



## Press release

### **The Board of Directors of ERG S.p.A. approves the consolidated results for the first quarter of 2022**

*Adjusted consolidated EBITDA <sup>1</sup>: EUR 168 million, EUR 99 million in the first quarter of 2021 proforma <sup>2</sup>*

*Adjusted profit from continuing operations: EUR 84 million, EUR 34 million in the first quarter of 2021 proforma*

*Guidance revised upwards in the range of EUR 450–480 million (EUR +50 million vs previous) driven by  
the greater contribution of 400 MW of new installed capacity in foreign countries*

- **Adjusted quarterly results from continuing operations**

EBITDA up sharply compared to 2021, mainly thanks to the growth of the RES portfolio implemented by the Group: additional 400 MW (of which 231 MW from wind and 170 MW from solar) in the second half of 2021 and early 2022 in foreign countries. The sharply growing net profit also reflects lower financial expense.

- **Development over the quarter**

The growth path continues with the entry into solar power in Spain thanks to the acquisition of two solar plants for a total of 92 MW. Construction activities continue on wind farms in the UK, Poland, France and Sweden and construction begins in Italy for 240 MW of new wind capacity, of which 47 MW greenfield and 193 MW repowering

- **Long-term strategy**

Two PPAs signed in the United Kingdom with a view to gradually securing revenue; wind turbine purchase orders closed for 240 MW for repowering and greenfield projects currently under construction; 20-year CfD tariff on 97.2 MW of wind capacity in Italy awarded at auction.

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<sup>1</sup> In order to facilitate an understanding of the operating segments' performance, the operating results are shown with the exclusion of significant special income components of an exceptional nature (special items): these results are indicated with the term "adjusted". A definition of the indicators and the reconciliation of the amounts involved are provided in the "Alternative Performance Indicators" section of this document.

<sup>2</sup> The figure relating to the first three months of 2021 has been restated, for comparative purposes only, in consideration of the significant transformation of the Group's portfolio, therefore reclassifying the contribution of the hydroelectric and thermoelectric business under the item "Assets held for sale" in application of IFRS 5.

- **Claw-back measures and tax on extra-profits**

The adjusted results do not include the impact deriving from Article 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 14 million (extra-profit tax rate 10%<sup>3</sup>) and the Windfall Tax in Romania equal to approximately EUR 3 million since the taxes, of an extraordinary and temporary nature, have been isolated as a non-characteristic item. It should be noted that with reference to Article 15-bis of Italian Decree Law 4/2022 (“Sostegni-ter” Decree), no provisions have been made since Italian “merchant” output is sold on a forward basis at prices consistent with the thresholds identified by the decree itself.

- **ESG**

The success of the Group’s sustainable strategy is confirmed with the entry into the Bloomberg Gender Equality Index, which rewards commitment to D&I and into the CDP “Suppliers Engagement Leaderboard” thanks to the excellent performance in creating a sustainable supply chain.

- **Storage Battery**

ERG enters the storage market with two projects for a total capacity of 22 MW. The two projects are currently in the authorisation phase and the construction is planned near two ERG wind farms in operation in Campania and in Sicily.

- **2022 guidance**

In light of the robust results of the first quarter, the EBITDA forecast is revised upwards by EUR 50 million, now expected in a range of EUR 450-480 million. The guidance for capital expenditure, on the other hand, remains unchanged in the range of EUR 420-480 million, as does net financial indebtedness, between EUR 750 and 850 million, which takes into account the expected impact of the effects of Article 37 of the Italian Decree Law of 21 March 2022.

- **Quarterly report**

The Board of Directors also resolved pursuant to Article 82-ter of the Issuers’ Regulation, to disclose the consolidated financial results as at 31 March and 30 September to the public through a quarterly report, instead of an interim management report, containing the same information disclosed to the public to date and within the deadlines established in the calendar of corporate events for the year 2022, approved by the Board of Directors and made available on 15 December 2021.

- **Remuneration of directors holding offices**

The Board of Directors – at the proposal of the Nominations and Remuneration Committee and subject to the favourable opinion of the same pursuant to the Procedure for Transactions with Related Parties, in relation to transactions of lesser significance, and having heard the favourable opinion of the Board of Statutory Auditors – determined, in accordance with the Company’s current Remuneration Policy, the fixed remuneration of the Chairman, the Executive Deputy Chairman and the Deputy Chairman for the 2022 financial year as well as, again at

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<sup>3</sup> The results commented herein do not include the updates indicated by Italy’s Council of Ministers on 3 May 2022.

the proposal of the Nominations and Remuneration Committee and subject to the favourable opinion of the Board of Statutory Auditors, the remuneration of those members of the Strategic Committee who are not employees of the Group and do not hold positions on the Board of Directors, for the 2022 financial year.

- **Assessment of the independence of the Board of Statutory Auditors**

The Board of Statutory Auditors, appointed by the Shareholders' Meeting of 26 April 2022, has informed the Board of Directors that it positively assessed the independence of its members on the basis of the criteria established by the Italian Consolidated Finance Act, by the Rules of Conduct of Boards of Statutory Auditors drawn up by the Italian National Board of Chartered Accountants and Accounting Experts and by the Corporate Governance Code promoted by Borsa Italiana S.p.A., also taking into account the "quantitative" and "qualitative" criteria defined in the Regulations for the operations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee; the assessment was confirmed by the Board of Directors on the basis of the same criteria and information provided by the members of the Board of Statutory Auditors.

**Genoa, 13 May 2022** – The Board of Directors of ERG S.p.A., in its meeting held today, approved the consolidated results for the first quarter of 2022.

Paolo Merli, Chief Executive Officer of ERG, commented:

*"In a context characterised by a geopolitical crisis and unprecedented energy prices, ERG recorded strong growth results compared to last year, mainly thanks to the contribution of 400 MW of new wind and solar capacity resulting from recent significant investments in acquisitions and organic developments. In addition, favourable wind and irradiation conditions allowed us to increase the volumes sold by almost 30% compared with the same period of the previous year. The path of geographical diversification also continues, for the first time over 50% of the Group's EBITDA comes from activities abroad; meanwhile in Italy, despite the debates around "extra-profits", the price effect has had a largely neutral impact as a result of strongly negative balances both for hedging derivatives and for the value of the incentive, both inversely correlated to the price of energy. The positive results for the quarter and the greater contribution of the new plants, both those already in operation and those which will enter into operation in the coming months, in a context that remains of high volatility and uncertainty, allow us to presume an EBITDA guidance now forecast in the range of EUR 450-480 million. The guidance for capital expenditure remains unchanged between EUR 420-480 million, as does net financial indebtedness, between EUR 750 and 850 million, which prudently discounts the potential effects expected from the introduction of Article 37 of the Italian Decree Law of 21 March 2022, awaiting the relative approvals and application methods".*

## HIGHLIGHTS

<b>Adjusted <sup>(1)</sup></b>		<b>Adjusted <sup>(1)</sup></b>		<b>Reported <sup>(2)</sup></b>	
<b>Year</b>		<b>1<sup>st</sup> quarter</b>		<b>1<sup>st</sup> quarter</b>	
<b>2021<sup>(3)</sup></b>	<b>(EUR million)</b>	<b>2022</b>	<b>2021<sup>(3)</sup></b>	<b>2022</b>	<b>2021<sup>(3)</sup></b>
<b>MAIN INCOME STATEMENT DATA</b>					
598	Revenue	214	137	214	137
<b>399</b>	<b>Gross operating profit (EBITDA)</b>	<b>168</b>	<b>99</b>	<b>166</b>	<b>101</b>
<b>198</b>	<b>Operating profit (EBIT)</b>	<b>114</b>	<b>50</b>	<b>104</b>	<b>51</b>
127	Profit from continuing operations	84	34	59	33
203	Net profit	89	65	388	63
202	of which <i>profit attributable to owners of the parent</i>	89	65	388	63
<b>MAIN FINANCIAL DATA</b>					
<b>3,608</b>	<b>Net invested capital of continuing operations <sup>(4)</sup></b>	<b>2,738</b>	<b>3,148</b>	<b>2,871</b>	<b>3,245</b>
1,556	Equity	2,163	1,832	2,160	1,830
2,051	Net financial indebtedness of continuing operations <sup>(4)</sup>	890	1,316	1,027	1,415
237	of which <i>non-recourse Project Financing</i> <sup>(5)</sup>	230	409	230	409
57%	Financial leverage	29%	42%	32%	44%
<b>47%</b>	<b>EBITDA margin %</b>	<b>78%</b>	<b>72%</b>	<b>77%</b>	<b>74%</b>

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

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

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

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

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

Year 2021 <sup>(1)</sup>				1 <sup>st</sup> quarter	
				2022	2021 <sup>(1)</sup>
OPERATING DATA					
2,418	Total installed capacity at the end of the period	MW	2,509	2,109	
4,157	Total electricity output	KWh million	1,538	1,197	
1,234	Installed capacity at the end of the period – Italy	MW	1,234	1,234	
2,295	Electricity output – Italy	KWh million	706	657	
581	Installed capacity at the end of the period – France	MW	581	397	
889	Electricity output – France	KWh million	322	261	
327	Installed capacity at the end of the period – Germany	MW	327	272	
428	Electricity output – Germany	KWh million	207	120	
70	Installed capacity at the end of the period – UK	MW	70	-	
-	Electricity output – UK	KWh million	66	-	
-	Installed capacity at the end of the period – Spain	MW	92	-	
-	Electricity output – Spain	KWh million	27	-	
206	Installed capacity – East Europe	MW	206	206	
546	Electricity output – East Europe	KWh million	209	158	
617	Capital expenditure <sup>(2)</sup>	Eur million	146	27	
808	Employees at the end of the period	Units	707	798	
NET UNIT REVENUE <sup>(3)</sup>					
149	Italy – Wind	EUR/MWh	124	119	
335	Italy – Solar	EUR/MWh	333	323	
88	France – Wind	EUR/MWh	86	89	
90	France – Solar	EUR/MWh	100	-	
112	Germany – Wind	EUR/MWh	146	93	
-	UK – Wind	EUR/MWh	195	-	
-	Spain – Solar	EUR/MWh	168	-	
119	East Europe – Wind	EUR/MWh	171	79	

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

(2) In property, plant and equipment and intangible assets. They also include Merger & Acquisition investments of EUR 96 million.

