Building a better working world

Tirreno Power S.p.A.

Financial statements as at December 31, 2022

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010
(*Translation from the original Italian text*)

To the Shareholders of
Tirreno Power S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tirreno Power S.p.A. (the Company), which comprise the balance sheet as at December 31, 2022, and the income statement, the statement of comprehensive income/(loss), statement of changes in shareholders' equity and statement of cash flows for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

We draw the attention to the paragraph "Information regarding the criminal proceedings of the Vado Ligure site" of the Management Report and to the explanatory note "Contingent assets and liabilities" which describe the events and the Directors' assessments on the criminal proceeding started by the Prosecutor's Office of Savona, concerning the plant of Vado Ligure, in which, during 2018, the Company was cited as the civil liable party.

Our opinion is not modified in respect of this matter.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Tirreno Power S.p.A. are responsible for the preparation of the Report on Operations of Tirreno Power S.p.A. as at December 31, 2022, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Tirreno Power S.p.A. as at December 31, 2022 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Tirreno Power S.p.A. as at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, March 9, 2023

EY S.p.A.
Signed by: Riccardo Rossi, Auditor

This report has been translated into the English language solely for the convenience of international readers.

2003 - 2023

La trasformazione continua.

TIRRENO POWER

Tirreno Power SpA -

Financial Statements for the year ended

January 29, 2003, the official date of establishment of **Tirreno Power**.

20 years have passed since that day and many things have changed. People, skills, systems, the world around us.

Tirreno Power came into being during a period of major transformations for the country. In those years, Italy was completing its integration with the European Union, the Euro had recently been introduced and market liberalisation reforms were in full swing. The latter also affected the world of energy, which went from a monopolistic system to a free market one, which saw new companies begin to spring up from all over the world. All phases of the energy supply chain, from production to sale to the end customer, were affected by the wave of change brought about by the opening of the markets.

Tirreno Power was one of the products of that process and the company's people were **able to adapt to change** by learning to move in the almost unknown waters of the free market.

Privatisation brought with it new challenges and new approaches: from a traditionally inflexible sector, in which choices were centrally planned, we found ourselves in a constantly changing world, in which the challenges to evolve and remain competitive became a daily exercise. On the back of this impetus, during these first twenty years, we at Tirreno Power have completely overhauled our production plants, implementing an impressive investment plan. Which still continues today with the activities to prepare our plants for the energy transition.

The transformation proved to be a necessity right from the start, as well as an opportunity to see our skills and professionalism grow. Attention to the environment, the energy needs of businesses and citizens and competitors have made us a company capable of innovating and remaining competitive. Thanks to a lot of work and dedication, the goal achieved is now there for all to see. We, **the people of Tirreno Power** and our wealth of knowledge, our combined cycle plants and the renewable energy we produce in our hydroelectric plants, make the difference.

We are a company that plays an important role in today's energy market and that can imagine an equally significant future in the energy transition scenario. We can do this because of our innate capacity for transformation, witnessed in these past twenty years.

During this year, we will celebrate our twentieth anniversary in many ways. Tirreno Power has already dressed for the occasion, with a new logo to mark its birthday, in which the waves that have always been our hallmark take on a new look. This is because water, just like us, always flows, taking on new forms and new states. A **continuous transformation**, also embodied by the motto that will accompany us over these 12 months.

Tirreno Power SpA

Registered office: Via Barberini 47, Rome
Share Capital Euro 60,516,142.00 fully paid
VAT no., Fiscal Code and Business Register of Rome no. 07242841000
Administrative Business Registry no. 1019536
Administrative office and Naples facility: Stradone Vigliena 39, Naples
Torrevaldaliga facility: Via Aurelia 2, Civitavecchia (Rome)
Vado Ligure facility: Via A. Diaz 128, Valleggia di Quiliano (Savona)
Renewable Sources Sector: Corso Torino 1, Genoa

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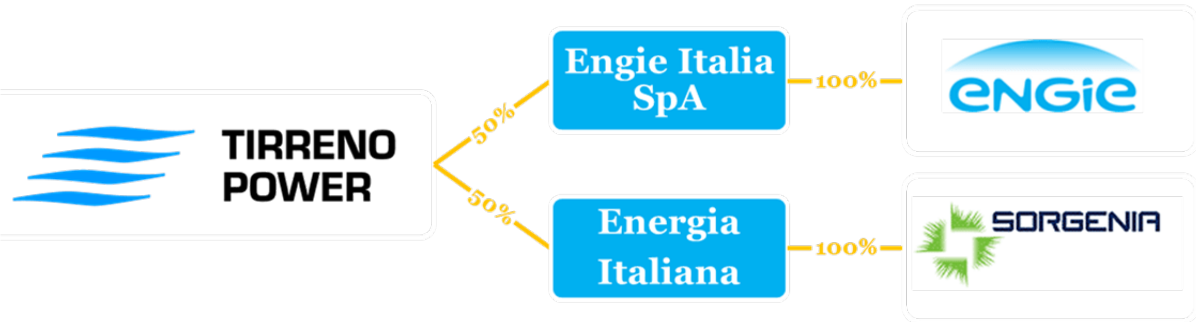
MANAGEMENT REPORT

INTRODUCTION

Ownership structure

The Company, as at December 31, 2022, is jointly owned by Energia Italiana S.p.A. and Engie Italia S.p.A..



Corporate bodies

Board of Directors	
Chairman	Alberto Bigi
Directors	Giovanni Chiura Charles Hertoghe Giuseppe Gatti Angelica Orlando Jurgen Fryges Antonio Cardani * Roberto Garbati *

* *Independent directors, as set forth in the Company's Articles of Association*

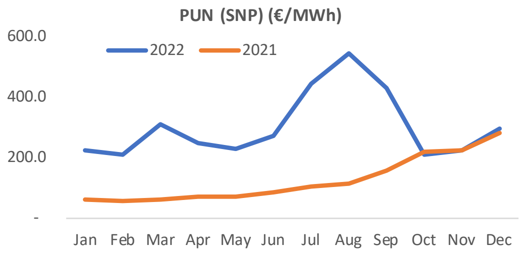
Board of Statutory Auditors	
Chairman	Gianluca Marini
Statutory Auditors	Riccardo Zingales Maurizio Lauri
Alternate Auditors	Goffredo Hinna Danesi Giuseppe Panagia

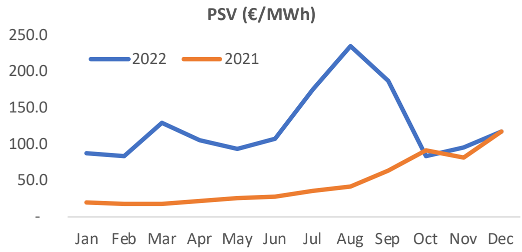
Independent Auditors
EY S.p.A.

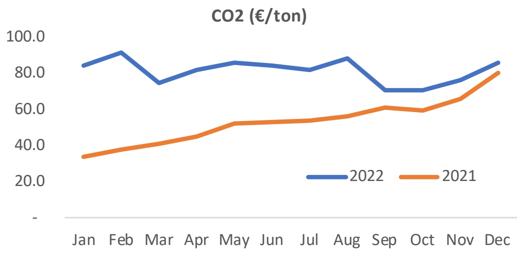
FOCUS ON RESULTS

The results of 2022, the year in which the Capacity Market mechanism was launched, are significantly higher than the previous year. The Company achieved a net profit of Euro 89,579 thousand and a Gross Operating Margin of Euro 185,554 thousand, compared to the amount of Euro 120,532 thousand realised in 2021. The operating profit achieved, equal to Euro 130,518 thousand, doubled compared to the previous year (Euro 63,690 thousand).

The results for the period were heavily influenced by the significant increase in the price of commodities, attributable to the difficult geopolitical context. The energy commodity market recorded a rapid increase to record prices, reached in August, at the same time also showing extreme price volatility during the same day. The price of gas, for the variable component alone, recorded an increase of 165% and that of CO_2 rose by 53%. The PUN also recorded a significant increase (+142%), however, in the first half in particular, not always sufficient to cover the variable production costs.

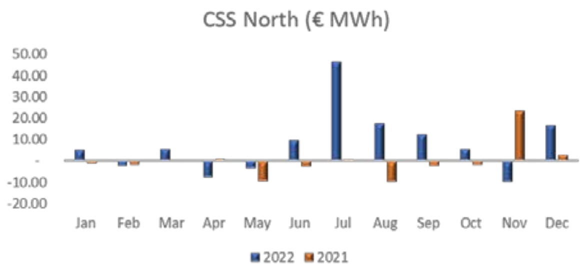


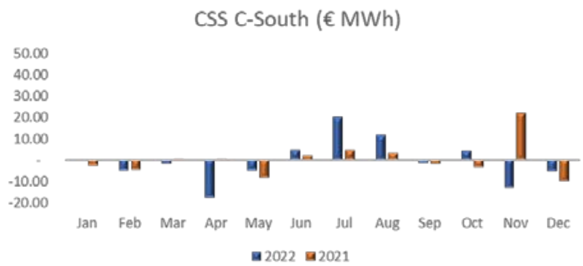




The increase in gas also led to a significant rise in some production cost items which, in times of market stability, are actually predictable and controllable, such as the cost of auxiliary services and start-up costs.

Market margins (energy price net of fuel costs and emission rights) were negative in several months of the year, especially in the Central-Southern area. The months of July, August, September and December (the first 20 days) were particularly positive, months in which the Company captured approximately 54% of the total margin.





The results for the period were positively affected by the Capacity Market premium. It should be noted that the auctions, for the delivery years 2022 and 2023 were held in November 2019, and Tirreno Power was awarded all the capacity offered, equal to 1,875 MW for each year, at the starting auction price envisaged for existing capacity (33,000 €/MW).

On February 21, 2022, the auctions were held for the delivery year 2024 and Tirreno Power was awarded all the capacity offered, equal to 1,883 MW, at the starting auction price for the existing capacity.

Despite the Capacity Market mechanism presenting some significant critical issues for the management of cases of plant unavailability, during the year, there were no unavailability events such as to cause the Company to suspend the payment of the premium and cancel the premiums received in the entire year.

The margins obtained in the Dispatching Services Market, by contrast, were heavily impacted by the significant decrease in volumes (around 49%) compared to 2021, as well as the increase in the price of commodities and the price cap imposed by the Capacity Market mechanism.

The results achieved made it possible to generate a positive cash flow that enabled the full repayment of Tranche B and the related PIK interest (Euro 35,155 thousand) in the first few months of 2022 through the cash sweep mechanism.

COVID-19 EMERGENCY

On January 31, 2020, the Council of Ministers declared a state of health emergency, while on March 11, 2020, the World Health Organisation declared Covid-19 a pandemic, following the spread of the SARS-CoV2 coronavirus virus on a global scale.

Following this declaration, the Italian Government, through specific Decree Laws and Decrees of the President of the Council of Ministers, issued a series of measures, which involved limits on production activities. The suspension of activities imposed by the provisions did not include the services deemed essential, including the production of electricity.

The state of health emergency was gradually extended, most recently until March 31, 2022.

The measures contained in the provision mark the main stages of the gradual return to normal: periodically, the Ministry of Health issued circulars in which it updated the management of positive cases.

With regard to the workplace, on April 24, 2020 a "Shared protocol regulating measures to combat and contain the spread of the Covid-19 virus in the workplace" was signed, then fully reconfirmed on April 6, 2021 and updated again in June 2022, valid until October 31 of the same year; currently, in application of the principle of greater caution, the measures envisaged by the Protocol continue to be applied.

The Company has implemented all the necessary measures to guarantee the health of its employees on the one hand and the continuity of the operation of its plants in safe conditions on the other. This took place through the adoption of specific procedures that identified appropriate guarantee and prevention measures in compliance with the provisions of current legislation. The latest revision of the procedure that defines the management methods for reducing the risk of contagion and provides operating instructions to the production sites was updated and forwarded to all personnel on 08/05/2022.

The measures of this procedure include:

- the use of the FFP2 mask if interpersonal distance of at least 1 metre is not guaranteed;
- the use, where organisationally compatible, of agile work mode (smart working);
- periodic cleaning and sanitisation;
- the correct management of air conditioning and extraction systems;
- the continuation of health surveillance, including exceptional (until July 2022);
- the regulation of extraordinary maintenance activities;
- regulation of in-person meetings and business trips;
- the verification (systematic and sample-based) of the green pass for access to the workplace (measure operational, as per regulatory provisions, until April 30, 2022).

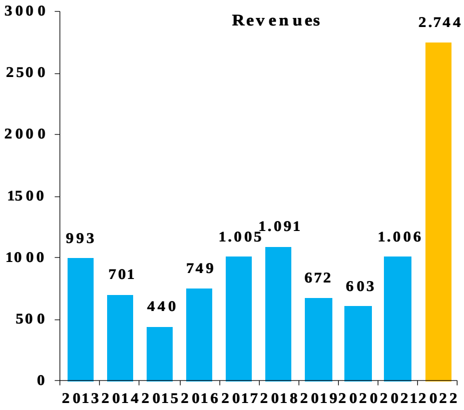
To date, no business interruptions have been recorded; 51 infections were recorded in 2022.

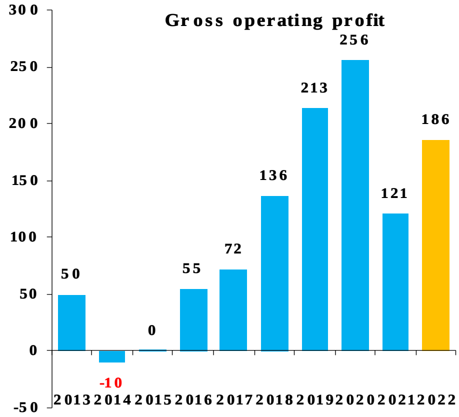
Highlights of the Company

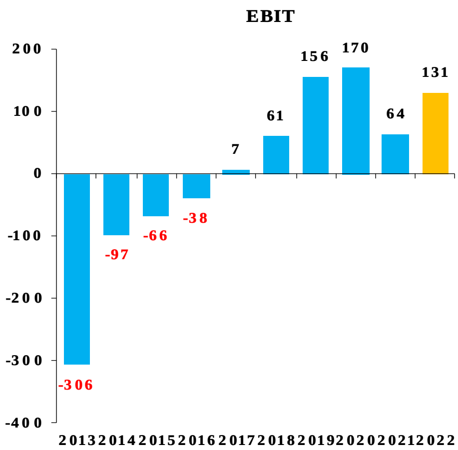
With the objective of presenting the results and analysing the financial structure, the tables below contain some "alternative performance indicators", which management feels are most representative of the economic and financial results that are contained in the reclassified statements that differ from those set forth in the international accounting standards adopted. The section "Operating performance during the year" outlines the criteria used to calculate these indicators. The data, unless otherwise specified, may be directly deduced from the financial statements.

