

<p>Informazione Regolamentata n. 0118-16-2024</p>	<p>Data/Ora Inizio Diffusione 13 Marzo 2024 07:29:56</p>	<p>Euronext Milan</p>
---	--	-----------------------

Societa' : ERG

Identificativo Informazione Regolamentata : 187276

Utenza - Referente : ERGN01 - Marescotti

Tipologia : 1.1; REGEM; 3.1

Data/Ora Ricezione : 13 Marzo 2024 07:29:56

Data/Ora Inizio Diffusione : 13 Marzo 2024 07:29:56

Oggetto : The BoD approves the financial statements as at 31/12/23, the Report on Corporate Governance and Ownership, the CNF

*Testo del comunicato*

Vedi allegato



## Press Release

### The Board of Directors approves the draft financial statements at 31/12/2023

The Report on Corporate Governance and Ownership and The Consolidated Non-Financial Statement has been approved  
A dividend of EUR 1 has been proposed

#### Year 2023

Adjusted consolidated EBITDA<sup>1</sup>: EUR 520 million, EUR 502 million in 2022

Net profit (loss) from continuing operations: EUR 226 million, EUR 129 million in 2022

#### Fourth quarter 2023

Adjusted consolidated EBITDA: EUR 155 million, EUR 112 million in the fourth quarter of 2022

Adjusted net profit (loss) from continuing operations: EUR 77 million, EUR 14 million in the fourth quarter of 2022.

**2023 Results** – In a challenging price scenario, ERG posted a positive performance with EBITDA at EUR 520 million, at the upper end of the guidance communicated to the market and up by 4% compared to 2022, thanks to the full contribution of the new capacity installed during 2022 and 2023. The strong growth in net profit also reflects excellent financial performance and the absence of extraordinary taxation that burdened 2022.

**Pure Wind & Solar model** – With the sale of the Combined Cycle Gas Turbine (CCGT) cogeneration plant to Achernar Asset, ERG completes its business transformation into a pure renewable, wind and solar operator, exiting fossil fuels for good.

**Entry into the United States** – ERG enters the US renewables market thanks to a strategic partnership with Apex Clean Energy for the management of a portfolio of wind and solar plants totalling 317 MW with an estimated production of approximately 1 TWh, in addition to a *cooperation agreement* for approximately 1 GW of new projects under development in the United States. The transaction is expected to close in the second quarter of 2024.

**Strong growth in RES portfolio** – Installed capacity in wind and solar power grew by 322 MW in 2023. From 2020 to the end of 2023, the increase was around 1,200 MW, more than compensating for the approximately 1,000 MW divested in Hydro and Thermo business. At the end of 2023 the plant portfolio has reached a total installed capacity of around 3.3 GW.

**Leadership in Repowering** – Construction was completed and energisation started on the first two wind farms subject to repowering in Sicily, at Partinico-Monreale (42 MW) and Camporeale (50 MW). Construction of two more plants included in the Group's technology renewal programme for 177 MW started in 2023 representing an increase of 101 MW compared to the current power under decommissioning.

**Revenue securitisation** – Significant progress has been made in the strategic objective of revenue securitisation with the signing of four long-term Power Purchase Agreements (PPAs) with leading corporate counterparties: EssilorLuxottica for approximately 70 GWh/year, TIM for the renewal of the decade-long agreement for 540 GWh/year, STMicroelectronics for approximately 260 GWh/year, and with Google for the supply of 100 GWh/year of green energy.

**Buyback programme** – The programme for the purchase of treasury shares launched in 2023 was concluded in the early months of 2024 as an investment measure aimed at maximizing value creation for the Company, amid weak stock performance in the renewable sector.

<sup>1</sup> In order to give an effective representation, the financial results are presented, including for the comparative period, in what is described as "adjusted" format. This means that the results are shown net of the effects of the transitional measures (clawback measures/windfall taxes) enacted in various countries to offset electricity price increases, as well as any significant unusual income components (special items). A definition of the indicators and the reconciliation of the amounts involved are provided in the "Alternative Performance Indicators" section of this document.

**Major awards on ESG strategy** – The validity of the Group's sustainable strategy has been rewarded through upgrades and recognition from major international rating agencies. The Group's inclusion in CDP's "A List", with a Leadership score, was confirmed for the second year running and it was ranked 28th in Corporate Knights' "Global 100", coming first in terms of Italian companies. The Consolidated Non-Financial Statement has been approved and the Executive Summary summarising ERG's approach to sustainability has been published today.

**Dividend Policy** – Annual dividend confirmed at EUR 1 per share, sustainable over the plan period.

**2024 Guidance** – For 2024, based on the best estimate of price scenario, in a high volatility and uncertainty contest, EBITDA<sup>2</sup> is estimated to be in the range of EUR 520 to 580 million, capital expenditure is expected to be in the range of EUR 550 to 600 million. Net financial indebtedness adjusted<sup>3</sup> expected to be in the range between EUR 1,750 million and EUR 1,850 million, including the distribution of the ordinary dividend of EUR 1 per share.

**Genoa, 13 March 2024** – The Board of Directors of ERG S.p.A., which met yesterday, has approved the consolidated financial statements, the draft financial statements at 31 December 2023, the report on corporate governance and ownership and the consolidated non-financial statement at 31 December 2023, the report on the remuneration policy and fees paid and the long-term incentive plan (2024-2026 LTI System).

The Board of Directors proposes to the Shareholders' Meeting, which will be convened for 23 April 2024 on first call and, if necessary, for 24 April 2024 on second call, the distribution of a dividend equal to EUR 1 per share which will be paid as from 22 May 2024 (payment date), with an ex-dividend date as from 20 May 2024 (ex date) and record date of 21 May 2024.

### **Adjusted consolidated financial results**

IV Quarter		Key Economic data			Year		
2023	2022	Var %	(Euro millions)	2023	2022	Var %	
155	112	39%	EBITDA	520	502	4%	
101	49	106%	Operating profit (EBIT)	305	273	12%	
77	14	470%	Group Profit (loss) from continued operations	226	129	76%	

	31.12.2023	31.12.2022	Variation
Net financial indebtedness continuing operations	1.445	1.434	11
Leverage	40%	41%	

Leverage: Ratio of total net financial indebtedness to net invested capital

**Paolo Merli, ERG's Chief Executive Officer, commented:** "We are satisfied with the economic and financial results of the year but also, and especially, with the Group's ability to successfully finalise its industrial transformation into a pure RES operator. In 2023, ERG once again demonstrated its strong ability to pursue its growth objectives, and ahead of the Business Plan, through the right mix, in Italy and abroad, of organic growth and M&A activities. The exit from the thermoelectric business and the entry into the United States were two defining moments in 2023 and, more generally, in the Group's history. Also the commercial performance is positive, which saw the signing of four long-term contracts for almost 1 TWh of energy, with world-class counterparties. Our growth path will continue in 2024, with an expected plant portfolio of around 3.8 GW at the end of the financial year. In an environment of sticky volatility and uncertainty in energy prices, the guidance for EBITDA is expected to be in the range of EUR 520 to EUR 580 million. During the year, we anticipate capital expenditure in the range of EUR 550 to EUR 600 million and net financial indebtedness ranging between EUR 1,750 to EUR 1,850 million."

<sup>2</sup> EBITDA Guidance net of clawback measures. Starting from 2024, adjusted values include the impact of IFRS16 for EUR 15 million and the estimated consolidation of the USA starting from the second half of 2024.

<sup>3</sup> EBITDA Guidance excluding IFRS16 liabilities, which were EUR 172 million for the actual 2023 fiscal year and are projected to be EUR 210 million for the 2024 guidance.

The Company decided to make use of the option introduced by Italian Decree Law no. 18 of 17 March 2020 (converted, with amendments, by Italian Law no. 27 of 24 April 2020, and most recently extended by Article 3, paragraph 12-*duodecies*, of Italian Decree Law no. 215 of 30 December 2023, converted, with amendments, by Italian Law no. 18 of 23 February 2024), providing that (i) the Shareholders may attend the Shareholders' Meeting exclusively through the Designated Representative; (ii) the management and control bodies of the Company, as well as the Designated Representative, may participate in the Shareholders' Meeting by means of telecommunication which guarantee the identification of the participants, their participation and the exercise of the right to vote, without in any case the need for the Chairman and the secretary taking the minutes to be in the same place.

### **Change in business scope during the year**

#### ▪ **Solar Spain**

On **23 December 2022** ERG, through its subsidiary ERG Spain HoldCo SLU, signed an agreement with Renertia Investment Company for the acquisition of 100% of the share capital of a company that owns a photovoltaic solar 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, developed and built in-house, 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 CO<sub>2</sub> 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. Revenues are 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).

### **Comments on the performance for the period**

#### **Fourth quarter 2023**

In the fourth quarter of 2023, adjusted revenue amounted to EUR 220 million, a significant increase compared to the fourth quarter of 2022 (EUR 172 million) due to the higher wind output recorded, the first contributions of the wind and photovoltaic farms that entered into operation in 2023 in Italy and Spain and the full contribution of the wind farms developed internally and entered into operation between the end of 2022 and the beginning of 2023 in UK & Nordics<sup>4</sup>, partly offset by a lower price scenario. Output amounted to 1.9 TWh, up 45% (1.3 TWh) compared to the same period of 2022, due to the higher wind speeds in the quarter and the contribution of the new wind farms acquired and developed internally.

**Adjusted EBITDA**<sup>5</sup>, net of special items, amounted to EUR 155 million, up significantly (EUR 44 million) compared with the EUR 112 million recorded in the comparative quarter.

#### **ITALY**

- **Wind (EUR +24 million)**: EBITDA, amounting to EUR 70 million, significantly increased compared to the fourth quarter of 2022 (EUR 46 million), mainly due to the higher wind speeds in the quarter and the first contributions of the wind farms subject to Repowering. Output amounted to 812 GWh compared to 529 GWh in the fourth quarter of 2022, due to the higher wind speeds recorded in the period as well as the effect of the new capacity in operation (56 MW more than in the same period of 2022).
- **Solar (EUR +2 million)**: EBITDA, amounting to EUR 11 million, up compared to the fourth quarter of 2022 (EUR 8 million), impacted by the effect of the application of the regulations relating to Article 15-bis of Italian Decree Law 4/2022 (the "Sostegni-Ter" Decree). Output amounted to 39 GWh, compared to 38 GWh in the fourth quarter of 2022.

#### **ABROAD**

- **Wind (EUR +14 million)**: EBITDA, amounting to EUR 77 million, up compared to the fourth quarter of 2022 (EUR 64 million) due to the higher wind speeds recorded in the quarter in all geographic areas, and the full contribution of the new wind farms in UK & Nordics only partially offset by sharply falling market prices.
- **Solar (EUR +1 million)**: EBITDA, amounting to EUR 3 million, up compared to the fourth quarter of 2022 (EUR 2 million) mainly due to the contribution of the newly acquired photovoltaic systems in Spain (174 MW), which entered into operation between June and December 2023.

**Adjusted EBIT** amounted to EUR 101 million (EUR 49 million in the fourth quarter of 2022). Depreciation and amortisation amounted to EUR 54 million, down compared with the fourth quarter of 2022 (EUR 63 million) and reflect the full contribution of the new assets (EUR 3 million), more than offset by both the extension of the useful life of wind power assets in Italy and abroad (EUR 8 million) as a result of the Lifetime Extension programmes and the end of the useful life of some wind farm and photovoltaic components (EUR 2 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 77 million, a significant increase compared to the comparative period 2022 (EUR 14 million) and reflects, in addition to the above, lower financial expense of EUR 7 million and lower taxes of EUR 5 million in the comparison with the fourth quarter of 2022. It should be noted that the results for the fourth quarter of 2022 included the

<sup>4</sup> It should be noted that the wind farm in Sweden is still in a phase of commissioning and ramp-up of outputs.

<sup>5</sup> Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to EUR 4 million, as well as other negative effects of special items for approximately EUR 1 million.



effects of the Extraordinary Contribution (introduced by the 2023 Budget Law) for EUR 19 million, recognised under income taxes.

**Reported profit (loss) attributable to the owners of the parent** was EUR 66 million, a significant increase compared to the fourth quarter of 2022 (EUR -80 million). The reported result for the fourth quarter of 2023 (EUR 66 million) reflects the net tax impact of special items (EUR -11 million<sup>6</sup>). It should be noted that the result for the fourth quarter of 2022 mainly included the write-downs of the wind farms subject to repowering (EUR 14 million) and the photovoltaic assets subject to revamping (EUR 16 million) as well as the write-down of the CCGT plant then being sold (EUR 66 million).

### **Comments on the year's performance**

**Adjusted revenues** in 2023 amounted to EUR 741 million, up compared to 2022 (EUR 714 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**<sup>7</sup> amounted to EUR 520 million in 2023 (EUR 502 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<sup>8</sup>) 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 plants 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

<sup>6</sup> The amount includes ancillary costs relating to the sale of the thermoelectric business, sold on 17 October 2023.

<sup>7</sup> 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 5 million.

<sup>8</sup> 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).

policies implemented in line with the Group's risk policies.

**Adjusted EBIT** amounted to EUR 305 million (EUR 273 million in 2022). Depreciation and amortisation amounted to EUR 215 million, down compared with 2022 (EUR 229 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 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 226 million, a significant increase compared to 2022 (EUR 129 million) and reflects, in addition to the above, lower financial expense of EUR 19 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 179 million, including the net tax impact of special items, as well as the net 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 379 million) included the net gain recognised on the sale of the Terni hydroelectric complex on 3 January 2022 (amounting to approximately EUR 324 million).