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

## COMMENTS ON THE PERFORMANCE FOR THE YEAR

In the first quarter of 2022, **adjusted revenue** amounted to EUR 214 million, up by EUR 77 million compared to the first quarter of 2021 proforma (EUR 137 million) mainly due to the contribution of the increased capacity of 400 MW (of which 231 MW from wind and 170 MW from solar) following the foreign acquisitions made in the second half of 2021 and early 2022 as well as the entry into operation of the farms developed internally and operational from the end of 2021. Generation amounted to 1.5 TWh, up by almost 30% (0.3 TWh) compared to 2021, also as a result of the better wind conditions recorded in the period. The higher market prices only partially affected the results as the group adopts a hedging policy that provides for sales through fixed rates, PPAs under pre-established conditions and financial agreements. Higher prices had an effect abroad, especially in Germany and East Europe, depending on their specific incentive mechanisms. In Italy, unit revenue are substantially in line with the first quarter of 2021, since a large part of generation is sold at pre-set prices through contracts stipulated in previous years, and there is a significant decrease in the unit value of the incentive.

**Adjusted EBITDA<sup>4</sup>**, net of special items, amounted to EUR 168 million, up by EUR 68 million compared with EUR 99 million recorded in 2021 proforma. In summary:

### ITALY

- **Wind (EUR +8 million):** EBITDA of EUR 69 million, up compared to the first quarter of 2021 proforma (EUR 61 million) due entirely to the higher wind levels encountered (661 GWh in the first quarter of 2022 compared to 616 GWh in 2021). The price scenario effect was offset by the lower value of the incentive and hedging derivatives.
- **Solar (EUR +2 million):** EBITDA of EUR 13 million, an increase compared to the first quarter of 2021 proforma (EUR 11 million) due to the higher volumes recorded (45 GWh in the first quarter of 2022 compared to 41 GWh in 2021). The price scenario effect, net of hedging derivatives, was neutral.

<sup>4</sup> Adjusted EBITDA is shown net of the positive effects arising from the application of IFRS 16, equal to approximately EUR 3 million, as well as other negative effects of special items for approximately EUR 5 million. It should be noted that the adjusted EBITDA does not include the contribution of the thermoelectric business, in the process of being sold, reclassified to the item "Profit (loss) from assets held for sale".

## ABROAD

- **Wind (EUR +54 million):** EBITDA of EUR 87 million (approximately 50% of the total), up compared to the first quarter of 2021 proforma (EUR 33 million) mainly due to the contribution of 231 MW of new capacity, due to the higher wind levels and the better prices captured in some geographic areas.
- **Solar (EUR +5 million):** EBITDA of EUR 5 million in the first quarter of 2022 thanks to the full contribution of the farms consolidated in France (79 MW) between June and October 2021 and the new farms acquired in Spain (92 MW) in January 2022.

It should be noted that the total gross operating profit (EBITDA) is impacted by the electricity price hedging policies implemented in line with the Group's risk policies. It should be noted that, in compliance with the risk policy, the entire merchant generation for the year 2022 is sold forward, therefore the operating results do not include any penalising effect deriving from the application of Italian Law no. 25 of 28 March 2022, which provides for two-way compensation mechanisms on the basis of a reference price, substantially in line with the prices of existing hedges.

**Adjusted operating profit** was EUR 114 million (EUR 50 million in the first quarter of 2021 proforma) after amortisation and depreciation of EUR 54 million, a slight increase compared to the first quarter of 2021 proforma (EUR 49 million) mainly as a result of the full contribution of the wind and solar assets acquired in the second half of 2021, the contribution of the new plants acquired in Spain in January 2022 and the contribution of the new farms in the United Kingdom developed internally.

The **adjusted profit (loss) from continuing operations** amounted to EUR 84 million, a significant increase compared to the first quarter of 2021 proforma (EUR 34 million) in consideration of the aforementioned operating results and lower financial expense, which were reduced as a result of the full contribution of the liability management operations carried out in 2021. It should be noted that the item does not include the impact of the application in Romania of the "Windfall Tax" legislation (expense of EUR 3 million) and in Italy the impact deriving from Article 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 14 million<sup>5</sup>; these items, of an extraordinary and temporary nature, have been isolated as non-characteristic items.

**Adjusted profit attributable to the owners of the parent**, including also the contribution of ERG Power S.r.l., owner of the CCGT plant in the process of being sold (equal to approximately EUR 5 million), was EUR 89 million, a significant increase compared to the 2021 result (EUR 65 million), in view of the aforementioned better operating results and lower financial expense.

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<sup>5</sup> This impact is calculated on the basis of a rate equal to 10% for the period between 1 October 2021 and 31 March 2022. The results commented herein do not include the updates indicated by Italy's Council of Ministers on 3 May 2022.

**Profit attributable to the owners of the parent** was EUR 388 million, an increase compared to EUR 63 million in 2021 proforma. The result includes the net capital gain recognised following the sale of the Terni hydroelectric complex on 3 January 2022 (equal to approximately EUR 324 million), as well as the impairment of the wind assets subject to repowering (equal to approximately EUR 5 million) and the costs related to the liability management operations carried out in the first quarter of 2022 (equal to approximately EUR 2 million), as well as the aforementioned effects linked to the urgent tax measures regarding the containment of energy prices, in particular in Italy and Romania.

In the first quarter of 2022, **capital expenditure** totalled EUR 146 million (EUR 27 million in the first quarter of 2021 proforma) and mainly refers to the acquisition of solar farms in Spain (EUR 96 million) in January 2022 and to organic development activities (EUR 51 million compared to EUR 27 million in the first quarter of 2021 proforma), in particular the construction of wind farms in the UK for approximately 179 MW, Poland for 61 MW, France for 20 MW and Sweden for 62 MW, the start of the construction in Italy for 47 MW Greenfield and Repowering on Italian plants for approximately 193 MW of new wind capacity.

**Adjusted net financial indebtedness of “continuing operations”** totalled **EUR 890 million**, down significantly (EUR -1,161 million) compared to 31 December 2021 (EUR 2,051 million). The change mainly reflects the proceeds from the sale of the Terni hydroelectric complex (EUR 1,265 million) and the positive cash flow for the period (EUR 103 million<sup>6</sup>), partly offset by capital expenditure for the period (EUR 146 million) as well as the change of the consolidation scope with the exit of the hydroelectric and thermoelectric businesses, the latter reported under discontinued operations. It should be noted that ERG Power, owner of the CCGT plant, has a cash position at 31 March 2022 equal to EUR 35 million.

It should also be noted that the indebtedness at the end of the period reflects the negative fair value of commodity futures of approximately EUR 122 million (EUR 344 million at 31 December 2021).

Adjusted net financial indebtedness is presented net of the effects deriving from the application of IFRS 16, therefore excluding the discounting of future lease payments of approximately EUR 137 million at 31 March 2022.

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<sup>6</sup> Includes the adjusted EBITDA, the change in working capital and net financial income (expense).



# BASIS FOR PREPARATION

## Quarterly report

This press release on the consolidated results of the ERG Group relating to the first quarter of 2022 has been prepared on a voluntary basis in compliance with the provisions of Article 82-ter of the Issuers' Regulation (CONSOB resolution no.11971 of 14 May 1999 and subsequent amendments)

Unless otherwise indicated, the economic, equity and financial information have been prepared in accordance with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRS). The accounting standards and measurement criteria adopted in the preparation of the first quarter 2022 results as the same ones adopted in the drafting of the 2021 Annual Financial Report to which reference is made.

Unless otherwise indicated, the amounts included in this document are expressed in Euro.

## Operating segments

Following the important Asset Rotation process launched in 2021 with the sale of the hydroelectric business and which will be finalised in 2022 with the sale of the thermoelectric business, starting from this Document, the operating results are presented and commented on with reference to the various geographical segments in which ERG operates, in line with the new internal methods for measuring the Group's results, and in line with the 2022-2026 Business Plan approved by the Board of Directors on 14 March 2022, aimed at reinvesting the resources deriving from divestments and the growth strategy in Wind & Solar through a policy of geographical and technological diversification.

Note that the results, shown by geographical segment as per this Document, reflect also 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, among other things, the use of instruments by Energy Management to hedge the price risk. In order to give a clearer representation of the businesses in terms of geographical segment and, secondarily, technology, the wind and solar power results include the hedges entered into in relation to renewable sources ("RES").

## Alternative Performance Indicators (APIs) and adjusted results

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

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

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

The results, which include significant special income statement

components of an exceptional nature (special items) are also defined as **"Reported results"**.

