Capital and Equity of the companies ERG UK Holding Ltd, ERG Sweden Holding AB, ERG Poland Holding Sp. Z.O.O., EW Orneta 2 sp Z.O.O., and Corni Eolian SA are in the local currency.

In 2023, the main transactions carried out on the equity investments held directly by Company and recorded under financial assets were:

- 30 March 2023: increase in the value of the equity investment of ERG Eolica Fossa del Lupo S.r.l. by effect of the capital contribution for an amount of EUR 30 million;
- 21 June 2023: 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 56.9 million;
- 30 June 2023: reverse merger of the companies ERG Solar Holding 2 S.r.l., Photosun S.r.l., PV Project S.r.l., Robinia S.r.l., Sesma S.r.l., Six for Power S.r.l. and SVS 1 S.r.l. into the company Ginestra S.r.l. Following the above-mentioned

extraordinary transaction, the company Ginestra S.r.l. is 100% owned by ERG Power Generation S.p.A;
- 31 July 2023: 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;
- 28 September 2023: ERG Sviluppo Italia S.r.l. is established;
- 17 October 2023: sale of the equity investment of ERG Power S.r.l.;
- 30 November 2023: increase in the share capital of ERG Poland Holding sp.z.o.o. through the transfer of the equity investment of Laski Wind sp. z.o.o.;
- 31 December 2023: reverse merger of the companies ERG Wind Holding S.r.l., Conza Energia S.r.l., Lucus Power S.r.l., San Mauro S.r.l., SPV Parco Eolico Aria del Vento S.r.l., TACA Wind S.r.l., WinCap S.r.l. into the company Breva Wind S.r.l. Following the above-mentioned extraordinary transaction, the company Breva Wind S.r.l. is 100% owned by ERG Power Generation S.p.A.;

The following transactions to streamline the Group's corporate structure took place in 2023 in the companies directly and indirectly controlled by ERG Power Generation S.p.A.:
- 30 June 2023: cross-border merger of MP Solar B.V. into ERG Solar Holding 2 S.r.l.;
- 30 June 2023: reverse merger of the companies ERG Solar Holding 2 S.r.l., Photosun S.r.l., PV Project S.r.l., Robinia S.r.l., Sesma S.r.l., Six for Power S.r.l. and SVS 1 S.r.l. into the company Ginestra S.r.l.
- 30 November 2023: repositioning of the equity investment of the Polish company Laski Wind sp. z.o.o. under ERG Poland Holding sp. z.o.o.;
- 31 December 2023: reverse merger of the companies ERG Wind Holding S.r.l., Conza Energia S.r.l., Lucus Power S.r.l., San Mauro S.r.l., SPV Parco Eolico Aria del Vento S.r.l., TACA Wind S.r.l., WinCap S.r.l. into the company Breva Wind S.r.l.

For the purposes of the 2023 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 2023 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.

This analysis revealed elements requiring attention in relation to the equity investment in Ginestra S.r.l.
The Company therefore proceeded to determine the recoverable value (equity value) of the subsidiary.

The recoverable value was determined as the value in use through discounting of the cash flows from operating activities (discounted cash flow method), based on the following assumptions:
- a time horizon of 40 years from the Commercial Operation Date (COD) of the project, in line with the assumptions for the choice of investment;
- a discount rate equal to the industry WACC for Italy of 6.18% was used to compute the present value of expected cash flows.

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. 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 analyses described above showed a reduction in the recoverable value of the equity investment in Ginestra S.r.l. of EUR 27.5 million, mainly due in part to a worsening of the scenario and also to the increase in the discount rate (WACC) compared to the valuations that had determined the equity value at the time of the acquisition. On the basis of the considerations described above, a write-down of the equity investment in Ginestra S.r.l. of EUR 27.5 million was recognised.

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.

Note that no indicators of further impairment were identified with regard to the equity investments of ERG Power Generation S.p.A. at 31 December 2023, following the Group's impairment tests with respect to those commented on above.

Receivables (EUR 1,480,014 thousand)

(EUR thousand)	31/12/2023	31/12/2022
Non-current financial receivables from subsidiaries	1,478,906	1,365,221
Non-current financial receivables from others	1,108	8,899
Total	**1,480,014**	**1,374,121**

The item "Non-current financial receivables from subsidiaries" includes loans receivable from directly and indirectly controlled Group companies.

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 860 thousand, down compared to 2022 (EUR 8,601 thousand) as a result of the decrease in the fair value of financial instruments, particularly related to market price trends.

In detail, a summary of the financial receivables by Country of the subsidiaries is provided below.

(EUR thousand)	31/12/2023	31/12/2022
Poland	110,243	126,934
France	343,636	368,196
Germany	140,517	197,224
UK	360,566	335,672
Italy	283,467	212,302
Sweden	80,681	76,987
Spain	159,797	47,906
Total	**1,478,906**	**1,365,221**

All loans are interest-bearing, and the following table summarises the rates applied for each company (in line with market rates):

Società	Paese	Tasso applicato
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
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
ERG Wind Energy S.r.l.	Italy	12-month Euribor plus 260 basis points
ERG Wind Sicilia 6 S.r.l.	Italy	12-month Euribor plus 260 basis points
ERG Eolica Fossa del Lupo 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
Isab Energy Solare S.r.l.	Italy	12-month Euribor plus 260 basis points
Ginestra S.r.l.	Italy	12-month Euribor plus 305 basis points
ERG Solar Holding S.r.l.	Italy	12-month Euribor plus 305 basis points
ERG Solar Piemonte 3 S.r.l.	Italy	12-month Euribor plus 305 basis points
Andromeda PV S.r.l.	Italy	Fixed rate 6.8%

During the 2023 financial year, no new loans were disbursed.

The amounts of the following main loans were increased in favour of:
- ERG Eolica Fossa del Lupo S.r.l. by approximately EUR 28 million for the repayment of the project financing debt;
- ERG Eolica Tirreno S.r.l., by approximately EUR 33 million for the completion of the Roccapalumba wind project;
- ERG Spain Holdco S.L.U. by approximately EUR 32 million for the acquisition of the Fregenal de la Sierra solar system and approximately EUR 84 million for the repayment of the project financing of Garnacha Solar S.L.
- ERG Wind Energy S.r.l., by approximately EUR 103 million, for the completion of wind repowering projects;

The following receivable waiver was made in favour of:
- ERG Sweden Holding AB for EUR 5 million on 31 July 2023;

The following loans were closed with the following companies:
- ERG Eolica Adriatica S.r.l.;
- ERG Wind Sardegna S.r.l.;
- Photosun S.r.l., PV Project S.r.l., Robinia S.r.l., Sesma S.r.l., Six for Power S.r.l. and SVS 1 S.r.l., whose loans were transferred to the company Ginestra S.r.l. as a result of the merger by incorporation on 30 June 2023;
- Laski Wind sp. Z.o.o., whose loan was transferred to ERG Poland Holding sp. Z.o.o.

CURRENT ASSETS (EUR 501,664 THOUSAND)

Inventories (EUR 19,543 thousand)

(EUR thousand)	31/12/2023	31/12/2022
Inventories of spare parts	13,240	11,856
Inventory write-down provision	(1,712)	(1,572)
Total	**11,528**	**10,284**
Inventories of contract work in progress	8,015	4,070
Totale	**19,543**	**14,354**

The item "Spare parts inventories", net of the inventory write-down provision, is equal to EUR 11,528 thousand at 31 December 2023 and reflects the value of the spare parts necessary to conduct maintenance work on the aerogenerators, wind turbines and photovoltaic systems.
The item at 31 December 2023 shows an increase compared to 31 December 2022 due to the ordinary management of inventories for the period that provides for automatic replenishment below certain thresholds. The inventory write-down provision at 31 December 2023 is deemed to express the decrease in functionality of a part of the spare parts inventory.
The item "Inventories of contract work in progress" in the 2023 Financial Statements includes the works relating to the "Repowering & Reblading" project and, in particular, 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.
During the year, the Company charged back to the subsidiary ERG Wind Energy S.r.l. the services relating to the repowering service contracts for the Partinico/Monreale, Mineo/Militello/Vizzini, Camporeale and Salemi/Castelvetrano wind farms.