**Adjusted net financial indebtedness of continuing operations** totalled EUR 1,445 million, up (EUR +11 million) compared to 31 December 2022 (EUR 1,434 million). The change reflects the effect of the acquisitions of two photovoltaic systems in Spain (EUR 184 million), capital expenditure for the period (EUR 305 million) mainly related to the development of Repowering and Revamping projects in Italy, dividends distributed to shareholders (EUR 154 million), the effect of the share buy-back programme (EUR 61 million) and the payment of taxes (EUR 26 million) offset by the positive cash flow for the period (EUR 495 million<sup>9</sup>), 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. 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 172 million at 31 December 2023 (EUR 157 million at 31 December 2022).

### Capital Expenditure

IV Quarter		Investments			Year		
2023	2022	Δ	(Euro millions)	2023	2022	Δ	
82	59	23	Italy	219	653	(433)	
28	62	(35)	Abroad	265	290	(25)	
8	1	6	France	25	11	15	
2	0	2	Germany	3	1	1	
15	54	(39)	UK & Nordics	45	159	(114)	
2	4	(3)	Spain	190	100	90	
2	2	(1)	East Europe	2	20	(18)	
2	2	1	Corporate	4	3	1	
112	123	(11)	Total investments	489	946	(457)	

**In the fourth quarter of 2023, capital expenditure** totalled EUR 112 million (EUR 123 million in the fourth quarter of 2022) and mainly related to construction activities in Italy for 47-MW Greenfield and Repowering activities on Italian wind farms for approximately 177 MW of new wind power capacity, construction activities for

<sup>9</sup> It includes the adjusted EBITDA, the change in working capital and net financial income (expense).

three Greenfield wind farms in France for 59 MW and one in Northern Ireland, as well as Revamping activities in Solar.

In 2023, capital expenditure totalled EUR 489 million (EUR 946 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 activities 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.

### Performance by Country

2023	4th Quarter			Electricity Output (GWh)	2023	Full Year		
	2022	Δ	Δ%			2022	Δ	Δ%
851	567	284	50%	Power output in Italy	2.784	2.312	472	20%
812	529	283	53%	- wind	2.528	2.062	466	23%
39	38	1	3%	- solar	256	250	7	3%
1.074	764	310	41%	Power output Abroad	3.354	2.644	711	27%
1.003	726	277	38%	- wind	3.046	2.379	667	28%
70	38	33		- solar	309	265	44	16%
1.925	1.331	594	45%	ERG plants total output	6.139	4.956	1.183	24%

### Fourth quarter

#### ITALY

In the fourth quarter of 2023, electricity output in Italy amounted to 851 GWh, of which 812 GWh from wind sources and 39 GWh from photovoltaic systems, an increase compared to the same period in 2022 (567 GWh of which 529 GWh from wind sources and 38 GWh from solar sources), due mainly to greater wind speeds and the contribution from repowering plants (+22 GWh).

#### ABROAD

In the fourth quarter of 2023, electricity generation abroad amounted to 1,074 GWh, of which 1,003 GWh from wind and 70 GWh from solar), up from the same period in 2022 (764 GWh of which 726 GWh from wind and 38 GWh from solar) due to higher windiness and thanks to the contribution from the new wind farms in the UK & Nordics (+60 GWh) and Spain (+27 GWh).

### Year 2023

#### ITALY

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.

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 period 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-Castelvetro (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.

## ABROAD

In 2023, electricity generation abroad amounted to 3,354 GWh, of which 3,046 GWh from wind power and 309 GWh from solar power), up from the same period in 2022 (2,644 GWh of which 2,379 GWh from wind and 265 GWh from solar), mainly due to the increased windiness experienced and the perimeter effect (+386 GWh) resulting from the contribution of the wind farms that came into operation in 2022 and at the beginning of 2023, in addition to the newly acquired photovoltaic farms in Spain that came into operation between June and December 2023.

### France

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.

**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 **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.

## Germany

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.

**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 & Nordics

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.

**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

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.

**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

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.

**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).

## Significant events during the year

Date	Geographical segment	Sector	Significant event
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 CO <sub>2</sub> 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 Financial Statements 2022, resolved on the payment of a dividend of EUR 1.00 per share, confirmed Renato Pizzolla as Board Member and appointed Monica Mannino as Chairwoman of the Board of Statutory Auditors.
Press Release of 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

Date	Geographical segment	Sector	Significant event
			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 <b>23 June</b> .
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	Thermo	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	Spain	Solar	ERG, through its subsidiary ERG Spain Holdco, completed the acquisition of 100% of the share capital of Instalación Fotovoltaica Arericcol VIII, a company that owns a photovoltaic plant 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	Thermo	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

Date	Geographical segment	Sector	Significant event
			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 park, acquired by ERG in June 2023, has a total installed capacity of 149MWp and has completed the installation of all production equipment.
Press release of 21 December 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.

### **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 in the Carbon Disclosure Project "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 Gender Equality Policy, reinforcing 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 at Key Energy 2024.



## **BUSINESS OUTLOOK FOR THE YEAR 2024**

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 Repowering wind farms scheduled to come on stream 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 the lower market price scenario and the lower volumes expected 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 come on stream between 2024 and 2025, and the completion of those that came on stream during 2023.

Adjusted net financial indebtedness<sup>10</sup> 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.

## **Additional information**

### **Appointment of the new Board of Directors**

The Ordinary Shareholders' Meeting will be called upon, among other things, to resolve on the appointment of the members of the Board of Directors, after determining their number and appointing the Chairperson of the Board of Directors on the basis of the proposals made in compliance with the applicable laws, regulations and statutory provisions.

The guidelines formulated by the Board of Directors to the Shareholders regarding the quantitative and qualitative composition deemed optimal for the renewal of the board of directors are already available to the public on the Company's website ([www.erg.eu](http://www.erg.eu)) in the section "Corporate Governance/2024 Shareholders' Meeting" as of 23 February 2024.

### **Directors' remuneration**

The Ordinary Shareholders' Meeting will be called upon, among other things, to resolve on the fees to be paid to the members of the Board of Directors, valid until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2026, and, on the assumption that the new Board of Directors decides, in continuity with the Company's governance, to appoint a Control, Risk and Sustainability Committee and an Nominations and Remuneration Committee, to resolve on the additional fees to be paid to the Directors, who are not employees of the Group and do not hold positions on the Board, who will be appointed as members of the aforesaid Committees, valid until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2026, on the basis of the proposals formulated in compliance with the applicable legislative, regulatory and statutory provisions.

The Board of Directors recommends that these fees be consistent with the professional commitment required by the office, as well as with the related responsibilities.

In this regard, note that the Board of Directors, with the support of the Nominations and Remuneration Committee, assessed as adequate the annual fixed fee paid, for financial year 2023, to all members of the Board of Directors and the aforesaid Committees, using as reference both FTSE Italia Mid Cap and FTSE MIB companies, taking into account the professionalism and commitment required by the position.

### **Purchase and sale of treasury shares**

The Ordinary Shareholders' Meeting will be called upon, among other things, to resolve on the authorisation for the Board of Directors to purchase treasury shares up to a maximum of 15,032,000 ordinary shares, corresponding to 10% of the share capital of ERG, including treasury shares already held by the Company at the date of the Shareholders' Meeting, upon annulment, for the remaining period, of the previous authorisation resolved by the Shareholders' Meeting on 26 April 2023, in order to optimise the capital structure with a view to maximising value creation for Shareholders, also based on available liquidity and, in any case, for any other purpose permitted by the current applicable laws and regulations.

The authorisation will be valid for eighteen months from the date of the resolution. The purchase must be made by using distributable profits and the available reserves resulting from the latest approved Financial Statements, in accordance with Article 132 of the Consolidated Finance Act and with the methods envisaged by Article 144-bis, paragraph 1, subsection b) of the Issuers' Regulation at a unit price, inclusive of the ancillary purchase costs, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction.

<sup>10</sup> It doesn't include IFRS 16 financial indebtedness equal to EUR 210 million.

The Company currently holds 4,540,080 treasury shares, equal to 3.020% of the share capital.

The Ordinary Shareholders' Meeting will be called upon, among other things, to resolve on the authorisation for the Board of Directors to dispose of treasury shares, all at once or in several steps, for a period of 18 months from the date of the related resolution, upon annulment, for the period still remaining, of the previous authorisation resolved by the Shareholders' Meeting on 26 April 2023, pursuant to Article 2357-ter of the Italian Civil Code, at a unit price not lower than 10% below the closing price of the stock on the day immediately preceding each individual sale. This is with a view to optimising financial leverage and, in any case, may be carried out in any other circumstance in which the sale of shares appears to be consistent with the interests of the Company and Shareholders, as determined by the management body.

### **Long-Term Incentive plan (2024-2026 LTI System)**

The Ordinary Shareholders' Meeting will be called upon to approve the Long-term Incentive Plan (2024-2026 LTI System) (the "Plan") approved by the Board of Directors on 12 March 2024, upon the proposal of the Nominations and Remuneration Committee, having heard the favourable opinion of the Board of Statutory Auditors.

The Plan provides for (i) the free assignment of a set number of ERG shares, at the end of a three-year vesting period, subject to the achievement of a predetermined minimum level of economic performance (on/off condition), (ii) a 12-month lock-up clause on a portion of the shares assigned (30%), (iii) incentive parameters linked to the price of ERG stock as well as to economic/financial and/or growth and sustainability indicators.

The Plan will apply, as an incentive and retention tool, to the directors and/or employees of ERG and its subsidiaries, including Key Managers, who will be of significant strategic importance for the achievement of the objectives of the 2024-2028 Business Plan (for the relevant period of the Plan), which is expected to be approved by the new Board of Directors during the first half of 2024. The Plan may therefore be considered as "of particular relevance" pursuant to Article 84-bis, paragraph 2, of the Issuers' Regulation.

The purposes and characteristics of the Plan are described in more detail in the Information Document, prepared by the Board of Directors pursuant to Article 114-bis of the Consolidated Finance Act (TUF) and Article 84-bis of the Issuers' Regulation, which will be made available to the public within the terms and according to the procedures set forth by applicable laws and regulations.

### **Report on the remuneration policy and the fees paid**

The Board of Directors has approved the Report on the remuneration policy and the fees paid. The Shareholders' Meeting will be called upon to resolve, pursuant to Article 123-ter of the Consolidated Finance Act, in favour of or against:

- the first section of the Report, relating to the Company's policy on remuneration of the members of the management bodies and key managers for financial year 2024 and members of the supervisory bodies. The relative resolution shall be binding;
- the second section of the Report. The relative resolution shall not be binding.

The Report on the remuneration policy and the fees paid will be made available to the public within the terms and according to the procedures set forth by applicable laws and regulations.

### **Amendments to the Articles of Association**

The Extraordinary Shareholders' Meeting will be called upon to resolve on the amendments to the Articles of Association proposed by the Board of Directors and explained in the Directors' Report, to which reference should be made, and which will be made available to the public within the terms and according to the procedures set forth by applicable laws and regulations.

*The results of the fourth quarter and financial year 2023 will be explained to analysts and investors today at 10:30 during a conference call with relevant webcasting that can be followed by connecting to the Company's website ([www.erg.eu](http://www.erg.eu)); their presentation will be made available on the same website in the "Investor Relations/Presentations" section, at Borsa Italiana*

S.p.A. and on the authorised storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)) 15 minutes before the conference call.

This press release, issued on 13 March 2024, is available to the public on the Company's website ([www.erg.eu](http://www.erg.eu)) in the "Media/Press Releases" section, at Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the authorised storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).

The Annual Financial Report with the reports of the Board of Statutory Auditors and the Independent Auditors, the Report on corporate governance and ownership, the Consolidated Non-Financial Statement, the Board of Directors' Report, the Report on the remuneration policy and fees paid as well as the additional required documentation, will be made available to the public within the terms and in the manner prescribed by current legislation at the Company's headquarters in Genoa, Via De Marini 1 as well as on the Company's website ([www.erg.eu](http://www.erg.eu)) in the section "Corporate Governance/2024 Shareholders' Meeting", at Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the authorised storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).