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

## Finalisation of the sale of the Hydroelectric Business

On 3 January 2022, ERG concluded its transaction with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l., as announced on 2 August 2021, following the approval of the Italian Antitrust Authority and the successful completion of the golden power procedure at the Italian Presidency of the Council of Ministers. The consideration totalled approximately EUR 1.265 billion, including the mark-to-market valuation of some hedging derivatives included in the scope and relating to part of the energy produced in the future by ERG Hydro S.r.l. plants. The sale and purchase agreement envisages a further price adjustment mechanism in 2022 based on the actual values, recorded at the closing date, of the net working capital, the net financial position and the actual level of water reserves of some of ERG Hydro S.r.l.'s reservoirs.

## Agreement for the sale of the Thermoelectric Business

On 9 February 2022, ERG signed an agreement with Enel Produzione S.p.A. for the sale of the entire capital of ERG Power S.r.l. The consideration in terms of Enterprise Value, at 31 December 2021, is EUR 188 million and will be subject to a price adjustment at the closing. This will include, among other things, a monthly décalage mechanism consistent with the expected cash flows of the business plan. It will also include the mark-to-market valuation at the closing of some hedging derivatives included in the scope and relating to part of the energy produced in the future by ERG Power's plants.

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

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

## 2021 proforma income statement amounts

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

For further details on the changes made, see the "Alternative Performance Measures" section.

**Risks and uncertainties in relation to the business outlook**

*With reference to the estimates and forecasts contained in this document, and in particular in the "Business outlook" section, it should be noted that the actual results may differ from those presented due to a number of factors, including: future price trends, the operating performances of plants, wind conditions, irradiation, the impact of energy industry and environmental regulations, the impact of the COVID-19 pandemic and other changes in business conditions and competitors' actions.*

**Certification from the Manager in charge of Financial Reporting**

*The Manager in charge of Financial Reporting, Michele Pedemonte, declares, pursuant to paragraph 2, Article 154-bis of the Consolidated Finance Act, that the accounting information this document contains matches the documentary records, books and accounting entries.*

*This press release, issued on 13 May 2022, is available to the public on the Company's website ([www.erg.eu](http://www.erg.eu)) in the "Media/Press Releases" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).*

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## PERFORMANCE BY COUNTRY

Year 2021 <sup>(1)</sup>	(EUR million)	1 <sup>st</sup> quarter		Δ
		2022	2021 <sup>(1)</sup>	
ADJUSTED REVENUE				
390	Italy	99	86	13
200	Abroad	115	49	66
78	France	28	23	5
48	Germany	30	11	19
-	UK	13	-	13
-	Spain	5	-	5
74	East Europe	39	14	25
46	Corporate	8	11	(4)
(38)	Intra-segment revenue	(7)	(9)	1
598	Total adjusted revenue	214	137	77
ADJUSTED EBITDA				
308	Italy	82	72	10
116	Abroad	91	33	58
45	France	18	16	2
28	Germany	25	7	18
(2)	UK	12	(0)	12
-	Spain	4	-	4
45	East Europe	33	10	23
(17)	Corporate	(6)	(6)	0
408	Adjusted EBITDA	168	99	68
ADJUSTED AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES				
(199)	Italy	(29)	(32)	3
(74)	Abroad	(24)	(17)	(7)
(37)	France	(11)	(8)	(3)
(22)	Germany	(7)	(5)	(2)
(0)	UK	(1)	-	(1)
-	Spain	(1)	-	(1)
(15)	East Europe	(4)	(4)	0
(4)	Corporate	(1)	(1)	(1)
(276)	Adjusted amortisation, depreciation and impairment losses	(54)	(49)	(5)

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

Year 2021 <sup>(1)</sup>	(EUR million)	1 <sup>st</sup> quarter		Δ
		2022	2021 <sup>(1)</sup>	
ADJUSTED EBIT				
281	Italy	53	40	13
43	Abroad	68	16	51
8	France	7	8	(1)
6	Germany	18	2	16
(2)	UK	11	(0)	11
-	Spain	3	-	3
31	East Europe	29	6	23
(20)	Corporate	(7)	(7)	(0)
304	Adjusted EBIT	114	50	64
CAPITAL EXPENDITURE <sup>(2)</sup>				
16	Italy	21	4	17
597	Abroad	119	20	99
221	France	5	0	5
151	Germany	0	0	0
179	UK	11	20	(8)
-	Spain	96	-	96
47	Sweden	7	-	7
47	East Europe	6	3	4
3	Corporate	0	0	0
617	Total capital expenditure	146	27	119

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

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

# REFERENCE MARKET

## PRICE SCENARIO

Year 2021		1 <sup>st</sup> quarter	
		2022	2021
Price scenario (EUR/MWh)			
Italy			
125	National single price - Electricity reference price in Italy (baseload) <sup>(1)</sup>	249	59
109	Feed-In Premium (FIP) (former Green Certificates) - Italy	43	109
46	TTF	96	18
53	CO <sub>2</sub>	82	37
Abroad			
109	France (baseload electricity)	232	53
97	Germany (baseload electricity)	185	50
129	Poland	189	89
87	of which (baseload electricity)	135	58
42	of which Certificates of Origin	54	32
109	Bulgaria (baseload electricity)	210	51
141	Romania (baseload electricity + 1 Green Certificate)	249	82
111	of which baseload electricity	219	53
29	of which Green Certificate	29	29
136	Northern Ireland (baseload electricity)	225	70
138	Great Britain (baseload electricity)	240	72
112	Spain	229	45
81	Sweden SE4	111	49

(1) Single National Price.

## ITALY

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

ERG is active in the generation of electricity in Italy, with an installed capacity of 1,093 MW in wind and 141 MW in solar.

Year		1 <sup>st</sup> quarter		
2021		2022	2021	Δ
	Operating Results			
1,234	Installed capacity (MW) <sup>(1)</sup>	1,234	1,234	-
1,093	Wind	1,093	1,093	-
141	Solar	141	141	-
2,295	Generation (GWh)	706	657	49
2,078	Wind	661	616	45
216	Solar	45	41	4
	Load Factor % <sup>(2)</sup>			
22%	Wind	28%	26%	2%
17%	Solar	15%	13%	1%
483	Net unit revenue (EUR/MWh)	138	132	6
149	Wind	124	119	5
335	Solar	333	323	9

(1) Capacity of plants in operation at the end of the period.

(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In the **first quarter of 2022**, electricity output in Italy amounted to 706 GWh, of which 661 GWh from wind sources and 45 GWh from photovoltaic systems, an increase compared to the same period of 2021 (657 GWh of which 616 GWh from wind sources and 41 GWh from solar sources), due to both greater wind speeds (+7%) and better irradiation (+10%).

Year		1 <sup>st</sup> quarter		
2021	(EUR million)	2022	2021	Δ
	Operating Results			
390	Adjusted revenue	99	86	13
317	Wind	84	73	11
73	Solar	15	13	2
308	Adjusted EBITDA	82	72	10
243	Wind	69	61	8
65	Solar	13	11	2
(124)	Amortisation, depreciation and impairment losses	(29)	(32)	3
(83)	Wind	(19)	(22)	3
(41)	Solar	(10)	(10)	0
184	Adjusted EBIT	53	40	13
160	Wind	50	39	11
24	Solar	3	1	2
18	Capital expenditure in property, plant and equipment and intangible assets	21	4	17
16	Wind	20	4	16
1	Solar	1	0	1
78%	EBITDA Margin % <sup>(1)</sup>	83%	84%	-1%
77%	Wind	82%	84%	-1%
86%	Solar	87%	85%	2%

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

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

In light of the above, for ERG the net unit revenue from wind power in Italy, considering the sale value of energy, including the value of incentives (former green certificates) and hedges as well as other minor components, was equal to 124 EUR/MWh (119 EUR/MWh in the first quarter of 2021).

Net unit revenue relating to photovoltaic plants amounted to 333 EUR/MWh (323 EUR/MWh in the first quarter of 2021).

**Adjusted EBITDA** in Italy for **the first quarter of 2022** amounted to EUR 82 million, an increase compared to the first quarter of 2021 (EUR 72 million), for the same reasons relating to revenue.

Depreciation and amortisation for the period decreased compared to the first quarter of 2021 proforma, due to some components of the wind farms having reached the end of their useful life.

## Capital expenditure

Capital expenditure in **the first quarter of 2022 (EUR 21 million)** mainly refers to the start of construction of the Roccapalumba plant (47 MW) and to the repowering activities (193 MW) on the Camporeale, Partinico-Monreale, Mineo-Militello and Vizzini plants in addition to the usual maintenance aimed at further increasing the efficiency of the plants. In Solar, the revamping of the plants has begun, aimed at ensuring greater efficiency of the same.

## ABROAD

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 (1,105 MW operational), mainly in France (502 MW), Germany (327 MW), Poland (82 MW), the UK (70 MW), Romania (70 MW) and Bulgaria (54 MW).

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

Compared to the first quarter of 2021, the installed capacity has increased by 400 MW.

## France

Year 2021		1° trimestre		Δ
		2022	2021	
	Operating Results			
581	Installed capacity (MW) <sup>(1)</sup>	581	397	184
502	Wind	502	397	105
79	Solar	79	0	79
889	Generation (GWh)	322	261	61
865	Wind	305	261	44
24	Solar	17	0	17
	Load Factor % <sup>(2)</sup>			
23%	Wind	28%	30%	-2%
11%	Solar	10%	n.a.	n.a.
89	Net unit revenue (EUR/MWh)	87	89	(2)
88	Wind	86	89	(2)
90	Solar	100	n.a.	n.a.