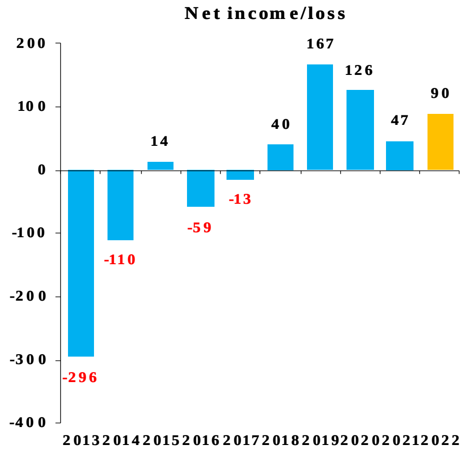
	12.31.2022	12.31.2021	difference
Income statement data (millions of Euro)			
Total revenues	2,744.0	1,005.5	1,738.5
-of which revenues from energy sales	*2,732.1*	*989.4*	*1,742.7*
Gross operating profit	185.6	120.5	65.0
EBITDA (including commodity derivatives)	183.5	114.6	68.9
EBIT	130.5	63.7	66.8
Net income for the period	89.6	47.0	42.6
Equity and financial data (millions of Euro)			
Investments in fixed assets	39.4	37.9	1.4
Cash flow from operating activities	74.6	116.8	(42.2)
Shareholders' equity	655.7	565.5	90.2
Net capital employed	625.7	570.8	55.0
Net financial debt	(30.0)	5.2	(35.3)
Debt/Equity	n.s.	0.0	n.s.
Operating data			
Energy sold (GWh)	7,896	5,929	1,967
Energy injected (GWh)	5,402	3,800	1,603
Average amount (units)	239.9	246.9	(7.1)
Economic/financial indicators			
Unit revenue from energy sale (€/MWh)	346.0	166.9	179.1
ROS (Return on Sales)	4.8%	6.3%	-1.6%
ROI (Return on Investment)	21.8%	10.9%	11.0%
Market indicators (annual averages)			
PUN (€/MWh) - source GME	303.10	125.04	178.06
PSV index (€/MWh) *(source: "Heren" PSV index)*	122.23	46.04	76.19
Emission rights (€/ton) *(source: "ICE" EUA Futures index)*	81.35	53.31	28.04
Price of Brent crude oil ($/barrel) *(source "Platt's")*	101.19	70.64	30.55
US Dollar/Euro exchange rate *(source UIC)*	1.054	1.184	(0.13)
1-month Euribor @ 365 average *(source Il Sole 24 Ore)*	0.095%	-0.566%	0.661%

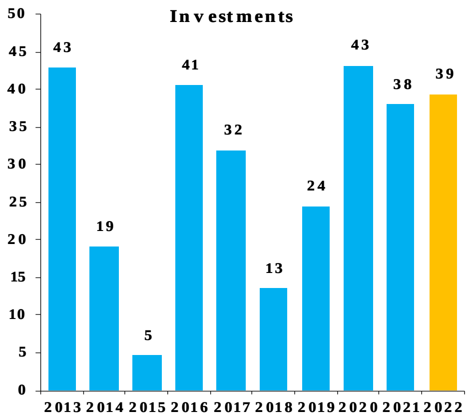
The trend in the main profit indicators of the last 10 years is indicated below:

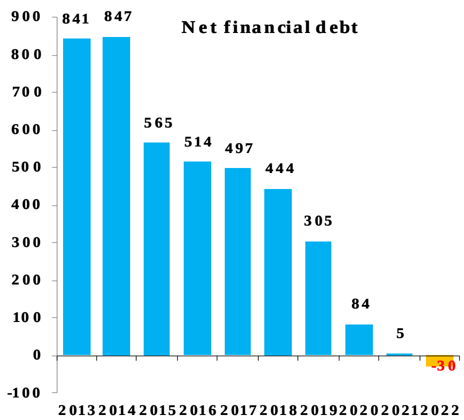












Operating structure

The Company is active in the production and sale of electricity through the management, in Italy, of some thermoelectric and renewable plants along the Tyrrhenian Sea area.

The following table summarises the main characteristics of such facilities:

	Gross reference capacity commercial operation (MW)	
Production Units	**as at 12.31.2022**	**Region**
Vado Ligure plant	793	Liguria
Torrevaldaliga plant	1,176	Lazio
Naples plant	401	Campania
Thermoelectric total	**2,370**	
Total - Renewable Sources	**75**	Primarily in Liguria
Total	**2,445**	

With its diversified production plants, the Company is able to generate electricity with high flexibility and competitiveness:

- the thermoelectric production units consist of 4 gas-powered combined-cycle plants;
- the renewable sources include 18 hydroelectric plants (divided equally between “run-of-river” and “power regulation” stations) located along the entire Ligurian Apennines.

As at December 31, 2022, all the hydroelectric plants damaged during the flood events in October 2020 were put into operation, as better specified later in this report on operations.

Information regarding the criminal proceedings of the Vado Ligure site

It should be noted that criminal proceedings were opened in 2013 by the Public Prosecutor's Office of Savona due to an environmental disaster, which saw some senior management and employees of Tirreno Power as suspects, for the offences set out in article 434, paragraph 2 and article 449 of the Italian Criminal Code. Tirreno Power was served notice, on November 15, 2018, of the court summons as the civilly liable party in the criminal proceedings. Some of the main phases of said proceedings are reported hereunder.

- On March 11, 2014 the G.I.P. (Preliminary Judge) of the Court of Savona had ordered the preventive seizure of the VL3 and VL4 coal-powered units.
- On June 18, 2015 Tirreno Power was informed of the notice of conclusion of preliminary investigations, pursuant to art. 415 bis of the Italian Code of Criminal Procedure. In fact, on October 26, 2016, the Public Prosecutors filed a request to the Office of the Preliminary Judge to postpone the proceedings for 26 defendants charged with culpable disaster pursuant to article 434, paragraph 2 and article 449 of the Italian Criminal Code. With respect to the previous notice of conclusion of the preliminary investigations, notified on June 17, 2015, inter alia, the charge of multiple manslaughter was removed, with the formation of new proceedings no. 1753/16- 21 R.G.N.R. (General Criminal Records Registry). For the latter proceedings, on October 27, 2018, the Preliminary Judge ordered the dismissal of the case pursuant to art. 409 of the Italian Code of Criminal Procedure.
- On January 28, 2017, the Preliminary Judge of the Court of Rome issued a judgment of dismissal pursuant to articles 409 and 410 of the Italian Code of Criminal Procedure, upholding the request from the Public Prosecutor at the Court of Rome, in relation to the offence of abuse of office contested in the notice of closing of the preliminary investigations of July 20, 2016 vis-a-vis institutional and technical top management of the Liguria Region, the Province of Savona and the Municipalities concerned, as well as against an executive of Tirreno Power, abuse allegedly committed in order to obtain the AIA (Integrated Environmental Authorisation) for the VL3 and VL4 coal-powered plants.
- At the preliminary hearing on January 25, 2018, the Preliminary Judge admitted as civil parties in the proceedings the Environmental Associations (Medicina Democratica-Movimento per la Salute, Greenpeace Onlus, Associazione Uniti per la Salute, Legambiente Associazione Onlus, Associazione WWF-O.N.G. Onlus, ANPANA Association), who had filed an appearance on October 26, 2017 and the Italian Ministry of Environment and Land and Sea Protection (later also MATTM), established on November 30, 2017, while it excluded the appearance of three private citizens whose deed of appearance was filed on January 25, 2018.
- Tirreno Power was served notice, on November 15, 2018, of the court summons as the civilly liable party in criminal proceedings no. 5917/13. This provision of the Preliminary Judge upholds the request of the MATTM (Italian Ministry of Environment and Land and Sea Protection) for the summons of the civilly liable party of July 2, 2018. By means of said summons, Tirreno Power was

therefore called, independent of its appearance in the proceedings, in the case of sentencing with a definitive judgment, to be jointly and severally liable with the defendants for the damages caused to the civil parties as a result of the culpable disaster (environmental and health) they are charged with. Subsequently, by means of deed of November 21, 2018, filed at the Court on December 18, 2018, Tirreno Power appeared at the proceedings as the civilly liable party in order to present its defence in the criminal proceedings and oppose the effects that any sentencing would have in the separate civil proceedings pursuant to articles 651 et seq. of the Italian Code of Criminal Procedure. It should be noted that the Public Prosecutor has not challenged any of the predicate offences set forth in Italian Legislative Decree no. 231/2001, therefore, no pecuniary sanction or ban can be imposed on Tirreno Power, based on the current charge.

- At the hearing on December 11, 2018, the Judge, having ascertained the completion of the notification of a decree of committal for trial, therefore ordered a renewal of the summons, adjourning the proceedings to January 31, 2019. At the same hearing, some defence lawyers present in the courtroom pre-announced and subsequently formalised the appearance of the new civil parties, namely the ADOC (consumer protection association) associations, Art. 32, Codacons, the Italian Ministry of Health, and 48 natural persons. As things stand, they have submitted a claim for compensation: Associazione Uniti per la Salute for a sum of no less than Euro 120 thousand, Cittadinanza Attiva for a sum of no less than Euro 50 thousand, Medicina Democratica for a sum of no less than Euro 250 thousand and 48 natural persons for a total sum of no less than Euro 1,160 thousand. It should be noted that the summons received from the MATTM (Ministry of Environment and Land and Sea Protection) and the Italian Ministry of Health do not contain an indication of a specific request for compensation, but a reserve for quantification of the damages to be defined following the discussion by the civil parties.
- On May 20, 2019, the preliminary hearing phase began. In particular, during the hearings held in 2020, the witness evidence of the witnesses indicated in the related list presented by the Public Prosecutor and the civil parties appearing in court was examined, with the exception of the court-appointed experts. The hearings scheduled from February to June 2020 have been postponed due to the health emergency following the spread of COVID-19. Subsequently, seven hearings were held up to December 2020, dedicated to the questioning of the witnesses of the Civil Parties.
- During the year 2021, a total of 16 hearings were held. From February to May, the witnesses indicated by the civil parties and the first witnesses of the defence lawyers of the defendants were examined, in relation to circumstances concerning not strictly technical aspects of the charges, such as those concerning the subjective position of individual defendants.
- The hearing of June 8, 2021 marked the start of the examination of the court-appointed experts of the Public Prosecutor and continued until the hearing of November 8, 2021. At the subsequent hearings, on November 9, 2021 and December 14, 2021, respectively, the examination of the court-appointed experts of the Civil Parties began, completed at the hearing on January 18, 2022.

Starting from the hearing of February 1, 2022, the examination of the defence technical advisors began, which ended with the hearing of November 22, 2022. The proceedings continued with the hearing of the witnesses of the defence that will presumably be concluded in May 2023. It is believed that the first instance proceedings will end in 2023, as hearings have been scheduled to date until October 2023.

Given the prolongation of the number of hearings in the dispute, charges were generated for the Company for the fees of the lawyers appointed by the Tirreno Power employees under investigation in the criminal proceedings, as the insurance reimbursements did not cover the entire duration of the proceedings.

In the light of the preliminary investigation conducted to date, no elements came to light that modify the assessment of the risk of being the losing party, which must be considered possible, and the compensation for which the Company is liable, deriving from the pending criminal proceedings, cannot be forecast.

Other Criminal Proceedings

On July 1, 2022, a notice was served to close the preliminary investigations for the offence of serious bodily harm pursuant to art. 590 paragraph 3 of the Italian Criminal Code, for culpable violation of art. 63, par. 1, Italian Legislative Decree no. 81/2008 and related Annex IV, with an employee of the Company under investigation. The offence was challenged by the Public Prosecutor of the Court of Civitavecchia following an accident that involved an employee of a third-party company during plant maintenance. The diagnosis of the injury consisted of a fracture of the right heel bone and a non-concussive head contusion. On October 29, 2022, the employee was notified of the summons.
With regard to the position of the Company, which was under investigation for the offence pursuant to art. 25 septies, par. 3 Italian Legislative Decree no. 231/2001, in relation to art. 590, par. 3 of the Italian Criminal Code the latter received a response from the Public Prosecutor's request for dismissal of the criminal proceedings against the Company for the offence pursuant to art. 25 septies, par. 3 of Italian Legislative Decree no. 231/2001, in relation to art. 590, par. 3 of the Italian Criminal Code.

MARKET SCENARIO

The energy product markets

In 2022, all energy commodities recorded significant increases in value, recording an average above 2021.

The price of Brent crude oil (ARA Spot Average) recorded an increase compared to 2021, from 70.64 $/barrel in 2021 to 101.19 $/barrel in 2022, with a high of 123.70 $/barrel reached in June *(source: "Platt's Crude Oil Marketwire").*

The average price of coal increased compared to 2021, rising from 119.97 $/ton to 289.92 $/ton in 2022 *(source: "Argus" API # 2 Northwest Europe Cif ARA).*

The average price of natural gas recorded an increase compared to 2021, rising from 46.04 €/MWh to 122.23€/MWh in 2022, reaching a high in August (233.53 €/MWh). *(source: "Heren" PSV index).*

The average price of CO2 recorded an increase compared to 2021, rising from 53.31 €/ton to 81.35 €/ton in 2022, reaching a maximum value of 91.34 €/ton in February *(Source: "ICE" EUA Futures index).*

The average US dollar/Euro exchange rate in 2022 was 1.0540€/$, a drop of -10.93% compared to that of 2021, when it stood at 1.1835€/$ *(source: Italian Exchange Office).*

Production and demand for electricity in Italy

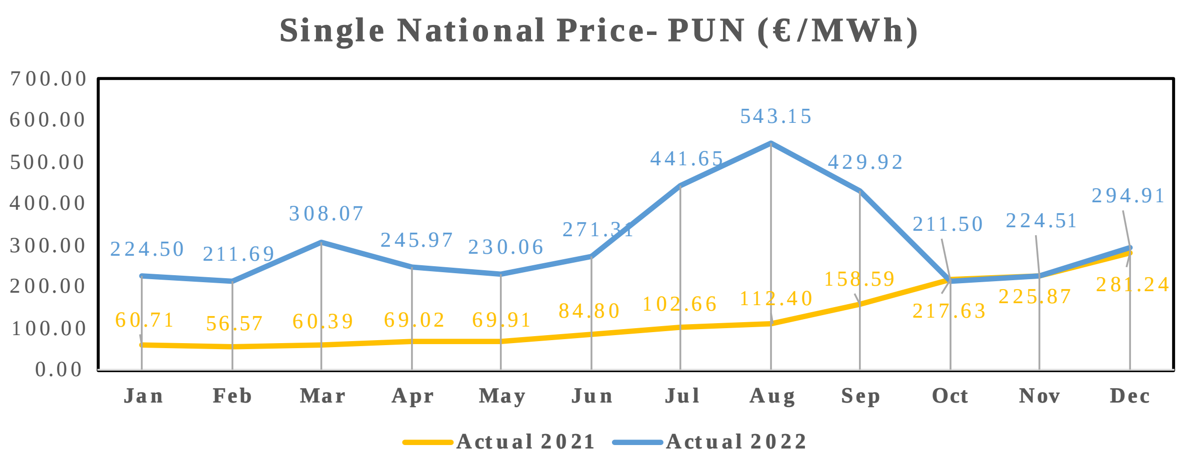
In 2022, the cumulative value of net production (273.8 TWh) was down (-1.3%) compared to 2021, essentially like the value of electricity demand (316.8 TWh), which fell by -1.0% compared to 2021.

Note the marked decline in hydroelectric production (-16.9 TWh, equal to -37.7%), combined with the decrease in pumping (-0.3 TWh, equal to -13.1%); the foreign balance instead rose by +0.2 TWh (+0.5%), in contrast to the decline in wind power (-0.1 TWh equal to -1.8%) but in keeping with the rising trend in thermoelectric power (+11.1 TWh equal to +6.1%); photovoltaic production also followed the same increasing trend (+2.9 TWh equal to +11.8%).

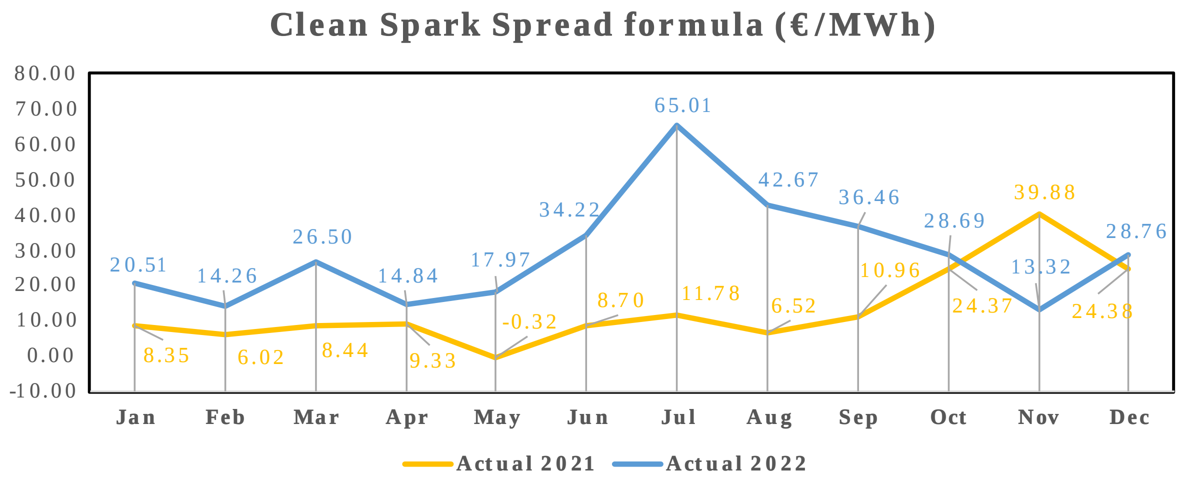
(source: Terna - Monthly report on the electricity system - final December 2022).