### **Contacts:**

#### **ERG**

**Anna Cavallarin** Head of External Communication - tel. + 39 010 2401804 mobile + 39 3393985139 email: [acavallarin@erg.eu](mailto:acavallarin@erg.eu)

**Matteo Bagnara** Head of IR - tel. + 39 010 2401423 – e-mail: [ir@erg.eu](mailto:ir@erg.eu)  
[www.erg.eu](http://www.erg.eu)- @ergnow

## **Alternative Performance Indicators (APIs) and adjusted results**

### ***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 Achnar 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.*



## Highlights

Adjusted <sup>(2)</sup> 4th Quarter		(EUR million) <b>Key economic data</b>	Reported <sup>(1)</sup> Year		Adjusted <sup>(2)</sup> Year	
2023	2022		2023	2022	2023	2022
220	172	Revenue	741	714	741	714
<b>155</b>	<b>112</b>	<b>Gross Operating Profit (EBITDA)</b>	<b>529</b>	<b>499</b>	<b>520</b>	<b>502</b>
<b>101</b>	<b>49</b>	<b>Operating Profit (EBIT)</b>	<b>304</b>	<b>221</b>	<b>305</b>	<b>273</b>
<b>77</b>	<b>14</b>	<b>Profit from continuing operations attributable to owners of the parent</b>	<b>214</b>	<b>85</b>	<b>226</b>	<b>129</b>
76	13	Net Profit <sup>(3)</sup>	179	379	219	145
<b>Main Financial data</b>						
<b>3,592</b>	<b>3,357</b>	<b>Net invested capital <sup>(4)</sup></b>	<b>3,757</b>	<b>3,510</b>	<b>3,592</b>	<b>3,357</b>
2,147	2,059	Equity	2,140	2,055	2,147	2,059
1,445	1,434	Net financial indebtedness <sup>(4)</sup>	1,617	1,592	1,445	1,434
40%	41%	Financial Leverage	43%	44%	40%	41%
<b>71%</b>	<b>65%</b>	<b>Ebitda Margin %</b>	<b>71%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>
<b>Operating data</b>						
<b>3,266</b>	<b>2,944</b>	<b>Total installed capacity at the end of the period</b>	<b>MW</b>		<b>3,266</b>	<b>2,944</b>
<b>1,925</b>	<b>1,331</b>	<b>Total electricity output</b>	<b>GWh</b>		<b>6,139</b>	<b>4,956</b>
1,496	1,440	Installed capacity at the end of the period - Italy	MW		1,496	1,440
851	567	Electricity output - Italy	GWh		2,784	2,312
600	600	Installed capacity at the end of the period - France	MW		600	600
435	343	Electricity output - France	GWh		1,315	1,076
327	327	Installed capacity at the end of the period - Germany	MW		327	327
217	153	Electricity output - Germany	GWh		629	556
311	219	Installed capacity at the end of the period - UK & Nordics	MW		311	219
129	81	Electricity output - UK & Nordics	GWh		455	226
266	92	Installed capacity at the end of the period - Spain	MW		266	92
57	26	Electricity output - Spain	GWh		213	171
266	266	Installed capacity at the end of the period - East Europe	MW		266	266
236	160	Electricity output - East Europe	GWh		742	615
<b>112</b>	<b>123</b>	<b>Investments <sup>(5)</sup></b>	<b>Euro millions</b>		<b>489</b>	<b>946</b>
<b>636</b>	<b>573</b>	<b>Employees at the end of the period <sup>(6)</sup></b>	<b>Units</b>		<b>636</b>	<b>573</b>
<b>111</b>	<b>126</b>	<b>Net unit Revenue <sup>(7)</sup></b>			<b>117</b>	<b>139</b>
106	120	Italy - Wind	Eur/MWh		109	134
340	305	Italy - Solar	Eur/MWh		342	317
97	88	France - Wind	Eur/MWh		93	91
96	85	France - Solar	Eur/MWh		96	96
124	213	Germany - Wind	Eur/MWh		140	168
151	134	UK & Nordics - Wind	Eur/MWh		111	150
96	105	Spain - Solar	Eur/MWh		123	126
87	102	East Europe - Wind	Eur/MWh		91	139

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

<sup>(2)</sup> Adjusted economic indicators do not include *special items* and related applicable theoretical taxes.

<sup>(3)</sup> 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.

<sup>(4)</sup> The adjusted 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.

<sup>(5)</sup> 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.

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

<sup>(7)</sup> 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.

## Performance by country

4th Quarter			(EUR million)			Year		
2023	2022	Δ	Adjusted Revenue			2023	2022	Δ
102	76	26	Italy			374	365	9
118	96	22	Abroad			367	348	19
42	30	12		France		124	98	26
28	33	(6)		Germany		89	94	(5)
21	11	11		UK & Nordics		54	34	20
6	3	3		Spain		27	22	5
21	19	2		East Europe		73	100	(27)
10	10	0	Corporate			35	34	1
(10)	(10)	0	Intra-segment revenues			(35)	(33)	(2)
<b>220</b>	<b>172</b>	<b>48</b>	<b>Total adjusted revenues</b>			<b>741</b>	<b>714</b>	<b>27</b>
<b>Adjusted EBITDA</b>								
81	54	27	Italy			294	288	7
80	65	15	Abroad			248	239	9
30	18	11		France		78	55	23
20	27	(6)		Germany		65	70	(5)
16	6	10		UK & Nordics		37	24	13
3	2	1		Spain		20	18	2
11	12	(1)		East Europe		48	72	(24)
(5)	(8)	2	Corporate			(22)	(25)	3
<b>155</b>	<b>112</b>	<b>44</b>	<b>Adjusted EBITDA</b>			<b>520</b>	<b>502</b>	<b>19</b>
<b>Amortization, depreciation and write-downs</b>								
(30)	(36)	6	Italy			(119)	(127)	9
(23)	(26)	3	Abroad			(94)	(98)	4
(9)	(12)	3		France		(39)	(46)	7
(4)	(7)	3		Germany		(19)	(28)	8
(4)	(1)	(2)		UK & Nordics		(13)	(4)	(8)
(2)	(1)	(1)		Spain		(5)	(4)	(1)
(5)	(4)	(0)		East Europe		(18)	(15)	(2)
(1)	(1)	(1)	Corporate			(3)	(3)	0
<b>(54)</b>	<b>(63)</b>	<b>8</b>	<b>Amortization, depreciation and write-downs</b>			<b>(215)</b>	<b>(229)</b>	<b>13</b>
<b>Adjusted EBIT</b>								
51	18	33	Italy			176	160	16
57	39	18	Abroad			154	141	13
21	6	14		France		40	9	31
16	19	(3)		Germany		46	42	3
12	5	8		UK & Nordics		24	19	4
1	1	(0)		Spain		15	14	1
7	8	(1)		East Europe		30	57	(26)
(7)	(8)	1	Corporate			(25)	(28)	3
<b>101</b>	<b>49</b>	<b>52</b>	<b>Adjusted EBIT</b>			<b>305</b>	<b>273</b>	<b>32</b>
<b>Investments<sup>(1)</sup></b>								
82	59	23	Italy			219	653	(433)
28	62	(35)	Abroad			265	290	(25)
8	1	6		France		25	11	15
2	0	2		Germany		3	1	1
15	54	(39)		UK & Nordics		45	159	(114)
2	4	(3)		Spain		190	100	90
2	2	(1)		East Europe		2	20	(18)
2	2	1	Corporate			4	3	1
<b>112</b>	<b>123</b>	<b>(11)</b>	<b>Total investments</b>			<b>489</b>	<b>946</b>	<b>(457)</b>

<sup>(1)</sup> Includes capital expenditure in property, plant and equipment and intangible assets and M&A investments.

## Income Statement

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

The 2023 and 2022 figures were presented in accordance with IFRS 5 with reference to the process for the sale of the thermoelectric business<sup>11</sup>, therefore reclassifying to the line “Profit (loss) from discontinued operations” for 2023 the result of the subsidiary ERG Power S.r.l.

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.

4th Quarter			(EUR million)	Year		
2023	2022	Δ	Profit & Loss	2023	2022	Δ
220	172	48	Revenue	741	714	27
9	4	5	Other income	26	12	14
<b>229</b>	<b>175</b>	<b>53</b>	<b>Total Revenue</b>	<b>767</b>	<b>726</b>	<b>41</b>
(5)	(1)	(3)	Purchases and change in inventories	(14)	(15)	1
(54)	(48)	(6)	Services and other operating costs	(180)	(160)	(20)
(15)	(14)	(0)	Personnel Expense	(53)	(49)	(3)
<b>155</b>	<b>112</b>	<b>44</b>	<b>Gross Operating Profit (EBITDA)</b>	<b>520</b>	<b>502</b>	<b>19</b>
(54)	(63)	8	Amortization, depreciation and write-downs	(215)	(229)	13
<b>101</b>	<b>49</b>	<b>52</b>	<b>Operating Profit (EBIT)</b>	<b>305</b>	<b>273</b>	<b>32</b>
(0)	(7)	7	Net financial income (expense)	(6)	(25)	19
(0)	0	(0)	Net gains (losses) on equity investments	(0)	0	(0)
<b>101</b>	<b>42</b>	<b>59</b>	<b>Profit before taxes</b>	<b>299</b>	<b>248</b>	<b>50</b>
(24)	(29)	5	Income taxes	(71)	(115)	45
<b>77</b>	<b>13</b>	<b>64</b>	<b>Profit from continuing operations</b>	<b>228</b>	<b>133</b>	<b>95</b>
0	0	(0)	Non-controlling interests	(2)	(4)	2
<b>77</b>	<b>14</b>	<b>64</b>	<b>Profit from continuing operations attributable to owners of the parent</b>	<b>226</b>	<b>129</b>	<b>97</b>
(1)	(1)	(1)	Profit (loss) from discontinuing operations	(7)	16	(23)
<b>76</b>	<b>13</b>	<b>63</b>	<b>Profit attributable to owners of the parent</b>	<b>219</b>	<b>145</b>	<b>75</b>

<sup>11</sup> 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".

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 172 million with a balancing entry in net invested capital amounting to approximately EUR 164 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.

Reclassified Statement of Financial position	Reported		Adjusted	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
<i>(EUR million)</i>				
Non-current assets	4.023	3.695	3.857	3.540
Net operating working capital	56	97	56	97
Employees benefits	(4)	(4)	(4)	(4)
Other Assets	241	379	243	381
Other Liabilities	(560)	(657)	(560)	(657)
<b>Net invested capital of continuing operations</b>	<b>3.757</b>	<b>3.510</b>	<b>3.592</b>	<b>3.357</b>
<b>Net invested capital of assets held for sale</b>	<b>-</b>	<b>235</b>	<b>-</b>	<b>235</b>
<b>Net invested capital</b>	<b>3.757</b>	<b>3.745</b>	<b>3.592</b>	<b>3.592</b>
Equity attributable to the owners of the parent	2.133	2.045	2.141	2.050
Non-controlling interests	7	9	7	9
Net financial indebtedness of continuing operations	1.617	1.592	1.445	1.434
Net financial indebtedness of discontinued operations	-	98	-	98
<b>Equity and financial indebtedness</b>	<b>3.757</b>	<b>3.745</b>	<b>3.592</b>	<b>3.592</b>

## 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:

4th Quarter		(EUR million)	Year	
2023	2022		2023	2022
		<b>Cash Flow</b>		
155	112	Adjusted Gross Operating profit (EBITDA)	520	502
(30)	40	Change in net working capital	(19)	47
<b>125</b>	<b>152</b>	<b>Cash Flow from operations</b>	<b>501</b>	<b>548</b>
(112)	(94)	Investments in property, plant and equipment and intangible assets	(305)	(307)
-	(29)	Company acquisitions (business combinations)	(184)	(638)
5	-	Collection from the sale of Disposed Business	5	1.265
5	(2)	Capital expenditure in financial non-current assets	6	(6)
1	(4)	Divestments and other changes	(1)	(13)
<b>(101)</b>	<b>(129)</b>	<b>Cash Flow from investments/divestments</b>	<b>(478)</b>	<b>301</b>
(0)	(7)	Financial income (expense)	(6)	(25)
(1)	-	Prepayments of loans	(5)	(3)
(0)	0	Net gains (losses) on equity investment	(0)	0
-	-	Collection distribution reserve ERG Power <sup>(1)</sup>	88	75
<b>(1)</b>	<b>(7)</b>	<b>Cash Flow from financial management</b>	<b>77</b>	<b>47</b>
<b>(12)</b>	<b>(43)</b>	<b>Cash Flow from tax management</b>	<b>(26)</b>	<b>(92)</b>
(2)	(3)	Distribution of dividends	(154)	(139)
(61)	-	Buyback program	(61)	-
14	139	Other changes in equity	131	26
<b>(49)</b>	<b>136</b>	<b>Cash Flow from Shareholders'equity</b>	<b>(85)</b>	<b>(113)</b>
<b>74</b>	<b>-</b>	<b>Change in the consolidation scope</b>	<b>74</b>	<b>(69)</b>
<b>51</b>	<b>(93)</b>	<b>Cash Flow Thermo</b>	<b>24</b>	<b>(104)</b>
<b>1,532</b>	<b>1,548</b>	<b>Opening net financial indebtedness of continuing operations</b>	<b>1,533</b>	<b>2,051</b>
(87)	(16)	<i>Net Change</i>	(88)	(519)
<b>1,445</b>	<b>1,533</b>	<b>Total adjusted indebtedness</b>	<b>1,445</b>	<b>1,533</b>
-	(98)	<i>Net Indebtedness Thermo</i>	-	(98)
<b>1,445</b>	<b>1,434</b>	<b>Adjusted indebtedness of continuing operations</b>	<b>1,445</b>	<b>1,434</b>

<sup>(1)</sup> 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.