(1) Capacity of plants in operation at the end of the period.

(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In the first quarter of 2022, electricity output in France amounted to 322 GWh, of which 305 GWh from wind sources and 17 GWh from photovoltaic plants, an increase compared to the same period of 2021 (261 GWh) due to the scope effect (+80 GWh) deriving from the acquisition of wind and solar plants consolidated between June and October 2021 and from the entry into operation of an internally developed farm for a total of 184 MW. This scope effect is partially offset by the lower wind speeds encountered in the period.

Year 2021	(EUR million)	1 <sup>st</sup> quarter		Δ
		2022	2021	
	Operating Results			
155	Adjusted revenue	28	23	5
76	Wind	26	23	3
79	Solar	2	-	2
45	Adjusted EBITDA	18	16	2
44	Wind	18	16	2
1	Solar	1	-	1
(37)	Amortisation, depreciation and impairment losses	(11)	(8)	(3)
(36)	Wind	(10)	(8)	(2)
(1)	Solar	(1)	-	(1)
8	Adjusted EBIT	7	8	(1)
8	Wind	7	8	(1)
(0)	Solar	(0)	-	(0)
8	Capital expenditure in property, plant and equipment and intangible assets	5	0	5
8	Wind	5	0	5
(0)	Solar	-	-	-
29%	EBITDA Margin % <sup>(1)</sup>	65%	69%	-4%
58%	Wind	67%	69%	-2%
2%	Solar	41%	-	41%

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



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

Net unit revenue for wind in France, equal to 86 EUR/MWh, is substantially in line with the same period of 2021 (89 EUR/MWh) as it consists of fixed sales rates or PPAs, while the net unit revenue relating to photovoltaic plants amounted to a total of 100 EUR/MWh.

The **adjusted EBITDA** in France in the first quarter of 2022 amounted to EUR 18 million, an increase compared to the first quarter of 2021 (EUR 16 million), for the same reasons linked to revenue.

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

## Capital expenditure

Capital expenditure in the first quarter of 2022 (EUR 5 million) mainly refers to the development and construction of a new wind farm expected to come into operation during the year (20 MW).

## Germany – Wind

Year 2021		1 <sup>st</sup> quarter		Δ
		2022	2021	
	<b>Operating Results</b>			
327	Installed capacity (MW) <sup>(1)</sup>	327	272	55
428	Generation (GWh)	207	120	87
0	Load Factor% <sup>(2)</sup>	29%	20%	9%
112	Net unit revenue (EUR/MWh)	146	93	53

(1) Capacity of plants in operation at the end of the period.

(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In the first quarter of 2022, **electricity output** in Germany amounted to 207 GWh, an increase compared to the same period of 2021 (121 GWh) due to the better wind conditions encountered in the period and the scope deriving from the acquisition of the wind farms consolidated in October 2021 (+42 GWh).

Year 2021	(EUR million)	1 <sup>st</sup> quarter		Δ
		2022	2021	
	<b>Operating Results</b>			
48	Adjusted revenue	30	11	19
28	Adjusted EBITDA	25	7	18
(22)	Amortisation, depreciation and impairment losses	(7)	(5)	(2)
6	Adjusted EBIT	18	2	16
151	Capital expenditure in property, plant and equipment and intangible assets	0	0	0
59%	EBITDA Margin % <sup>(1)</sup>	83%	66%	16%

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

**Revenue** recorded in **the first quarter of 2022** were up compared to the same period of 2021, due to the aforementioned better wind conditions, the increase in energy sale prices and the scope of the farms acquired in 2021.

Net unit revenue for wind in Germany, equal to 146 EUR/MWh, was significantly higher than in the first quarter of 2021 (93 EUR/MWh), as the fixed sales rate, once exceeded, allows for the capture of the market price.

**Adjusted EBITDA** in Germany in **the first quarter of 2022** amounted to EUR 25 million, a significant increase compared to the first quarter of 2021 (EUR 7 million), for the same reasons linked to revenue.

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

## Capital expenditure

Capital expenditure in the first quarter of 2022 amounted to a non-significant amount.

## UK – Wind

Year 2021		1 <sup>st</sup> quarter		Δ
		2022	2021	
	<b>Operating Results</b>			
70	Installed capacity (MW) <sup>(1)</sup>	70	-	70
-	Generation (GWh)	66	-	66
n.a	Load Factor % <sup>(2)</sup>	43%	n.a	n.a
n.a.	Net unit revenue (EUR/MWh)	195	n.a	n.a

(1) Capacity of plants in operation at the end of the period.

(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In **the first quarter of 2022**, **electricity output** in the UK amounted to 66 GWh and refers to the wind farms developed internally and that entered into operation at the end of 2021 (70 MW).

Year 2021	(EUR million)	1 <sup>st</sup> quarter		Δ
		2022	2021	
	<b>Operating Results</b>			
-	Adjusted revenue	13	-	13
(2)	Adjusted EBITDA	12	(0)	12
(0)	Amortisation, depreciation and impairment losses	(1)	-	(1)
(2)	Adjusted EBIT	11	(0)	11
179	Capital expenditure in property, plant and equipment and intangible assets	11	20	(8)
n.a	EBITDA Margin % <sup>(1)</sup>	90%	n.a	n.a

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

**Revenue** recorded in **the first quarter of 2022** amounted to EUR 13 million, with net unit revenue amounting to 195 EUR/MWh, as the first phase of application of the PPA, which was stipulated in 2021, provides for a valuation in line with market prices.

**Adjusted EBITDA** in the UK in **the first quarter of 2022** stood at EUR 12 million, for the same reasons linked to revenue.

## Capital expenditure

Capital expenditure in **the first quarter of 2022** refers to the construction activities of wind farms in Scotland for approximately 179 MW, of which 142 MW are expected to come into operation during the year.

## Spain- Solar

Year 2021		1 <sup>st</sup> quarter	
		2022	2021
	<b>Operating Results</b>		
-	Installed capacity (MW) <sup>(1)</sup>	92	-
-	Generation (GWh)	27	-
-	Load Factor% <sup>(2)</sup>	14%	-
-	Net unit revenue (EUR/MWh)	168	-

(1) Capacity of plants in operation at the end of the period.

(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In **the first quarter of 2022**, electricity output in Spain amounted to 27 GWh and refers to the solar plants acquired in January 2022 (92 MW).

Year 2021	(EUR million)	1 <sup>st</sup> quarter	
		2022	2021
	<b>Operating Results</b>		
-	Adjusted revenue	5	-
-	Adjusted EBITDA	4	-
-	Amortisation, depreciation and impairment losses	(1)	-
-	Adjusted EBIT	3	-
-	Capital expenditure in property, plant and equipment and intangible assets	96	-
-	EBITDA Margin % <sup>(1)</sup>	84%	-

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

**Revenue** recorded in **the first quarter of 2022** amounted to EUR 5 million, with unit net revenue amounting to 168 EUR/MWh.

**Adjusted EBITDA** in Spain in **the first quarter of 2022** amounted to EUR 4 million, for the same reasons linked to revenue.

## Capital expenditure

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

## East Europe – Wind

Year		1 <sup>st</sup> quarter		
2021		2022	2021	Δ
	Operating Results			
206	Installed capacity (MW) <sup>(1)</sup>	206	206	-
546	Generation (GWh)	209	158	51
28%	Load Factor % <sup>(2)</sup>	47%	36%	11%
25	Net unit revenue (EUR/MWh)	171	79	92

(1) Capacity of plants in operation at the end of the period.

(2) Actual output in relation to maximum theoretical output (calculated taking into account the actual date of entry into operation of each individual farm).

In the **first quarter of 2022**, **electricity output** in East Europe amounted to 207 GWh, an increase compared to the same period of 2021 (158 GWh) due to the better wind conditions encountered.

Year		1 <sup>st</sup> quarter		
2021	(EUR million)	2022	2021	Δ
Operating Results				
74	Adjusted revenue	39	14	25
45	Adjusted EBITDA	33	10	23
(15)	Amortisation, depreciation and impairment losses	(4)	(4)	0
31	Adjusted EBIT	29	6	23
47	Capital expenditure in property, plant and equipment and intangible assets	6	3	4
62%	EBITDA Margin % <sup>(1)</sup>	83%	70%	13%

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

**Revenue** recorded in **the first quarter of 2022** were up compared to the same period of 2021, due to the aforementioned better wind conditions and the increase in energy sale prices.

The average net unit revenue in East Europe amounted to 171 EUR/MWh, up compared to the first quarter of 2021 (79 EUR/MWh), as most of the installed capacity is incentivised with a certified system that is added to the market price of energy.

**Adjusted EBITDA** in East Europe for **the first quarter of 2022** amounted to EUR 33 million, an increase compared to the first quarter of 2021 (EUR 10 million), for the same reasons linked to revenue.

## Capital expenditure

Capital expenditure in the first quarter of 2022 refers to the construction of two wind farms in Poland for approximately 61 MW, which came into operation during the year.