Receivables (EUR 150,421 thousand)

Receivables can be summarised as follows:

(EUR thousand)	31/12/2023	31/12/2022
Receivables from customers	55,172	74,745
Receivables from subsidiaries	8,893	91,263
Receivables from parent companies	11,432	20,022
Tax assets	16,351	46,232
Deferred tax assets	26,243	92,450
Receivables from others	32,331	40,063
Total	**150,421**	**364,776**

Receivables from customers (EUR 55,172 thousand)

Receivables from customers comprise mainly:

- receivables relating to the sale of electricity produced by the Italian wind farms and photovoltaic systems of its subsidiaries to GME for EUR 8,836 thousand;
- receivables relating to the sale of electricity pertaining to Power Purchase Agreements for EUR 4,362 thousand;
- receivables relating to the sale of electricity to wholesale customers (EUR 37,266 thousand) and, on a residual basis, receivables relating to the sale of guarantees of origin (EUR 312 thousand).

The receivables from customers at 31 December 2023 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 2,928 thousand, allocated in order to cover any doubtful receivables.

Receivables from subsidiaries (EUR 8,893 thousand)

This item is mainly broken down as follows:

- trade receivables for EUR 8,623 thousand, mainly attributable to the services rendered and not yet collected under the Operation & Maintenance and B.o.P. contracts on wind farms of the Italian subsidiaries. The item also includes services charged to all subsidiaries under the administrative and corporate service agreement. The item decreased significantly compared to 31 December 2022 due to the conclusion of the contract for the supply of gas to the subsidiary ERG Power S.r.l.
- other sundry receivables for EUR 270 thousand, relating to various charge-backs (EUR 44 thousand) and receivables from subsidiaries for group VAT (EUR 226 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 parent companies (EUR 11,432 thousand)

This item mainly refers to the IRES receivable from the direct parent company ERG S.p.A. for the remuneration of prior tax losses and interest income transferred to the ERG Group's Tax Consolidation (for Euro 11,408 thousand).

Tax receivables (EUR 16,351 thousand)

This item mainly includes:

- the receivable from the tax authorities for group VAT of EUR 15,130 thousand;
- the advance on electricity and gas excise duties for EUR 433 thousand;
- the amount requested for reimbursement relating to the tax inspection for 2004 for EUR 55 thousand;

In 2022 the item included the receivable for tax payments made on a provisional basis during the SAO dispute for EUR 870 thousand. In 2023, the company won the aforementioned dispute and the receivable was repaid by the Italian Revenue Agency.

The amount also includes taxes paid pending a ruling by the merged company ISAB Energy Services S.p.A. (EUR 171 thousand). The decrease in this item is mainly attributable to the decrease, as compared with the previous year, in the VAT receivable due to ERG Power S.r.l.'s exit from the group VAT procedure falling under the scope of ERG Power Generation S.p.A.

Deferred tax assets (EUR 26,243 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.

	31/12/2023		31/12/2022	
	Amount of temporary differences	**Tax effect**	**Amount of temporary differences**	**Tax effect**
Write-down of inventory	1,712	493	1,572	453
Other provisions	6,100	1,676	5,332	1,440
IRES losses	91,224	21,894	146,556	35,173
ACE not used	(0)	(0)	18,319	4,396
Other changes in IRES (Corporate tax)	8,381	2,176	7,876	2,039
Derivative instruments	11	3	169,840	48,948
Total		**26,243**		**92,450**

Maintenance of the deferred tax assets in the financial statements for the year ended on 31 December 2023 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 from the previous year is mainly attributable to the decrease in deferred tax assets allocated to the reserve for expected cash flow hedging transactions (change of EUR 48,945 thousand in the previous year).

The change in deferred tax assets calculated on the tax loss accrued in 2022 was affected by an increase during the

year (for EUR 3,498 thousand) and a decrease (for EUR 16,967 thousand) due to the utilisation of part of the aforementioned losses within the ERG tax unit to reduce the Group's 2023 taxable income. During 2023, the ACE accrued in 2022 was also used to reduce taxable income in 2023, with a consequent change in deferred tax assets of EUR 4,396 thousand.

Receivables from others (EUR 32,331 thousand)

(EUR thousand)	31/12/2023	31/12/2022
Receivables from GME	40	8,050
Receivables under Italian Law no. 488/1992	16,704	10,009
Other receivables	15,587	22,004
Total	**32,331**	**40,063**

The decrease in the item "receivables from GME" compared to 2022 is due to the return by GME of guarantee deposits and the use of bank guarantees issued to replace the guarantee deposits to GME.
The item "Receivables under Italian Law no. 488/1992" also includes receivables of EUR 16,704 thousand from Engie, referring to recovery of the revaluation and interest on the disbursements of Italian Law no. 488/1992, arising from the company ERG Renew S.p.A. merged from 1 January 2017. The increase of EUR 6.7 million relates to the adjustment of the receivable for amounts related to interest on disputes pertaining to subsidiaries.
The item "sundry receivables" in 2022 mainly included the advance paid for the supply of gas in December 2022 and intended for resale to the Company ERG Power S.r.l. as well as the receivable for the "variation margin" of futures derivatives pertaining to 30 December 2022 (EUR 2,012 thousand).This item at 31 December 2023 mainly includes investments in Time Deposits for EUR 15,206 thousand, settled on 10 January 2024.

Short-term financial assets (EUR 327,515 thousand)

Equity investments in subsidiaries (EUR 0 thousand)

In the 2022 Financial Statements, 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 reclassified under Current Assets, in the amount of EUR 34,461 thousand. The agreement for the sale of the equity investment finalised on 17 October 2023 therefore resulted in the derecognition of the equity investment from the Company's financial statements and the recognition of the consequent capital loss of EUR 31,122 thousand.

Derivative financial instruments (EUR 35,979 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 2023 of the hedging derivatives and the Virtual Power Purchase Agreement with positive fair value.
The positive fair value is shown below broken down by delivery date:

(EUR thousand)	within 12 months	within 5 years	after 5 years
Derivative financial instruments	11,294	6,917	17,768

Financial assets for centralised treasury management in respect of parent company (EUR 291,511 thousand)

This item, amounting to EUR 291,511 thousand, refers to the financial receivable from the direct parent company ERG S.p.A. The Company has granted ERG S.p.A. an exclusive mandate with representation to enter into a "zero balance" cash pooling system with Unicredit S.p.A. bank in the name and on behalf of the principal. Through cash pooling, the transfer of each transaction recorded on the bank accounts of the principal company to the current account in the name of the principal at the same bank is carried out on a daily basis and with the same value, thus zeroing the balance of the current account of the principal company at the end of the day.
The increase in this item compared to the previous year is mainly related to the generation of liquidity by the Subsidiaries.

Financial assets for centralised treasury management in respect of subsidiaries (EUR 24 thousand)

The item refers to the financial receivable for interest accrued at 31 December 2023 from subsidiaries.

Cash and cash equivalents (EUR 4,185 thousand)

(EUR thousand)	31/12/2023	31/12/2022
Bank and postal deposits	4,185	1,413
Total	**4,185**	**1,413**

The item includes the credit balances on bank current accounts, the carrying amount of which represents the estimated realisable value.

Accruals and deferrals (EUR 4,586 thousand)

(EUR thousand))	31/12/2023	31/12/2022
Other prepaid expenses	4,499	1,759
Prepaid expenses - insurance premiums	31	31
Prepaid expenses - other payments	57	3
Total	**4,586**	**1,793**

In the 2023 financial year, the item "Other prepaid expenses" mainly includes costs for guarantees of origin purchased by the wind and solar subsidiaries and not yet resold at 31 December 2023 and costs for maintenance and other services paid in the year and pertaining to the following year.

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		1,478,906		1,478,906
- from others	860	248		1,108
Receivables under current assets				
- from customers	55,172			55,172
- from subsidiaries	8,893			8,893
- from parent companies	11,432			11,432
- deferred tax assets	665	25,292	286	26,243
- from the tax authorities	16,013	338		16,351
- from others	15,587	16,744		32,331
Total	**108,622**	**1,521,528**	**286**	**1,630,435**

LIABILITIES

EQUITY (EUR 3,535,123 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 2023, as well as at 31 December 2022, amounted to EUR 100,000,000.

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 provision, in the amount of EUR 2,185 thousand, corresponding to the value of the realignment made net of the substitute tax due.
The amount of the revaluation reserves is fully subject to tax suspension.

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.
The legal reserve is therefore equivalent to a total amount of one-fifth of the share capital.