## 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 2023 has therefore led to:

- an improvement in gross operating margin (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 14 million;
- an increase (approximately EUR 172 million) in the net financial indebtedness and the net invested capital (approximately EUR 164 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

4th Quarter		GROSS OPERATING PROFIT (EBITDA) (Eur million)	Note	Year	
2023	2022			2023	2022
157	105	<b>EBITDA for continuing operations</b>		529	499
		<b>Special items exclusions:</b>			
(4)	(3)	- IFRS 16 reclassification	1	(14)	(12)
		<b>Italy</b>			
1	9	- Reversal of ancillary charges on non-recurring operations	2	4	14
0	1	- Reversal for allocation for provision for disposed businesses	3	1	1
155	112	<b>Adjusted Gross Operating Profit (EBITDA)</b>		520	502
4th Quarter		Amortization, Depreciation and impairment losses (Eur million)		Year	
2023	2022			2023	2022
(57)	(101)	<b>Amortization, Depreciation and impairment losses</b>		(225)	(279)
		<b>Special items exclusions:</b>			
2	2	- IFRS 16 reclassification	1	7	7
1	36	- Reversal write-down Repowering Wind Italy	4	2	43
-	0	- Reversal for allocation for provision for disposed businesses	5	-	0
(54)	(63)	<b>Adjusted amortization, depreciation and impairment losses</b>		(215)	(229)
4th Quarter		PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT (Eur million)		Year	
2023	2022			2023	2022
68	(18)	<b>Profit (loss) from continuing operations attributable to the owners of the parent</b>		214	85
		<b>Special items exclusions:</b>			
0	(0)	IFRS 16 reclassification	1	1	0
1	7	Exclusion of ancillary charges on non-recurring transactions	2	3	11
0	(2)	Exclusion of gains related to disposed Businesses	3	(4)	(2)
1	26	Exclusion of write-down Repowering Wind Italy	4	2	31
1	-	Exclusion of ancillary charges on loan prepayments	5	4	2
6	-	UK Tax assets & Solar Italy substitute tax exclusion	6	6	(1)
-	1	Exclusion of impact of gains/losses (IFRS 9)	7	1	3
77	14	<b>Adjusted profit (loss) from continuing operations attributable to owners of the parent</b>		226	129

### Notes

1. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.
2. Ancillary charges relating to other non-recurring transactions and other acquisitions in 2023 related to the newly acquired photovoltaic companies in Spain, as well as unsuccessful acquisitions.
3. 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).
4. 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 plant following the authorisation of a Revamping project.
5. Financial expense related to the early closure of project financing and Corporate loans as part of Liability Management transactions.
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 financing operations of previous years.



## Management Report as at 31 december 2023

**We ARE #SDGs**  
**CONTRIBUTORS**

**ERG**  
EVOLVING ENERGIES

## Basis for preparation

The Document is an annex supporting the press release of 13 March 2024 in order to better detail and comment on the ERG Group's results for the year 2023. The comments provided are an extract from the Management Report which, together with the Notes to the Financial Statements, will be published within the time limits established by current regulations.

### 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.

## Corporate Bodies

### **Board of Directors**<sup>1</sup>

#### **CHAIRMAN**

Edoardo Garrone (executive)

#### **DEPUTY CHAIRMAN**

Alessandro Garrone (executive)<sup>2</sup>

Giovanni Mondini (non-executive)

#### **CHIEF EXECUTIVE OFFICER**

Paolo Luigi Merli

#### **DIRECTORS**

Luca Bettonte (non-executive)

Emanuela Bonadiman (independent<sup>3</sup>)

Mara Anna Rita Caverni (independent<sup>3</sup>)

Elena Grifoni Winters (independent<sup>3</sup>)

Federica Lolli (independent<sup>3</sup>)

Elisabetta Oliveri (independent<sup>3</sup>)

Mario Paterlini (independent<sup>3</sup>)

Renato Pizzolla (non-executive)<sup>4</sup>

### **Board of Statutory Auditors**<sup>5</sup>

#### **CHAIRWOMAN**

Monica Mannino<sup>6</sup>

#### **STANDING AUDITORS**

Giulia De Martino

Fabrizio Cavalli

### **Manager in charge of Financial Reporting (Italian Law No. 262/05)**

Michele Pedemonte<sup>7</sup>

### **Independent Auditors**

KPMG S.p.A.<sup>8</sup>

<sup>1</sup> Board of Directors appointed on 26 April 2021.

<sup>2</sup> Director in charge of the Internal Control and Risk Management System.

<sup>3</sup> With reference to the provisions of Article 148, paragraph 3, of the Italian Consolidated Finance Act and the matters contained in the current Corporate Governance Code recommended by Borsa Italiana S.p.A.

<sup>4</sup> Confirmed on 26 April 2023 and expiring together with the other members of the Board of Directors and therefore on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023.

<sup>5</sup> Board of Statutory Auditors appointed on 26 April 2022.

<sup>6</sup> Appointed on 26 April 2023, in the office of Standing Auditor and Chairwoman of the Board of Statutory Auditors of ERG S.p.A. and expiring, together with the other members of the Board of Statutory Auditors, on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2024.

<sup>7</sup> Appointed on 26 April 2021 at the same time as appointment to the office of Group CFO.

<sup>8</sup> Appointed on 23 April 2018 for the period 2018 – 2026.



## 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**

**FRANCE**

Wind: 522 MW

Solar: 79 MW

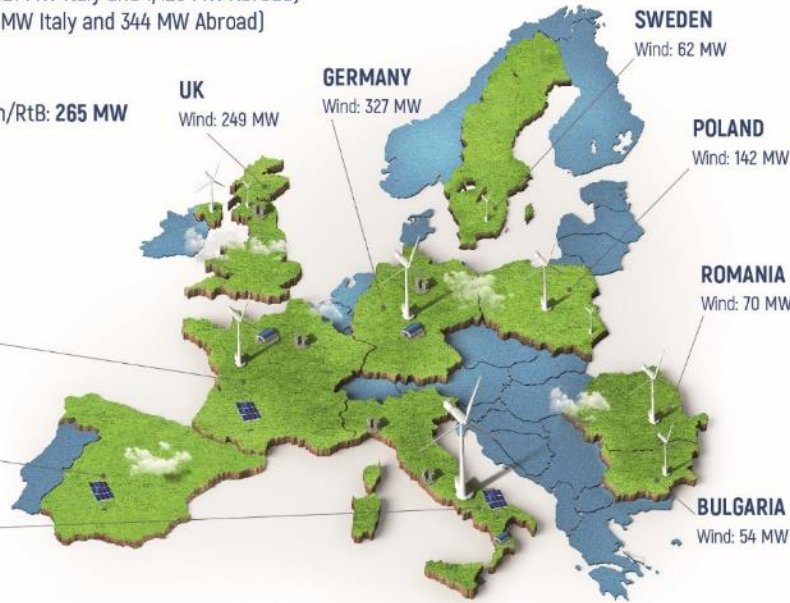
**SPAIN**

Solar: 266 MW

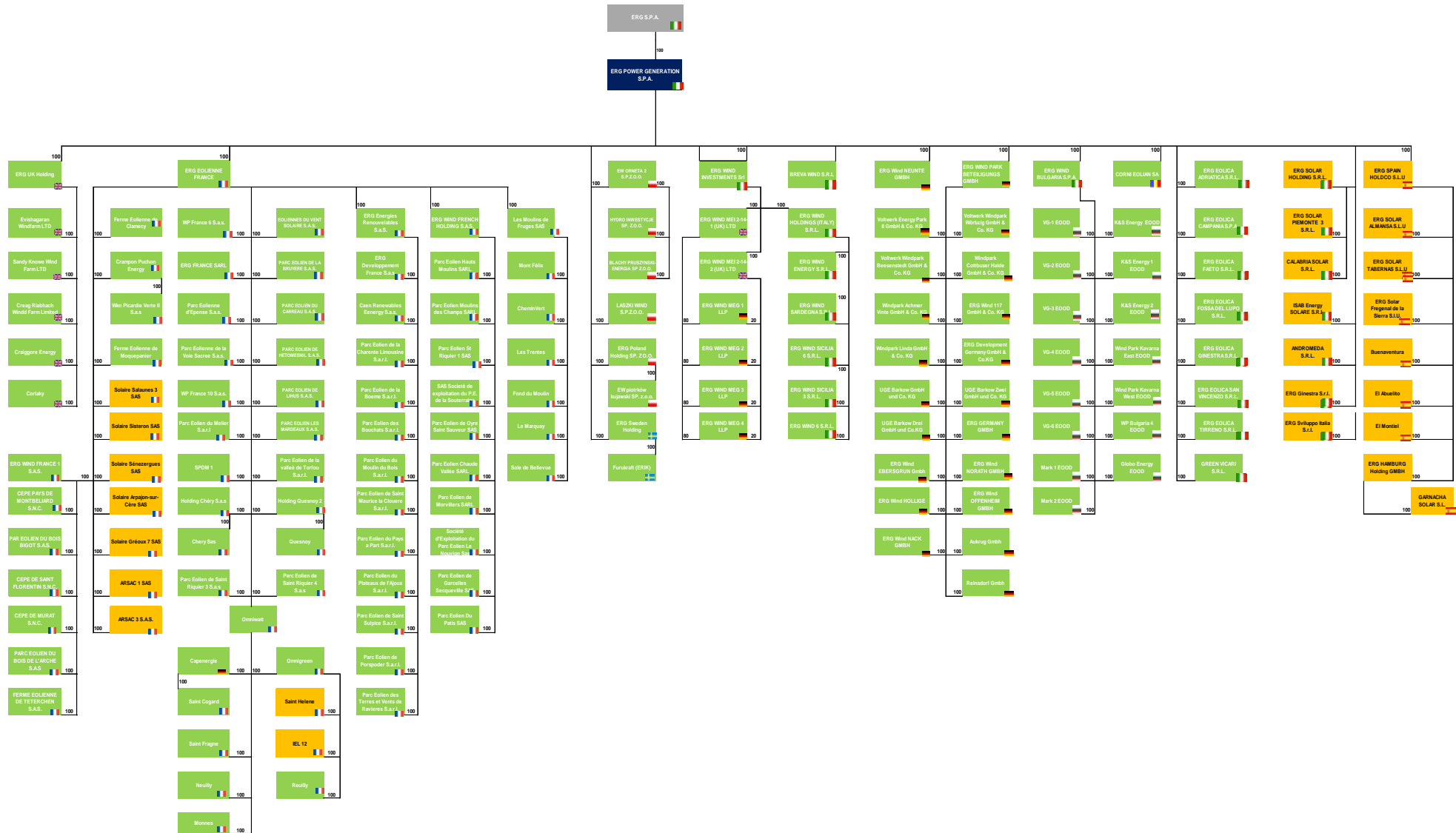
**ITALY**

Wind: 1,321 MW

Solar: 175 MW



# Scope of Consolidation at 31 December 2023



## Organisational model

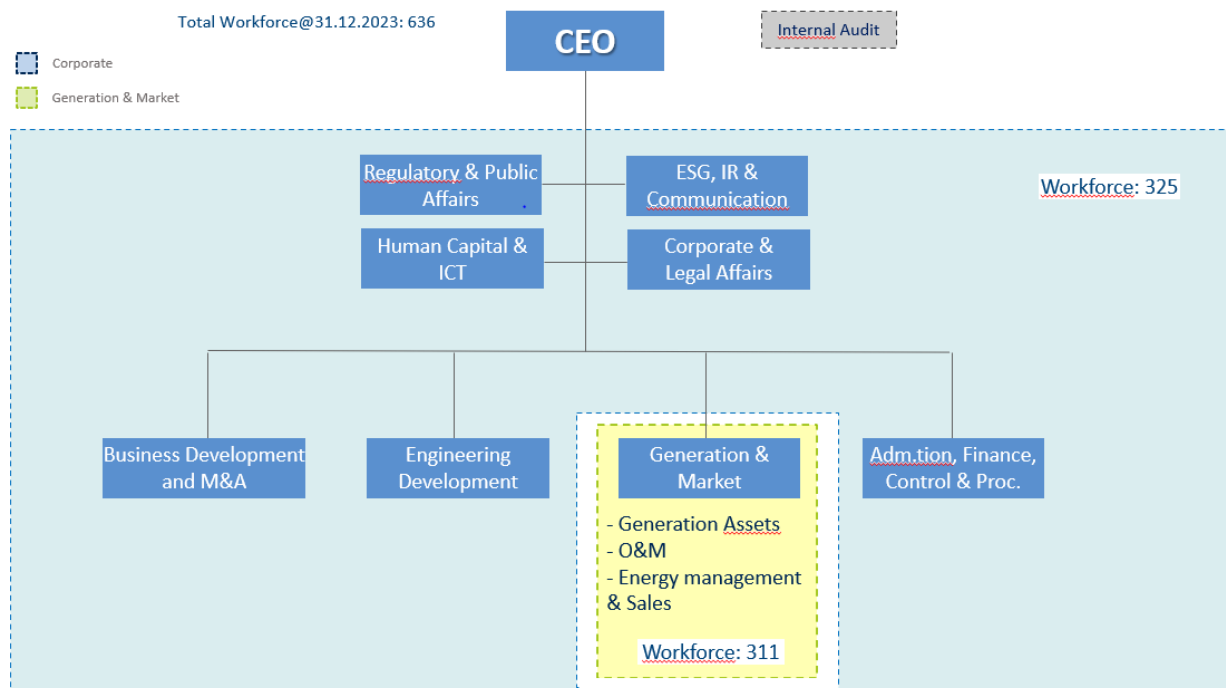
The Group's organisational structure features a strong focus on process logic and the implementation of strategic business leverages, and provides for the definition of two macro-roles:

- 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<sup>1</sup> and coincided with the reaching of an all-time high for greenhouse gas emissions<sup>2</sup>. 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 revenues. 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

<sup>1</sup> Study by Copernicus in Global Climate Highlights 2023










<sup>2</sup> According to research by Global Carbon Project

revenues 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.