## SIGNIFICANT EVENTS DURING THE QUARTER

Date	Geographical segment	Sector	Significant event
<a href="#">Press release of 3 January 2022</a>	Italy	Idroelettrico	ERG finalised the closing with Enel Produzione S.p.A. for the sale of the entire share capital of ERG Hydro S.r.l.
<a href="#">Press release of 26 January 2022</a>	Italy	Corporate	ERG has been included in Bloomberg's Gender Equality Index (GEI).
<a href="#">Press release of 31 January 2022</a>	Italy	Wind	ERG has been awarded a tariff for 20 years on 97.2 MW of new wind capacity as part of the seventh auction called by GSE (Gestore dei Servizi Elettrici).
<a href="#">Press release of 31 January 2022</a>	Spain	Solar	ERG acquired from GEI Subasta 1 SA 100% of the capital of two Spanish project companies owning two operational solar plants of 50.0 MW and 41.6 MW respectively.
<a href="#">Press release of 9 February 2022</a>	Italy	Termoelettrico	ERG signed an agreement with Enel Produzione S.p.A. to sell the entire share capital of ERG Power S.r.l., which owns the Combined Cycle Gas Turbine (CCGT) cogeneration power plant.
<a href="#">Press release of 10 February 2022</a>	Italy	Corporate	ERG enters the CDP (Carbon Disclosure Project) "Suppliers Engagement Leaderboard".
<a href="#">Press release of 23 February 2022</a>	Italy	Storage	ERG enters the storage market with two projects for a total of 22 MW of installed capacity in the Centre-South and Sicily.
<a href="#">Press release of 15 March 2022</a>	Italy	Corporate	ERG's Board of Directors approves the 2022-2026 Business and ESG Plan.
<a href="#">Press release of 24 March 2022</a>	UK	Wind	ERG, through its subsidiaries in the United Kingdom, reached an agreement with ENGIE UK Markets Ltd, for the signing of two Power Purchase Agreements (PPAs) with a ten-year duration.

On 10 March, the Italian government's Council of Ministers exercised the substitute power provided for by law, resolving the approval for the purpose of assessing the environmental impact of renewable plant projects for a total of 418 MW, including the ERG project for the repowering of the 121.5-MW "Nulvi Ploaghe" wind farm (Sassari).

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

In particular, in Italy reference is made to Article 37 of the Italian Decree Law of 21 March 2022 whose impacts, which are still being assessed, have been estimated for the purposes of this document to be EUR 14 million<sup>7</sup> recognised in the line "Taxes" and isolated as non-characteristic items.

With reference to Article 15-bis of the Italian Decree Law 4/2022 ("Sostegni-ter" Decree)<sup>8</sup> it should be noted that no provisions have been estimated since Italian "merchant" output is sold on a forward basis at prices consistent with the thresholds identified by the decree itself.

As regards abroad, the application of the "Windfall Tax" legislation is noted in Romania, which resulted in higher expense in the quarter of EUR 3 million, recognised in EBITDA as non-characteristic items.

Finally, it is noted that in view of the war that broke in **Ukraine** at the end of February 2022, management continues to monitor any critical issues and impacts that the conflict could have on the ERG Group, in particular with reference to credit risk, security and business continuity. It should be noted in this regard that a Provision of around EUR 1 million is set aside in the Financial Statements for some initiatives to support the humanitarian crisis in Ukraine.

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<sup>7</sup> The results commented herein do not include the updates to the effects of the Italian Decree Law of 21 March 2022 indicated by Italy's Council of Ministers on 3 May 2022.

<sup>8</sup> Converted into Law with Italian law no. 25/2022.

## SIGNIFICANT EVENTS AFTER THE QUARTER

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Date	Sector	Significant event
<a href="#">Press release of 26 April 2022</a>	Corporate	The Shareholders of ERG S.p.A. approved the 2021 Financial Statements, resolved on the payment of a dividend of EUR 0.90 per share and appointed the new Board of Statutory Auditors.

## BUSINESS OUTLOOK

In a context of high market prices due to the energy crisis and high natural gas prices, it should be noted that ERG, in line with the best practices in the sector and its consolidated risk policy, has in recent years made forward sales, mainly through long-term supply contracts at fixed prices (so-called PPAs) and forward contracts also through derivative financial instruments, at prices considerably lower than current prices. These hedges, carried out with a portfolio approach by the Group's Energy Management through ERG Power Generation S.p.A., are allocated from a management standpoint to the various project companies, which own the Production Units (PUs).

The hedge allocation criterion follows a cascade mechanism which, with the idea of mitigating the associated risks, has the following order of priority:

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

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

The expected outlook for the main operating and performance indicators in 2022 is as follows:

### Italy

Gross operating profit (EBITDA) in Wind is expected to decrease compared to 2021 as a result of the lower value of the incentive, determined by difference taking into account the average energy prices for the year 2021.

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

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



## Abroad

In a context of rising market prices, **gross operating profit (EBITDA)** is expected to increase compared to 2021 thanks to the full contribution of the wind and solar farms acquired in the course of 2021 in France and Germany and at the beginning of 2022 in Spain as well as the organic development of two plants in Northern Ireland (70 MW) and one in France (7MW), which came into operation at the end of 2021. The results will also reflect the contribution of new plants in France (20 MW), the UK (142 MW) and Poland (61 MW), expected to come into operation in 2022.

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

For the year 2022, at Group level EBITDA is estimated in the range between EUR **450** million and EUR **480** million, an increase compared to the previous range of EUR 400 million and EUR 430 million. The reference figure for 2021, assuming the same scope and net of the full allocation of the residual plant costs, is equal to EUR **399** million.

Capital expenditure is confirmed to be expected in the range between EUR **420** million and EUR **480** million (EUR 617 million in 2021 assuming the same wind & solar scope), including the acquisition of two solar farms in Spain (92 MW), which took place in January 2022, construction related both to the repowering of the Italian farms and to the projects developed internally for a total of 500 MW, of which 250 MW are expected to come into operation in 2022.

Net financial indebtedness at the end of 2022 is expected, as per the previous communication, to be in the range between EUR **750** million and EUR **850** million (EUR 2,051 million at the end of 2021), including the distribution of the ordinary dividend of EUR 0.90 per share. The expected increase in EBITDA will be partially offset by the higher tax payments on extra-profits expected in Italy and Romania.

As regards the thermoelectric business, the sale of the assets is expected by the third quarter of 2022. For this reason, the relative results are not included in the continuing operations commented on above, and will be classified in the financial statements under discontinued operations.

## BUSINESS DESCRIPTION

The ERG Group is a major independent operator in the generation of electricity from renewable sources such as wind and solar.

ERG has radically changed its business portfolio, anticipating long-term energy scenarios and achieving a leading position in renewables not only in the Italian market but also in Europe.

Since starting its industrial transformation from Oil to Green in 2008, the Company has become a primary independent producer of electricity from renewable sources.

In line with the third R of the 2021-2025 business plan, the Group has undertaken a major Asset Rotation project in order to complete its transformation towards a pure “Wind & Solar” business model, reaffirming its leading role in the Energy Transition process and in the decarbonisation process, also envisaged in the ESG plan. On 3 January 2022, ERG completed the sale of its hydroelectric assets to Enel Produzione, with which it subsequently also reached an agreement to sell the Priolo Gargallo CCGT plant, whose closing is expected by the first quarter 2022.

As a result of these significant transactions, the Group has become a 100% Renewable operator.

As from the first quarter of 2022, in order to continue the growth path started and achieve the ambitious targets set in the Business Plan, the Group implemented a business model rooted in the various realities and at the same time flexible, which takes into account both geographical and technological diversification.

Management of the industrial and commercial processes

of the ERG Group is entrusted to the subsidiary ERG Power Generation S.p.A., which carries out:

- centralised Energy Management & Sales activities for all generation technologies in which the ERG Group operates with the mission of securing production through long-term contracts and managing the hedging of merchant positions in line with the Group’s risk policies;
- the Operation & Maintenance activities of its Italian wind and solar farms and part of the plants in France and Germany, as well as the Priolo CCGT plant. It provides technical and administrative services in France for both Group companies and third parties through its foreign subsidiaries.

ERG Power Generation S.p.A., with generating facilities comprising 2,989 MW of installed capacity, also operates, directly or through its subsidiaries, in the following Geographical Segments:

### Italy

ERG is active in Italy in the generation of electricity from wind, solar and thermoelectric sources<sup>9</sup>.

ERG is the leading operator in the wind sector in Italy with 1,093 MW of installed capacity

ERG is active in Italy in the generation of electricity from solar sources with an installed capacity of 141 MW, with 33 photovoltaic plants located in 9 regions.

<sup>9</sup> Thermoelectric business in the process of being sold.

## 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 (1,105 MW operational), mainly in France (502 MW),

Germany (327 MW), Poland (82 MW), Romania (70 MW), Bulgaria (54 MW) and the UK (70 MW).

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

# CORPORATE BODIES

## BOARD OF DIRECTORS<sup>10</sup>

Chairman  
**EDOARDO GARRONE** (*executive*)

Deputy Chairman  
**ALESSANDRO GARRONE** (*executive*<sup>11</sup>)  
**GIOVANNI MONDINI** (*non-executive*)

Chief Executive Officer  
**PAOLO LUIGI MERLI**

Directors  
**LUCA BETTONTE** (*non-executive*)  
**EMANUELA BONADIMAN** (*independent*<sup>12</sup>)  
**MARA ANNA RITA CAVERNI** (*independent*<sup>12</sup>)  
**MARCO COSTAGUTA** (*non-executive*)  
**ELENA GRIFONI WINTERS** (*independent*<sup>12</sup>)  
**FEDERICA LOLLI** (*independent*<sup>12</sup>)  
**ELISABETTA OLIVERI** (*independent*<sup>12</sup>)  
**MARIO PATERLINI** (*independent*<sup>12</sup>)

## BOARD OF STATUTORY AUDITORS<sup>13</sup>

Chairwoman  
**ELENA SPAGNOL**

Standing Auditors  
**GIULIA DE MARTINO**  
**FABRIZIO CAVALLI**

**MANAGER IN CHARGE OF  
FINANCIAL REPORTING  
(ITALIAN LAW NO. 262/05)**  
**MICHELE PEDEMONTE**<sup>14</sup>

**INDEPENDENT AUDITORS**  
**KPMG S.P.A.**<sup>15</sup>

<sup>10</sup> Board of Directors appointed on 26 April 2021.