Trend in energy sales prices

In 2022, the purchase price of energy (PUN) on the Day-Ahead Market (MGP) reached 303.10 €/MWh, surpassing the all-time record of 125.44 €/MWh recorded in 2021, reaching an increase percentage of 142% (source: GME). In August, the PUN rose to a monthly average of 543.15 €/MWh, reaching 740.09 €/MWh on August 29.



The record increase of all Commodities determined an average Clean Spark Spread higher than 2021 (+15.54 €/MWh on average).



The Clean Spark Spread represents the electricity sale margin including variable costs (gas and CO2).

The presence of substantial installed photovoltaic power, equal to 24.2 GW (source: TERNA - Transparency Report), contributed to creating a price compression in the central hours; the hourly price profile has an average trend that shows a first peak between 08.00 and 11.00 and a second more prominent peak between the 18.00 and 22.00.

LEGISLATIVE AND REGULATORY FRAMEWORK

The following notes report the main legislative and regulatory events of 2022 that impact on the reference markets of Tirreno Power.

National Integrated Energy and Climate Plan

In January 2020, the Italian Ministry of Economic Development (MiSE) published the text for the National Integrated Energy and Climate Plan (PNIEC) of Italy prepared with the MATTM (Italian Ministry of Environment and Land and Sea Protection) and the Italian Ministry of Infrastructures and Transport. In implementation of the relevant European regulations, the PNIEC was sent to the EU Commission. The PNIEC establishes the national objectives for 2030 regarding the reduction of CO2 emissions, the development of energy efficiency and renewable sources (RES) as well as the objectives relating to energy security and the single energy market, defining the measures necessary to achieve each objective. As regards the electricity sector, the PNIEC envisages a target of 55% of consumption covered by RES by 2030, the phase out of coal production by 2025 and the use of the capacity market as a tool for defining long-term price signals on the electricity market. In October 2020, the EU Commission published the final assessment on the Italian PNIEC, defining a series of actions for its improvement and more effective implementation.

In September 2020, the EU Commission proposed raising the greenhouse gas reduction target to at least 55% compared to 1990 levels (previous target 40%). In December 2020, the European Council confirmed said proposal which took concrete shape in June 2021 when the European Parliament and the EU Member States approved the Climate Law, which sanctions the commitment to achieve carbon neutrality by 2050, with the interim objective of cutting net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. In addition, the new EU climate law transforms the political commitment of the European Green Deal for EU climate neutrality by 2050 to a binding obligation. In mid-2021, the European Council formally approved European climate legislation. The new challenging targets set by the EU require the previous proposal of the PNIEC to be updated. For this reason, the document is currently under review.

EU taxonomy

On December 31, 2021 the European Commission approved a classification system aimed at identifying sustainable economic activities from an environmental point of view, **the new European taxonomy.** The taxonomy is a document, drafted by a group of experts, which seeks to create a common language in the Union on the issue of sustainability in order to “create security for investors, protect private investors from greenwashing, help companies become more respectful of the climate, mitigate market fragmentation and help move investments to where they are most needed”. At present, the delegated regulation of the Commission classifies some activities relating to natural gas and nuclear energy as "transitional activities", therefore necessary for the energy transition and therefore considers them among those that contribute to the mitigation of climate change. The inclusion of these gas and nuclear activities should be limited in time and depend on specific conditions and transparency requirements.

As regards this issue, on July 6, 2022, the European Parliament confirmed the inclusion of gas and nuclear power among sustainable investments. The regulation is expected to apply from January 1, 2023.

The European REPowerEU plan

In response to the difficulties and disturbances of the global energy market caused by the Russian invasion of Ukraine, the European Commission presented the REPowerEU plan in which it establishes a series of measures to rapidly reduce the dependence on Russian fossil fuels and accelerate the green transition, at the same time boosting the resilience of the Union's energy system. Among other things, the plan makes provision for an increase in the European target for covering energy needs through renewable sources from 40% to 45% by 2030. The REPowerEU Plan would bring the total renewable energy production capacity to 1236 GW by 2030, compared to 1067 GW envisaged in the previous "Ready for 55%" package (Fit for 55).

The Plan is supported by financial and legislative measures aimed at building the new infrastructure and the new energy system that Europe needs.

European measures to combat the energy crisis

The energy crisis that developed in Europe starting from the second part of 2021, which worsened following the Russian invasion of Ukraine, has prompted the EU and national governments to take numerous emergency measures on the regulation of energy markets.

From this point of view, an important aspect is that of the coordination of the measures adopted, not only to ensure a certain uniformity between the EU countries closely interconnected through the single energy market, but also to avoid overlaps between national and European measures.

The main initiatives that have been implemented over time are reviewed below.

Response to rising energy prices: a package of intervention and support tools also known as "Toolbox"

In October 2021, the European Union approved a package of measures called "Toolbox", to deal with the energy crisis and allow individual states to mitigate the effects of price increases on bills. This is a series of guidelines that have been provided to individual countries, so that they can adopt initiatives to protect consumers and businesses. New proposals relating to the tools to combat the energy crisis were published by the European Commission at the end of February 2022, immediately after the Russian invasion of Ukraine.

EU savings plan *"Save gas for a safe winter"*

The regulation, in force since August 9, 2022, initiates the voluntary reduction in demand for gas by 15% by Member States in the period between August 1, 2022 and March 31, 2023, and provides the European Council with the possibility of activating a "state of alarm of the Union" for the security of supply, in which case the reduction of gas demand would become mandatory.

For Italy, thanks to some exceptions also related to the level of storage, the Plan asks for a saving of 7% or approximately 3.6 Mm3.

Based on the provisions at European level, in September 2022, the MiTE (Ministry of Ecological Transition) adopted a plan to contain gas consumption during the winter. Specifically, the Government's strategy revolves around three lines of action:

- reduction of winter heating for "industrial, craft trade and similar activities" and for the residential sector;
- the voluntary reduction of consumption in the industrial sector;
- diversification in the production of electricity. In this sense, the Government has made provision for the development of plants for the production of renewable energy, for about 8 GW per year when fully operational from 2023.

Regulation (EU) 1854/2022 on emergency intervention in response to expensive energy

The Regulation introduces a series of exceptional measures to deal with the increase in the prices of energy products. First and foremost, precise objectives are set for reducing electricity consumption. In fact, there is a non-binding target of a general reduction in consumption of 10% compared to the average values of the last five years and a binding target of a 5% reduction in consumption during peak hours. Each Member State identifies the peak hours "corresponding in total to a minimum of 10% of all hours in the period between December 1, 2022 and March 31, 2023". Lastly, the regulation specifies that states are free to choose the most suitable measures to achieve consumption reduction targets, "also by expanding existing national measures".

The measure then introduces what is defined as a ceiling on the price of infra-marginal technologies, i.e. a limit on revenues deriving from the production of electricity from renewable sources, aimed at financing measures to support end customers in order to mitigate the impact on the latter of high electricity prices. The cap, in force from December 1, 2022 to June 30, 2023, sets a revenue limit of 180 €/MWh.

A mandatory temporary solidarity contribution is also envisaged, provided by European Union companies and permanent establishments that carry out activities in the crude oil, natural gas, coal and refining sectors equal to at least 33% of the profits achieved in the fiscal year starting in 2022 and/or

2023, which exceed the average profits achieved in the four tax years beginning on or after January 1, 2018 by 20%.

EU Regulation 2577/2022 for the acceleration of the spread of renewable energies

EU Regulation 2577/2022, published in December 2022, establishes a temporary framework to accelerate the authorisation procedure and the spread of renewable energy projects. In particular, the Regulation provides that:

- Member States will have to identify "*go-to areas*" for renewables (*suitable areas*) with shorter and simplified authorisation processes;
- the Member States must map these areas within 18 months of the entry into force of the Directive in question and, within 30 months, adopt the Plans that designate the areas suitable for renewables;
- Member States will have to adopt mitigation measures that counteract the potential negative environmental consequences of the development activities of the projects located in each area.

Cap on the price of gas

On December 19, 2022, the Energy Council formally reached a political agreement on the regulation that establishes a market correction mechanism to limit excessive gas prices.

The regulation aims to limit episodes of excessive commodity prices in the Union that do not reflect world market prices, at the same time ensuring the security of energy supply and the stability of financial markets.

The market correction mechanism is activated automatically when the following events occur:

- the price of one-month Ttf (Title Transfer Facility) derivatives exceeds 180 €/MWh for three working days;

- the price of one-month Ttf derivatives is € 35 higher than the reference price of LNG on world markets for the same three working days.

The mechanism will apply from February 15, 2023. Once activated, the corrective mechanism remains effective for at least 20 working days and will be automatically deactivated with a Ttf price of less than 180 €/MWh for three consecutive days.

The Agency for the Cooperation of National Energy Regulators (ACER) will constantly monitor the markets and, should it ascertain the occurrence of the aforementioned events, will publish a "market correction notice" on its website.

The mechanism in question is temporary and, therefore, will be applied for only one year. However, by November 1, 2023, the European Commission will carry out a review of the mechanism on the basis of the general gas supply situation and may propose its extension.

With regard to the suspension of the mechanism, it may be deactivated automatically when certain defined conditions are met.

Reform of the European electricity market

In December, the European Commission announced that a consultation on the proposed reform of the electricity market will be launched. The main areas of consultation are established in a document (non-paper):

1) Mechanisms to incentivise producers and consumers to enter into long-term contracts (Power Purchase Agreements or PPAs) for the purchase and sale of electricity produced by generation technologies other than natural gas and, in particular, renewables.
2) Possible methods for adopting contracts for differences (CfD) to incentivise investments in electricity generation technologies which, due to their relative market maturity, require public support for their dissemination.
3) Methods of limiting the revenues of electricity producers from infra-marginal generation technologies.
4) Mechanisms to promote the offer of flexibility services by end customers, including the adoption of electricity storage systems.
5) Improve the transparency of the markets, first and foremost, with the alignment of the powers of ACER (European Agency for the Cooperation of Energy Regulators) under REMIT (EU Regulation no. 1227/2011 on wholesale energy market integrity and transparency) to the supervisory powers provided for by EU legislation on financial markets.

National measures for the management of the energy crisis

In the first few months of 2022, in order to deal with the energy crisis which worsened as a result of the war in Ukraine, the Italian government adopted a number of law decrees aimed at simplifying the authorisation procedures in order to develop the national renewable potential more quickly and recover resources to support the country's electricity bill.

These include, in particular:

Italian Legislative Decree no. 4/2022 (known as Support Ter Decree) made provision for a cap on the sale price of electricity of certain types of renewable plants, including hydroelectric plants without incentives with power of more than 20 kW which entered into operation before 2010. The regulation provides for a two-way offsetting mechanism, between the market price and the reference price (set for the Northern area of the Italian electricity market equal to 58 €/MWh). For the concrete application of the mechanism, ARERA published resolution 266/2022/R/eel in June.

In September 2022, the Conversion Law of Decree Law no. 115/2022 was issued, known as Aid-bis, which presents support measures for businesses and households in relation to the energy crisis. As regards the other measures, Article 11 extends the "two-way" offsetting mechanism on the price of energy envisaged by Decree Law no. 4/2022 to June 30, 2023.

On the basis of the provisions of Regulation (EU) 2022/1854, the 2023 Budget Law provides for the application, from December 1, 2022 to June 30, 2023, of a mechanism that provides for the return of any revenues exceeding a set limit equal to 180 €/MWh, for some types of renewable plants, including hydroelectric without reservoir (with power exceeding 20 kW). ARERA is entrusted with the task of defining the implementation methods.

Italian Law Decree no. 21/2022 defined an extraordinary solidarity contribution to be paid by some entities operating in the energy sector, including electricity producers, equal to 25% of the increase between the balance between receivables and payable transactions in the period October 2021 - April 2022 compared to the balance of the same period of previous years. The amount payable by the Company was Euro 2,871 thousand.

With Italian Law Decree no. 115/2022, known as Aiuti-bis, approved in September, under Article 42 (Measures regarding the payment of the extraordinary contribution) some detailed measures were envisaged with regard to the application of the aforementioned extraordinary contribution. The 2023 Budget Law also made changes to this measure, by defining a new contribution, for some companies, including those operating in the electricity production sector. The contribution provides for the application of a rate of 50% to a share of the higher income achieved in 2022 compared to the average of the previous four years, due to the extraordinary increase in prices in the energy sector. In particular, the tax base is given by the amount of the share of total income determined for the purposes of corporate income tax (IRES) relating to the tax period prior to the one in progress on January 1, 2023, which exceeds by at least 10% the average of the total income determined pursuant to IRES achieved in the four tax periods prior to the one in progress as at January 1, 2022, assuming a value equal to zero if this average is negative. The regulation also identifies a limit on the amount of the extraordinary contribution, which cannot exceed 25% of the value of the shareholders' equity of the taxable entity at the end of the year prior to the one in progress as at January 1, 2022.

Criteria for the remuneration of thermoelectric plants not powered by natural gas

Italian Law Decree no. 14/2022 established that in order to reduce natural gas consumption and allow storage to be filled, given the exceptional conditions brought about by the war in Ukraine, Terna should define a programme to maximise the use of thermoelectric plants with a capacity exceeding 300 MW that use fuels other than gas. With Resolution 430/2022/r/eel, ARERA established the mechanisms for formulating offers on the market and the remuneration parameters of the plants included in this programme.

Energy release

Italian Law Decree no. 17/2022 (Energy Decree) and the related application decree, define the conditions with which the GSE sells the energy withdrawn from plants to incentivised renewable sources, providing for a system of auctions managed by the GSE for three-year contracts at the base price of 210 €/MWh to provide energy to priority customers (energy-intensive). It is expected that with this mechanism, energy already available from the GSE (18 TWh) can be sold, but also additional lots acquired from new renewable plants with three-year contracts.

Gas release

Italian Law Decree no. 176/2022 (Aiuti-quater) established measures to increase domestic natural gas production and to control price trends. To this end, the Law Decree envisages:

- upstream activities extended to a potential capacity of 15 billion cubic meters in 10 years;
- halved times for concessions;

the purchase of gas from the concessionaires by GSE at a price between 50 and 100 €/MWh for the pro-rata assignment to energy-intensive customers.

Launch of the capacity market

In 2017, the new mechanism for the remuneration of electricity production capacity (already set forth in ARERA resolution ARG/elt 98/11) was formally notified by the Italian Ministry of Economic Development (MiSE), with the involvement of the Authority, at the Directorate-General for Competition of the European Commission. In February 2018, the Commission approved the Italian mechanism (and that of the other 5 countries) for 10 years, deeming it necessary for the adequacy and safety of the system. The decision (published in the middle of April 2018), among the many guidelines, required our country to make provision for participation in the foreign capacity and demand mechanism. It also provided guidelines for the price cap ranges for the auction offers (expressed in MW/year): Euro 25k-45k for existing plants and Euro 75k-95k for new entrant plants.

Following the approval, in March 2018, Terna put a new regulation framework up for consultation, which supplements the modifications requested by the Commission and provides a new regulation for scheduled plant maintenance, for guarantees and for the calculation of the unforced capacity (UCAP), as well as the new regulations for the participation of consumption units and foreign resources.

Subsequently, in adjustment and acknowledgement of the European Commission's decision, ARERA published resolution 261/2018/R/eel, which updates the resolution that established the capacity market (ARG/elt 98/2011). The resolution acknowledges both the guidelines of the Commission, and those of the Italian Ministry and also supplements the regulation based on the consultations that took place during 2017 (713/2016/R/eel and 592/2017/R/eel). More specifically, the resolution makes provision for: the start of the phase of first implementation with the possibility of also establishing planning periods of less than one year, the abolition of the minimum premium that can be recognised on existing capacity, the introduction of the minimum investment threshold requested by the Commission for new entrant plants, the opening of the capacity market to active participation of demand, of non-programmable renewable generation and foreign resources.