Other reserves (EUR 2,477,400 thousand)

The item "Other reserves" comprises the capital account payment by parent company ERG S.p.A. for a total amount of EUR 1,858,733 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 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.
In order to further strengthen the equity and financial structure of ERG Power Generation S.p.A., on 30 March 2023 the parent company ERG S.p.A. decided to waive part of the receivable deriving from the existing line of credit, amounting to EUR 30 million, and to convert it into a capital injection in favour of ERG Power Generation S.p.A.

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 surplus 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. This amount is subject to tax suspension.

Cash flow hedging reserve (EUR 2,404 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 772,429 thousand)

This item includes the profits and losses carried forward from previous years.
Note that on 14 December 2023, 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 31/12/2020	**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 the previous year result	-	-	-	2,174	-	-	97,442	(99,616)	-
Capital account payments	-	-	-	-	-	-	-	-	-
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 the previous year result	-	-	-	-	-	-	242,449	(242,449)	-
Capital account payments	-	-	-	-	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**
Distribution of dividends	-	-	-	-	-	-	(50,000)	-	(50,000)
Allocation of the previous year result	-	-	-	-	-	-	368,329	(368,329)	-
Capital account payments	-	-	-	-	30,000	-	-	-	30,000
Other changes	-	-	-	-	-	123,297	-	-	123,297
Profit (loss) for the year	-	-	-	-	-	-	-	153,668	153,668
Balance at 31/12/2023	**100,000**	**7,000**	**2,221**	**20,000**	**2,477,400**	**2,404**	**772,429**	**153,668**	**3,535,123**

The following table lists equity items, indicating the possible utilisation for each of them, as well as any tax restrictions.

	Amount	Possibility of utilisation	Amount available	Portion subject to tax suspension
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	1,858,733	A,B,C	1,858,733	
Other reserves	11,687	A,B,C	11,687	2
Other reserves/Merger reserve 2017	606,980	A,B,C	606,980	
Cash flow hedging reserve	2,404	-	-	
Retained earnings	772,429	A,B,C	772,429	
Profit for the year	153,668		-	
TOTAL	**3,535,123**		**3,279,051**	**5,232**

Key:
A - 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 28,368 thousand)

(EUR thousand)	31/12/2023	31/12/2022
Provision for taxes, including deferred	977	-
Financial derivative liabilities	17,374	104,127
Other provisions	10,017	9,610
Total	**28,368**	**113,737**

The breakdown of deferred taxes is shown in the following table:

(EUR thousand)	31/12/2023		31/12/2022	
	Amount of temporary differences	**Tax effect**	**Amount of temporary differences**	**Tax effect**
Derivative instruments	(3,389)	(977)	-	-
Total		**(977)**		**-**

The item derivative financial instruments payable, equal to EUR 17,374 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 2023 of the "Contracts for Difference".
The negative fair value is shown below broken down by delivery date:

(EUR thousand)	within 12 months	within 5 years	after 5 years
Financial derivative liabilities	12,731	4,643	-

A summary of the item "Other provisions" is provided below

(EUR thousand)	31.12.2022	Increases	Decreases	31.12.2023
Provision to cover losses of investees	127	-	-	127
Other current provisions	1,029	1,632	(783)	1,878
Provisions for current environmental risks	6	-	-	6
Other non-current provisions for charges	8,448	-	(441)	8,006
Total	**9,610**	**1,632**	**(1,224)**	**10,017**

The item "other provisions for current charges" consists of EUR 1,518 thousand of potential charges relating to the development of risks associated with the electricity business.

The item "other provisions for non-current charges" is mainly composed of probable future outlays related to discontinued businesses and the redefinition of the Group's strategic structure.

The transactions in the provisions for risks in 2023 are outlined below:

- an allocation to the provision for current charges of EUR 1,632 thousand made against probable risks relating to the energy business;
- a use of provisions for EUR 441 thousand relating to risks associated with discontinued businesses;
- a use of the provision for current charges in the amount of EUR 370 thousand for the settlement through the Institute of the assessment with acceptance of the guidance provided by the Tax Authorities for the 2018 tax year (EUR 360 thousand);
- a release of EUR 413 thousand of the provision for charges due to the fact that the assumptions on potential risks no longer exist.

Post-employment benefits (EUR 1,806 thousand)

(EUR thousand)	31/12/2023	31/12/2022
Opening balance	**1,939**	**2,608**
Transfer	-	(664)
Increases	930	1,253
Decreases	(1,063)	(1,258)
Closing balance	**1,806**	**1,939**

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.

Payables (EUR 351,930 thousand)

The payables can be summarised as follows:

(EUR thousand)	31/12/2023	31/12/2022
Shareholder loan payables	14	38,588
Advances	359	1,300
Payables to suppliers	23,495	95,148
Payables to subsidiaries	318,143	362,336
Payables to parent companies	1,164	8,700
Tax liabilities	4,126	872
Payables to social security and pension institutions	1,121	1,113
Other liabilities	3,508	11,990
Total	**351,930**	**520,048**

Shareholder loan payables (EUR 14 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 30 million, commented on under the item "Other Reserves".

Advances (EUR 359 thousand)

The item includes advances from Group companies on account of Reblading services.

Payables to suppliers (EUR 23,495 thousand)

Payables to suppliers stem from commercial transactions.
The payables to suppliers at 31 December 2023 were mostly to Italian counterparties.
The breakdown of trade payables is mainly as follows:

- payable to GME, for an amount of EUR 6,433 thousand, relating to the purchase of electricity;
- payables to other counterparties such as TERNA S.p.A. for EUR 1,337 thousand;
- payables to wholesale counterparties for EUR 5,154 thousand;
- trade payables to other counterparties relating to the provision of various services such as engineering services, legal services, consultancy and other minor supplies for EUR 10,398 thousand.

The item also comprises trade payables to third parties for services connected to maintenance of the wind farms.

Payables to subsidiaries (EUR 318,143 thousand)

The subject item consists mainly of the following:

- trade payables to group companies, amounting to EUR 65,985 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 17,142 thousand, relate to the payable accrued to subsidiaries as

part of the payment of group VAT;
- financial payables to subsidiaries, for an amount of EUR 235,016 thousand, related to zero balance cash pooling relationships mainly to Breva Wind S.r.l. (EUR 82.97 million), ERG Wind Bulgaria S.p.A. (EUR 40.02 million), ERG Eolica Campania S.r.l. (EUR 28.66 million), ERG Wind Investments S.r.l. (EUR 22.23 million), ERG Eolica San Vincenzo S.r.l. (EUR 21.48 million) and ERG Eolica Adriatica S.r.l. (EUR 8.11 million).

It should be noted that during financial year 2023:
- the following new cash pooling contracts were entered into with the subsidiaries Mark 1 Eood, ERG Windpark Beteiligungs GmbH, ERG Eolienne France S.a.s., ERG Eolica Fossa del Lupo S.r.l., Ginestra S.r.l., Conza Energia S.r.l., Lucus Power S.r.l., San Mauro S.r.l., SPV Parco Eolico Aria del Vento S.r.l., TACA Wind S.r.l., WinCap S.r.l. and Breva S.r.l.;
- The cash advance contract between ERG Power Generation S.p.A. and the subsidiary MP Solar B.V. was transferred to the company Ginestra S.r.l. as a result of the cross-border merger and the reverse merger that involved the companies of the Siena Group on 30 June 2023;
- following the reverse merger of the Donatello Group companies on 31 December 2023, the cash pooling contracts between ERG Power Generation S.p.A. and the subsidiaries ERG Wind Holding S.r.l., Conza Energia S.r.l., Lucus Power S.r.l., San Mauro S.r.l., SPV Parco Eolico Aria del Vento S.r.l., TACA Wind S.r.l. and WinCap S.r.l. were transferred to the company Breva Wind S.r.l.

Payables to parent companies (EUR 1,164 thousand)

The item, amounting to EUR 1,164 thousand, mainly includes charges by the direct parent company ERG S.p.A. for costs related to the finalisation of non-recurring transactions that took place in 2023 (EUR 1.4 million) and the adjustment of service costs of EUR -0.3 million.

Tax payables (EUR 4,126 thousand)

This item refers mainly to Tax liabilities for IRAP for EUR 3,449 thousand, payables for withholdings for EUR 615 thousand and payables for excise duty related to electricity and gas for EUR 103 thousand.

Payables to social security and pension institutions (EUR 1,121 thousand)

This refers mainly to what is due in salaries and wages for December for social security, pension and insurance obligations.