## BUSINESS PLAN – RESULTS TO DATE

	OBJECTIVES OF THE UPDATED BP 2022-2026	RESULTS FROM 1.1 TO 31.12.2023
 Renewable Portfolio Growth	▪ <b>4.6 GW</b> installed capacity in 2026 ( <b>5GW in 2027</b> )	▪ <b>+358 MW gross</b> (= +322 MW net)
 Investments/EBITDA	▪ <b>EUR 3.5bn 2022-2026; &gt;EUR 650mn @2026</b>	▪ EUR 489 @2023
 Securitisation of revenues	▪ <b>85-90% adjusted target</b> confirmed on total EBITDA; ▪ PPPs vs. auctions	▪ <b>PPA with EssilorLuxottica</b> for a total of <b>0.9 TWh</b> ▪ <b>PPA integration with TIM</b> for an additional <b>200 GWh/year</b> ▪ <b>PPA with STMicroelectronics</b> totalling <b>3.75 TWh</b> ▪ <b>PPA with Google</b> totalling <b>~2 TWh</b>
 Geographical diversification	▪ <b>9 countries</b>	▪ Increased presence in <b>Spain (+174MW)</b> , <b>Italy (+92 MW gross = +56 MW net)</b> and the <b>UK (+92MW)</b> ▪ <b>Entry into the USA:</b> strategic partnership for acquisition <b>317 MW</b> wind and solar power (closing expected in H1 2024).
 Solar as strategic activity	▪ <b>~ 860 MW of solar (out of +2,200 MW)</b> ▪ <b>~25% solar on Group capacity @2026-27</b>	▪ <b>+174 MW solar in Spain</b> ▪ <b>16% solar on Group capacity @2023</b>
 Investment in innovation	▪ Battery Storage; ▪ Searching for offshore opportunities	▪ Ongoing progress on some storage projects in Italy
 Asset Rotation for Conventional Sources	▪ <b>Relaunch of the CCGT divestment process</b>	▪ <b>Completion of the closing for the sale of the CCGT to Achernar</b>
 Incorporation of ESG matters	▪ Confirmed at the heart of ERG's business model	▪ <b>Score improvement</b> in key ESG ratings ▪ Entry into the <b>Nasdaq Sustainable Bond Framework</b>
 Dividend policy	▪ <b>EUR 1 per share (+10% vs previous)</b>	▪ <b>Dividend of 1 EUR per share</b>

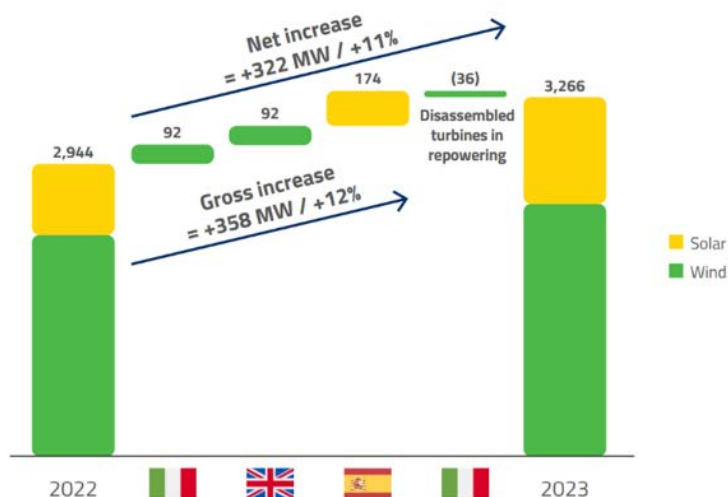
## RESULTS AND GROWTH ACHIEVED IN 2023

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 revenues 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 Report on Operations 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 Acherar Energy S.p.A. (a subsidiary of Acherar 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, developed and built in-house, 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 CO<sub>2</sub> 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. Revenues are 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).

## ERG's stock market performance

At 29 December 2023, the reference price of the ERG share was EUR 28.86, down slightly (-0.3%) compared to the end of 2022 and significantly better than the performance of the S&P Global Energy Index (-22.8%). In the same period, a positive trend was observed for the FTSE Mid Cap (+13.1%) and the Euro Stoxx Utilities Index (+11.9%), while there was more marked growth for the FTSE All Share (+26.3%) and the FTSE MIB (+28.0%).

During the period under review, the listed price of the ERG share ranged between a minimum of EUR 21.00 (3 October) and a maximum of EUR 29.74 (3 January).

The figures relating to the prices and exchange volumes of ERG share at 29 December 2023 are set out below:

Share price	EUR
Reference price at 29.12.2023	28.86
Maximum price (03.01.2023) <sup>(1)</sup>	29.74
Minimum price (03.10.2023) <sup>(1)</sup>	21.00
Average price	26.21

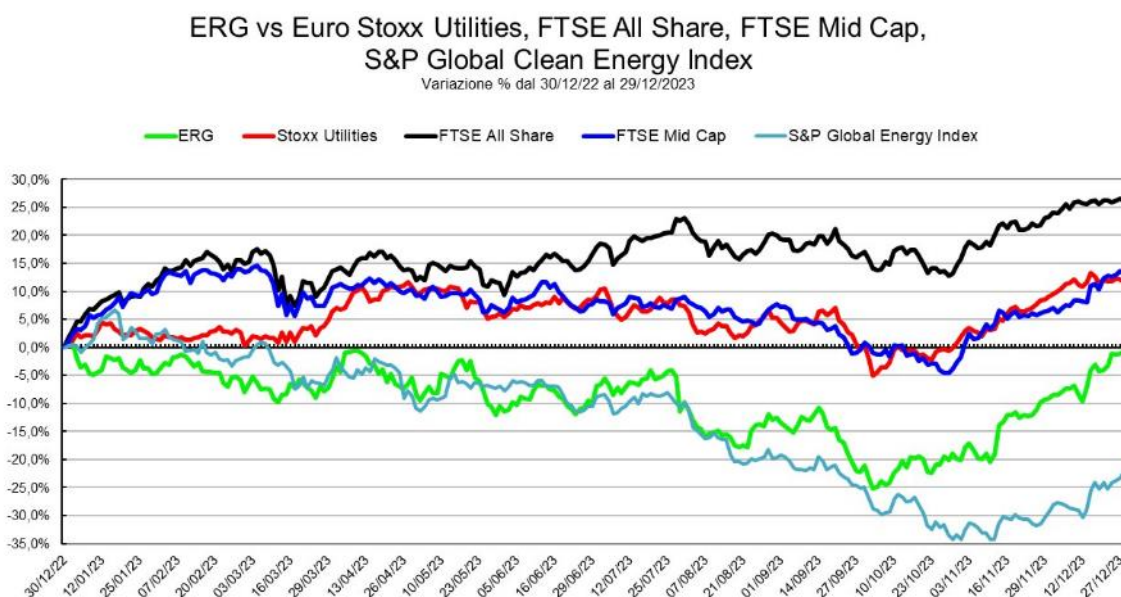
(1) lowest and highest price reached during the day's trading; hence they do not match the official reference prices on the same date.

Volumes traded	No. of shares
Maximum volume (28.07.2023)	2,332,418
Minimum volume (14.08.2023)	101,396
Average volume	393,531

Market capitalisation at the end of 2023 was approximately EUR 4,338 million (EUR 4,353 million at the end of 2022).

The average number of shares outstanding in the period was 149,292,110.

## Performance of ERG Shares and Shareholding Structure at 31 December 2023



### Share buy-back programme

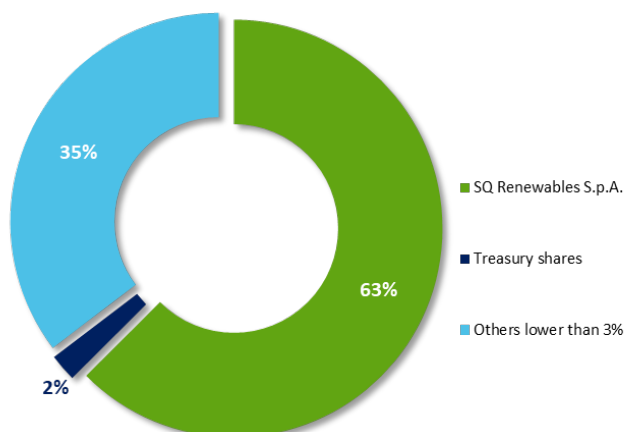
On 12 October 2023, the Board of Directors of ERG S.p.A. resolved to start the share buy-back programme, in compliance with the resolution passed by the Shareholders' Meeting on 26 April 2023.

The maximum quantity of Shares that can be purchased is 3,758,000 (equal to 2.5% of the share capital), with a maximum outlay of EUR 100,000,000, without prejudice to any other limitation possibly deriving from legislative or regulatory provisions.

In the period from 16 October 2023 to 29 December 2023, ERG S.p.A. purchased 2,404,280 ordinary shares (equal to 1.5994% of the share capital of ERG S.p.A.) on the Euronext Milan market at a weighted average price of EUR 25.4826, for a total value of EUR 61,267,288.98. At 29 December 2023, considering the shares already in the portfolio, ERG S.p.A. holds 3,186,360 treasury shares, equal to 2.1197% of the related share capital.

The share buy-back programme was completed on 12 February 2024; since the start of the programme, 3,758,000 ordinary shares (maximum number of shares that can be purchased) have been repurchased at a weighted average price of EUR 26.0 per share. Considering the shares already in its portfolio prior to the start of the programme, ERG S.p.A. holds 4,540,080 treasury shares, equal to 3.0203% of the related share capital. Information on the purchase of treasury shares was updated weekly on the Company's website ([www.erg.eu](http://www.erg.eu)) in the "Media/Press Releases" section.

Below is the company's shareholding structure at the reporting date of 31 December 2023:



## Significant events during the year

Date	Geographical segment	Sector	Significant event
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 CO <sub>2</sub> 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 Financial Statements 2022, resolved on the payment of a dividend of EUR 1.00 per share, confirmed Renato Pizzolla as Board Member and appointed Monica Mannino as Chairwoman of the Board of Statutory Auditors.
Press Release of 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 <b>23 June</b> .
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 V136 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	Spain	Solar	ERG, through its subsidiary ERG Spain Holdco, completed the acquisition of 100% of the share capital of Instalación Fotovoltaica Arericosol VIII, a company that owns a photovoltaic plant 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	Thermo	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 park, acquired by ERG in June 2023, has a total installed capacity of 149MWp and has completed the installation of all production equipment.
Press release of 21 December 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<sup>3</sup>).

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.

<i>(EUR million)</i>	<b>12 months 2023</b>	<b>12 months 2022</b>	<b>Change</b>
<b>Revenues (gross clawback)</b>	<b>753</b>	<b>749</b>	<b>3</b>
<b>(-) clawback measures</b>	<b>12</b>	<b>35</b>	<b>(24)</b>
<i>Italy</i>	0	7	(7)
<i>France</i>	6	7	(2)
<i>Germany</i>	-	2	(2)
<i>Spain</i>	0	-	0
<i>East Europe (1)</i>	6	19	(13)
<b>Revenues (net clawback)</b>	<b>741</b>	<b>714</b>	<b>27</b>
<b>EBITDA (gross clawback)</b>	<b>532</b>	<b>537</b>	<b>(5)</b>
<b>(-) clawback measures</b>	<b>12</b>	<b>35</b>	<b>(24)</b>
<i>Italy</i>	0	7	(7)
<i>France</i>	6	7	(2)
<i>Germany</i>	-	2	(2)
<i>Spain</i>	0	-	0
<i>East Europe</i>	6	19	(13)
<b>EBITDA (net clawback)</b>	<b>520</b>	<b>502</b>	<b>19</b>
<b>Net profit (loss) from continuing operations attributable to the owners of the parent (gross clawback and windfall tax)</b>	<b>235</b>	<b>212</b>	<b>23</b>
<b>(-) clawback measures and windfall tax</b>	<b>9</b>	<b>83</b>	<b>(74)</b>
<i>Italy</i>	0	61	(61)
<i>France</i>	4	5	(1)
<i>Germany</i>	-	2	(2)
<i>Spain</i>	0	-	0
<i>East Europe</i>	5	16	(11)
<b>Net profit (loss) from continuing operations attributable to the owners of the parent (net clawback and windfall tax)</b>	<b>226</b>	<b>129</b>	<b>97</b>

<sup>(1)</sup> 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 €/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”.

<sup>3</sup> 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).



## Highlights

(EUR million)	Reported <sup>(1)</sup> Year		Adjusted <sup>(2)</sup> Year	
	2023	2022	2023	2022
<b>Main Income Statement figures</b>				
Revenue	741	714	741	714
<b>Gross operating profit (EBITDA)</b>	<b>529</b>	<b>499</b>	<b>520</b>	<b>502</b>
<b>Operating profit (EBIT)</b>	<b>304</b>	<b>221</b>	<b>305</b>	<b>273</b>
<b>Profit (loss) from continuing operations attributable to the owners of the parent</b>	<b>214</b>	<b>85</b>	<b>226</b>	<b>129</b>
Profit attributable to the owners of the parent (3)	179	379	219	145

### Main financial figures

<b>Net invested capital <sup>(4)</sup></b>	<b>3,757</b>	<b>3,510</b>	<b>3,592</b>	<b>3,357</b>
Equity	2,140	2,055	2,147	2,059
Net financial indebtedness	1,617	1,592	1,445	1,434
Financial leverage	43%	44%	40%	41%
<b>EBITDA Margin %</b>	<b>71%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>

### Operating data

<b>Total installed capacity at the end of the year</b>	<b>MW</b>	<b>3,266</b>	<b>2,944</b>
<b>Total electricity output</b>	<b>GWh</b>	<b>6,139</b>	<b>4,956</b>
<i>Installed capacity at the end of the year – Italy</i>	<i>MW</i>	<i>1,496</i>	<i>1,440</i>
<i>Electricity output – Italy</i>	<i>GWh</i>	<i>2,784</i>	<i>2,312</i>
<i>Installed capacity at the end of the year – France</i>	<i>MW</i>	<i>600</i>	<i>600</i>
<i>Electricity output – France</i>	<i>GWh</i>	<i>1,315</i>	<i>1,076</i>
<i>Installed capacity at the end of the year – Germany</i>	<i>MW</i>	<i>327</i>	<i>327</i>
<i>Electricity output – Germany</i>	<i>GWh</i>	<i>629</i>	<i>556</i>
<i>Installed capacity at the end of the year – UK &amp; Nordics</i>	<i>MW</i>	<i>311</i>	<i>219</i>
<i>Electricity output – UK &amp; Nordics</i>	<i>GWh</i>	<i>455</i>	<i>226</i>
<i>Installed capacity at the end of the year – Spain</i>	<i>MW</i>	<i>266</i>	<i>92</i>
<i>Electricity output – Spain</i>	<i>GWh</i>	<i>213</i>	<i>171</i>
<i>Installed capacity – East Europe</i>	<i>MW</i>	<i>266</i>	<i>266</i>
<i>Electricity output – East Europe</i>	<i>GWh</i>	<i>742</i>	<i>615</i>
<b>Capital expenditure <sup>(5)</sup></b>	<b>EUR million</b>	<b>489</b>	<b>946</b>
<b>Employees at the end of the year <sup>(6)</sup></b>	<b>Units</b>	<b>636</b>	<b>573</b>
<b>Net unit revenue <sup>(7)</sup></b>		<b>117</b>	<b>139</b>
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 adjusted 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 714 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**<sup>1</sup> amounted to EUR 520 million in 2023 (EUR 502 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<sup>2</sup>) 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 plants 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.