In March 2019, as set out in the National Integrated Energy and Climate Plan, the MiSE notified the Directorate-General for Competition of the European Commission of some changes to the capacity market scheme, with reference to the environmental and authorisation requirements for the participation in auctions. On June 14, 2019, the Commission authorised the aforementioned changes, deeming them to be compatible with EU rules on State aid.

By means of Italian Ministerial Decree of June 28, 2019, the MiSE formally launched the mechanism by approving a new version of the regulation, which acknowledges the emissions limits notified and approved by the Commission. The Italian Decree established the performance of auctions by 2019, with expected delivery in 2022 and 2023.

In September of the same year, by means of resolution 363/2019/R/eel, the ARERA defined the economic parameters of the auctions, setting the maximum value of the premium (cap), which can be recognised on new productive capacity at 75,000 €/MW/year and 33,000 €/MW/year for existing capacity. The minimum investment amount was also set at Euro 209,000/MW and the method of calculating the strike price was defined.

The auctions, for the delivery years 2022 and 2023 were held in November 2019, and Tirreno Power was awarded all the capacity offered, equal to 1,875 MW for each year, at the starting auction price envisaged for existing capacity.

The capacity market mechanism presents some significant critical issues for the management of cases of plant unavailability, both in cases of accidental out-of-service situations, and of scheduled maintenance that extends beyond the periods of exemption envisaged by the mechanism.

In such cases, the producer may incur suspension of the payment of the premium and cancellation of the premiums received during the entire year, if the condition is repeated for three months, including non-consecutive.

At the end of June 2020, Italy presented to the Directorate-General for Energy of the European Commission the so-called Implementation Plan (IP), document required by the new EU Regulation on the electricity market in 2019: this step is necessary in order to be able to start the new auctions of the mechanism (delivery starting from 2024). The consultation document illustrates the functioning of the capacity market within the overall Italian electricity market. At the end of October, Directorate-General for Energy sent its opinion on the IP, highlighting some necessary changes to be made to the regulatory structure of the market. In February 2021, the update of the Plan was published, which supplements the requests for clarification made by the Commission.

Again with regard to the capacity market, on the basis of the new EU regulations, which require Member States that intend to apply capacity mechanisms to define adequacy standards, ARERA, with Resolution

507/2020/R/eel, informs the MiSE that it requested Terna to develop the necessary adjustments. The new calculation method was put up for consultation by Terna at the start of June 2021 and reported the analysis carried out by Terna in application of the European methodologies, Decision ACER 23/2020, in relation to a series of technical parameters.

At the end of January 2021, Terna informed the operators of both the new plants and the new plants not yet authorised, with assigned capacity in the auctions held in 2019, of a possible extension of 6 months for the delivery of the authorisation titles for the market years 2022 and 2023; the extension is connected with the delays in obtaining authorisations resulting from the COVID-19 emergency. For the same category of plants, on June 30, 2021, the MiTE (Ministry of Ecological Transition) published a memorandum containing the extension, until October 31, 2021, of the term for obtaining the authorisation titles for the new plants still not authorised. In addition, it is communicated that the auctions for the delivery periods 2024 and 2025 will be held no later than November 2021. In resuming the memorandum, Terna also confirmed the possibility, for the new capacity with start of the delivery period in January 2023, to postpone the start of the contract by up to 6 months.

It should be noted that this case does not apply to Tirreno Power, which, as mentioned above, participated in the 2019 auctions exclusively with existing plants.

In addition, at the end of April 2021, the Terna regulation on the capacity market for the delivery years after 2023 was put up for consultation. The regulation put up for consultation maintains the general set-up of the previous scheme essentially unchanged.

Following the consultation of the new capacity remuneration regulation, Terna also put up for consultation the Technical Provisions for Operation (DTF) which contain the methodologies for defining the demand curve, the rules for default and the relevant fees and the derating rates of the individual technologies.

On October 28, 2021, the MiTE published the Decree approving the new capacity market scheme necessary to announce the 2024 auction. The Decree envisages that the auction for 2025 will be launched only after an assessment has been carried out on the adequacy of the system following procurement for 2024. If, for three consecutive years, the adequacy assessment of the system is positive, the capacity remuneration mechanism will be discontinued.

On February 21, 2022, the auctions were held for the delivery year 2024 and Tirreno Power was awarded all the capacity offered, equal to 1,883 MW, at the starting auction price for the existing capacity.

With regard to the continuation of the mechanism, as part of an AGCM provision, ARERA observed that it is reasonable to assume that the capacity market instrument will be repeated within the period of derogation granted by the Commission, at least as regards existing capacity. In the same procedure, Terna stated that the assessments in this regard are still under development.

ARERA consultation on the storage incentive mechanism

With DCO 393/2022/R/eel, ARERA defined an incentive model for the procurement of electricity storage capacity (in accordance with the provisions of art. 18 of Italian Legislative Decree no. 210/2021). The consultation proposes the criteria, conditions and methods on the basis of which Terna will have to draw up and send to the MiTE the proposed regulation of the mechanism, whose objective is to ensure the electricity system an adequate quantity of storage capacity conducive to the achievement of the decarbonisation objectives. The consulted system envisages the creation of two different markets, one in which operators who intend to develop new storage capacity can participate and the other in which the flexibility products provided by batteries can be exchanged through Terna.

Rules on new self-consumption models

In November 2022, the Ministry of the Environment and Energy Safety (MASE) put up for consultation the draft decree that identifies criteria and methods for the granting of incentives aimed at promoting the construction of renewable plants included in energy communities, collective self-consumption systems and individual self-consumption systems and to encourage the construction of plants with processes that involve local communities.

With resolution 727/2022/R/eel, ARERA approved the Integrated Widespread Self-Consumption Text (TIAD), which governs the methods for enhancing widespread self-consumption.

ARERA consultation on the Integrated Text on Electricity Dispatching (TIDE).

ARERA, by means of DCO 685/2022/R/eel, following a consultation in 2019, launched the Consultation on the Integrated Text on Electricity Dispatching (TIDE).

This reform aims to guarantee the safety of the electricity system, efficiently and at the lowest cost, in the current context in continuous evolution, characterized by the increasing spread of non-programmable renewable sources and distributed generation, as well as the progressive reduction in use of programmable systems. Furthermore, the text aims to rationalise the general regulatory framework of dispatching so as to group in a single regulatory body all the provisions that have been adopted over the years in line with the evolution of the European regulatory framework.

The Authority believes that the definition of the TIDE can be completed approximately by July 2023.

European reform of the ETS emissions trading system

Based on the new European reform of the ETS approved by the European Parliament in December 2022, the industrial sectors covered by the carbon market will have to cut emissions by 62% by 2030, compared to the values of 2005. The new system also covers emissions from ships, speeds up the annual withdrawal of permits and expands to cover the land transport and building heating sectors.

The roadmap established predicts that the system of free allocation of allowances will be progressively reduced until its complete cancellation in 2034.

The new mechanism also provides some flexibility and support systems for households and micro-enterprises.

Acts directly relating to Tirreno Power

Refund of the energy efficiency certificates (EEC) component

By means of resolution 96/2020/R/eel, ARERA introduced a regulatory mechanism that provides for the right, for thermoelectric producers that withdraw natural gas for the production of electricity to be fed into the network, to submit a request to GSE access to an ex-post compensation mechanism for the higher costs incurred for the payment of the RE_tee tariff component, a component of the REt, on natural gas supplies.

For producers eligible for the benefit, the refund right takes effect from the first day of the second month after the one in which the request is submitted to the GSE for each thermoelectric productive unit and, nonetheless, effective from a date no earlier than July 1, 2021. The request is valid for one year and can also be tacitly renewed. Solely on first implementation, in order to benefit from the right to reimbursement from July 1, 2021, the request had to be submitted by April 1, 2021.

By means of Resolution 548/2020/R/com, ARERA approved the operating regulation prepared by the GSE for the purposes of the refund of said component.

In March 2021, Tirreno Power submitted a request to the GSE for accessing the refund mechanism.

Following the significant increase in the prices of the gas raw material recorded in 2021 and the related effects on the electricity bill, the Authority made provision for the cancellation of the entire REt component from October 2021 to March 2022. For this reason, the reimbursements of RE_tee concerned only the months from July to September. Due to the protraction of the energy crisis, ARERA extended the cancellation of the component for the whole of 2022.

Premiums for adapting plants to the electricity network restoration service

With Resolution 324/2020/R/eel, ARERA introduces a premium mechanism for the adaptation of generation plants included in the restart plan drawn up in accordance with the provisions of Regulation 2017/2196 (Emergency & Restoration Regulation).

With regard to Tirreno Power, at the Torrevaldaliga Sud plant, the capacity of the tanks for the emergency diesel engines was adjusted in accordance with the requirements of the regulations.

By means of a subsequent communication from Terna, further adjustments were requested pursuant to Resolution 44/2021/R/eel to the Torrevaldaliga Sud plant and also to the Vado Ligure plant. Both sites implemented the necessary adjustments within the time-frames that provide the possibility of obtaining the bonus envisaged in accordance with the Regulations, for an amount of up to Euro 500 thousand for Torrevaldaliga Sud and Euro 375 thousand for Vado Ligure. The amount pertaining to the Vado Ligure site is already recognised in 2021 and therefore recorded in the financial statements as at December 31, 2021, while for the Torrevaldaliga site, Euro 500 thousand was recognised in 2022.

Italian Simplification Law Decree 2018 - Hydroelectric concessions

With reference to the changes introduced by means of Italian Law Decree no. 135 of December 4, 2018, regarding the simplification and support for development ("Italian Simplification Law Decree"), converted to law in February 2019, it should be noted that some amendments were introduced to the regulatory framework of hydroelectric concessions. The main changes concern: (i) the extension against consideration of the concessions already expired until 2023, (ii) the regulation of the reassignment of the concessions upon their expiry; (iii) the system for the compensation of the outgoing concession holder for the transfer of assets connected with the hydroelectric concession. These are regulations, which establish a series of general principles and which will be subject to implementing provisions by the Regions within the term set for March 2020, and the competent authorities for the purpose of detailed regulation of the renewals of concessions in observance of the principles dictated by the Constitution.

The deadline for the adoption of this regulation was extended from March 31, 2020 to October 31, 2020 by article 125-bis of Italian Law Decree no. 18/2020.

It should be pointed out that the hydroelectric concessions currently held by the Company, which fall under the scope of application of the provision in question, will reach their natural expiry in 2029. With regard to the effects of the new regulations, acknowledged in the financial statements as at December 31, 2021, please refer to the information provided in the notes to the financial statements in the paragraph on tangible fixed assets.

To date, only the Piedmont, Lombardy, Friuli Venezia Giulia, Abruzzo, Emilia Romagna and Veneto regions have issued their own laws implementing the new legislation.

For the regions affected by the administrative elections of last September 2020, including Liguria, provision was made for an additional 7-month postponement of the terms (publication between April and May 2021). As of today, Liguria has still not legislated on the matter. As far as Tirreno Power is concerned, only Piedmont issued the regional law on the matter, introducing, starting from 2021 for large diversion plants, an additional fee of 3% of the normalised revenues quantified by adding, on an annual basis, the product of the hourly quantity of the electricity injected into the network and the corresponding hourly zone price (Northern zone) recorded on the Day-Ahead Market. The economic impact for the Company, on the portion of the only plant in Piedmont, is insignificant.

On November 4, 2021, the Council of Ministers approved the annual bill for the market and competition. The text requires the procedures for the assignment of concessions for large-scale hydroelectric diversions to be carried out according to competitive, fair and transparent parameters, on the basis of an adequate economic value of the concession fees and an appropriate technical development of the initiatives for improving the safety of existing infrastructures.

On August 27, 2022, the 2021 Annual Law for the Market and Competition (*Italian Law no. 118 of August 5, 2022)* entered into force, which in Article 7 (Provisions on large hydroelectric diversion concessions) governs the concessions of large hydroelectric diversion. More specifically, it requires concession assignment procedures to be carried out according to competitive, fair and transparent parameters, taking into account an economic valuation of the concession fees and the initiatives for improving the safety of existing infrastructures and reservoir capacity recovery. It is also expected that the assignment procedures must be started no later than December 31, 2023. Failing that, the State intervenes as a substitute. Finally, a special regulation is envisaged that allows, for concessions of large hydroelectric diversions with an expiry date prior to December 31, 2024, including those already expired, the continued operation by the outgoing concessionaire, for the time strictly necessary upon completion of the assignment procedures and, in any case, no later than three years from the date of entry into force of the law.

Start of proceedings for the evaluation of potential abuse in the wholesale electricity market

As indicated in the previous financial statements, in June 2016, by means of resolution 342/2016/R/eel, the Authority had launched an investigation against a number of electricity operators, including Tirreno Power, relating to alleged abusive behaviour in the wholesale electricity market. The investigation concerns two separate cases: the first refers to the alleged adoption of consumption unit scheduling strategies and plants powered by non-programmable renewable sources not consistent with the standards established by the Authority. The second regards production units authorised to submit offers on the Dispatching Services Market that would not have offered their capacity on energy markets, encouraging Terna to establish units for balancing the system and subsequently increasing its costs.

As regards Tirreno Power, in July 2017, by means of Resolution 511/2017/E/eel, the dismissal of the proceedings relating to the adoption of consumption unit scheduling was ordered. The outcome of the proceedings has still not been notified in relation to the other strand of the investigation and, at the current state of play, any negative consequences for the Company are considered unlikely.

The dispute over the recalculation of the capacity payment for the years 2010/2011

Following a complex administrative dispute, by means of resolution 400/2014/R/eel, the Authority ordered the recalculation of the fees to cover the second component for the remuneration of the production capacity for the years 2010 and 2011. In particular, the measure levied costly reimbursements on some operators, including Tirreno Power, which was required to repay a total of around Euro 5.5 million in 2014. Given the seriousness of the situation brought about by the resolution and in consideration of the lack of legitimacy of the measure, Tirreno Power joined other operators penalised by the Lombardy Regional Administrative Court in filing an appeal against the aforementioned resolution before the latter. In 2016, a substantive hearing was held, which led to a ruling that cancelled the measure contested and established the need to renew the procedure for determining the fee.

The Authority filed an appeal against the first instance ruling: the Council Chamber met in May 2017 and, at the end of December, the Council of State upheld the requests presented by the appellant, cancelling the first instance ruling.

In June 2018, Tirreno Power, together with other operators, appealed the matter before the European Court of Human Rights (ECHR), which still needs to issue a ruling on the matter.

The regulation of imbalances for the period 2012-2014

The regulation of the actual imbalances in the electricity market for the period 2012-2014 was the subject of a long dispute, which ended with the second instance cancellation of a number of the Authority's resolutions. In respect of this cancellation, Terna has performed recalculations of imbalances by using the criteria defined by the Authority before the issuing of the acts found to be unlawful. This generated, for Tirreno Power, the billing of negative amounts in relation to the periods covered by the recalculation of approximately Euro 4.5 million, collected in 2015.

Tirreno Power challenged, before the Lombardy Regional Administrative Court, the communication in which Terna acknowledged its desire to perform the recalculations.

Simultaneously, the Authority initiated proceedings for the adoption of a new regulation for the period in which the cancellation judgments determined legislative uncertainty. In that context, following a consultation process, the Regulator issued a new resolution (333/2016/R/eel), which takes account of the confidence generated in operators by the regulation in force at the time of its production planning, although subsequently cancelled. According to the resolution, Terna performed recalculations for the adjustments of the considerations in October 2016.