Other payables (EUR 3,508 thousand)

(EUR thousand)	31/12/2023	31/12/2022
Payables to employees	1,607	3,195
Payables to third parties for equity investments	1,844	2,419
Sundry payables	56	6,376
Total	**3,508**	**11,990**

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.
"Payables to third parties for equity investments" mainly refer to 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 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	14	-	-	14
- advances	359	-	-	359
- to suppliers	23,495	-	-	23,495
- to subsidiaries	318,143	-	-	318,143
- to parent companies	1,164	-	-	1,164
- tax payables	4,126	-	-	4,126
- to social security and pension institutions	1,121	-	-	1,121
- other payables	3,508	-	-	3,508
TOTAL	**351,930**	-	-	**351,930**

ACCRUALS AND DEFERRALS (EUR 14,379 THOUSAND)

(EUR thousand)	31/12/2023	31/12/2022
Deferred income - other	14,379	-
Totale	**14,379**	-

This item includes the difference in the fair value of a Virtual PPA at the subscription date with respect to the transaction price, equal to EUR 14.4 million, which is expected to reverse over the duration of the agreement.

INCOME STATEMENT ANALYSIS

VALUE OF PRODUCTION (EUR 847,622 THOUSAND)

Revenue from sales and services (EUR 841,856 thousand)

(EUR thousand)	2023	2022
Revenue from sales	789,483	1,069,618
Revenue from services	52,373	59,240
Totale	**841,856**	**1,128,858**

Note that ERG Power Generation S.p.A. manages the ERG Group's electricity sales, performed in Italy through the Energy Management department, 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.

Revenue from sales in 2023 also include on a residual basis, i.e. until September 2023, the sales of natural gas and CO2 quotas to ERG Power S.r.l. as well as revenue from gas sales to third parties (relating to gas balancing).

Revenue from services consist of the provision of technical services of central staff and Information Communication Technology services charged back to the subsidiaries including the provision of Staff and Information Communication Technology services to ERG Power S.r.l. charged until 17 October 2023, the date of the sale of the equity investment commented on previously.

Revenue from services also includes services rendered to the wind and solar subsidiaries for Operation & Maintenance, i.e., management and maintenance of the wind aerogenerators and photovoltaic systems. This item also includes BoP services, which refers to the electricity maintenance of wind farms, in respect of wind subsidiaries.

For complete disclosure, we provide below a breakdown of the revenue from sales and services:

(EUR thousand)	2023	2022
Sales		
Electricity	518,543	866,594
GO	4,785	1,828
Utilities and gas flows - before sale of Erg Power	266,156	201,196
Total sales	**789,483**	**1,069,618**
Services		
Service contract in respect of wind and solar subsidiaries	9,957	8,589
O&M for wind and solar subsidiaries	36,400	35,479
Other from subsidiaries	1,024	1,998
O&M and services - before sale of Erg Power	1,244	5,484
Other	3,748	7,691
Total services	**52,373**	**59,240**
TOTAL REVENUE FROM SALES AND SERVICES	**841,856**	**1,128,858**

Revenue for electricity is mainly from large operators in the sector.
Revenue from sales of electricity mainly refers to the energy generated by the wind plants and solar systems of the

Italian subsidiaries. Financial year 2023 saw significantly lower market prices compared to the exceptionally high prices of 2022, resulting in a decline in revenue from electricity sales.
Electricity sold 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 energy sales with reference to Power Purchase Agreements, i.e. long-term energy sale contracts at pre-established prices, currently in place, and sales to the main industry players on the "over the counter" (OTC) platform. The above-mentioned sales and hedging, as a result of which lower prices only partly affected revenue, 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 2023, the formula for the energy sale price for electricity supply contracts from the SPVs to the Company was amended in order to more accurately represent the value of hedging transactions carried out by the Company for its subsidiaries.

In 2023, electricity revenue includes the negative impact of the hedging transactions concluded in the period for an amount of EUR 12,455 thousand, for which a detailed table is shown below.

(EUR thousand)	2023	2022
Gains on Power sales cash flow hedges	52,873	40,935
Total	**52,873**	**40,935**
Losses on Power sales cash flow hedges	-65,328	-196,319
Total	**-65,328**	**-196,319**
Total revenue	**-12,455**	**-155,385**

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 to subsidiaries" includes revenue for services relating to service repowering contracts carried out on behalf of the company ERG Wind Energy S.r.l. for the Partinico/Monreale, Mineo/Militello/Vizzini, Camporeale and Salemi/Castelvetrano wind farms.

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 3,945 thousand)

This item reflects the costs of engineering, purchase of the blades and ancillary costs, including internal personnel costs sustained in 2023 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 1,820 thousand)

(EUR thousand)	2023	2022
Other revenue and income from group companies	526	804
Feed-in premium	16	17
Insurance indemnities	-	53
Expense recoveries	483	483
Ordinary capital gains	139	-
Revenue other than the above	655	9,731
Total	**1,820**	**11,090**

"Other revenue from Group companies" regards essentially charge-backs to parent companies and subsidiaries for costs incurred and sale of spare parts, and recovery of sundry expenses.

The item "Revenue other than the above" also includes the release of a provision for charges due to the elimination of the potential risk estimated in previous years.
It should be noted that in financial year 2022, this item mainly included the indemnity obtained from third parties for the settlement of arbitration proceedings arising from certain disputes that arose in connection with the purchase of equity investments in past years.

PRODUCTION COSTS (EUR 872,399 THOUSAND)

Production costs are broken down as per the table below.

(EUR thousand)	2023	2022
Costs for raw, ancillary and consumable materials	776,592	1,095,276
Services	72,678	86,891
Costs for leased goods	2,125	2,132
Employee expense	17,235	21,929
Amortisation, depreciation and impairment losses	2,693	2,661
Changes in inventories of raw, ancillary and consumable materials and goods	(1,243)	194
Provisions for risks	1,632	8,449
Sundry operating costs	689	919
Total	**872,399**	**1,218,451**

Costs for raw, ancillary and consumable materials and goods (EUR 776,592 thousand)

Electricity purchase costs, which represent the most significant item of raw material costs, mainly relate to purchases from the GME and the wind and solar subsidiaries.
For the first nine months of 2023, the item also included costs for the purchase of gas and CO2 intended for resale to ERG Power S.r.l.
In 2023, there were no hedging transactions on purchases, therefore there are no adjustment impacts on raw material costs.

Costs for raw materials also include disbursements to third parties and group companies for the purchase of spare parts for the maintenance of wind turbines and photovoltaic systems for subsidiaries.

Services (EUR 72,678 thousand)

(EUR thousand)	2023	2022
Costs for services from third parties	37,565	29,951
Costs for services from subsidiaries	1	23,736
Costs for services from parent companies	35,112	33,203
Total	**72,678**	**86,891**

"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.
It should be noted that the "Services from subsidiaries" in 2022 consisted of the "Tolling fee", paid to ERG Power S.r.l. for only the first three months of the year.

"Services from third parties" comprise mainly the following:

(EUR thousand)	2023	2022
Maintenance costs	9,783	8,638
Technical, legal and other consulting services	1,701	3,685
Payments to statutory auditors	73	73
Utilities and consumption	126	173
Insurance costs	218	231
Other services	25,664	17,151
Total	**37,565**	**29,951**

"Maintenance costs" refer to the costs incurred in 2023 for the assistance, management and maintenance activities for the wind and solar farms of subsidiaries.
The item "Technical, legal and other consulting services" mainly includes EUR 741 thousand for technical professional consultancy costs, EUR 216 thousand for legal fees and tax consultancy, EUR 243 thousand for assessments and testing, EUR 45 thousand for feasibility studies and other minor costs for services.
The item includes also payment to the independent auditors KPMG S.p.A.,[1] of which EUR 283 thousand related to the audit services provided and EUR 16 thousand for non-audit services.
"Insurance expenses" includes the premiums paid in previous years.

Note that the items "Services from parent companies" and "Other services" include directors' fees for a total of EUR 1,203 thousand.

The table below shows the main breakdown of the item "Other services", which includes:

(EUR thousand)	2023	2022
Costs for electricity transport, gas and other capacity charges	16,361	7,985
Other personnel services	2,299	2,307
Italian and foreign bank fees	709	770
Other TERNA and IPEX fees	174	1,011
Other services	6,121	5,078
Total	**25,664**	**17,151**

- transport costs relate mainly to gas in the amount of EUR 15,780 thousand. The increase compared to 2022 is due to the longer supply period to ERG Power S.r.l. (3 months in 2022 and 9 months in 2023);
- sundry personnel services, in line with 2022, amounted to EUR 2,299 thousand;
- other Terna and IPEX fees amounted to EUR 174 thousand in 2023, down compared to financial year 2022 due to the exit of end customers from the market;
- the increase in the item "Other sundry services" is attributable to the increase in costs incurred for services relating to Repowering & Reblading services, which will be charged back to the subsidiaries as part of the related projects.