<sup>11</sup> Director in charge of the Internal Control and Risk Management System.

<sup>12</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>13</sup> Board of Statutory Auditors appointed on 26 April 2022.

<sup>14</sup> Appointed on 26 April 2021 at the same time as appointment to the office of Group CFO.

<sup>15</sup> Appointed on 23 April 2018 for the period 2018 – 2026.

## CHANGE IN BUSINESS SCOPE IN 2021

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- **Solar – Valentia**

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

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

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

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

- **Hydroelectric**

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

- **Thermoelectric**

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

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

# INTERIM FINANCIAL STATEMENTS AND OTHER INFORMATION

## ADJUSTED INCOME STATEMENT

This section contains the adjusted operating results, presented to exclude the impacts relating to the adoption of IFRS 9 and of special items, and with the reclassification for IFRS 16.

The 2022 and 2021 figures were presented in accordance with the provisions of IFRS 5 with reference to the agreement for the sale of the thermoelectric business, signed on 9 February 2022 and the finalisation of the sale of the hydroelectric business, which took place on 3 January 2022, reclassifying therefore to the line "Profit (loss) from assets held for sale" for 2022 the result of the first three months of the subsidiary ERG Power S.r.l. and for 2021 also the result of the company ERG Hydro S.r.l. (now Enel Hydro Appennino Centrale S.r.l.).

Lastly, this document reflects the economic impacts of the consolidation of the Spanish companies acquired during the year as from 1 January 2022.

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

		1 <sup>st</sup> quarter		
(EUR million)		2022	2021 Proforma	Δ
Revenue	1	214	137	77
Other income	2	1	0	1
<b>TOTAL REVENUE</b>		<b>216</b>	<b>138</b>	<b>78</b>
Purchases and change in inventories	3	(3)	(1)	(2)
Services and other operating costs	4	(31)	(23)	(7)
Personnel expense		(15)	(14)	(1)
<b>EBITDA</b>		<b>168</b>	<b>99</b>	<b>68</b>
Amortisation, depreciation and impairment of non-current assets	5	(54)	(49)	(5)
<b>Operating profit (EBIT)</b>		<b>114</b>	<b>50</b>	<b>64</b>
Net financial income (expense)	6	(6)	(8)	1
Net gains (losses) on equity investments		0	0	0
<b>Profit before taxes</b>		<b>107</b>	<b>42</b>	<b>65</b>
Income taxes	7	(23)	(8)	(15)
<b>Profit from continuing operations</b>		<b>84</b>	<b>34</b>	<b>50</b>
Profit (loss) from discontinued operations	8	5	31	(26)
<b>Profit (loss) for the period</b>		<b>89</b>	<b>65</b>	<b>24</b>
Non-controlling interests		(0)	0	(1)
<b>Profit attributable to owners of the parent</b>		<b>89</b>	<b>65</b>	<b>24</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 in operation and solar installations.

**Revenue in the first quarter of 2022** amounted to EUR 214 million, a significant increase compared to EUR 137 million in the first quarter of 2021 proforma mainly as a result of the better wind conditions recorded in the period, the increase in energy sale prices both in Italy and abroad, the full contribution of the increased installed capacity in Spain and the contribution of the wind and solar farms acquired during the second half of 2021 in France and Germany, as well as the contribution of the new farms, which entered into operation in the United Kingdom and France at the end of 2021, partly offset by the decrease in the unit value of the incentive in Italy (from 109.4 to 42.9 EUR/MWh).

## 2 - Other income

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

## 3 - Purchases and changes in inventories

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

## 4 - Services and other operating costs

Services include maintenance costs, costs for agreements with local authorities, for consulting services, insurance and for services rendered by third parties.

The other operating costs mainly relate to rent, provisions for risks and charges and to taxes other than income taxes.

Values in the first quarter of 2022 do not include:

- the ancillary costs relating to non-recurring transactions equal to EUR 1 million;
- the impact relating to the application of the “Windfall Tax” legislation in Romania equal to approximately EUR 3 million.

Lease payment charges (lease costs for IFRS 16 purposes) for EUR 3 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 of non-current assets

Amortisation and depreciation refer to wind farms and solar installations. The increase in the period is mainly linked to the contribution made by the new solar assets acquired in the quarter and to the full contribution of the wind and solar assets acquired in France and Germany in the second half of 2021, partly offset by some components of the wind farms reaching the end of their useful life.

It should be noted that the values for the first quarter of 2022 do not include:

- the impairment of the net residual value of the property, plant and equipment and intangible assets of wind farms in the Italian portfolio, following the authorisation of a Repowering project obtained during the quarter, amounting to approximately EUR 7 million;
- the amortisation and depreciation related to the application of IFRS 16, as previously discussed under item 4.

## 6 - Net financial income (expense)

**Net financial expense** in the first quarter of 2022 amounted to EUR 6 million, down compared to the first quarter of 2021 proforma (EUR 8 million), due to the effect of the liability management operations carried out in 2021.

The average cost of non-current liabilities in the first quarter of 2022 stood at 1.5% compared to 1.8% in the first quarter of 2021 proforma, due to the same effects described above. The return on liquidity is lower than that of the first quarter of 2021 due to the worsening of interest rates in the reference period.

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

Lastly, it is specified that the values do not include the following components of an exceptional nature (special items) linked to liability management transactions:

- financial expense (EUR -3 million) relating to the repayment of three Corporate Loans;
- 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 -1 million), as previously discussed under item 4.

## 7 - Income taxes

**Adjusted income taxes** amounted to EUR 23 million, a significant increase compared to EUR 8 million in the first quarter of 2021 proforma mainly as a consequence of the higher taxable income due to the results in the year.

It should be noted that the item does not include the impact deriving from Article 37 of the Italian Decree Law of 21 March 2022 equal to approximately EUR 14 million. This tax was isolated as a non-characteristic item.

The tax rate for the first quarter of 2022, obtained from the ratio between income taxes and pre-tax profit, was 22% (20% in first quarter of 2021 proforma).

## 8 - Profit (loss) from assets held for sale

The item includes for the first quarter of 2022 the reclassification of the result of the company ERG Power S.r.l. and for the first quarter of 2021 also the result of the company ERG Hydro S.r.l. (now Enel Hydro Appennino Centrale S.r.l.) in accordance with the provisions of IFRS 5.

## ADJUSTED STATEMENT OF FINANCIAL POSITION

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

The following are the values at 31 March 2022, which do not include:

- the impact deriving from the application of IFRS 16 of increased net financial indebtedness of approximately EUR 137 million with a balancing entry in net invested capital amounting to approximately EUR 133 million.

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

### ADJUSTED RECLASSIFIED STATEMENT OF FINANCIAL POSITION

31/03/2021	(EUR million)		31/03/2022	31/12/2021
3,227	Non-current assets	1	2,849	3,624
135	Net operating working capital	2	92	177
(5)	Employee benefits		(4)	(5)
234	Other assets	3	332	434
(442)	Other liabilities	4	(531)	(623)
<b>3,148</b>	<b>Net invested capital of continuing operations</b>		<b>2,738</b>	<b>3,608</b>
-	<b>Net invested capital of assets held for sale</b>		<b>281</b>	-
<b>3,148</b>	<b>Net invested capital</b>		<b>3,018</b>	<b>3,608</b>
1,823	Equity attributable to the owners of the parent		2,153	1,547
10	Non-controlling interests	5	10	10
1,316	Net financial indebtedness of continuing operations	6	890	2,051
-	Net financial indebtedness of discontinued operations	6	(35)	-
<b>3,148</b>	<b>Equity and financial indebtedness</b>		<b>3,018</b>	<b>3,608</b>

### 1 - Non-current assets

(EUR million)	Intangible assets	Property, plant and equipment	Financial assets	Total
<b>Non-current assets at 31/12/2021</b>	<b>1,116</b>	<b>2,463</b>	<b>45</b>	<b>3,624</b>
Capital expenditure	0	50	8	59
Change in the consolidation scope	28	72	0	100
Divestments and other changes	(120)	(541)	(0)	(662)
Amortisation and depreciation	(16)	(44)	-	(60)
Adjustment for impact of IFRS 5	(1)	(192)	(20)	(212)
<b>Non-current assets at 31/03/2022</b>	<b>1,007</b>	<b>1,808</b>	<b>34</b>	<b>2,849</b>



The "Change in the consolidation scope" relates to the acquisition of photovoltaic plants in Spain, consolidated on a line-by-line basis as from the first quarter of 2022.

The line "Divestments and other changes" includes the effects of the deconsolidation of the company Erg Hydro (now "Enel Appennino Centrale"), sold on 3 January 2022, as well as the disposals of non-current assets, the use of main component spare parts and reclassifications.