The aforementioned resolution was challenged at the Lombardy Regional Administrative Court by several operators, but the rulings published by the Court confirmed the resolution. Many of the first instance plaintiffs filed an appeal against the ruling: the appeals are currently pending at the Council of State and, in June 2020, a first ruling confirmed the legitimacy of the regulation defined by ARERA. Tirreno Power objected at both the first and second instance proceedings and, in the 2016 financial statements, the Company had allocated the amount received as adjustment, in respect of the risk of having to repay the amount to Terna. This risk, also based on the opinion of the legal representative appointed, is currently still considered likely.

Appeal against the Italian Ministerial Decree on the regulation of the Capacity Market and related acts

In September 2019, Tirreno Power filed an appeal for the cancellation of the Decree of the Ministry of Economic Development of June 28, 2019 on the "Regulation of the remuneration system for the production availability of electricity" and related deeds.

The appeal challenges the violation of the objectives set for the instrument by the implementing Decree, the opening of the instrument to new non-authorised capacity, the modification of the essential rules of operation of the mechanism and the non-compliance with the consultation obligations. In November 2019, Tirreno Power submitted an appeal to the European Court of Justice for the annulment of the EU Commission's decision in which said entity did not raise objections to the document regarding "Modification of the mechanism to remunerate capacity in order to guarantee system adequacy. Introduction of environmental requirements" notified by the Italian State in 2019.

The first hearing before the Regional Administrative Court was held on February 26, 2020, to discuss the precautionary petition. In the second half of 2020, Tirreno Power submitted its replies to the briefs submitted by the parties involved in the proceedings.

The substantive hearing was held on March 24, 2021 and the Court decided to suspend the proceedings, pending the decision of the European Court on the same matter, alleging that the two cases are closely interconnected.

Given the continuity with the previously challenged legislation, the new Italian Ministerial Decree establishing capacity market auctions for 2024 delivery was challenged by Tirreno Power in December 2021.

The European Court, by means of a ruling published on September 7, 2022, rejected the appeal filed in 2019 by Tirreno Power against the European Commission Decision C (2019) 4509 of 06.14.2019 with which the Commission had not raised objections on the changes to the capacity market mechanism that the Italian government intended to introduce.

In the Judgment, the Court significantly limited the scope of possible action of the Commission at the time when the Decision was taken, reporting, instead, the origins of the disputed issues or the previous decision of the Commission on the instrument (2018 deed not subject to appeal) or subsequent application by the Italian Government (in the 2019 ministerial decree subject to appeal before the Regional Administrative Court).

Reorganisation of gas metering activities

By means of resolution 512/2021/R/gas, ARERA approved the "Regulation of the metering service on the natural gas transport network (RMTG)" which, among other things, defines the responsibilities and the scope of the activities for metering and meter reading. According to the resolution, metering activity remains the responsibility of each owner of the metering system, while the meter reading activity is assigned to each transport company. The legislation also provides for a plant survey and the possibility of transferring the metering stations to transport companies. As regards said eventuality, the impact on Tirreno Power is being assessed.

The main reforms envisaged by the law will enter into force according to the following timescales:

- from January 2023, monitoring of compliance with service quality standards will be initiated, without the consequent application of fees for non-compliance with the standards and of compensation and penalties;
- from January 2024, fees will be applied for non-compliance with the standards and for compensation and penalties.

Changes to the valuation of energy withdrawn from the network

In application of the previous resolution 109/2021/R/eel, at the end of June, by means of resolution 285/2022/R/eel, ARERA approved the revision of the Terna Network Code, Annex A. 78, reforming the conditions for the provision of services for the transmission, distribution and dispatching of electricity withdrawn and subsequently returned to the network by the storage systems, as well as electricity withdrawn from auxiliary generation services.

Terna recently defined the procedure that operators will have to follow to activate the new withdrawal calculation mechanism.

Tariff regulation criteria for the natural gas transport and metering service for the sixth regulatory period

With consultation document 502/2022/R/gas, relating to the procedure initiated by the Authority with resolution 617/2021/R/gas, ARERA illustrated its final guidelines, as part of the procedure for the definition of measures on tariffs and quality of the natural gas transport and metering service for the sixth regulatory period (6PRT), which will run from January 1, 2024 until December 31, 2027. The final provision is expected to be published by the beginning of April 2023 and by May 31, 2023, in compliance with the TAR Code (gas transport tariff code), information on tariff levels for 2024.

In particular, we point out that the Authority specified that, in order to define the tariff regulation criteria of the 6PRT, it will be necessary to take into account resolution no. 448/2022/R/GAS of September 27, 2022, launching the procedure for compliance with the rulings of the Council of State no.

6096 and 6098 of July 18, 2022 (concerning the gas transport tariff framework for the 2018-2019 regulatory period and for the subsequent 2020-2023).

Therefore, ARERA intends to introduce measures of flexibility and cost-effectiveness of the tariff for high-consumption subjects, in application of art. 38, paragraph 2 bis, of Law Decree no. 83/2012.

Precisely because of this failure to apply the aforementioned legislative decree, an appeal was filed, accepted by the Lombardy Regional Administrative Court, against the transitional gas regulatory period 2018-2019 by some operators, including Tirreno Power. The Council of State subsequently rejected the appeal filed by ARERA against the ruling of the administrative court regarding the 2018-2019 gas regulatory period, acknowledging the erroneous failure to apply measures of greater flexibility and savings for large gas consumers.

With a similar ruling, the Council of State also declared the 2020/23 period as non-compliant.

ENERGY TRANSITION

The Energy Transition OU conducted a series of surveys to identify development opportunities for Tirreno Power in the field of production from renewable sources.

In particular, during 2022, studies were carried out for the enhancement of the areas available at the production sites of Tirreno Power. These studies revealed the possibility of developing photovoltaic plants at the Vado Ligure and Torrevaldaliga Sud (Civitavecchia) sites.

The Vado Ligure plant will have a power of approximately 1 MWp and will be served by a Renewable Energy Community, with entry into operation expected by 2023.

The Torrevaldaliga Sud plant will have a capacity of approximately 2.5 MWp and will be partly served by a Renewable Energy Community, with entry into operation expected by 2024.

PRODUCTION SCENARIO

The energy injected in the period amounts to 5.40 TWh, up by 1.60 TWh compared to 2021.

The following table provides details of the energy injected, with respect to the same period last year, broken down by unit and plant:

Energy injected (GWh)	12.31.2022	12.31.2022	Changes
Combined Cycles	**5,362**	**3,705**	***1,657***
- TV5	832	753	*79*
- TV6	438	413	*25*
- VL5	2,795	1,623	*1,172*
- NA4	1,298	916	*382*
Renewable Sources	**40**	**95**	***(54)***
Total	**5,402**	**3,800**	***1,603***
By plant			
Vado Ligure	2,795	1,623	*1,172*
Torrevaldaliga	1,270	1,166	*104*
Naples	1,298	916	*382*
Renewable Sources	40	95	*(54)*
Total	**5,402**	**3,800**	***1,603***

(source: Company database)

In 2022, CCGT production was 45% higher than the previous year. In particular, the VL5 plant benefited from the higher market margins in the Northern area and from lower unavailability. both In 2021, the plant was actually adversely impacted by the failure of the gas turbine alternator on April 30, which had limited its availability until the end of August. The NA4 plant also benefited from the increased availability. In 2021, the planned shutdown carried out in the first half of March lasted longer due to the failure on a pole of the circuit breaker identified during the tests for the plant's return to service.

Hydroelectric production recorded a marked decrease compared to the previous year, as a result of the sharp reduction in levels of water availability in the period, which dropped to record lows.

Plant maintenance

As regards the Vado Ligure plant, from May 1 to 21 the VL5 unit carried out a scheduled shutdown on the gas turbine line 52 and associated systems (unit available in 1 + 1 set-up with another gas turbine). The main activity was the replacement of the boiler bottom joints on the recovery steam generator 52. From October 3 to 7, the unit carried out the scheduled shutdown that involved both gas turbine machines, to carry out the minor inspection of the gas turbines and make changes to various parts of the plant including electrical protection mechanisms, condenser, main steam valves and machine switches.

In 2022, for the Vado Ligure plant, unscheduled maintenance activity was reported for checks and repairs on the recovery steam generators and on the auxiliary services of the gas turbines. The activity, which lasted approximately 30 hours, until the end of January, also included activities relating to periodic fire protection tests. In August, it was necessary to service the switch of the gas turbine 51; the activities resulted in unavailability for approximately 70 hours. Between October 29 and November 3, for approximately 140 hours, the production line relating to gas turbine 52 was unavailable due to the loss of the insulation on the connection between the alternator and the relative transformer.

Two planned works were carried out at the **Torrevaldaliga Sud plant**: one week in September on the TV6 unit and about two weeks in October on the TV5 unit. Ordinary periodic activities were carried out on various parts of the plant.

During the reference period, for the Torrevaldaliga Sud plant, the following significant events were reported: on the TV5 unit in July, approximately two days of unavailability of the production line A (unit available with 1 + 1 set-up with the other gas turbine) due to a loss of steam, and approximately 470 hours of unavailability of production line B, starting from September, due to the failure of the feed water circulation system in the recovery steam generator. In September, the TV6 unit was unavailable for 60 hours due to the failure of the high pressure circulation pump on steam generator C.

Between March 21 to April 4 inclusive, the **Napoli Levante plant** carried out the first of the two shutdowns scheduled for the year 2022, while the second shutdown was carried out from October 17 to 24. The main shutdown activities involved: the replacement of the high voltage protection panel relating to the electrical substation and the medium voltage protection devices; the replacement of filters and air pre-filters of the gas turbine and the general inspection of the natural gas compressor C2.

During the first half of 2022, two significant accidental events were reported for the Napoli Levante plant: from November 6 to 10 the NA4 unit was unavailable due to the loss of insulation on the gas turbine generator due to a fault on an amperometric measurement transformer; while in December, it was necessary to fix a steam leak in the high pressure circuit of the recovery steam generator, which lasted roughly 40 hours.

The above events, all relating to thermoelectric units, did not result in defaults on the capacity market.

As regards the **hydroelectric plants**, no significant planned works were carried out.

It should be noted that, in October 2020, the Airole, Bevera and Argentina plants were impacted by the flood that affected the Roja and Argentina valleys in the province of Imperia, causing considerable damage to the intake works and the plants.

Following the restoration works, the Argentina plant returned to operation in November 2021, while the Bevera plant resumed production in February 2022, using an intake structure in a provisional configuration.

Restoration activities were performed at the Airole plant and, in particular, the assembly of the replaced or reconditioned machinery. The activities were completed as planned, allowing the plant to return to operation by the end of 2022.

ENVIRONMENT AND SAFETY POLICY

Introduction

During the course of 2022, with a view to making its activities increasingly sustainable, not only from an economic point of view but also from an environmental and social perspective, the Company continued to aim to achieve high levels of protection of the territories where it operates, the safety of workers, both internal and belonging to third-party companies, and control of all aspects that have potential social and reputational repercussions.

The Sustainability Policy sets out the Company's founding values and the guidelines for implementing a process of sustainable development, and is the reference applied by the site's Environmental Policy, present in the Environmental Statements of the EMAS registered thermoelectric plants, or which have obtained the UNI EN ISO 14001:2015 certification. In the latter, the Heads of the production units specify the commitments, objectives and actions they intend to put in place to improve the environmental performance of the site, taking due account of both the results of the analysis of the context in which the plant operates, and satisfaction of the Compliance obligations, i.e. the requirements that the Company is required to comply with, or which it has voluntarily chosen to comply with. This document favours a more rational management of the Company's environmental aspects on the basis not only of compliance with legal limits, but also of the continuous improvement of its environmental performance, the active participation of employees and transparency with institutions and the public.

The organisation

In order to effectively achieve the maximum levels of environmental protection, the Company's organisational model provides special powers of attorney with which the General Manager assigns the Heads of the Production units full powers for the fulfilment of the duties related to the protection of the environment, of workplace health and safety and of plant safety.

To consolidate its process of sustainable development, in an integrated way with the strategic priorities of the business, the Company has established the Sustainability and Environment operating unit, which, by identifying the most relevant issues through stakeholder mapping (at national and local level) and the materiality analysis, reports the results obtained through the Sustainability Report externally and within the Company.

Environmental management tools

The Company has chosen to acquire the EMAS registration (Eco Management and Audit Scheme), the most prestigious environmental certification in Europe.

During 2022, the EMAS registrations were maintained by Tirreno Power at the Torrevaldaliga and Naples sites, while the Environmental Management System certified according to the ISO 14.001: 2015 standard was implemented at the Vado Ligure site.

Training and information

Environmental and sustainability training and information are used to improve employees' skills and to increase their professionalism and strengthen their cohesion and sense of belonging to the Company. In 2022, activities continued aimed at informing production sites on the correct interpretation and implementation of the obligations deriving from the new applicable legislation as well as training personnel, including remotely, on environmental issues.

In addition, the dissemination of company values and training sessions on sustainability and non-financial reporting took place in conjunction with the collection of data in preparation for the drafting of the 2021 Sustainability Report.

Environmental and sustainability reporting

The environment management systems of certified sites provide periodic reports on environmental data and performance that are subject to management review for the analysis of any comments and non-conformities that have emerged during the audits, in order to identify and implement the necessary corrective actions. EMAS certified sites update the public on their environmental performances through the *Environmental Statement*, a document issued every three years and updated annually.

In 2022, with the involvement of a large number of employees, quantitative and qualitative data was collected, as required by the GRI Sustainability Reporting Standards for the company's reporting of the non-financial aspects of its business that have the most significant impacts on stakeholders (local communities, employees, environment).

The Sustainability and Environment OU also implemented a gap analysis of the non-financial information reported in the Sustainability Report in order to improve the disclosure of these issues. An implementation plan was therefore defined to integrate the reporting of new KPIs in the short and medium term.

With a view to making the integration of sustainability in business processes visible, some non-financial information required by the GRI and reported in the 2022 Sustainability Report has been included in this Report to the financial statements.

In particular, with reference to GRI 401: Employment, disclosures 401-1 a) and 401-1 b) relating to new hires and turnover were included, limited to the breakdown by age brackets and using the total number of employees at the end of the reporting period.

For GRI 403: Occupational health and safety, disclosures have been included

- 403-5 Training of workers on occupational health and safety, with regard to employees, dividing the hours of training provided on the basis of the professional qualification of the personnel;
- 403-9 a) Accidents at work, limited to the accident rate, for all company employees, broken down on the basis of the severity of the consequences. The calculation of the rates is based on 200,000 hours worked.

With reference to GRI 404: training and education, disclosure 404-1 Average hours of training per year per employee has been included, broken down by professional qualification.

The main environmental events

During 2022, the Operators of the Napoli Levante, Vado Ligure and Torrevaldaliga plants complied with the ordinary prescriptions contained in the Integrated Environmental Authorisations and sent the DAP (periodic update document) to ISPRA, expected every four months, without having to report non-fulfilment of obligations regarding independent checks, operating failures and/or unavailability.

For the Torrevaldaliga plant, in February, the amendment to the AIA (Integrated Environmental Authorisation) was obtained from the MiTE (Ministry of Ecological Transition), now MASE (Ministry of the Environment and Energy Safety), regarding the extension to the entire plant of the maximum annual cap on NOx emissions, previously envisaged for individual chimneys.

For the Vado Ligure plant, in December, MASE authorised the IEA amendment relating to the elimination of the partial discharge of biological waste-water (with its conveyance to the public sewer network) and the modification of the storage of some chemicals. The IEAs for the Napoli Levante and Torrevaldaliga Sud plants will have a duration of 16 years, while the IEA for the Vado Ligure plant will have a duration of 12 years.

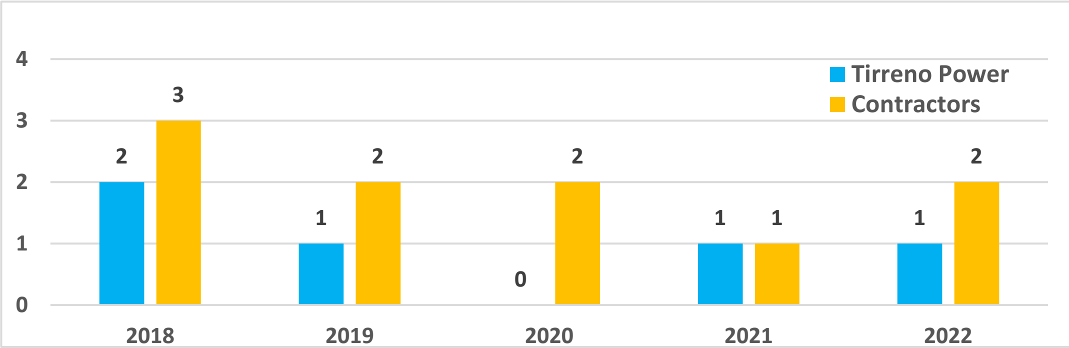
Safety management systems

The Company pays special attention to safety-related problems.