Costs for leased goods (EUR 2,125 thousand)

(EUR thousand)	2023	2022
Rent expenses	413	396
Lease expenses	650	546
Rents and leases	1,062	1,191
Total	**2,125**	**2,132**

Costs for leased goods refer mainly to rent expense on warehouses, fees and costs for leased autos and trucks and are largely in line with 2022.

1 Values not including expenses and CONSOB supervisory contribution.

Employee costs (EUR 17,235 thousand)

Personnel costs refer to the cost incurred during the year for an average of 251 employees (256 at year-end).

(EUR thousand)	2023	2022
Wages and salaries	12,765	15,172
Social security contributions	3,207	3,830
Post-employment benefits	833	1,237
Pensions and similar obligations	-	-
Other costs	430	1,690
Total	**17,235**	**21,929**

The average annual composition of the Company's workforce is shown below:

	2023	2022
Executives	8	8
Middle managers	41	44
White-collar workers	76	97
Blue-collar workers – Intermediate	126	131
Total	**251**	**279**

It should be noted that the average amount for 2022 is higher than in 2023 as it reflected, again for the first quarter, the personnel hired in April 2022 in ERG Power S.r.l.

Amortisation, depreciation and impairment losses (EUR 2,693 thousand)

(EUR thousand)	2023	2022
Amortisation of intangible assets	2,086	1,841
Depreciation of property, plant and equipment	607	642
Impairment losses of receivables included in current assets and cash and cash equivalents	-	178
Total	**2,693**	**2,661**

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 -1,243 thousand)

The item refers to the change in inventories of spare parts, acquired in order to conduct maintenance activities on the wind turbines and some photovoltaic systems owned by the subsidiaries that produce energy from wind and solar.

Provisions for risks (EUR 1,632 thousand)

This item mainly includes an allocation of a provision for EUR 1.6 million relating to potential risks associated with the energy business.

Sundry operating costs (EUR 689 thousand)

(EUR thousand)	2023	2022
Municipal property tax	5	6
Other duties and taxes	88	196
Other sundry expenses	596	716
Total	**689**	**919**

The item mainly includes membership fees paid in the amount of EUR 416 thousand.

FINANCIAL INCOME AND EXPENSE (EUR 216,235 THOUSAND)

(EUR thousand)	2023	2022
Income from equity investments	162,827	590,340
Other financial income	90,959	32,439
Interest and other financial expense	(37,543)	(6,716)
Exchange rate gains and losses	(8)	87
Total	**216,235**	**616,149**

Income from equity investments (EUR 162,827 thousand)

The item mainly refers to the collection deriving from the distribution of dividends, profit reserves and other reserves from subsidiaries for EUR 160,452 thousand. This item includes the collection of dividends of EUR 88,113 thousand by ERG Power S.r.l., collected in September 2023.
It should be noted that in 2022 the item included the capital gain realised from the sale of an equity investment for EUR 231,060 thousand.

The following table summarises the receipts of dividends, profit reserve distributions and other reserves from subsidiaries in financial year 2023:

(EUR thousand)	2023	2022
Distribution of dividends		
ERG Eolica San Vincenzo S.r.l.	-	8,619
ERG EOLICA CAMPANIA S.R.L.	14,879	38,000
ERG EOLICA FOSSA DEL LUPO S.R.L.	-	32,500
Green Vicari S.r.l.	3,380	13,000
ERG Eolica Faeto S.r.l.	3,726	6,926
Corni	33,936	-
Andromeda PV S.r.l.	13,192	3,841
ERG Power S.r.l.	88,113	75,000
ERG Wind Investments S.r.l.	-	168,884
	157,227	**346,769**
Distribution of reserves		
Andromeda PV S.r.l.	3,226	12,466
	3,226	**12,466**
Other income		
ERG Hydro S.r.l.	-	231,060
	-	**231,060**
Totale	**160,452**	**590,295**

Lastly, income from equity investments includes the adjustment of the sale price of an equity investment sold in 2022 for EUR 2 million.

Other income (EUR 90,959 thousand)

The item comprises mainly the following:

- financial income of EUR 81,023 thousand for interest income on loans granted to subsidiaries;
- financial income of EUR 3,413 thousand for interest income from subsidiaries relating to zero balance cash pooling, cash advance and centralised treasury agreements;
- financial income of EUR 4,613 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-party customers on payment deferrals for EUR 1,747 thousand;
- interest income from banks for EUR 164 thousand.

Interest and other financial expense (EUR -37,543 thousand)

(EUR thousand)	2023	2022
Financial expense due to subsidiaries	35,363	815
Financial expense due to parent companies	441	5,555
Other expense	1,739	346
Total	**37,543**	**6,716**

"Financial expense due to parent companies" refers to interest on the financial payable to the parent company ERG S.p.A.

A more detailed table of the item "financial expense due to subsidiaries" is provided below:

(EUR thousand)	2023	2022
Financial expense due to subsidiaries - Interest	4,241	815
Financial expense due to subsidiaries - Capital loss on disposal of equity investment	31,122	-
Total	**35,363**	**815**

The items includes the interest expense on zero balance cash pooling, cash advance and centralised treasury agreements with wind and solar subsidiaries.

The item also includes the capital loss deriving from the sale of the equity investment in ERG Power S.r.l. commented on previously; it should be noted that the company benefited from the distribution of dividends by the subsidiary during the year for an amount of EUR 88 million, as highlighted in the paragraph "Income from equity investments".

Exchange rate gains and losses (EUR -8 thousand)

This item mainly includes the impact of exchange rate differences recognised during the period.

VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES (EUR -25,029 THOUSAND)

(EUR thousand)	2023	2022
Revaluations of derivative financial instruments	254,252	551,241
Impairment of derivative financial instruments	(251,629)	(779,517)
Total revaluations and impairment of derivative financial instruments	**2,623**	**(228,276)**
Revaluations of equity investments	-	-
Impairment of equity investments	(27,652)	-
Total revaluations and impairment of equity investments	**(27,652)**	**-**
Total	**(25.029)**	**(228.276)**

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 2023, as well as the changes in fair value achieved during 2023 with regard to the financial derivatives that do not fully correlate with the physical underlying.
The item relating to revaluations and impairment of derivative financial instruments is up in particular also due to the reversal of the effects on foreign subsidiaries. Indeed, since 2021 the Company operates under a mandate from the foreign subsidiaries to enter into and manage derivative contracts to hedge the electricity price risk for a part of their electricity generation. The company received the aforementioned mandates in 2021 for the German companies, in 2022 for the French and Spanish companies and in 2023 it received a further mandate from the English companies. As a result of the above, in 2023 the Company finalised additional derivative contracts to hedge the price of electricity, reversing the effects on the subsidiaries (CfDs). The revaluations and impairment in question therefore include the accounting of the hedging instruments stipulated for the foreign subsidiaries.

The item "Impairment of equity investments" mainly includes the impairment of the equity investment in Ginestra S.r.l. commented on in the section relating to Equity investments in these Notes to the Financial Statements.

INCOME TAXES FOR THE YEAR (EUR -12,762 THOUSAND)

(EUR thousand)	2023	2022
Current income taxes - IRES	11,405	19,511
Current income taxes - IRAP	(3,449)	-
Deferred tax assets	(20,951)	40,074
Previous year taxes	232	(347)
Total	**(12,762)**	**59,238**

Current IRES taxes were positive in the amount of EUR 11,405 thousand due to the remuneration of the 2022 tax loss utilised in the tax consolidation in the present year and interest income, which was also transferred to the ERG tax consolidation.
Current IRAP taxes amounted to EUR 3,449 thousand. The significant decrease in deferred tax assets compared to the previous year is mainly due to the reversal of deferred tax assets on the portion of the 2022 tax loss transferred to the ERG tax consolidation and on the ACE accrued in 2022 and utilised in the 2023 financial year (EUR 39,570 thousand).
For the changes in deferred taxes, please refer to the corresponding sections of the statement of financial position.

The table below shows the reconciliation between the effective and theoretical tax expense.