## 2 – Net operating working capital

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

## 3 – Other assets

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

## 4 – Other liabilities

These concern mainly the negative effect of the fair value of derivatives hedging electricity due to the trend in commodity prices, to the deferred tax liabilities calculated on the differences between carrying amounts and the related tax basis (mainly authorisations, 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

Indebtedness does not include the financial liability related to the application of IFRS 16 of approximately EUR 137 million (EUR 129 million at 31 December 2021).

### SUMMARY OF THE GROUP'S ADJUSTED INDEBTEDNESS

31/03/2021	(EUR million)	31/03/2022	31/12/2021
1,994	Non-current financial indebtedness	1,960	2,073
(679)	Current financial indebtedness (cash and cash equivalents)	(1,070)	(22)
<b>1,316</b>	<b>Total indebtedness of continuing operations</b>	<b>890</b>	<b>2,051</b>
-	<b>Total indebtedness of discontinued operations</b>	<b>(35)</b>	-
<b>1,316</b>	<b>Total</b>	<b>855</b>	<b>2,051</b>

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

#### NON-CURRENT FINANCIAL INDEBTEDNESS

31/03/2021	(EUR million)	31/03/2022	31/12/2021
507	<b>Non-current loans and borrowings</b>	149	249
1,127	Non-current financial liabilities	1,607	1,614
<b>1,634</b>	<b>Total</b>	<b>1,756</b>	<b>1,863</b>
409	Total Project Financing	230	237
(49)	Current portion of Project Financing	(26)	(27)
<b>360</b>	<b>Non-current Project Financing</b>	<b>204</b>	<b>210</b>
<b>1,994</b>	<b>Total non-current financial indebtedness of continuing operations</b>	<b>1,960</b>	<b>2,073</b>
-	<b>Total non-current financial indebtedness of discontinued operations</b>	-	-
<b>1,994</b>	<b>TOTAL</b>	<b>1,960</b>	<b>2,073</b>

**“Non-current loans and borrowings”** at 31 March 2022 totalled EUR 149 million and refer to a *senior Environmental, Social and Governance loan* (“ESG Loan”) with Mediobanca S.p.A. (EUR 150 million) taken out in the first half of 2016 and refinanced in the fourth quarter of 2021 (first *bilateral corporate loan*).

The loan indicated above is recognised net of medium/long-term ancillary costs, recognised with the amortised cost method (EUR 0.5 million) and the effect of the renegotiation of loans (EUR 0.3 million) following the application of IFRS 9.

- **“Non-current financial liabilities”**, amounting to EUR 1,607 million, refer mainly to:
  - liability deriving from placement of three bond loans amounting to 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 8 million);
  - liabilities relating to deferred components of considerations for the purchase of assets and authorisations (EUR 14 million);
  - net liabilities deriving from the fair value measurement of the derivatives to hedge interest rates of EUR 1 million.
- The liabilities for **“Project Financing”** of EUR 230 million at 31 March 2022 relate to:
  - loans for EUR 101 million relating to the company Andromeda PV S.r.l.;
  - EUR 129 million in loans disbursed for the construction of wind farms, recognised for a total net of ancillary costs, recorded for accounting purposes with the amortised cost method (EUR 3 million) and the effect of the renegotiation of loans (EUR 4 million) following the application of IFRS 9.

The breakdown of **current net financial indebtedness** is shown below:

#### CURRENT FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)

31/03/2021	(EUR million)	31/03/2022	31/12/2021
26	Current bank loans and borrowings	421	1,305
33	Other current financial liabilities	85	67
<b>60</b>	<b>Current financial liabilities</b>	<b>506</b>	<b>1,372</b>
(643)	Cash and cash equivalents <sup>(1)</sup>	(894)	(880)
(70)	Securities and other current financial assets	(625)	(491)
<b>(713)</b>	<b>Current financial assets</b>	<b>(1,519)</b>	<b>(1,371)</b>
49	Current Project Financing	26	27
(74)	Cash and cash equivalents	(82)	(50)
<b>(25)</b>	<b>Project Financing</b>	<b>(56)</b>	<b>(23)</b>
<b>(679)</b>	<b>Total current financial indebtedness of continuing operations</b>	<b>(1,070)</b>	<b>(22)</b>
<b>0</b>	<b>Total current financial indebtedness of discontinued operations</b>	<b>(35)</b>	<b>-</b>
<b>(679)</b>	<b>TOTAL</b>	<b>(1,105)</b>	<b>(22)</b>

(1) It 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 referring to short-term credit facilities;
- a *bilateral corporate loan* with UBI Banca S.p.A. (now the Intesasanpaolo Group) (EUR 100 million) taken out in the first half of 2016, repayment of which is expected in the first quarter of 2023.

**Other short-term financial liabilities** mainly include financial liabilities on non-hedging physical derivatives (EUR 69 million) and accrued interest expenses on Bonds and Corporate Loans (EUR 13 million).

**Current financial assets** include short-term uses of liquidity for approximately EUR 550 million and deposits to guarantee transactions on futures derivatives for approximately EUR 45 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:

Year 2021 <sup>(1)</sup>	(EUR million)	1 <sup>st</sup> quarter	
		2022	2021 <sup>(1)</sup>
580	Adjusted gross operating profit (loss)	168	161
(53)	Change in net working capital	(55)	3
<b>527</b>	<b>Cash flows from operations</b>	<b>112</b>	<b>163</b>
(258)	Capital expenditure in property, plant and equipment and intangible assets	(51)	(33)
(389)	Asset acquisitions and business combinations	(96)	-
-	Collection from the sale of ERG Hydro	1,265	-
(0)	Capital expenditure on non-current financial assets	(1)	-
(3)	Divestments and other changes	(0)	3
<b>(651)</b>	<b>Cash flows from (used in) investments/divestments</b>	<b>1,117</b>	<b>(30)</b>
(29)	Net financial income (expense)	(6)	(8)
(16)	Closure fair value of loans	(3)	(1)
0	Net gains (losses) on equity investments	-	0
<b>(45)</b>	<b>Cash flows from (used in) financing activities</b>	<b>(9)</b>	<b>(9)</b>
<b>(42)</b>	<b>Cash flows from (used in) tax management</b>	<b>-</b>	<b>(1)</b>
(114)	Distribution of dividends	-	-
(288)	Other changes in equity	26	1
<b>(402)</b>	<b>Cash flows from (used in) Equity</b>	<b>26</b>	<b>1</b>
-	<b>Change in the consolidation scope</b>	<b>(69)</b>	<b>-</b>
-	<b>Cash Flow Thermo</b>	<b>(17)</b>	<b>-</b>
<b>1,439</b>	<b>Opening net financial indebtedness</b>	<b>2,051</b>	<b>1,439</b>
612	Net change	(1,161)	(123)
<b>2,051</b>	<b>Adjusted indebtedness of "Continuing operations"</b>	<b>890</b>	<b>1,316</b>
-	Net Indebtedness Thermo	(35)	-
<b>2,051</b>	<b>Total adjusted indebtedness</b>	<b>855</b>	<b>1,316</b>

(1) It should be noted that the 2021 cash flow is shown taking into account the cash flows of the assets held for sale.

**Cash Flows from operations** in the first quarter of 2022 are positive by EUR 112 million, down by EUR 51 million compared to the corresponding period of 2021, mainly due to the operating performance and the changes in working capital. It should be noted that the changes in working capital include a tax credit following the sale of the company Erg Hydro S.r.l., which took place on 3 January 2022, previously included in the ERG Group's tax consolidation scheme.

**Cash flows from investments** in the first quarter of 2022 includes the proceeds from the sale of the Terni hydroelectric complex (EUR 1,265 million), M&A activities and in particular the acquisition of operational photovoltaic plants in Spain (EUR 96 million), as well as capital expenditure in the period (EUR 51 million) aimed at developing wind farms in the United Kingdom, Poland, France and Sweden, as well as developments on the Repowering and Reblading projects in Italy.

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

**Cash flows from Tax Management** refer to the payment of direct taxes during the year.

**Cash flows from Equity** refer to the changes in the hedging reserve tied to derivative financial instruments, to the translation reserve and to the dividends distributed.

# ALTERNATIVE PERFORMANCE INDICATORS

## Definitions

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

Some of the Alternative Performance Indicators (APIs) used in this document are different from the financial indicators expressly provided for by the IAS/IFRS adopted by the Group. These alternative indicators are used by the Group in order to facilitate the communication of information on its business performance as well as its net financial indebtedness.

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

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

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

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

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

### IFRS 16

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

The application of the standard has changed the presentation in the income statement of costs for operating leases: these costs are now recognised as depreciation of the right-of-use assets and as financial expense correlated to the liability linked to the discounting of future lease payments.

Previously, the Group recognised costs for operating leases on a straight-line basis over the lease term, essentially when the relative lease payments were made.

The application of IFRS 16 in the first quarter of 2022 has therefore led to:

- an improvement in gross operating profit (EBITDA) in respect of the lease payments that fall within the scope of IFRS 16, of approximately EUR 3 million;
- an increase (approximately EUR 137 million) in the net financial indebtedness and the net invested capital (approximately EUR 133 million) in relation to the application of the equity method indicated by the standard;
- greater depreciation and amortisation (EUR 1 million) and greater financial expense (EUR 1 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 amortisation 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.

### Asset Rotation – ERG Power

In the first half of 2021, the ERG Group implemented an evaluation process relating to the opportunity for a potential asset rotation of the thermoelectric plants to aid in further accelerating the growth and development of its business model.

Following the close of the first half of 2021, bids from interested operators were received in early July 2021.