**Adjusted EBIT** amounted to EUR 305 million (EUR 273 million in 2022). Depreciation and amortisation amounted to EUR 215 million, down compared with 2022 (EUR 229 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 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 226 million, a significant increase compared to 2022 (EUR 129 million) and reflects, in addition to the above, lower financial expense of EUR 19 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

<sup>1</sup> 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.

<sup>2</sup> 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).

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 179 million, including the net tax impact of special items, as well as the net 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 379 million) included the net 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 489 million (EUR 946 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 activities 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 1,445 million**, up (EUR +11 million) compared to 31 December 2022 (EUR 1,434 million). The change reflects the effect of the acquisitions of two photovoltaic systems in Spain (EUR 184 million), capital expenditure for the period (EUR 305 million) mainly related to the development of Repowering and Revamping projects in Italy, dividends distributed to shareholders (EUR 154 million), the effect of the share buy-back programme (EUR 61 million) and the payment of taxes (EUR 26 million) offset by the positive cash flow for the period (EUR 495 million<sup>3</sup>), 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.

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 172 million at 31 December 2023 (EUR 157 million at 31 December 2022).

---

<sup>3</sup> It includes the adjusted EBITDA, the change in working capital and net financial income (expense).

## Reference market

### Price scenario

Base load price scenario (EUR/MWh)	2023	2022
<b>Italy</b>		
Single National Price <sup>(1)</sup>	127	304
Feed-In Premium (FIP) (former Green Certificates) – Italy	0	43
TTF	41	121
CO2	83	80
<b>Abroad</b>		
France	97	276
Germany	95	235
Poland	144	207
<i>of which Electricity</i>	112	167
<i>of which Certificates of Origin</i>	32	40
Bulgaria	104	253
Romania	133	295
<i>of which Electricity</i>	104	265
<i>of which Green Certificate</i>	29	29
Northern Ireland	122	226
Great Britain	108	241
Spain	87	168
Sweden SE4	65	152

<sup>(1)</sup> 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  $(180 \text{ EUR/MWh} - P_{-1}) \times 0.78$  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 plants 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 plants to access the incentives, for 20 years, through auctions and registries together with the wind power quota provided that:
    - a) they are authorised;
    - b) they use new components;
    - c) they comply with the prohibition on installing ground-mounted modules in an agricultural area; this prohibition does not apply to agrovoltaic plants which, in compliance with the provisions of Article 65, paragraph 1-quater, of Italian Decree Law no. 1 of 24 January 2012, use innovative supplementary solutions that do not compromise the continuity of agricultural and pastoral cultivation activities. Access to incentives for agrovoltaic plants is also subject, in compliance with the provisions of Article 65, paragraph 1-quinquies, of Italian Decree Law no. 1 of 24 January 2012, to the simultaneous implementation of monitoring systems that make it possible to verify the impact on crops, water savings and agricultural productivity.
-

## Incentives and tariffs Abroad

Germany	Wind	<ul style="list-style-type: none"> <li>Plants that entered into operation by July 2014: feed-in tariff (FIT) and, on an optional basis, FIP plus a management premium (EEG 2012).</li> <li>Plants that entered into operation from August 2014 to December 2016: FIP (EEG 2014).</li> <li>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.</li> <li>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.</li> </ul>
Germany	Solar	<ul style="list-style-type: none"> <li>Plants that entered into operation from 2017 onwards: FIP incentives allocated through Dutch auctions (EEG 2017, EEG 2021, EEG 2023). Ground-mounted photovoltaic plants 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 plants may participate in the 2023 auctions provided that they have a capacity not exceeding 100 MW.</li> <li>The value of the incentive is determined on the basis of a one-way Contract for Difference (CfD) for around 20 years.</li> </ul>
France	Wind	<ul style="list-style-type: none"> <li>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.</li> <li>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 (<i>complément de rémunération</i>), 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.</li> <li>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.</li> </ul>
France	Solar	<ul style="list-style-type: none"> <li>A FIT system introduced in 2000 and from 2011 auctions for photovoltaic systems with a capacity of between 250 kW and 17 MW.</li> <li>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.</li> </ul>
Bulgaria	Wind	<ul style="list-style-type: none"> <li>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.</li> </ul>
Poland	Wind	<ul style="list-style-type: none"> <li>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%.</li> <li>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).</li> </ul>
Romania	Wind	<ul style="list-style-type: none"> <li>Green Certificates with a duration of 15 years with delayed assignment with respect to the underlying electricity output. Specifically:             <ol style="list-style-type: none"> <li>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);</li> <li>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).</li> </ol> </li> <li>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.</li> <li>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.</li> </ul>



- 
- |              |              |  |
|--------------|--------------|--|
| <b>Spain</b> | <b>Solar</b> | <ul style="list-style-type: none"><li>● <i>Regimen Especifico</i>, where the main element of revenue supplementation is the “<i>Retribución a la Inversión</i>” (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 “<i>Retribucion a la Operacion</i>” (<i>Return on Operation</i>).</li><li>● From 2016: the introduction of the auction mechanism for the recognition of “<i>Retribución a la Inversión</i>” (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.</li><li>● 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.</li></ul> |
|--------------|--------------|--|
-

## 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 National Energy and Climate Plans (NECPs) 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/redispach 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 Energetica" Decree or "Energia" Decree was issued, published in Official Gazette 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-quer" 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 and until 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 the electricity injected into the grid "infra-group", only the contracts entered into between the companies of the group, including non-producing, and subjects outside the group are relevant. In the event of failure to pay the extraordinary contribution, the penalties originally envisaged are doubled.

The subsequent Italian Decree Law no. 144/2022 "aiuti-ter", published in September 2022 and converted into law in

November, amended the payment method for the two-way compensation mechanism pursuant to Italian Decree Law no. 4/2022.

- **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.

- **"Ucraina-bis" or "Taglia prezzi" decree 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 until 30 June 2023, a "cap" is applied to market revenues obtained from the production of electricity fed into the grid by "infra-marginal" plants, therefore including wind and photovoltaic plants, not included in the scope of application of Art. 15-bis of the "Sostegni ter" Decree Law.

A one-way compensation mechanism obliges the producer to pay to GSE the difference (calculated by GSE itself), if negative, between 180 EUR/MWh and the monthly average, weighted on the production profile of each plant, of the hourly market zonal price. Exceptions to the limit of 180 EUR/MWh are envisaged for sources with higher generation costs. The revenue cap applies to any market revenue of producers and intermediaries participating in wholesale markets.

This mechanism does not apply to energy subject to supply contracts concluded before 1 December 2022 if not linked to the trend in the prices of the energy spot markets and stipulated at an average price below the cap, to electricity subject to withdrawal contracts concluded by GSE pursuant to the Electricity release law, to renewable source plants with active incentive contracts regulated with two-way mechanisms and to renewable source plants with contracts that provide for the withdrawal of energy at "all-inclusive tariff", as well as electricity shared within energy communities and

self-consumption.

The methods by which the mechanism is implemented will be governed by ARERA in continuity with the operating methods defined in implementation of the provisions set forth in Article 15-bis of the "Sostegni ter" Decree Law.

The solidarity contribution to be paid by the fossil fuel and petroleum products sectors provided for by Regulation no. 2022/1854 is also envisaged. The Italian provision, however, also makes this contribution obligatory for those carrying out electricity production or resale activities within the territory of the State, despite the fact that this sector is already subject to the "cap" of 180 EUR/MWh.

The contribution, which is not tax deductible, is applied on a temporary basis in 2023 to 50% of the portion of taxable income relating to the tax period prior to the one in progress at 1 January 2023, exceeding by at least 10% the average total income achieved in the four tax periods prior to the one in progress at 1 January 2022. The total amount cannot exceed 25% of the value of the equity.

- **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 plants 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 tender 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 tenders, 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 €/MWh for wind and photovoltaic energy. 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 revenues 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 revenues from electricity generation and production, a Reference price, a range of eligible costs and an exemption.

The Reference Price is equal to 75 GBP/MWh from 2023 until April 2024, 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-CO<sub>2</sub>-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 revenues from electricity**

In December 2022, the amendment to the Budget Extension Law was published in implementation of Regulation (EU) no. 2022/1854 for the introduction of a cap on revenues from the sale of electricity through “infra-marginal” technologies, therefore including wind power and photovoltaic. 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

(EUR million)

Adjusted revenues	2023	2022	Δ
<b>Italy</b>	<b>374</b>	<b>365</b>	<b>9</b>
<b>Abroad</b>	<b>367</b>	<b>348</b>	<b>19</b>
<i>France</i>	124	98	26
<i>Germany</i>	89	94	(5)
<i>UK &amp; Nordics</i>	54	34	20
<i>Spain</i>	27	22	5
<i>East Europe</i>	73	100	(27)
Corporate	35	34	1
<i>Intra-segment revenue</i>	(35)	(33)	(2)
<b>Total adjusted revenue</b>	<b>741</b>	<b>714</b>	<b>27</b>
<b>Adjusted EBITDA</b>			
<b>Italy</b>	<b>294</b>	<b>288</b>	<b>7</b>
<b>Abroad</b>	<b>248</b>	<b>239</b>	<b>9</b>
<i>France</i>	78	55	23
<i>Germany</i>	65	70	(5)
<i>UK &amp; Nordics</i>	37	24	13
<i>Spain</i>	20	18	2
<i>East Europe</i>	48	72	(24)
Corporate	(22)	(25)	3
<b>Adjusted EBITDA</b>	<b>520</b>	<b>502</b>	<b>19</b>
<b>Adjusted amortisation, depreciation and impairment losses</b>			
<b>Italy</b>	<b>(119)</b>	<b>(127)</b>	<b>9</b>
<b>Abroad</b>	<b>(94)</b>	<b>(98)</b>	<b>4</b>
<i>France</i>	(39)	(46)	7
<i>Germany</i>	(19)	(28)	8
<i>UK &amp; Nordics</i>	(13)	(4)	(8)
<i>Spain</i>	(5)	(4)	(1)
<i>East Europe</i>	(18)	(15)	(2)
Corporate	(3)	(3)	0
<b>Adjusted amortisation, depreciation and impairment losses</b>	<b>(215)</b>	<b>(229)</b>	<b>13</b>
<b>Adjusted EBIT</b>			
<b>Italy</b>	<b>176</b>	<b>160</b>	<b>16</b>
<b>Abroad</b>	<b>154</b>	<b>141</b>	<b>13</b>
<i>France</i>	40	9	31
<i>Germany</i>	46	42	3
<i>UK &amp; Nordics</i>	24	19	4
<i>Spain</i>	15	14	1
<i>East Europe</i>	30	57	(26)
Corporate	(25)	(28)	3
<b>Adjusted EBIT</b>	<b>305</b>	<b>273</b>	<b>32</b>
<b>Capital expenditure <sup>(1)</sup></b>			
<b>Italy</b>	<b>219</b>	<b>653</b>	<b>(433)</b>
<b>Abroad</b>	<b>265</b>	<b>290</b>	<b>(25)</b>
<i>France</i>	25	11	15
<i>Germany</i>	3	1	1
<i>UK &amp; Nordics</i>	45	159	(114)
<i>Spain</i>	190	100	90
<i>East Europe</i>	2	20	(18)
Corporate	4	3	1
<b>Total capital expenditure</b>	<b>489</b>	<b>946</b>	<b>(457)</b>

(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
<b>Installed capacity (MW) <sup>(1)</sup></b>	<b>1,496</b>	<b>1,440</b>	<b>56</b>
<i>Wind</i>	1,321	1,265	56
<i>Solar</i>	175	175	0
<b>Output (GWh)</b>	<b>2,784</b>	<b>2,312</b>	<b>472</b>
<i>Wind</i>	2,528	2,062	466
<i>Solar</i>	256	250	7
<b>Load factor % <sup>(2)</sup></b>			
<i>Wind</i>	24%	20%	4%
<i>Solar</i>	17%	18%	-1%
<b>Net unit revenue (EUR/MWh)</b>	<b>131</b>	<b>154</b>	<b>(23)</b>
<i>Wind</i>	109	134	(25)
<i>Solar</i>	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.