Through the management systems, continuous monitoring of safety aspects is carried out both on Tirreno Power personnel and on the staff of third-party companies.

One of the most closely monitored aspects is the number of accidents.

The following chart shows the number of accidents that have occurred in the last 5 years (2018-2022)



A member of TP personnel suffered a minor injury in 2022 (predicted recovery time of 10 days), and there were 2 accidents involving personnel from third party companies.

During 2022, Tirreno Power personnel continued to report near misses both with direct reports to the RSPP (Prevention and Protection Service Manager) and by using the "Safety App" installed on their smartphones.

Using the same app, it is also possible to report any situations involving a potential hazard, also in the environmental field, as well as flag any company safety issues.

All Tirreno Power sites are certified according to the UNI ISO 45001 standard which defines the requirements of the Worker Health and Safety Management System.

Compliance with these requirements is verified by a qualified body, which, in the event of a positive outcome, issues the relevant Certificate.

GRI 403-9 a)	Accidents at work (%)	2022	2021
	fatality rate as a result of accidents at work	0	0
	rate of work-related injuries with serious consequences	0	0
	recordable incident rate	2.5	2.4

Training, information and education

In 2022, training on occupational health and safety was partly resumed face-to-face and partly provided remotely. To date, all the planned training has been provided.

GRI 403-5	Occupational Health and Safety Training: hours of training provided by qualification	M.U.	2022	2021
	Executives	h	29	26
	Middle managers		226	336
	Employees		2,631	3,206
	Workers		965	1,326
			3,851	4,894

Risk Assessment Documents (DVR)

During 2022, the various sites continued to update the Risk Assessment Document, where necessary, in compliance with the provisions of Italian Legislative Decree no. 81/08 and subsequent amendments and additions.

Tirreno Power, similar to the behaviour adopted by other operators in the sector, did not see fit to revise the risk assessment documents (DVR) of each site for the part relating to the biological risk, since the COVID-19 infection does not represent a specific risk of its productive processes.

However, an addendum to the biological risk has been included containing:

- the classification of "low risk" in accordance with what is defined in the INAIL (National Institute for Insurance against Accidents at Work) Technical Document of April 2020, in which a matrix is applied that takes into account the exposure, proximity and aggregation variables, and also provides some guidelines relating to prevention strategies, which are in line with what has been adopted by our Company;
- the regulatory references, the indications of the health authorities and the corporate documents to be adopted to deal with the spread of the pandemic.

INVESTMENTS AND DEMOLITIONS

INVESTMENTS

In 2022, the Company made investments totalling Euro 39,359 thousand, of which Euro 38,321 thousand in tangible fixed assets and Euro 1,038 thousand in intangible fixed assets.

With regard to tangible fixed assets, the investments mainly concerned:

- for the Napoli Levante plant (Euro 14,996 thousand), the purchase of the gas turbine rotor and the blade holder for a total of Euro 5,950 thousand, the advance paid for the next HGPI (Euro 4,600 thousand), the activities carried out during the scheduled shutdown, the upgrade of electrical protection mechanisms, the rectification of external areas;
- for the Vado Ligure plant (Euro 7,007 thousand), the reconditioning of the former TG52 rotor (Euro 2,458 thousand), the evolution of the DCS and automation systems, the modification of the GVR52 metal couplings, as well as the activities carried out during the scheduled shutdown;
- for the Torrevaldaliga Sud plant (Euro 10,086 thousand), the purchase of two water circulation pumps, the overhaul of four water circulation pumps, the supply and installation of ultrasonic gas flow meters, the restoration of GVR gratings and carpentry, the overhaul of rotating machinery, the overhaul of methane decompressor valves, extraordinary work on the plant buildings;
- with regard to the hydroelectric generating facilities, Euro 5,664 thousand was invested, mainly relating to flood damage restoration activities, the performance of civil works for the strengthening and maintenance of the Osiglia dam side spillway, the construction of the new dam intake structures of the Airole plant, the construction of civil structures for the new Bevera plant linked to the exploitation of the minimum vital flow.

Investments in intangible fixed assets are attributable to new licences and the development of software applications.

DEMOLITIONS

The main events relating to the **demolition** of disused plants are outlined hereunder:

Vado Ligure

During 2022, the insulation removal and demolition of old units 3 and 4 continued, completing more than 80% of the short-term activities set out in the latest disposal plan.

Torrevaldaliga

During 2022, the authorisation process for the demolition of the TV4 unit and the disused auxiliary buildings was initiated and all the documents for the tender were prepared.

The request for landscape authorisation for demolitions was also submitted and the technical alignment of the tenders was carried out.

Naples

In April 2022, all the demolition activities of the disused Vigliena plant were completed and site closing works are underway in preparation for the return of the areas and discussions are in progress with the Tyrrhenian Sea Port System Authority (AdSP) for the return of the areas.

All demolition activities are in line with the provisions and allocated to the relevant dismantling provisions.

PEOPLE AND ORGANISATION

The first part of 2022, as with the previous year, was heavily impacted by the COVID-19 health emergency.

The company, as manager of a public utility service, has put in place all the technical-organisational measures to ensure the production of electricity even in this very delicate phase for the country, maintaining the initiatives and protocols already adopted in 2020 and 2021, with the exception of the self-declaration upon entering the sites.

In the first half of 2022, the continuous use of smart working followed government guidelines, while in the second half of 2022, agreements were reached with the trade unions over the methods of continuing with smart working on a voluntary basis, for all activities that can be performed outside company premises.

During the year, consistently with the guidelines of the institutions, specific internal procedures were updated for the operating activities to be carried out at production plants, to reduce the risk of contagion.

During the second half of 2022, in consideration of the end of the state of emergency, the trade union agreement on smart working signed in May 2022 became operational, as described in the next paragraph relating to trade union agreements.

Company performance bonus

The final calculation of the targets assigned for the 2021 performance bonus resulted in the disbursement of 120% of the portion allocated to profitability, and of 114% (average value) for the productivity portion. The results achieved in this way, together with the choice made by employees to allocate all or part of the bonus obtained to forms of welfare and/or supplementary pension schemes, led to a lower cost of around Euro 0.15 million.

The breakdown of the bonus, defined in 2018, provides for the possibility for workers to allocate an amount, up to a maximum of 60% of the total bonus available, to alternative forms aside from salary payments and each employee can choose how to manage the amount of the bonus for which he/she is the beneficiary.

The final allocations were as follows:

- 111 out of 225 employees (around 49%, compared to 51% in 2021) elected for the payment of the entire bonus in cash;
- 92 employees (around 41% compared to 33% in 2021) took the option to receive a portion of the bonus in the form of welfare and/or supplementary pension and the remainder in their pay;
- 22 employees (around 10% compared to 15% of 2021) allocated the entire bonus to welfare and supplementary pension.

The decision to avail of the company welfare initiatives provided by the company or company supplementary pension and, that is, the institutions that are the recipients of special legislation governing contribution and tax concessions, reduced the tax wedge, allowing employees to maximise the value of the bonus received and, correspondingly, allowing the Company to reduce its contribution.

As regards the company performance bonus for the year 2022, cashed in 2023, the value set aside was defined as a result of the results achieved in the year 2022, which will allow the payment of 120% of the base amount relating to profitability (40% of the bonus available).

MBO

With reference to the MBO incentive plan for the year 2021 for company management, the results achieved allowed the average achievement of 96% of the reference base value. This incentive was disbursed in the first four months of 2022.

LTI

With reference to the Long Term Incentive (LTI) plan for the three-year period 2021-2023, approved by the Board of Directors on June 24, 2021, it should be noted that the total estimated value of Euro 0.9 million was restated due to the results already in place. achieved during the two-year period 2021-2022 and those envisaged in the budget approved for 2023, results that will allow a valuation of the base incentive at 150%, with an increase of Euro 0.5 million.

Trade union agreements

During the year, the company and the trade unions were committed to the local areas in terms of the renewals of video surveillance agreements and updates of organisational reports, while at national level the topic of smart-working was discussed for a long time due to the conclusion of the state of emergency as at June 30, 2022.

After numerous meetings, in May, the Parties defined the balance in force from July 1, 2022 to June 30, 2023, and the main elements of the agreement signed are reported below:

- Smart-working is intended for all employees of the company areas in which the work activity is compatible with the flexibility of the place where the service is carried out.
- The smart-working model provides the possibility of working in a different place with respect to the company headquarters for up to 25 days every two months.
- The number of days and when they are taken during the period must be agreed with the manager, taking into account organisational requirements.
- Smart-working can only be carried out during daytime working hours and the use of overtime services is excluded. In view of the continuation of the service, workers must, in agreement with

their manager, ensure greater attendance in the immediately ensuing days and in any case within the following 30 days.

The new smart-working balance saw 102 employees request participation, all accepted owing to compatibility with the activities carried out.

Employees were informed of the provisions of Italian Law no. 52/2022 regarding access to smart-working for employees of the private sector, i.e. the possibility of using agile work until December 31, 2022 even without an individual agreement in response to particular family situations (presence of children under 14, the other parent does not benefit from income support mechanisms for the same period, the other parent works).

The form made available for this request was used by 16 employees whose activities were compatible and, therefore, used smart working, with the possibility to carry out 100% of their activities remotely.

On the other hand, there were no situations involving vulnerable workers for smart working purposes.

"Decontribuzione Sud" ("Southern tax reduction") concession

The first half of 2022 saw the confirmation of the "Decontribuzione Sud" following the approval of the European Commission which, on January 11, 2022, by means of final decision C (2022) 171 final, extended the applicability of the concessions in question until June 30, 2022 and, by means of final decision C (2022) 4499 of June 24, also for the second half of the year.

The exemption from contributions, equal to 30% of the social security contributions due by the employer, concerned all employees based in Naples (49 staff members), with a saving of Euro 0.25 million.

The European Commission approved, by means of a decision of December 6, 2022, the request of the Ministry of Labour and Social Policies to authorise the extension for a further 12 months, and therefore for the whole of 2023, of the duration of the contribution exemption to support the companies of Southern Italy in the context of the war with Ukraine.

Voluntary redundancy plan

The exit of 23 staff members in 2022 marked the closure of the redundancy plan launched with the decision of the General Manager of December 2019 and finalised with a trade union agreement of February 2020. The plan saw the voluntary participation of employees who will meet the pension requirements by December 31, 2027, with termination of the employment relationship by December 2022.

It is hereby confirmed that, due to the professional profiles involved in the redundancy, the replacement rate of the outgoing personnel will be around 90%, guaranteeing an adequate number of employees and a lower cost, due to the lower seniority, as well as a lower average age.

Throughout 2022, the company continued the personnel selection process, employing 2 specialised agencies, to meet and evaluate the onboarding of young professionals and recent graduates.

In addition to the 35 searches already launched in 2020 and 2021, a further 7 publications were added on specialised channels, due to the progressive coverage of positions that became available as a result of the exits.

For many positions, a period of coaching has been provided consistent with the needs linked to the specific professional skills to be replaced.

For entry into the company, flexible forms of contract are offered depending on the profiles, with the use of internships, staff leasing, fixed-term contracts and permanent contracts.

In 2022, a total of 10 new staff were hired, detailed as follows:

3 with fixed-term contracts

7 on permanent contracts

in addition to the employment of 1 staff member under a leasing arrangement which ended on December 31, 2022 with the hiring on a permanent contract on January 1, 2023 and the transformation of 17 fixed-term contracts to permanent contracts.

Corporate welfare

With a donation aimed at contributing to the problem of the generalised increase in the cost of fuels, the company decided to provide an incentive of Euro 200 to each employee in the form of fuel vouchers. They were delivered in December 2022.

The value of the aforementioned vouchers, which did not contribute to the formation of individual income, in accordance with the specific regulations issued by the government to deal with the Ukraine crisis, resulted in a total cost of approximately Euro 0.05 million.

Renewal of the National Collective Labour Agreement

In July 2022, the trade union agreement was signed relating to the renewal of the collective agreement for workers in the electricity sector, which expired on December 31, 2021.

The economic agreement reached provides for an increase in minimum contractual requirements starting from October 1, 2022 (Euro 60.00 monthly average equal to + 2.36% absolute change) until October 2024, with an average increase of Euro 225, plus the payment of a one-off sum to cover the contractual holiday period paid in October 2022.

The additional economic measures defined concern:

- confirmation for 2023 and 2024 of the amount to be allocated to productivity at company level of Euro 210.00 (average value to be parameter-based);
- an increase of Euro 3.00 in the contribution to be paid by the company for supplementary pensions as an additional company welfare initiative, starting from January 1, 2023, which goes from Euro 17.00 to Euro 20.00 per month to be paid for each employee enrolled in the supplementary pension fund FOPEN;
- an increase of approximately 10% in the amounts relating to the on-call allowance starting from October 2022.

The application of the contract renewal in 2022 resulted in an increase in personnel costs of approximately Euro 0.2 million.

In consideration of the particularly favourable economic performance of the company registered in 2022, the management decided to reward all non-managerial staff with an individual bonus of Euro 2,500, to be paid in the February 2023 salaries, for a total cost, including contribution expenses, of roughly Euro 0.7 million.

Training

The second edition of the development initiative "Verso la leadership" (Towards leadership) was launched in collaboration with LUISS Business School, targeted at a group of people who may, based on their potential and performances, take up managerial roles in the future.

The session, launched in June, saw the participation of 12 employees, coming from different company areas and territories, who together attended training modules in person and on-line on managerial issues common to the entire company (megatrends, team building, accounting, communication, project management, organisation...), with the common thread of Tirreno Power values, which enrich their interpretation and guide their objectives.

With the numerous entries of new staff in the company, 2 induction editions were held to welcome new hires and involve them in team building activities, with a special focus on Tirreno Power's DNA.

Also for 2022, a number of training initiatives were provided through distance learning and, where possible, the use of e-learning and live streaming courses continued. Using this tool, it was also possible to train personnel through highly specialised courses such as the course for obtaining the steam generator driver licence.

In quantitative terms, 2022 saw the provision of 9,289 hours of training, with an average of 39 hours per employee. About 50% of the training was provided using on-line platforms and methods.

GRI 404-1 b)	Average training hours per year by category	M.U.	2022	2021
			Total	Total
	Executives	h	8	29
	Middle managers		15	14
	Employees		39	47
	Workers		65	126
	Total		**39**	**54**

Organisation

Electricity sector operators shared an obligation and an opportunity linked to the paradigm shift in electricity production, towards a more sustainable and less invasive model. The company's focus on energy transition issues saw the establishment, in February, of a dedicated structure, the Energy Transition O.U. which, within the Corporate Affairs Department, is responsible for identifying the company's development opportunities, proposing investment projects and coordinating the activities aimed at achieving them.

In May, the Administration, Finance and Control Director left the company and, after evaluating some internal personnel, a new CFO was appointed, restructuring the Management, which is now also responsible for ICT.

The internal selection process for the role of CFO involved the uncovering of the role of Personnel Manager and also in this case, with the support of a specialised company, assessments were carried out to appoint the new Personnel Manager with effect from July 1. For this role, an internal staff member was identified in the Personnel function and a subsequent selection process was initiated for the role of Head of Development, Organisation and Trade Union Relations, still in progress.

Following the organisational changes described in November, the People and Organisation Department set up a new OU dedicated to employee well-being and corporate welfare. At the same time, the Personnel Management and Administration responsibilities were merged into the People O.U.