The Group, having read the market indications, continued the process of assessing the potential sale of the thermoelectric plant which, at 31 December 2021 (Reporting Date of this document), was still being finalised. Furthermore, at the Reporting Date, the thermoelectric plant was not yet available for immediate sale in its current condition.

In consideration of the above and in application of the provisions of paragraph 12 of IFRS 5, in this document none of the relative Net Assets were classified as assets/liabilities held for sale at 31 December 2021.

During 2022, following the in-depth analysis carried out, Group management began negotiations for the sale of the thermoelectric plant, signing an agreement on 9 February 2022 with Enel Produzione S.p.A. for the sale of the entire capital of ERG Power S.r.l. The consideration in terms of Enterprise Value, at 31 December 2021, is EUR 188 million and will be subject to a price adjustment at the closing. This will include, among other things, a monthly décalage mechanism consistent with the expected cash flows of the business plan. It will also include the mark-to-market valuation at the closing of some hedging derivatives included in the scope and relating to part of the energy produced in the future by ERG Power's plants.

Subject, among other things, to the approval of the relevant antitrust authorities and the successful completion of the Golden Power procedure at the Italian Presidency of the Council of Ministers, the deal should be closed within the third quarter of 2022.

## Reconciliation with adjusted operating results

### GROSS OPERATING PROFIT (EBITDA)

Year			1 <sup>st</sup> quarter	
2021	(EUR million)	Notes	2022	2021
397	EBITDA for continuing operations		166	101
	<b>Special items exclusion:</b>			
(9)	- IFRS 16 reclassification	1	(3)	(2)
	<b>Italy</b>			
7	- Reversal of ancillary charges on non-recurring operations (Special Projects)	2	1	-
3	- Reversal termination indemnity CEO	3	-	-
2	- Reversal for allocation for provision for disposed businesses	4	-	-
	<b>East Europe</b>			
-	- Reversal of Windfall Tax Romania	5	3	-
399	Adjusted gross operating profit (EBITDA)		168	99

### AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Year			1 <sup>st</sup> quarter	
2021	(EUR million)	Notes	2022	2021
(228)	Amortisation, depreciation and impairment losses		(62)	(51)
	<b>Special items exclusion:</b>			
5	- IFRS 16 reclassification	1	1	1
22	- Reversal of impairment of Repowering Wind Italy	6	7	-
(201)	Adjusted depreciation and amortisation		(54)	(49)

### PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Year			1 <sup>st</sup> quarter	
2021	(EUR million)	Notes	2022	2021
86	Profit from continuing operations attributable to the owners of the parent		59	33
	<b>Special items exclusion:</b>			
6	Exclusion of ancillary charges on non-recurring transactions	2	1	-
2	Exclusion termination indemnity CEO	3	-	-
1	Exclusion of expenses related to disposed Businesses	4	0	-
-	Exclusion of impact of WindFall Tax Romania and 10% Extra-profits contribution	5-7	17	-
16	Exclusion of impairment of Repowering Wind Italy	6	5	-
14	Exclusion of ancillary charges on loan prepayments	8	2	1
2	Exclusion of impact of gains/losses (IFRS 9)	9	1	1
127	Adjusted profit from continuing operations attributable to owners of the parent		84	34



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 the acquisitions in the first quarter of 2022 relating to operational solar installations in Spain, as well as the unsuccessful acquisitions.
3. Termination indemnity related to the end of office and succession of the Chief Executive Officer, which took place on 26 April 2021.
4. Provisions relating to exceptional items on businesses disposed of by the Group.
5. Impact of "Windfall Tax" legislation application on Corni Eolian SA in Romania.
6. Impairment of the net residual value of the property, plant and equipment and intangible assets of a wind farm in Italy, following the authorisation of a Repowering project.
7. Exclusion of the extraordinary contribution envisaged by Article 37 of Italian Decree Law of 21 March 2022 for approximately EUR 14 million.
8. Financial expense related to the early closure of Corporate loans as part of Liability Management transactions.
9. The Group renegotiated a number of loans during the year. IFRS 9 does not allow for the deferment of the positive economic effects of the renegotiation of loans on the residual life of the liability: this resulted in net financial expense of approximately EUR 1 million being accounted for in the first quarter of 2022. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted income statement financial expense related to the debt service payment, deferring the recognition of benefits of the renegotiation over the remaining term of the liability and not recognising them all in one immediate entry at the time of the amendment. The adjustment commented herein relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.

## Reconciliation of adjusted proforma values 1<sup>st</sup> quarter 2021

### ADJUSTED INCOME STATEMENT

(EUR million)	1 <sup>st</sup> quarter 2021 Adjusted	ERG Hydro	ERG Power	1 <sup>st</sup> quarter 2021 Proforma
Revenue	280	(60)	(83)	137
Other income	1	(1)	(0)	0
<b>Total revenue</b>	<b>281</b>	<b>(61)</b>	<b>(83)</b>	<b>138</b>
Purchases	(66)	(0)	66	(1)
Change in inventories	1	(0)	(0)	1
Services and other operating costs	(39)	6	9	(23)
Personnel expense	(17)	1	1	(14)
<b>Gross operating profit (EBITDA)</b>	<b>161</b>	<b>(54)</b>	<b>(8)</b>	<b>99</b>
Amortisation, depreciation and impairment of non-current assets	(68)	11	7	(49)
<b>Operating profit (EBIT)</b>	<b>93</b>	<b>(43)</b>	<b>(0)</b>	<b>50</b>
Net financial income (expense)	(8)	(0)	0	(8)
Net gains (losses) on equity investments	0	0	0	0
<b>Profit (loss) before taxes</b>	<b>85</b>	<b>(43)</b>	<b>(0)</b>	<b>42</b>
Income taxes	(21)	12	(0)	(8)
<b>Profit (loss) from continuing operations</b>	<b>65</b>	<b>(30)</b>	<b>(0)</b>	<b>34</b>
Profit (loss) from assets held for sale	0	30	0	31
<b>Profit before non-controlling interests</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>65</b>
<b>Non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Profit (loss) attributable to the owners of the parent</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>65</b>

Below is the reconciliation between the Interim Financial Statements and the adjusted interim financial statements shown and commented upon in this document:

### Income Statement 1<sup>st</sup> Quarter 2022

(EUR million)	Consolidated Interim Financial Statements	Reclassi- fication of IFRS 16 impact	Adjustment for impact of IFRS 9	Reversal of special items	Adjusted income statement
Revenue	214	-	-	-	214
Other income	1	-	-	-	1
<b>Total revenue</b>	<b>216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>216</b>
Purchases and change in inventories	(3)	-	-	-	(3)
Services and other operating costs	(33)	(3)	-	5	(31)
Personnel expense	(15)	-	-	-	(15)
<b>Gross operating profit (EBITDA)</b>	<b>166</b>	<b>(3)</b>	<b>-</b>	<b>5</b>	<b>168</b>
Amortisation, depreciation and impairment of non-current assets	(62)	1	-	7	(54)
<b>Operating profit (EBIT)</b>	<b>104</b>	<b>(1)</b>	<b>-</b>	<b>11</b>	<b>114</b>
Net financial income (expense)	(11)	1	1	3	(6)
Net gains (losses) on equity investments	(0)	-	-	0	0
<b>Profit before taxes</b>	<b>92</b>	<b>0</b>	<b>1</b>	<b>14</b>	<b>107</b>
Income taxes	(34)	-	(0)	11	(23)
<b>Profit from continuing operations</b>	<b>59</b>	<b>0</b>	<b>1</b>	<b>25</b>	<b>84</b>
Profit (loss) from assets held for sale	329	-	-	(324)	5
<b>Profit (loss) for the period</b>	<b>388</b>	<b>0</b>	<b>1</b>	<b>(299)</b>	<b>89</b>
Non-controlling interests	(0)	-	-	-	(0)
<b>Profit (loss) attributable to the owners of the parent</b>	<b>388</b>	<b>0</b>	<b>1</b>	<b>(299)</b>	<b>89</b>

## Reclassified statement of financial position at 31 March 2022

(EUR million)	Reported Statement of Financial Position	Adjustment for impact of IFRS 16	Adjusted Statement of Financial Position
Intangible assets	1,007	-	1,007
Property, plant and equipment	1,942	(134)	1,808
Equity investments and other non-current financial assets	34	-	34
<b>Non-current assets</b>	<b>2,983</b>	<b>(134)</b>	<b>2,849</b>
Inventories	17	-	17
Trade receivables	177	-	177
Trade payables	(102)	-	(102)
Excise duties payable to tax authorities	(0)	-	(0)
<b>Net operating working capital</b>	<b>92</b>	<b>-</b>	<b>92</b>
Employee benefits	(4)	-	(4)
Other assets	331	1	332
Other liabilities	(531)	-	(531)
<b>Net invested capital of continuing operations</b>	<b>2,871</b>	<b>(133)</b>	<b>2,738</b>
<b>Net invested capital of assets held for sale</b>	<b>281</b>	<b>(0)</b>	<b>281</b>
<b>Net invested capital</b>	<b>3,152</b>	<b>(133)</b>	<b>3,018</b>
Equity attributable to the owners of the parent	2,150	4	2,153
Non-controlling interests	10	-	10
Non-current financial indebtedness	1,027	(137)	890
Current net financial indebtedness	(35)	-	(35)
<b>Equity and financial indebtedness</b>	<b>3,152</b>	<b>(133)</b>	<b>3,018</b>