Reconciliation between effective and theoretical tax expense

IRES		
Profit (loss) before taxes	166,430	
Impact of permanent tax changes[1]	-123,743	
Taxable IRES income	42,687	
IRES rate (24%)		**10,245**
Theoretical IRES		**10,245**
IRAP		
Difference between production costs and revenue	-24,777	
Costs and revenue not relevant for IRAP purposes	17,235	
Total theoretical taxable income for IRAP purposes	**(7,542)**	
theoretical tax charge (5.57% rate)		**(420)**
Impact of permanent tax changes[2]	67,922	
Taxable IRAP income	60,380	
IRAP rate (5.57%)		**3,363**
Theoretical IRAP		**3,363**
Tax adjustments previous years		(232)
Transfer of working hours benefit, tax consolidation		(631)
other changes (removal of deferred tax assets)		17
Total income taxes reported in the financial statements		**12,762**

(1) Mainly deduction of dividends received and the 2023 ACE benefit net of the upward adjustment for the non-deductible capital loss realised on the sale of ERG Power
(2) Mainly net interest income net of the 2023 tax wedge.

COMMITMENTS AND GUARANTEES AND CONTINGENT LIABILITIES NOT INDICATED IN THE STATEMENT OF FINANCIAL POSITION

Sureties to third parties in favour of group companies (EUR 18,016 thousand)

These refer to 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. The item also includes commercial Parent Company guarantees issued in favour of subsidiaries for the benefit of third-party suppliers.

Sureties in favour of third parties issued on credit lines of the parent company (EUR 79,690 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. through its credit lines.

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.

Sureties in favour of third parties issued by the parent company (EUR 245,253 thousand)

These regard sureties issued by ERG Power Generation S.p.A. in favour of third parties, guaranteed by the direct parent company ERG S.p.A. These are mainly commercial guarantees.

Commitments to suppliers (EUR 837 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 2023.

(EUR thousand)			31/12/2023	
Type of contract		**Underlying financial risk**	**Volumes**	**FV**
Contract for Difference	Thousands of MWh	**Electricity purchase price risk**	**144**	**3,186**
Impact on profit or loss			13	(13)
Impact on equity(**)			131	3,199
Commodities swaps	Thousands of MWh	**GAS purchase price risk**	**-**	**-**
Impact on profit or loss			-	-
Impact on equity(**)			-	-
Commodities Futures	Thousands of MWh	**Electricity sale price risk**	**165**	**(753)**
Impact on profit or loss			-	48
Impact on equity(**)			165	(801)
Commodities VPPA	Thousands of MWh	**Electricity sale price risk**	**2,012**	**17,768**
Impact on profit or loss			-	-
Impact on equity(**)			2,012	3,389
Deferred income			-	14,379
Currencies Forward	Thousands of USD	**Currency exchange rate risk**	**270,000**	**(2,349)**
Impact on profit or loss			-	108
Impact on equity(**)			270,000	(2,457)
Total				**17,853**

(*) Net position
(**) the values are shown gross of the tax effect

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.

Virtual PPA

Financial or "virtual" Power Purchase Agreements (VPPAs), entered into in order to stabilise the revenue structure with counterparties whereby on delivery dates a payment based on the price defined in the agreement is exchanged for a variable price, without the physical transfer of the underlying electricity.
Since these are instruments with average delivery periods of more than 10 years, if no price quotations are readily available in the active market for long-term maturities and therefore the price of the last available maturity date has to be replicated, the fair value is estimated at the date of initial recognition, and at each subsequent closing date.

Currency Forwards

Currency Forward Transactions are private agreements between two parties to exchange a certain amount of currency at an agreed exchange rate on a specific future date.

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 revenue 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.

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 with reference to the 2023 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") for an amount equal to EUR 0.7 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 2023 refer to Company operations.

The trade receivables mainly relate to:
- service, O&M and BoP contracts with the wind and solar companies;
- repowering service contracts with the subsidiary ERG Wind Energy S.r.l.;
- service, CO2 and gas sales contracts with ERG Power S.r.l. until 17 October 2023.

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;
- contracts for the purchase of electricity and guarantees of origin produced by SPVs.

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 generation, during 2022 it was mandated by the French and Spanish subsidiaries, and during 2023 it was also mandated by the UK subsidiaries.
The Company has therefore finalised hedging contracts (futures and CfDs) to hedge the price of electricity, reversing the effects on the subsidiaries (CfDs).

Lastly, it should be noted that the Company participates in the tax consolidation scheme of the direct parent ERG S.p.A. for IRES purposes and adheres as parent company to the group VAT payment procedure pursuant to Article 73 of Italian Presidential Decree no. 633 of 26/10/1972 and Italian Ministerial Decree of 13 December 1979.
The table below summarises the financial and equity items for the year 2023 with group companies.

	Revenue			Costs		
	Sales and services	Other revenue	Financial income	Purchases	Services and other costs	Financial expense
Subsidiaries						
ERG Power S.r.l.	234,269	-	3,388	-	-	-
ERG Wind Investments S.r.l.	15	-	1	-	-	(477)
ERG Wind Holdings (Italy) S.r.l.	20,089	235	-	(122)	-	-
ERG Wind Sardegna S.r.l.	-	-	25	-	-	-
ERG Wind Sicilia 6 S.r.l.	-	-	1,561	-	-	-
ERG Wind Sicilia 3 S.r.l.	-	-	7	-	-	-
ERG Wind MEG 1 LLP	1	-	2,473	-	-	(5,488)
ERG Wind MEG 2 LLP	1	-	1,927	-	-	(3,507)
ERG Wind MEG 3 LLP	1	-	2,190	-	-	(4,542)
ERG Wind MEG 4 LLP	1	-	1,887	-	-	(3,074)
ERG Wind Energy S.r.l.	1,286	-	3,637	(94,052)	-	-

	Revenue			Costs		
	Sales and services	**Other revenue**	**Financial income**	**Purchases**	**Services and other costs**	**Financial expense**
ERG Wind Park Beteiligungs Gmbh	-	-	10,099	-	-	(47)
ERG Germany GMBH	671	46	-	(45)	(1)	-
ERG France Sarl	1,100	160	-	(10)	-	-
Voltwerk Energy Park 8 Gmbh	1	-	435	-	-	(325)
Voltwerk Windpark Worbzig Gmbh	1	-	602	-	-	(1,066)
Voltwerk Windpark Beesenstedt Gmbh	1	-	859	-	-	(1,555)
Windpark Cottbuser Halde Gmbh	1	-	2,462	-	-	(4,113)
WP Achmer Vinte Gmbh	1	-	1,763	-	-	(2,879)
ERG Wind 117 (Frehne) Gmbh	1	-	1,086	-	-	(1,776)
Parc Eolien de Garcelles-Sacqueville SAS	-	-	-	-	-	(277)
ERG Wind Hollige GmbH & Co. KG	1	-	1,128	-	-	(1,864)
SIGAR Mob Co. KG	1	-	902	-	-	(1,470)
ERG Wind Offenheim GmbH & Co. KG	1	-	1,816	-	-	(2,959)
ERG Wind Nack GmbH & Co. KG	1	-	1,433	-	-	(2,394)
ERG Wind Norath GmbH & Co. KG	1	-	1,344	-	-	(2,187)
Ferme Eolienne de Teterchen	1	-	1,517	-	-	(2,550)
C.P. de Montbeliard	1	-	202	-	-	(2,035)
C.P. de St Florentine	1	-	2,405	-	-	(2,607)
C.P. de Murat	1	-	942	-	-	(2,754)
ERG Eolica San Vincenzo S.r.l.	2,316	-	-	(13,088)	-	(309)
ERG Eolica Faeto S.r.l.	1,059	-	-	(5,456)	-	(25)
ERG Eolica Ginestra S.r.l.	1,549	-	-	(6,816)	(145)	(52)
ERG Eolica Tirreno S.r.l.	15	-	2,092	-	-	(10)
Green Vicari S.r.l.	1,242	-	-	(6,522)	-	(85)
ERG Eolica Fossa del Lupo S.r.l.	5,247	-	1,123	(34,498)	-	(46)
ERG Eolica Adriatica S.r.l.	3,544	-	113	(27,967)	-	(60)
ERG Eolica Campania S.r.l.	3,632	-	-	(32,236)	18	(424)
EW Orneta 2 Sp. z.o.o.	-	-	1,743	-	-	-
Corni Eolian	30	-	-	-	-	(489)
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	-	-	-	-	(32)
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 S.p.A.	25	-	-	-	-	(671)
Weselberg GmbH	1	-	3,809	-	-	(6,363)
ERG Eolienne France	-	-	20,199	-	-	(20)
Parc Eolienne de la Voie Sacrée	1	-	2,899	-	-	(3,169)
Parc Eolienne d'Epense	1	-	692	-	-	(786)
ERG Solar Holding S.r.l.	32	-	1,746	-	-	(71)
Calabria Solar S.r.l.	2,188	-	-	(8,286)	-	-
ERG Solar Piemonte 3 S.r.l.	562	-	1,753	(3,234)	-	(38)
ISAB Energy Solare	4	-	128	-	-	(14)
ERG Wind Park Linda GmbH	-	-	366	-	-	-
Creagg Riabhach	4	-	3,449	-	-	(4,494)
Fond du Moulin	1	-	817	-	-	(894)
Mont Felix	1	-	851	-	-	(2,296)