Economic results	2023	2022	Δ
(EUR million)			
<b>Adjusted revenue</b>	<b>374</b>	<b>365</b>	<b>9</b>
<i>Wind</i>	285	284	1
<i>Solar</i>	89	80	9
<b>Adjusted EBITDA</b>	<b>294</b>	<b>288</b>	<b>7</b>
<i>Wind</i>	216	218	(2)
<i>Solar</i>	79	70	9
<b>Amortisation, depreciation and impairment losses</b>	<b>(119)</b>	<b>(127)</b>	<b>9</b>
<i>Wind</i>	(72)	(82)	10
<i>Solar</i>	(46)	(45)	(1)
<b>Adjusted EBIT</b>	<b>176</b>	<b>160</b>	<b>16</b>
<i>Wind</i>	143	136	8
<i>Solar</i>	32	25	8
<b>Capital expenditure in property, plant and equipment and intangible assets</b>	<b>219</b>	<b>653</b>	<b>(433)</b>
<i>Wind</i>	201	522	(321)
<i>Solar</i>	18	131	(112)
<b>EBITDA Margin % <sup>(1)</sup></b>	<b>79%</b>	<b>79%</b>	<b>0%</b>
<i>Wind</i>	76%	77%	-1%
<i>Solar</i>	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 period 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 Castelvetro-Salemi project won the auction, while the Greci-Montaguto project, together with some photovoltaic projects of other operators, was withdrawn before the publication of the results due to the progressive misalignment between the prices awarded, the growing cost of plants and the commercial alternatives (first and foremost PPAs – Power Purchase Agreements).

- **Council of Ministers of March and July 2022 – EIA unlocked. RES plants and subsequent measures**

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
<b>Installed capacity (MW) <sup>(1)</sup></b>	<b>600</b>	<b>600</b>	<b>0</b>
<i>Wind</i>	<i>522</i>	<i>522</i>	<i>0</i>
<i>Solar</i>	<i>79</i>	<i>79</i>	<i>0</i>
<b>Output (GWh)</b>	<b>1,315</b>	<b>1,076</b>	<b>239</b>
<i>Wind</i>	<i>1,219</i>	<i>982</i>	<i>237</i>
<i>Solar</i>	<i>96</i>	<i>94</i>	<i>1</i>
<b>Load factor % <sup>(2)</sup></b>			
<i>Wind</i>	<i>27%</i>	<i>22%</i>	<i>4%</i>
<i>Solar</i>	<i>14%</i>	<i>14%</i>	<i>0%</i>
<b>Net unit revenue (EUR/MWh)</b>	<b>93</b>	<b>91</b>	<b>2</b>
<i>Wind</i>	<i>93</i>	<i>91</i>	<i>2</i>
<i>Solar</i>	<i>96</i>	<i>96</i>	<i>(0)</i>

(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.

Economic results	2023	2022	Δ
(EUR million)			
<b>Adjusted revenue</b>	<b>124</b>	<b>98</b>	26
<i>Wind</i>	115	89	25
<i>Solar</i>	9	9	0
<b>Adjusted EBITDA</b>	<b>78</b>	<b>55</b>	23
<i>Wind</i>	73	50	23
<i>Solar</i>	5	5	0
<b>Amortisation, depreciation and impairment losses</b>	<b>(39)</b>	<b>(46)</b>	7
<i>Wind</i>	(34)	(42)	7
<i>Solar</i>	(4)	(4)	(0)
<b>Adjusted EBIT</b>	<b>40</b>	<b>9</b>	31
<i>Wind</i>	39	8	30
<i>Solar</i>	1	1	0
<b>Capital expenditure in property, plant and equipment and intangible assets</b>	<b>25</b>	<b>11</b>	15
<i>Wind</i>	25	11	15
<i>Solar</i>	0	0	0
<b>EBITDA Margin % <sup>(1)</sup></b>	<b>63%</b>	<b>56%</b>	7%
<i>Wind</i>	64%	56%	7%
<i>Solar</i>	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 extent of this extension varies in relation to the expected date of entry into commercial operation of the plants (COD).

For the same category of plants, it is also possible to increase the capacity up to 140%, provided it is compatible with the plant's environmental authorisation.



### **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” FIP 2016, FIP 2017 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 FIP 2017 by 1 July 2022 and expected to be operational between 1 September 2022 and 31 December 2024, to extend the deadline for the completion of the plant and to sell electricity on the market before the start of the Agreement. In addition, starting from 1 January 2023, a new tariff adjustment coefficient will be applied to new projects that will request FIP-2017 to take into account the increases in costs and financial resources between the date of the FIP 2017 request and the 12 months before the completion of the plant.

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) <sup>(1)</sup>	327	327	-
Output (GWh)	629	556	73
Load factor % <sup>(2)</sup>	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.

Economic results	2023	2022	Δ
<i>(EUR million)</i>			
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 % <sup>(1)</sup>	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 & Nordics – Wind

Operating results	2023	2022	Δ
Installed capacity (MW) <sup>(1)</sup>	311	219	92
Output (GWh)	455	226	229
Load factor % <sup>(2)</sup>	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.

Economic results	2023	2022	Δ
<i>(EUR million)</i>			
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 % <sup>(1)</sup>	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) <sup>(1)</sup>	266	92	174
Output (GWh)	213	171	42
Load factor % <sup>(2)</sup>	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.

Economic results	2023	2022	Δ
<i>(EUR million)</i>			
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 % <sup>(1)</sup>	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) <sup>(1)</sup>	266	266	-
Output (GWh)	742	615	128
Load factor % <sup>(2)</sup>	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.

Economic results	2023	2022	Δ
<i>(EUR million)</i>			
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 % <sup>(1)</sup>	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.

## **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<sup>1</sup>, 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.

<sup>1</sup> The sale of the entire share capital of ERG Power S.r.l., owner of the CCGT plant, was completed on 17 October.

(EUR million)

	Reported			Adjusted			
	2023	2022	Δ	2023	2022	Δ	
<b>Income Statement</b>							
Revenue	1	741	714	27	741	714	27
Other income	2	26	13	14	26	12	14
<b>Total revenue</b>		<b>767</b>	<b>727</b>	<b>41</b>	<b>767</b>	<b>726</b>	<b>41</b>
Purchases and change in inventories	3	(14)	(15)	1	(14)	(15)	1
Services and other operating costs	4	(171)	(157)	(14)	(180)	(160)	(20)
Personnel expense		(53)	(55)	2	(53)	(49)	(3)
<b>EBITDA</b>		<b>529</b>	<b>499</b>	<b>30</b>	<b>520</b>	<b>502</b>	<b>19</b>
Amortisation, depreciation and impairment of non-current assets	5	(225)	(279)	54	(215)	(229)	13
<b>Operating profit (EBIT)</b>		<b>304</b>	<b>221</b>	<b>83</b>	<b>305</b>	<b>273</b>	<b>32</b>
Net financial income (expense)	6	(19)	(37)	17	(6)	(25)	19
Net gains (losses) on equity investments		5	2	3	(0)	0	(0)
<b>Profit before taxes</b>		<b>290</b>	<b>187</b>	<b>104</b>	<b>299</b>	<b>248</b>	<b>50</b>
Income taxes	7	(74)	(98)	24	(71)	(115)	45
<b>Net profit (loss) from continuing operations</b>		<b>216</b>	<b>89</b>	<b>127</b>	<b>228</b>	<b>133</b>	<b>95</b>
Non-controlling interests		(2)	(4)	2	(2)	(4)	2
<b>Profit (loss) from continuing operations attributable to the owners of the parent</b>		<b>214</b>	<b>85</b>	<b>129</b>	<b>226</b>	<b>129</b>	<b>97</b>
Net profit (loss) from discontinued operations	8	(36)	294	(330)	(7)	16	(23)
<b>Profit attributable to the owners of the parent</b>		<b>179</b>	<b>379</b>	<b>(200)</b>	<b>219</b>	<b>145</b>	<b>75</b>

## 1 – Revenue

Revenue from sales consists mainly of:

- sales of electricity produced by wind farms, solar installations. The electricity is sold on wholesale channels, and to customers via bilateral agreements. Specifically, electricity sold wholesale includes sales on the IPEX electricity exchange, both on the “day-ahead market” (MGP) and on the “intraday market” (MI), as well as the “dispatching services market” (MSD), in addition to sales to the main operators of the sector on the “over the counter” (OTC) 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.

**Reported revenue in 2023** amounted to EUR 741 million, up compared to 2022 (EUR 714 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.

The adjusted values for 2023 do not include:

- the ancillary costs relating to non-recurring transactions equal to EUR 4 million;
- allocations to the Provision for disposed businesses of EUR 1 million.

Lease payment charges (lease costs for IFRS 16 purposes) for EUR 14 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 13 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 expense** in 2023 amounted to EUR 19 million, down significantly compared to 2022 (EUR 37 million), as a result of the improved remuneration of Group liquidity resulting from the rising trend in interest rates.

The average cost of non-current liabilities in 2023 stood at 1.3% compared to 1.5% in 2022 thanks to further liability management on project liabilities. The return on liquidity is greater than that of 2022 due to the significant improvement in interest rates in the reference period (from 0.2% in 2022 to 2.9% in 2023). The item includes also the effects of the derivatives hedging against the risk of fluctuations in interest rates.

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

- financial expense (EUR 5 million) relating to the repayment of some Project Financing carried out during the year by the company ERG Eolica Fossa del Lupo S.r.l., EW Orneta 2 sp. Z o.o. and Garnacha Solar S.L.U., a company that owns a photovoltaic system acquired in 2023;
- financial expense (EUR 1 million), tied to the reversal effect relating to refinancing operations carried out in previous years in application of IFRS 9;
- financial expense related to the liability recognised upon application of the equity method introduced by IFRS 16 (EUR 7 million), as previously discussed under item 4.

#### 7 – Income taxes

**Reported income taxes** amounted to EUR 74 million, down significantly from EUR 98 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 71 million, down significantly compared with EUR 115 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.<sup>2</sup>, 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.

### **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 172 million with a balancing entry in net invested capital amounting to approximately EUR 164 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.

Reclassified Statement of Financial Position	Reported		Adjusted	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
<i>(EUR million)</i>				
Non-current assets	4,023	3,695	3,857	3,540
Net operating working capital	56	97	56	97
Employee benefits	(4)	(4)	(4)	(4)
Other assets	241	379	243	381
Other liabilities	(560)	(657)	(560)	(657)
<b>Net invested capital of continuing operations</b>	<b>3,757</b>	<b>3,510</b>	<b>3,592</b>	<b>3,357</b>
<b>Net invested capital of assets held for sale</b>	<b>-</b>	<b>235</b>	<b>-</b>	<b>235</b>
<b>Net invested capital</b>	<b>3,757</b>	<b>3,745</b>	<b>3,592</b>	<b>3,592</b>
Equity attributable to the owners of the parent	2,133	2,045	2,141	2,050
Non-controlling interests	7	9	7	9
Net financial indebtedness of continuing operations	1,617	1,592	1,445	1,434
Net financial indebtedness of discontinued operations	0	98	-	98
<b>Equity and financial indebtedness</b>	<b>3,757</b>	<b>3,745</b>	<b>3,592</b>	<b>3,592</b>

### **1 – Non-current assets**

	Intangible assets	Property, plant and equipment	Financial assets	Total
<i>(EUR million)</i>				
<b>Non-current assets at 31/12/2022</b>	<b>1,380</b>	<b>2,274</b>	<b>40</b>	<b>3,695</b>
Capital expenditure	5	300	-	<b>305</b>
Change in consolidation scope	86	123	16	<b>226</b>
Divestments and other changes	0	7	(6)	<b>1</b>
Amortisation and depreciation	(68)	(148)	-	<b>(215)</b>
IFRS 16 change	-	12	-	<b>12</b>
<b>Reported non-current assets at 31/12/2023</b>	<b>1,403</b>	<b>2,569</b>	<b>51</b>	<b>4,023</b>
Adjustment for impact of IFRS 16	-	(166)	-	<b>(166)</b>
<b>Adjusted non-current assets at 31/12/2023</b>	<b>1,403</b>	<b>2,403</b>	<b>51</b>	<b>3,857</b>

<sup>2</sup> The sale of the entire share capital of ERG Power S.r.l., owner of the CCGT plant, was completed on 17 October.

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 plants 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 payables.

## 3 – Other assets

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

## 4 – Other liabilities

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

## 5 – Non-controlling interests

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

## 6 – Net financial indebtedness

It should be noted that the adjusted indebtedness does not include the financial liability linked to the application of IFRS 16 of approximately EUR 172 million (EUR 157 million at 31 December 2022), the increase of which is attributable to the change in consolidation scope following the acquisitions of photovoltaic systems in Spain finalised during 2023.