The year 2022 also saw the implementation of some changes to the Production area, both in organisational terms and in the assignment of the roles of central managers. From July 1, the Ligurian hub, a structure that combines the Vado Ligure thermoelectric plant and the Renewable Sources Sector under a single Employer, was divided into two independent structures, with separate Employers. At the same time, the central managers of the production sites were assigned to new roles:

- the central manager of Torrevaldaliga Sud took up the role of central manager of Vado Ligure
- the person in charge of the Ligurian hub has become the central manager of Torrevaldaliga Sud
- the head of the Safety and Environmental Compliance O.U. has taken up the role of the central manager of Napoli Levante

- the central manager of Napoli Levante has become the manager of the Production staff O.U., adding Quality (Safety, Environmental Compliance and Quality O.U.) to his responsibilities
- for the role of Head of the Renewable Sources Sector, an internal staff member was identified, who is already responsible for the O.U. in the same sector.

The changes described pursue the clear intention of continuing to share skills within the company, bringing, in this case to the production sites, new approaches, experiences and styles of collaboration that offer the opportunity for growth and development both to the employees who receive the new assignment and the group that is called upon to put itself to the test in creating new functional balances for activities.

Digital Transformation

The year 2022 saw the completion of the upgrades of the databases and the operating systems of the environments that host the company ERP, the collaboration and digitalisation applications, those for access control and for the management of IT assets.

As part of the process aimed at optimising and digitalising business processes, in 2022, the application for the management of the Commissioning Plan was initiated, and the solution for the full digital acquisition of foreign invoices and the replacement of Esterometro as a result of Article 5, paragraph 14-ter, of Italian Law Decree no. 146/2021 was released. In addition, the development for the digitalisation of the process concerning the management of subcontracts has begun.

Finally, the solution for the new reporting model of the energy management area was released.

The technological refresh of the video surveillance system in Naples was completed, as was the installation of the new suite of printers in the company offices.

With regard to cyber security aspects, the new navigation protection system and the anti-virus system with advanced “detect & response” functions came into operation.

In the second half of the year, the cyber risk assessment activity was completed in the IT perimeter, as well as the execution of the “penetration test” and a simulated phishing campaign.

Purchases, Services and Security

The module for the Management of the Commissioning Plans was released on the Sinergy platform used to manage the purchasing process. In particular, this will make it possible to improve the planning of requirements and the related purchasing processes.

The database relating to market benchmarks was updated for the assessment of the economic fairness of the offers.

The physical safety risk analysis for thermoelectric plants was completed.

Obligations regarding Italian Legislative Decree no. 231/01

The Model was revised as a whole, updated with new predicate offences and approved by the Board of Directors by means of resolution of November 25, 2020.
The Model is expected to be updated in the first half of 2023.
The Supervisory Board reported positively to the Board of Directors on the effectiveness of the Model for the prevention of predicate offences.
With regard to the criminal proceedings pending at the Court of Civitavecchia for the offence of negligent injury, the Public Prosecutor's request for dismissal was acknowledged, as indicated in the paragraph Other Criminal Proceedings.

Obligations for compliance with Regulation EU 679/16 regarding personal data processing ("GDPR")

The GDPR - General Data Protection Regulation - i.e. the European privacy regulation approved on April 14, 2016, directly applicable to EU member states, which rolled out a new regulatory framework governing personal data protection, entered into force on May 25, 2018. In Italy, the regulation was completed with Italian Legislative Decree no. 101/2018, adjusting the Italian legislation into line with the European regulations.

In order to comply with the regulatory obligations governing personal data protection set forth in the GDPR, the Company, among other things:

- appointed, pursuant to art. 37 of the GDPR, on May 25, 2018, Ivan Rotunno, from Studio Orrick, Herrington & Sutcliffe, as Data Protection Officer, who was assigned the task of ensuring that the personal data are processed correctly;
- conducted an analysis of the gaps with respect to the GDPR;
- prepared a summary document and a set of disclosures and appointments of entities authorised for data processing and of external managers;
- adopted a privacy manual that summarises the contents of the GDPR;
- prepared a data processing register.

The Company, after having complied with the regulatory obligations regarding the protection of personal data (GDPR), carried out checks on the data processors, identified the DPO representatives and carried out training activities for the Company's employees.

In June 2022, the DPO carried out an assessment to evaluate the process of compliance with the provisions of the GDPR Regulation by Tirreno Power, which showed that the model adopted by Tirreno Power was found to be adequate.

By means of resolution of the Board of Directors of April 21, 2022, the Company renewed the DPO appointment for one year.

AUDIT Committee

The company also has an Audit Committee which supervises the Internal Audit activities, reporting the results to the Board of Directors every six months.

Risk management

For a detailed analysis of risk management, please refer to the Explanatory Notes in the section "Type of risks and management of hedging activities".

OPERATING PERFORMANCE DURING THE YEAR

The criteria used for the construction of the reclassified statements that contain alternative performance indicators with respect to those obtained directly from the financial statements are reported below:

Gross operating profit: an operating performance indicator, calculated as "Operating profit" plus “Amortisation, depreciation and write-downs" and "Provisions".

EBITDA: an operating performance indicator, calculated as "Operating profit" plus “Amortisation, depreciation and write-downs."

Net fixed assets: calculated as the difference between the "Non-current assets" and "Non-current liabilities" with the exception of:

"Payables for loans";

"Provisions for risks and charges";

"Post-employment and other employee benefits";

"Deferred tax liabilities".

Net working capital: defined as the difference between "Current assets" and "Current liabilities" with the exception of:

"Payables for loans";

"Cash and cash equivalents";

"Provisions for risks and charges";

the bank current account advances and bank current account debt exposures included in "Other current financial liabilities".

Net capital employed: calculated as the algebraic sum of "Net current assets", "Net working capital" and provisions.

Net financial debt: defined as the sum of “Payables for loans", the bank current account advances and bank current account debt exposures included in "Other current financial liabilities", net of "Cash and cash equivalents" not previously considered in the definition of other balance sheet performance indicators.

Return on Investment (ROI): defined as the ratio between Operating profit and Net average capital employed (opening and closing).

Return on Sales (ROS): defined as the ratio of Operating profit to total Revenues.

Equity yield: defined as the ratio between the Net Profit and the Share Capital plus the Share Premium Reserve.

Unit revenue from energy sales (€/MWh): calculated as the ratio of revenues from energy sales for the period to energy sales in the period.

Incidence of financial expenses on total revenues: defined as the percentage ratio between the financial expenses in the period and the total revenue for the period.

ENERGY BALANCE

According to data processed by Terna, the total electricity required in Italy in 2022 amounted to 316.8 TWh, a slight decrease (-1.0%) compared to 2021 but up with respect to 2020 (+5.2%).

In 2022, 55.3% of electricity demand was met by production from Non-Renewable Energy Sources, 31.1% from Renewable Energy Sources and the remainder from the foreign balance.

Electricity sold by Tirreno Power in 2022 totalled 7,896 GWh, an increase of 1,967 GWh compared to the previous year. The increase is mainly due to the higher production of the VL5 and NA4 units, which benefited from a lower unavailability as well as higher market margins recorded in the Northern zone for the VL5 unit.

The energy balance is presented below with a reconciliation of the quantity of energy purchased and unbalanced that makes it possible to reconcile the volumes sold with the actual energy injected to the grid.

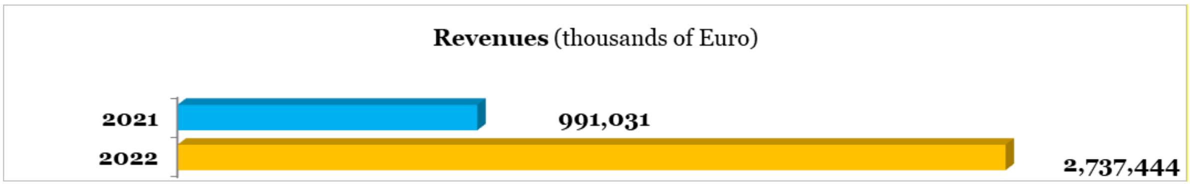
Energy balance (GWh)	12.31.2022	12.31.2021	Changes
Energy injected	**5,404**	**3,800**	***1,603***
Energy purchased	**2,541**	**2,120**	***421***
Energy sold	**7,896**	**5,929**	***1,967***
-on free market	1,943	1,582	*361*
-on Power Exchange - day-ahead market	5,568	3,595	*1,972*
-on Power Exchange - dispatching services market	386	752	*(366)*
Imbalances	**(47)**	**10**	***(56)***

RECLASSIFIED INCOME STATEMENT

The values of the reclassified income statement are reported in Euros, without decimals. For a better disclosure, comments on the individual items are expressed in thousands of Euro.

(Euro)	12.31.2022	12.31.2021	Changes
Revenues	2,737,443,743	991,031,079	1,746,412,664
Other revenues	6,568,438	14,507,063	(7,938,625)
Total revenues	**2,744,012,181**	**1,005,538,141**	**1,738,474,040**
Own work capitalised	948,434	1,803,319	(854,885)
Consumption of raw materials	(2,331,659,736)	(758,514,286)	(1,573,145,451)
Personnel costs	(22,124,512)	(22,771,120)	646,608
Service costs	(25,641,579)	(19,263,781)	(6,377,797)
Other costs	(179,981,204)	(86,260,157)	(93,721,048)
Total costs	**(2,558,458,598)**	**(885,006,025)**	**(1,673,452,573)**
Gross operating profit	**185,553,584**	**120,532,116**	**65,021,467**
Provisions	(2,043,297)	(5,921,773)	3,878,476
EBITDA	**183,510,287**	**114,610,343**	**68,899,943**
Amortisation, depreciation and write-downs	(52,992,607)	(50,919,978)	(2,072,628)
EBIT	**130,517,680**	**63,690,365**	**66,827,315**
Financial expenses	(5,294,639)	(4,304,796)	(989,842)
Financial income	575,234	423,480	151,754
Pre-tax profit	**125,798,275**	**59,809,049**	**65,989,226**
Taxes	(36,219,304)	(12,806,101)	(23,413,203)
Net income for the period	**89,578,971**	**47,002,948**	**42,576,024**

Revenues, amounting to Euro 2,737,444 thousand, showed a net increase compared to 2021 (Euro 1,746,413 thousand).



The breakdown of the item is summarised in the table below.

(Euro)	12.31.2022	12.31.2021	Changes
Power Exchange - day-ahead market	1,930,698,607	584,711,877	*1,345,986,731*
Free market (other)	572,087,432	182,188,534	*389,898,898*
Power Exchange - dispatching services market	166,090,586	207,448,700	*(41,358,115)*
Hydro sales to GSE	3,147,049	8,525,786	*(5,378,736)*
Capacity Market/Payment	59,912,038	6,514,900	*53,397,138*
Other	5,508,031	1,641,282	*3,866,749*
TOTAL	**2,737,443,743**	**991,031,079**	***1,746,412,664***

2022 was characterised by sharply rising energy prices, peaking in the months of July, August and September, driven by the increase in commodities. The average PUN recorded an increase of around 178.1 €/MWh, equal to 142%, compared to 2021.

This, combined with the higher volumes sold (+1,972 GWh, equal to 55%), led to an increase in revenues from sales on the MGP (day-ahead) market, which recorded an increase of Euro 1,345,987 thousand.

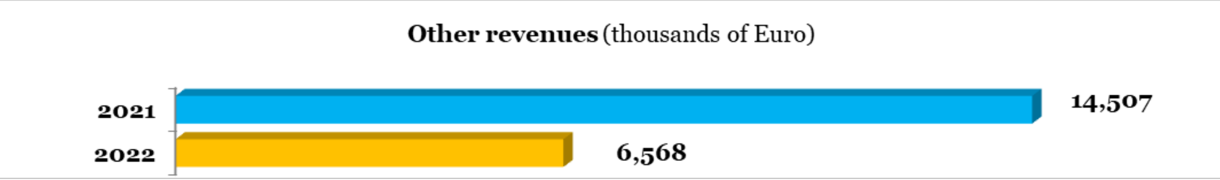
Revenues from sales on the Free Market were also affected by the increase in the PUN. Average sales revenues on bilateral contracts increased by approximately 156% which, combined with an increase in sales on this market (+23%), resulted in an increase of Euro 389,899 thousand compared to 2021.

Revenues from sales on the dispatching market instead showed a decrease of Euro 41,358 thousand mainly due to the significant decrease in the volumes of energy sold on this market (-366 GWh equal to 49%) following the launch of the Capacity Market.

The decrease in hydroelectric revenues from GSE is attributable to the lower production deriving from the low level of water availability in the period.

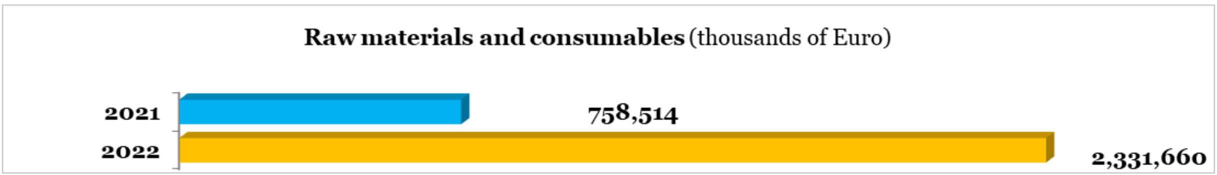
The item “other” includes revenues from the sale of ferrous materials from demolitions of decommissioned coal-fired units (Euro 5,325 thousand).

Other revenues amounted to Euro 6,568 thousand, compared to Euro 14,507 thousand in 2021 and refer to the recognition of the tax credit for the purchase of capital goods (Euro 1,266 thousand), to the premium pursuant to Resolution ARERA 44/2021, recognised by Terna for investments made to improve the stability of the network (Euro 500 thousand), as well as contingent assets (Euro 4,582 thousand) primarily attributable to gas adjustments relating to the months of November and December 2021.



Other revenues in 2021 included the insurance reimbursement relating to damages to hydroelectric plants caused by the flood of October 2020 (Euro 11,290 thousand including the advance for Property damages) and the insurance reimbursement relating to the Vado Ligure rotor (Euro 1,235 thousand).

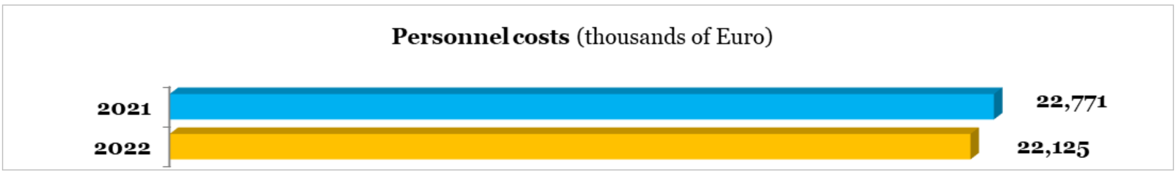
Costs for consumable raw materials amounted to Euro 2,331,660 thousand, up by Euro 1,573,145 thousand compared to 2021.



The cost of fuel consumed in the period amounted to Euro 1,536,133 thousand, trebling compared to the cost incurred in 2021 (Euro 471,350 thousand). There was both a significant price effect (the WAP rose by around 134% from 627.56 €/kSmc to 1,470.17 €/kSmc) and a volume effect as the quantities consumed showed an increase of around 37% as a result of higher production.

The charges related to the purchase of energy and power exchange operations amounted to Euro 792,802 thousand, up by Euro 508,055 thousand compared to the previous year. This increase mainly derives from higher purchases of energy from the GME and from bilateral contracts (Euro 484,986 thousand) due to the increase in the PUN and the higher volumes purchased and the greater value of purchases on the Dispatching Services Market (Euro 41,675 thousand), also attributable to the increase in prices, partly offset by a decline in volumes given that transactions on the Dispatching Services Market from high to low decreased considerably compared to 2021 (GWh repurchased decreased by 16%). The imbalance charges were affected by the lower volumes of unbalanced energy, which more than offset the increase in prices, and recorded a decrease of Euro 18,671 thousand compared to 2021.