	Revenue			Costs		
	Sales and services	Other revenue	Financial income	Purchases	Services and other costs	Financial expense
Chemin Vert	1	-	1,898	-	-	(2,389)
Le Marquay	1	-	1,800	-	-	(1,951)
Les Trentes	-	-	-	-	-	(246)
Sole de Bellevue	1	-	(3)	-	-	(1,605)
Barkow 1 GmbH	1	-	1,516	-	-	(2,480)
Barkow 2 GmbH	1	-	1,516	-	-	(2,480)
Barkow 3 GmbH	1	-	1,495	-	-	(2,446)
Laszki Wind sp. zo.o	-	-	3,382	-	-	-
ERG Sweden Holding AB	-	-	4,678	-	-	-
ERG Spain HoldCo	-	86	3,604	-	-	-
Almansol	1	-	629	-	-	(9,824)
Tabernas	1	-	1,059	-	-	(9,035)
Ginestra S.r.l.	196	-	2,341	(3,580)	-	(17)
Breva Wind S.r.l.	1,637	-	-	(47,357)	-	(1,353)
ERG Sviluppo Italia	125	-	-	-	-	-
Andromeda S.r.l.	397	-	435	-	-	-
ERG UK Holding	168	-	19,541	-	-	-
Sandy Knowe	4	-	-	-	-	-
ERG Poland Holding	72	-	2,237	-	-	-
Parent companies						
ERG S.p.A.	80	-	4,613	-	(35,112)	(441)

	Receivables			Payables		
	Trade	Other	Financial	Trade	Other	Financial
Subsidiaries						
ERG Wind Park Beteiligungs Gmbh	-	-	130,587	-	-	(1,646)
ERG Germany GMBH	184	-	-	(3)	-	-
ERG France Sarl	406	11	-	(24)	-	-
Voltwerk Energy Park 8 Gmbh	1	-	3,781	-	-	-
Voltwerk Windpark Worbzig Gmbh	1	-	-	-	-	(75)
Voltwerk Windpark Beesenstedt Gmbh	1	-	-	-	-	(113)
Windpark Cottbuser Halde Gmbh	1	-	-	-	-	-
WP Achmer Vinte Gmbh	1	-	-	-	-	-
ERG Wind 117 (Frehne) Gmbh	1	0	-	-	-	-
Parc Eolien de Garcelles-Sacqueville SAS	-	0	-	-	-	(277)
Parc Eolien du Patis SAS (Jallais)	0	0	-	-	-	-
Parc Eolien de St Riquier 1 SAS	0	0	-	-	-	-
Parc Eolien de la Souterraine	0	0	-	-	-	-
Parc Eolien de Oyre Saint Sauveur	0	-	-	-	-	-
ERG Wind Hollige GmbH & Co. KG	1	-	-	-	-	-
SIGAR Mob Co. KG	1	-	-	-	-	-
ERG Wind Offenheim GmbH & Co. KG	1	-	-	-	-	-
ERG Wind Nack GmbH & Co. KG	1	-	-	-	-	-
ERG Wind Norath GmbH & Co. KG	1	-	-	-	-	-
Omniwatt	0	0	-	-	-	-
ERG Wind France 1	0	0	-	-	-	-
Ferme Eolienne de Teterchen	1	0	-	(296)	-	(231)
C.P. de Montbeliard	1	0	-	(182)	-	-
C.P. de St Florentine	1	0	60	(23)	-	(261)
C.P. de Murat	1	-	-	(297)	-	-
ERG Eolica San Vincenzo S.r.l.	518	-	-	(3,052)	(284)	(21,788)

	Receivables			Payables		
	Trade	**Other**	**Financial**	**Trade**	**Other**	**Financial**
ERG Eolica Faeto S.r.l.	198	-	-	(1,169)	(103)	(999)
ERG Eolica Ginestra S.r.l.	260	-	-	(1,601)	(244)	(3,857)
ERG Eolica Tirreno S.r.l.	130	-	54,813	-	(1,752)	(755)
Parc Eolien du Carreau S.a.s.	0	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	0	-	-	-	-
Green Vicari S.r.l.	193	-	-	(1,428)	(209)	(5,054)
ERG Eolica Fossa del Lupo S.r.l.	955	-	15,123	(7,100)	(729)	(741)
ERG Eolica Adriatica S.r.l.	587	-	-	(6,218)	(378)	(8,166)
ERG Eolica Campania S.r.l.	629	-	-	(7,937)	(370)	(29,085)
EW Orneta 2 Sp. z.o.o.	0	-	21,922	-	-	-
Hydro Inv. (PL)	0	-	-	-	-	-
Blachy P (PL) - Paires 2	0	-	-	-	-	-
Corni Eolian	57	-	-	-	-	(4,501)
Globo Energy EOOD	5	-	-	-	-	-
K&S Energy EOOD	5	0	-	-	-	-
K&S Energy 1 EOOD	11	-	-	-	-	-
K&S Energy 2 EOOD	11	-	-	-	-	-
Mark 1 EOOD	7	-	0	-	-	(4,176)
Mark 2 EOOD	7	-	-	-	-	-
VG 1 EOOD	5	-	-	-	-	-
VG 2 EOOD	11	-	-	-	-	-
VG 3 EOOD	11	-	-	-	-	-
VG 4 EOOD	11	-	-	-	-	-
VG 5 EOOD	11	-	-	-	-	-
VG 6 EOOD	11	-	-	-	-	-
Wind Park Kavarna Est	11	-	-	-	-	-
Wind Park Kavarna Ovest	11	-	-	-	-	-
WP Bulgaria 4 EOOD	8	-	-	-	-	-
ERG Wind Bulgaria S.p.A.	5	-	-	-	-	(40,691)
Weselberg GmbH	1	0	-	-	-	-
ERG Eolienne France	4	-	343,636	-	-	(4,187)
Parc Eolienne de la Voie Sacrée	1	0	69	(27)	-	(338)
Parc Eolienne d'Epense	1	0	-	(7)	-	(92)
ERG Solar Holding S.r.l.	7	13	14,730	-	(0)	(1,033)
Calabria Solar S.r.l.	363	249	-	(1,106)	(703)	-
ERG Solar Piemonte 3 S.r.l.	106	-	23,295	(346)	(95)	(630)
Epuron Sas	0	-	-	-	-	-
ISAB Energy Solare	6	-	1,666	-	(7)	(254)
ERG Wind Park Linda GmbH	0	-	6,155	-	-	-
Creagg Riabhach	0	-	2,849	(1,869)	-	(1,605)
Le Moulin de Frouges	0	0	-	-	-	-
Fond du Moulin	1	0	-	(7)	-	(77)
Mont Felix	1	0	-	(280)	-	(261)
Chemin Vert	1	0	-	(117)	-	(223)
Le Marquay	1	0	43	(16)	-	(192)
Les Trentes	0	0	-	-	-	(246)