Summary of the Group's indebtedness	Reported		Adjusted	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
<i>(EUR million)</i>				
Non-current financial indebtedness	2,165	1,874	1,999	1,723
Current financial indebtedness (cash and cash equivalents)	(548)	(282)	(554)	(289)
<b>Total indebtedness of continuing operations</b>	<b>1,617</b>	<b>1,592</b>	<b>1,445</b>	<b>1,434</b>
<b>Total indebtedness of discontinued operations</b>	<b>-</b>	<b>98</b>	<b>-</b>	<b>98</b>
<b>Total indebtedness</b>	<b>1,617</b>	<b>1,690</b>	<b>1,445</b>	<b>1,533</b>

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

Non-current financial indebtedness	31/12/2023	31/12/2022
<i>(EUR million)</i>		
Non-current loans and borrowings	329	-
Non-current financial liabilities	1,606	1,595
<b>Total</b>	<b>1,935</b>	<b>1,595</b>
Total Project Financing	98	212
Current portion of Project Financing	(17)	(55)
<b>Non-current Project Financing</b>	<b>81</b>	<b>156</b>
<b>Non-current financial assets</b>	<b>(17)</b>	<b>(28)</b>
<b>IFRS 16 financial liabilities (non-current)</b>	<b>166</b>	<b>151</b>
<b>Total non-current financial indebtedness</b>	<b>2,165</b>	<b>1,874</b>
<b>Adjustment for impact of IFRS 16</b>	<b>(166)</b>	<b>(151)</b>
<b>Total adjusted financial indebtedness</b>	<b>1,999</b>	<b>1,723</b>

**Non-current loans and borrowings** at 31 December 2023 amounted to EUR 329 million and refer to three Sustainable bilateral linked loans of nominal EUR 130 million, EUR 100 million and EUR 100 million respectively, subscribed during the first half of 2023.

The loans shown above are recognised net of medium/long-term ancillary costs recognised using the amortised cost method (EUR 1 million).

**Non-current financial liabilities**, amounting to EUR 1,606 million, refer mainly to the liability deriving from placement of three bond loans amounting to a nominal value of EUR 500 million (with a 6-year duration at a fixed rate), EUR 600 million (with a 7-year duration at a fixed rate) and EUR 500 million (with a 10-year duration at a fixed rate) respectively, issued as part of the Euro Medium Term Notes (EMTN) Programme. Liabilities are recognised net of medium/long-term accessory costs recognised for accounting purposes using the amortised cost method (EUR 7 million).

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 plant 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 plant that entered into operation in October 2023 for a total amount of EUR 84 million.

**Non-current financial assets** of EUR 17 million refer to the long-term portion of assets arising from the fair value measurement of interest rate hedging derivatives.

The breakdown of current net financial indebtedness is shown below:

Current financial indebtedness (cash and cash equivalents)	31/12/2023	31/12/2022
<i>(EUR million)</i>		
Current bank loans and borrowings	132	296
Other current financial liabilities	37	38
<b>Current financial liabilities</b>	<b>169</b>	<b>334</b>
Cash and cash equivalents <sup>(1)</sup>	(459)	(424)
Securities and other current financial assets	(272)	(187)
<b>Current financial assets</b>	<b>(731)</b>	<b>(611)</b>
Current Project Financing	17	55
Cash and cash equivalents	(9)	(68)
<b>Project Financing</b>	<b>8</b>	<b>(12)</b>
<b>IFRS 16 Current financial liabilities</b>	<b>6</b>	<b>6</b>
<b>Total current financial indebtedness</b>	<b>(548)</b>	<b>(282)</b>
<b>Total current financial indebtedness of discontinued operations</b>	<b>-</b>	<b>98</b>
<b>Adjustment for impact of IFRS 16</b>	<b>(6)</b>	<b>(6)</b>
<b>Total current adjusted financial indebtedness</b>	<b>(554)</b>	<b>(191)</b>

(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.

**Current bank loans and borrowings** include short-term positions related to short-term credit lines.

**Other current financial liabilities** mainly 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;
- accrued interest expenses on Bonds and Corporate Loans (EUR 14 million) and current liabilities arising from the fair value measurement of interest rate hedging derivatives (EUR 2 million);

**Securities and other short-term financial receivables** mainly include short-term cash investments in the amount of EUR 235 million, the short-term portion of assets arising from the fair-value measurement of interest-rate hedging derivatives in the amount of EUR 31 million, and deposits as collateral for futures derivatives transactions in the amount of approximately EUR 1 million.

## Cash flows

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

(EUR million)	Year	
	2023	2022
Adjusted EBITDA	520	502
Change in net working capital	(19)	47
<b>Cash flows from operations</b>	<b>501</b>	<b>548</b>
Capital expenditure in property, plant and equipment and intangible assets	(305)	(307)
Asset acquisitions and business combinations	(184)	(638)
Proceeds from disposed businesses	5	1,265
Capital expenditure on non-current financial assets	6	(6)
Divestments and other changes	(1)	(13)
<b>Cash flows from investments/divestments</b>	<b>(478)</b>	<b>301</b>
Financial income (expense)	(6)	(25)
Financial expense for closing loans	(5)	(3)
Net gains (losses) on equity investments	(0)	0
Collection distribution reserves ERG Power <sup>(1)</sup>	88	75
<b>Cash flows from financing activities</b>	<b>77</b>	<b>47</b>
<b>Cash flows from tax management</b>	<b>(26)</b>	<b>(92)</b>
Distribution of dividends	(154)	(139)
Share buy-back programme	(61)	-
Other changes in equity	131	26
<b>Cash flows from Equity</b>	<b>(85)</b>	<b>(113)</b>
<b>Change in consolidation scope</b>	<b>74</b>	<b>(69)</b>
<b>Cash Flow Thermo</b>	<b>24</b>	<b>(104)</b>
<b>Opening net financial indebtedness of "Continuing operations"</b>	<b>1,533</b>	<b>2,051</b>
<i>Net change</i>	<i>(88)</i>	<i>(519)</i>
<b>Total adjusted indebtedness</b>	<b>1,445</b>	<b>1,533</b>
<i>(+ Net financial position Thermo business)</i>	<i>-</i>	<i>(98)</i>
<b>Adjusted indebtedness of "Continuing operations"</b>	<b>1,445</b>	<b>1,434</b>

<sup>(1)</sup> 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 501 million, down slightly compared with the corresponding period of 2022 (EUR 548 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 305 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, to the dividends paid to shareholders (EUR 154 million) and to the impact of the share buy-back programme initiated in the fourth quarter of 2023 (EUR 61 million) and completed in February 2024.

## 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 2023 has therefore led to:

- an improvement in gross operating margin (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 14 million;
- an increase (approximately EUR 172 million) in the net financial indebtedness and the net invested capital (approximately EUR 164 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

EBITDA (amounts in millions)	Notes	Year	
		2023	2022
<b>EBITDA from continuing operations</b>		<b>529</b>	<b>499</b>
<b>Special items exclusion:</b>			
- IFRS 16 reclassification	1	(14)	(12)
<b>Italy</b>			
- Reversal of ancillary charges on non-recurring operations (Special Projects)	2	4	14
- Reversal for allocation for provision for disposed businesses	3	1	1
<b>Adjusted EBITDA</b>		<b>520</b>	<b>502</b>
<b>AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES</b> (amounts in millions)		<b>2023</b>	<b>Year</b> <b>2022</b>
<b>Amortisation, depreciation and impairment losses</b>		<b>(225)</b>	<b>(279)</b>
<b>Special items exclusion:</b>			
- IFRS 16 reclassification	1	7	7
- Reversal write-down Repowering Wind Italy	4	2	43
- Reversal of expenses related to disposed businesses	5	-	0
<b>Adjusted depreciation and amortisation</b>		<b>(215)</b>	<b>(229)</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b> (amounts in millions)		<b>2023</b>	<b>Year</b> <b>2022</b>
<b>Profit (loss) from continuing operations attributable to the owners of the parent</b>		<b>214</b>	<b>85</b>
<b>Special items exclusion:</b>			
IFRS 16 reclassification	1	1	0
Exclusion of ancillary charges on non-recurring transactions	2	3	11
Exclusion of income related to disposed businesses	3	(4)	(2)
Exclusion of impairment losses recognised on Repowering Wind Italy	4	2	31
Exclusion of ancillary charges on loan prepayments	5	4	2
Exclusion of Tax Asset UK and substitute tax Solar Italy	6	6	(1)
Exclusion of impact of gains/losses (IFRS 9)	7	1	3
<b>Adjusted net profit (loss) from continuing operations attributable to the owners of the parent</b>		<b>226</b>	<b>129</b>

### Notes

1. Reclassification for impact of IFRS 16. Reference is made to the comments made in the previous paragraph.
2. Ancillary charges relating to other non-recurring transactions and other acquisitions in 2023 related to the newly acquired photovoltaic companies in Spain, as well as unsuccessful acquisitions.
3. 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).
4. 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 plant following the authorisation of a Revamping project.
5. Financial expense related to the early closure of project financing and Corporate loans as part of Liability Management transactions.
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	Reclassification of IFRS 16 impact	Adjustment for impact of IFRS 9	Reversal of special items	Adjusted Income Statement
Revenue	741	-	-	-	741
Other income	26	-	-	-	26
<b>Total revenue</b>	<b>767</b>	-	-	-	<b>767</b>
Purchases and change in inventories	(14)	-	-	-	(14)
Services and other operating costs	(171)	(14)	-	5	(180)
Personnel expense	(53)	-	-	-	(53)
<b>Gross operating profit (loss) (EBITDA)</b>	<b>529</b>	<b>(14)</b>	-	<b>5</b>	<b>520</b>
Amortisation, depreciation and impairment of non-current assets	(225)	7	-	2	(215)
<b>Operating profit (loss) (EBIT)</b>	<b>304</b>	<b>(6)</b>	-	<b>7</b>	<b>305</b>
Net financial income (expense)	(19)	7	1	5	(6)
Net gains (losses) on equity investments	5	-	-	(5)	(0)
<b>Profit before taxes</b>	<b>290</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>299</b>
Income taxes	(74)	-	(0)	4	(71)
<b>Net profit (loss) from continuing operations</b>	<b>216</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>228</b>
Non-controlling interests	(2)	-	-	-	(2)
<b>Profit (loss) from continuing operations attributable to the owners of the parent</b>	<b>214</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>226</b>
Net profit (loss) from discontinued operations	(36)	-	-	29	(7)
<b>Profit attributable to the owners of the parent</b>	<b>179</b>	<b>1</b>	<b>1</b>	<b>39</b>	<b>219</b>

### Reclassified statement of financial position at 31 December 2023

(EUR million)	Reported Statement of Financial Position	Adjustment for impact of IFRS 16	Adjusted Statement of Financial Position
Intangible assets	1,403	-	1,403
Property, plant and equipment	2,569	(166)	2,403
Equity investments and other non-current financial assets	51	-	51
<b>Non-current assets</b>	<b>4,023</b>	<b>(166)</b>	<b>3,857</b>
Inventories	20	-	20
Trade receivables	158	-	158
Trade payables	(122)	-	(122)
Excise duties payable to tax authorities	(0)	-	(0)
<b>Net operating working capital</b>	<b>56</b>	-	<b>56</b>
Employee benefits	(4)	-	(4)
Other assets	241	1	243
Other liabilities	(560)	-	(560)
<b>Net invested capital</b>	<b>3,757</b>	<b>(164)</b>	<b>3,592</b>
Equity attributable to the owners of the parent	2,133	8	2,141
Non-controlling interests	7	-	7
Non-current financial indebtedness	1,617	(172)	1,445
<b>Equity and financial indebtedness</b>	<b>3,757</b>	<b>(164)</b>	<b>3,592</b>

As commented in the introduction, in order to provide an effective representation, the 2022 comparative figures have been restated and are therefore represented net of the "clawback and windfall taxes".

(EUR million)	Adjusted Income Statement 2022	Surplus profits contribution	Solidarity Contribution 2023	Windfall taxes/Price Cap	Adjusted Income Statement 2022
Revenue	749	-	-	(35)	714
Other income	12	-	-	-	12
<b>Total revenue</b>	<b>761</b>	-	-	<b>(35)</b>	<b>726</b>
Purchases and change in inventories	(15)	-	-	-	(15)
Services and other operating costs	(160)	-	-	-	(160)
Personnel expense	(49)	-	-	-	(49)
<b>Gross operating profit (loss) (EBITDA)</b>	<b>537</b>	-	-	<b>(35)</b>	<b>502</b>
Amortisation, depreciation and impairment of non-current assets	(229)	-	-	-	(229)
<b>Operating profit (loss) (EBIT)</b>	<b>308</b>	-	-	<b>(35)</b>	<b>273</b>
Net financial income (expense)	(25)	-	-	-	(25)
Net gains (losses) on equity investments	0	-	-	-	0
<b>Profit before taxes</b>	<b>284</b>	-	-	<b>(35)</b>	<b>248</b>
Income taxes	(67)	(37)	(19)	7	(115)
<b>Net profit (loss) from continuing operations</b>	<b>216</b>	<b>(37)</b>	<b>(19)</b>	<b>(28)</b>	<b>133</b>
Profit (loss) from discontinued operations	20	(4)	-	-	16
<b>Profit (loss) for the year</b>	<b>236</b>	<b>(41)</b>	<b>(19)</b>	<b>(28)</b>	<b>149</b>
Non-controlling interests	(4)	-	-	-	(4)
<b>Profit (loss) attributable to the owners of the parent</b>	<b>232</b>	<b>(41)</b>	<b>(19)</b>	<b>(28)</b>	<b>145</b>

## Significant events after the reporting date

Date		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 in the Carbon Disclosure Project "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 Gender Equality Policy, reinforcing 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 at Key Energy 2024.

## Business outlook for the year 2024

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 Repowering wind farms scheduled to come on stream 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 the lower market price scenario and the lower volumes expected 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 come on stream between 2024 and 2025, and the completion of those that came on stream during 2023.

Adjusted net financial indebtedness<sup>1</sup> 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.

<sup>1</sup> It doesn't include IFRS 16 financial indebtedness equal to EUR 210 million.