	Receivables			Payables		
	Trade	Other	Financial	Trade	Other	Financial
Sole de Bellevue	1	0	-	(635)	-	(261)
Craiggore Energy Ltd	0	-	-	-	-	-
Barkow 1 GmbH	1	-	-	-	-	-
Barkow 2 GmbH	1	-	-	-	-	-
Barkow 3 GmbH	1	-	-	-	-	-
ERG Sweden Holding AB	-	-	80,681	-	-	-
ERG Spain HoldCo	4	31	159,797	-	-	-
Almansol	1	0	12	(483)	-	(2,735)
Tabernas	1	0	12	(490)	-	(2,336)
Ginestra Srl	273	-	37,708	241	-	(421)
Breva	648	-	-	(5,700)	-	(84,324)
ERG Sviluppo Italia	126	-	-	-	-	-
Andromeda S.r.l.	40	-	5,231	-	(252)	-
ERG UK Holding	7	-	360,532	-	-	-
ERG Poland Holding	-	-	88,321	-	-	-
ERG Wind Investments S.r.l.	5	51	1	-	-	(22,708)
ERG Wind Holdings (Italy) S.r.l.	2,483	161	-	(11)	-	-
ERG Wind Sicilia 6 S.r.l.	-	-	27,703	-	-	-
ERG Wind MEG 1 LLP	1	-	-	-	-	(1,376)
ERG Wind MEG 2 LLP	1	-	-	-	-	(297)
ERG Wind MEG 3 LLP	1	0	-	-	-	(998)
ERG Wind MEG 4 LLP	1	0	-	-	-	-
ERG Wind Energy S.r.l.	275	2,999	103,215	(25,801)	(12,015)	-
Controllanti						
ERG S.p.A.	24	11,408	291,511	(1,164)	0	(14)

OPERATING RESULTS

The financial statements as at 31 December 2023 closed with a profit of EUR 153,668 thousand after having recognised impairment of equity investments for EUR 27,500 thousand and taxes of EUR 12,762 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

(EUR thousand)	31/12/2022
Intangible assets	2,371
Property, plant and equipment	8,496
Right-of-use assets	1,952
Equity investments	2,603,551
Non-current financial assets measured at fair value	27,789
Deferred tax assets	8,758
Other non-current assets	2,311
Non-current assets	**2,655,228**
Trade receivables	10,695
Other current assets	31,484
Current tax assets	27,844
Current financial assets measured at fair value	35,755
Other current financial assets	140,778
Cash and cash equivalents	282,097
Current assets	**528,652**
Assets held for sale	**-**
TOTAL ASSETS	**3,183,880**
Equity	**1,126,028**
Provisions for employee benefits	1,593
Deferred tax liabilities	15,253
Provision for disposed businesses	76,244
Other non-current provisions	889
Non-current financial liabilities measured at fair value	-
Other non-current financial liabilities	1,593,007
Non-current lease liabilities	1,331
Non-current liabilities	**1,688,315**
Other current provisions	1,219
Trade payables	8,815
Current financial liabilities measured at fair value	-
Other current financial liabilities	325,013
Current lease liabilities (2)	622
Other current liabilities	14,304
Current tax liabilities	19,565
Current liabilities	**369,537**
TOTAL LIABILITIES	**3,183,880**

INCOME STATEMENT

(EUR thousand)	2022
Revenue	34,272
Other income	1,219
Purchases	(150)
Services and other operating costs	(32,849)
Personnel expense	(28,078)
GROSS OPERATING PROFIT (EBITDA)	**(25,585)**
Amortisation, depreciation and impairment of non-current assets	**(3,406)**
OPERATING PROFIT (EBIT)	**(28,991)**
Financial income	28,198
Financial expense	(47,198)
Net financial income (expense)	**(19,000)**
Net gains (losses) on equity investments	52,482
Net gains (losses) on equity investments	**52,482**
PROFIT (LOSS) BEFORE TAXES	**4,491**
Income taxes	7,127
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**11,618**
Net income from assets held for sale	-
NET PROFIT (LOSS) FOR THE YEAR	**11,618**

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 29 January 2024, the direct subsidiary ERG Eolienne France S.a.s. completed the acquisition from QEnergy France Sas of 100% of CEPE Renouvellement Haut Cabardès S.a.s., a company that owns a 73.2-MW wind and solar portfolio in France.

On 23 February 2024, the direct subsidiary ERG Eolica Tirreno S.r.l. completed the construction and started the energisation of the greenfield park of Roccapalumba in Sicily (47 MW).

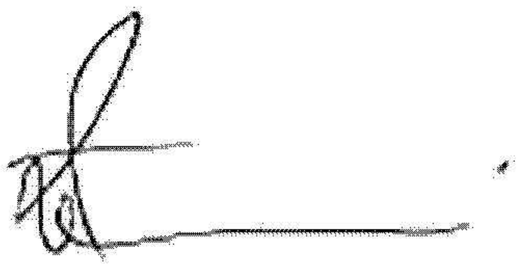
PROPOSAL BY THE BOARD OF DIRECTORS

Dear Shareholders,
We would like to conclude this report by calling upon you to:i a:

- approve the financial statements of your Company for the year ended 31 December 2023, which show a profit of EUR 153,667,976;
- carry forward the profit for the year.

Genoa, 11 March 2024

on behalf of the Board of Directors
The Chief Executive Officer
Renato Alessandro Sturani



AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
Piazza della Vittoria, 15 int. 10 e 11
16121 GENOVA GE
Telefono +39 010 564992
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(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 2023, 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 2023 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

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

Società per azioni
Capitale sociale
Euro 10.415.500,00 i.v.
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R.E.A. Milano N. 512867
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

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 2023 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 2023 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 2023 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, 25 March 2024

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING FOR APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023, 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 2023, 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 2023, reference is made to the explanatory notes to the Company's financial statements.
As regards the activities carried out by the Board during the 2023 financial year:

- we held 7 meetings of the Board of Statutory Auditors and participated in the (3) Shareholders' Meetings and the (12) 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 2023;
- 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;
- we noted the increasing attention paid to health, safety and environmental issues and all the actions, certifications

and initiatives taken during the year (see the section on "Health, Safety and Environment" in the ERG Power Generation Directors' Report).

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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 exercise, which will be discussed below, we confirmed the consensus expressed by the Board of Statutory Auditors in office during the recognition year pursuant to Article 2426, paragraph 1(5-6) of the Italian Civil Code 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. in the amount of EUR 3,754 thousand, with an estimated useful life of ten years, and a residual value in the 2023 financial statements of EUR 1,126 thousand;
- no complaints were made by the shareholders in accordance with Article 2408 of the Italian Civil Code;
- we have issued a favourable opinion on the allocation of the remuneration of the Chairperson and Chief Executive Officer pursuant to Article 2389, paragraph 3 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 activities of ERG S.p.A. were mentioned in the Directors' Report;
- last year, in view of the ERG Group's intention to proceed with the sale of the equity investment in ERG Power S.r.l., and therefore 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 equity interest was sold on 17 October 2023 to Achernar Energy S.p.A. and the economic effects were indicated in the Notes to the Financial Statements;
- the company proceeded to verify the presence of indicators of impairment in line with the provisions of accounting standard OIC 9; the tests conducted did not reveal any evidence of impairment on property, plant and equipment, intangible assets and equity investments, with the exception of the equity investment in Ginestra S.r.l., the value of which, following the analyses and valuation discussed in the "Equity investments" section of the Notes to the Financial Statements, was written down by EUR 27.5 million;
- 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;
- as a result of the participation in the parent company's tax consolidation and the agreements made in the relevant consolidation agreement, in financial year 2023 the Company recognised in the financial statements the consideration for the pre-2023 tax losses recovered (in 2023) by the ERG Fiscal Unit in the amount of approximately EUR 17 million in the item Current taxes.

*****

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.
The mandate of KPMG S.p.A. expires with the approval of these financial statements, and therefore we have also prepared the reasoned proposal for the appointment of the auditor for the next three-year period 2024-2026.

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We examined the Consolidated Financial Statements for the year ended 31 December 2023, 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 2023, 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 2023, 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".

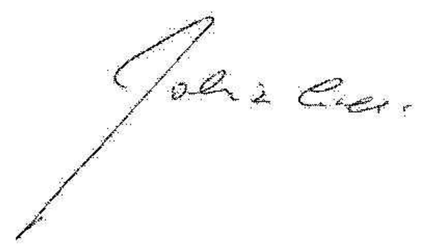
*****

The Board of Statutory Auditors, within the scope of its responsibilities, acknowledging the results of the Separate Financial Statements at 31 December 2023 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.
Following the expiry of the mandate of the Board of Statutory Auditors, the Shareholders' Meeting is invited to appoint the control body for the next three-year period.

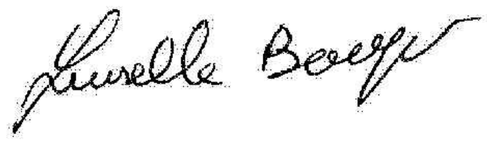
Genoa, 25 March 2024

The Board of Statutory Auditors

Chairman
(Mr Fabrizio Cavalli)



Standing Auditor
(Ms Luisella Bergero)



Standing Auditor
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