Personnel costs came to Euro 22,125 thousand, down by Euro 647 thousand compared to the figure recorded in the previous year. The decrease is attributable to the effects of the adjustments to the Performance Bonus and the MBO (Euro 291 thousand), as well as the reduction in average amounts due to the gradual reabsorption of overlaps between new entries and exits created from 2020 to favour the coaching process needed to complete the turnover process. These effects are partially offset by the extraordinary payment paid to all employees (Euro 715 thousand) for the results of 2022.



Personnel costs (thousands of Euro)

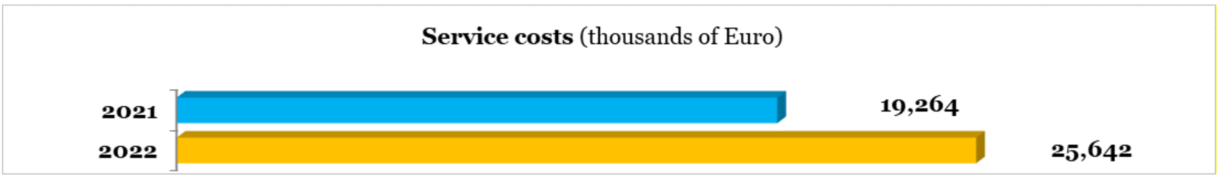
The table shows the average balance by job classification in 2022 compared with the previous year.

Average amount	12.31.2022	12.31.2021	Changes
Executives and Middle Managers	46.9	47.8	*(0.9)*
Employees	159.9	160.1	*(0.3)*
Workers	33.1	39.0	*(5.9)*
TOTAL	**239.9**	**246.9**	***(7.1)***

GRI 401-1 a)	Recruitment by age group in 2022			
	M.U.	**< 30**	**30 - 50**	**> 50**
	No.	**3**	**7**	**0**
	%	**30%**	**70%**	**0**

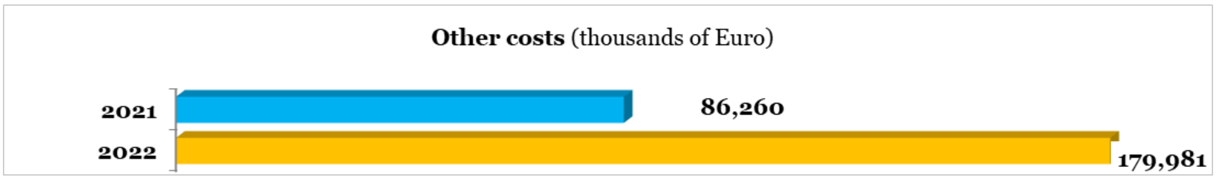
GRI 401-1 b)	Employees terminated by age group in 2022			
	M.U.	**< 30**	**30 - 50**	**> 50**
	No.	**1**	**3**	**23**
	%	**4%**	**11%**	**85%**

Service costs in the period amounted to Euro 25,642 thousand, an increase of Euro 6,378 thousand compared to 2021. The increase is mainly due to higher insurance costs (Euro 4,430 thousand) due to the new insurance on the Capacity Market (Euro 3,767 thousand) as well as a generalised increase in insurance cover. There were also higher charges for various fees to Terna and GME (Euro 755 thousand).



Service costs (thousands of Euro)

Other costs amounted to Euro 179,981 thousand, up by Euro 93,721 thousand compared to 2021.

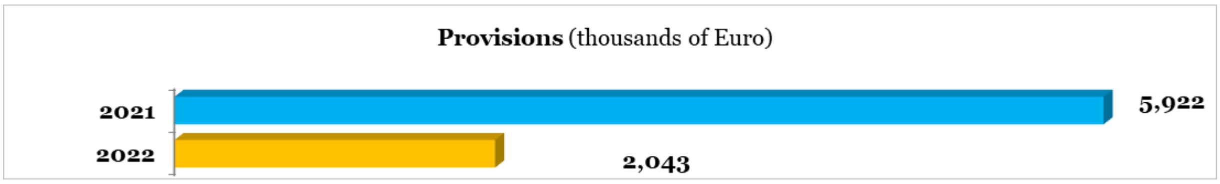


The change is attributable essentially to the higher expenses for emission rights, for Euro 93,094 thousand, due to the notable increase in the weighted average price of valuation of CO2 (81.41 €/ton. in 2022 compared to 51.63 €/ton. in 2021). Emissions are approximately 38% higher than the previous year (2,122 kton. in 2022 compared to 1,543 kton. in 2021) as a result of higher production.

EBITDA amounted to Euro 185,554 thousand, compared to Euro 120,532 thousand realised in 2021, marking an increase of roughly 54%.

Provisions, amounting to Euro 2,043 thousand, mainly concerned the adjustment of the TV4 demolition provision (Euro 2,800 thousand) and the estimate of the Long-Term Incentive Plan (Euro 881 thousand), partly offset by the release of the provision relating to the asbestos dispute (Euro 1,771 thousand), as a result of settlement agreements.

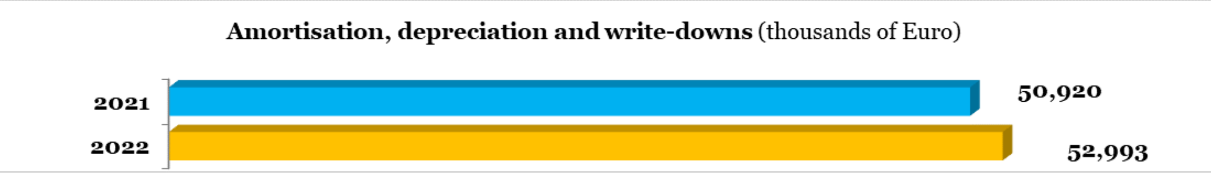
For more details, please refer to note no. 11.



In 2021, provisions mainly concerned: the adjustment of the provision for demolition of the Vigliena plant (Euro 1,232 thousand), the asbestos dispute (Euro 2,127 thousand) and the estimate of the Long-Term Incentive (Euro 544 thousand). In addition, a total of Euro 1,513 thousand was allocated for the hydro imbalances (Euro 1,194 thousand) and the TV5 unit (Euro 319 thousand) charged by Terna, but not recognised by the Company and therefore allocated pending settlement of the dispute.

EBITDA stood at Euro 183,510 thousand, a marked improvement compared to the previous year (Euro 114,610 thousand).

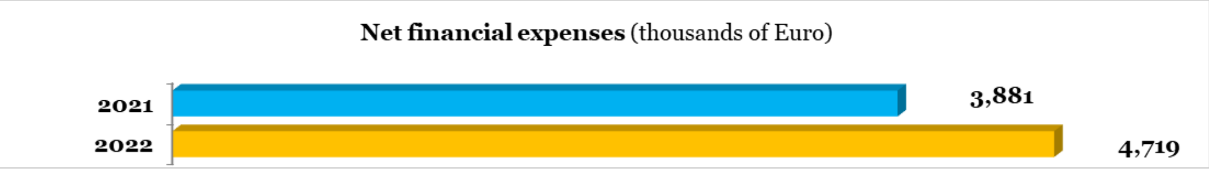
Amortisation, depreciation and write-downs (Euro 52,993 thousand) are essentially in line with 2021.



The **Operating Profit** therefore amounted to Euro 130,518 thousand, compared to an Operating Profit achieved in 2021 of Euro 63,690 thousand.

In 2022, **financial expenses** totalled Euro 5,295 thousand, an increase of Euro 4,305 thousand compared to 2021. Higher charges were recorded relating to the transfer of the annual VAT credit for 2021 and Q1, Q2 and Q3 of 2022 (Euro 1,477 thousand) and higher charges for sureties (Euro 491 thousand), partly offset by the savings amounting to Euro 1,162 thousand deriving from the full repayment of Tranche B in the first few months of 2022.

Financial income amounted to Euro 575 thousand, compared to Euro 423 thousand in 2021.



Taxes as at December 31, 2022 amounted to Euro 36,219 thousand and essentially refer:

- for Euro 23,385 thousand to the estimate of current IRES (corporate income tax) taxes and for Euro 5,074 thousand to the estimate of current IRAP (regional business tax) taxes, calculated on taxable income;
- for Euro 4,993 thousand to the generally negative effect of changes in deferred tax assets relating primarily to the use of provisions for risks and charges and the plant dismantling provision;
- for Euro 669 thousand, to the positive effect relating to the use of the deferred tax liabilities generated on previous excess and early tax amortisation;
- for Euro 565 thousand to the negative effect relating to taxes of previous years.
- for Euro 2,871 thousand for the extraordinary contribution envisaged by Law Decree no. 21/2022 "*Aid Decree*".

For more details, please refer to note 30.

The **net profit** for 2022 amounted to Euro 89,579 thousand (Euro 47,003 thousand in 2021).

ANALYSIS OF THE CAPITAL STRUCTURE

Reclassified Balance Sheet

The values of the reclassified income statement are reported in Euros, without decimals. For a better disclosure, comments on the individual items are expressed in Euro.

(Euro)	12.31.2022		12.31.2021		Changes
Net fixed assets					
Tangible and intangible assets	600,760,952		613,126,215		(12,365,263)
Other net non-current assets/(liabilities)	13,221,940		16,319,149		(3,097,208)
Total net fixed assets	**613,982,892**		**629,445,363**		**(15,462,471)**
Net working capital					
Inventories	191,538,243		92,324,150		99,214,093
- of which purchased emission rights	*179,035,500*		*77,744,984*		101,290,515
Trade receivables	128,804,486		139,303,179		(10,498,693)
Tax (payables)/receivables	(15,998,079)		(2,619,906)		(13,378,173)
Trade payables	(70,616,571)		(127,748,530)		57,131,959
Other net current assets/(liabilities)	(106,553,990)		(23,633,473)		(82,920,518)
Total net working capital	**127,174,089**		**77,625,420**		**49,548,669**
Gross capital employed	**741,156,981**		**707,070,783**		**34,086,198**
Other provisions					
Provisions for risks and charges	(80,532,211)		(99,368,100)		18,835,889
Post-employment and other employee benefits	(3,621,963)		(4,919,273)		1,297,311
Deferred tax liabilities	(31,287,443)		(32,023,707)		736,264
Total other provisions	**(115,441,616)**		**(136,311,080)**		**20,869,463**
Net capital employed	**625,715,365**	**100%**	**570,759,704**	**100%**	**54,955,661**
Shareholders' equity	**655,738,847**	**100%**	**565,514,663**	**99%**	**90,224,184**
Net financial debt	**(30,023,482)**		**5,245,041**	**1%**	**(35,268,523)**

Tangible and intangible assets decreased by Euro 12,365 thousand. The main changes concerned:

- amortisation/depreciation in the period amounting to Euro 52,993 thousand,
- investments in the period of Euro 39,359 thousand.
- the increase deriving from the adjustment of the dismantling provision of the CCGT of Torrevaldaliga for Euro 1,217 thousand

For details of investments made in the period, please refer to the appropriate section **"Investments and Demolitions".**

Other net non-current assets/(liabilities) registered a decrease of Euro 3,097 thousand compared to December 31, 2021. There was an decrease in deferred tax assets of Euro 5,277 thousand due to uses in the period, partially offset by an increase in financial fixed assets due to the payment of the security deposits for the auctions of the 2024 Capacity Market (Euro 1,870 thousand).

Inventories of Euro 191,538 thousand show an increase of Euro 99,214 thousand compared to December 31, 2021. This change is entirely attributable to the purchase of CO_2 rights relating to 2022 emissions, net of the cancellation of the 2021 quotas.

Trade receivables are Euro 10,499 thousand lower than as at December 31, 2021. In particular, we note:

- higher receivables for bilateral sales (Euro 23,467 thousand) as a result of higher revenues from bilateral sales in December 2022 compared to December 2021;
- higher receivables from Sorgenia (Euro 11,475 thousand) for the items relating to the Agreement for the management of obligations from the Capacity Market;
- higher receivables from GME (Euro 46,223 thousand) as a result of greater revenues in the MGP (day-ahead) market in the last two weeks of December 2022 compared to the same period of December 2021.

Tax payables of Euro 15,998 thousand refer to the estimate of IRES and IRAP taxes for the period, net of advances paid in the year.

The balance of **Trade payables** fell by Euro 57,132 thousand compared to the values as at December 31, 2021. In particular, we note:

- lower payables to Terna (Euro 19,792 thousand) as a result of lower costs for the purchase of energy in the MSD market in the months of November and December 2022 compared to the last two months of 2021;
- lower payables for fuels (Euro 49,522 thousand) as a result of the lower quantities of gas consumed in the last ten days of 2022 compared to the same period of 2021;
- higher payables for the purchase of energy from bilateral contracts (Euro 6,019 thousand) following the increased bilateral purchases in December 2022 compared to December 2021;

Other net current assets/(liabilities) showed a decrease of Euro 82,921 thousand compared to December 31, 2021. This change derives from:

- the increase in payables for CO_2 rights to be delivered (Euro 93,094 thousand) in relation to the increase in the debt for emissions in the period.
- the decrease in the VAT credit (Euro 16,575 thousand) due to the collection of the VAT credit in the third quarter of 2021 (Euro 13,000 thousand), the assignment without recourse of the annual VAT credit 2021 (Euro 43,000 thousand), the VAT credit in Q1 of 2022 (Euro 36,000 thousand), Q2 of 2022 (Euro 24,500 thousand) and Q3 of 2022 (Euro 71,500 thousand), partially offset by the receivable accrued in the period.
- Increase in advances to third parties following the negotiation for the thermal year 2023 for the supply of methane gas for the operation of the plants (Euro 30,000 thousand).

The **Provision for Risks and Charges** decreased by Euro 18,836 thousand as a result of the changes as better illustrated in note no. 11.

The **net invested capital** therefore amounted to Euro 625,715 thousand (Euro 570,760 thousand as at December 31, 2021).

Shareholders' equity stood at Euro 655,739 thousand, and changed when compared to December 31, 2021, due to the net profit in the period, amounting to Euro 89,579 thousand, as well as the net increase of Euro 645 thousand in IAS 19 and IFRS 9 reserves.
For more details, please refer to note no. 9.

Net financial debt stood at a positive value of Euro 30,022 thousand, equal to the value of cash and cash equivalents, as the Company no longer had any residual financial debt as at December 31, 2022.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not carry out research and development activities in 2022 nor are there, as at December 31, 2022, deferred costs relating to this type of activity.

OWN SHARES AND SHARES OF THE PARENT

As at the date of the financial statements, the Company does not own treasury shares or shares of parent companies, either direct or indirect.

RELATIONSHIPS WITH SUBSIDIARIES, AFFILIATES, PARENT COMPANIES AND COMPANIES CONTROLLED BY THE LATTER

Please refer to the explanatory notes to the financial statements.

FINANCIAL RISKS, MARKET RISKS AND OTHER RISKS

Please refer to the explanatory notes to the financial statements.

BUSINESS OUTLOOK

Evolution of the Business Plan

As is well-known, a Debt Restructuring Agreement was signed in 2015 with the main creditors (the Lenders) pursuant to art. 182-bis of the Bankruptcy Law, aimed at structurally resolving the existing financial and equity imbalances. The Debt Restructuring Agreement included a Refinancing plan - "Restated Facility Agreement" - negotiated on the basis of a Business Plan (hereinafter the "Plan") which, among the other assumptions, made provision for the introduction of the Capacity Market from 2018 and the recovery of electricity demand which will enable a gradual return to higher profit margins. The Capacity Market mechanism was formally launched in 2019, in which the economic and technical parameters were established for the delivery years 2022 and 2023. Tirreno Power was awarded all the capacity offered, equal to 1,875 MW.

On February 21, 2022, the auctions were held for the delivery year 2024 and Tirreno Power was awarded all the capacity offered, equal to 1,883 MW, at the starting auction price for the existing capacity equal to 33,000 €/MW.

In light of the award of the auctions for the Capacity Market for the year 2024 and the new market scenario, on March 6, 2023, the Board of Directors approved the updated Business Plan. The market scenarios lead us to believe that the results will continue to allow the fulfilment of the obligations set forth in the debt restructuring agreement.

The results of 2022 are markedly better than the Budget/Plan forecasts and confirm the sustainability of the assumptions made in the updated Plan.

On the whole, considering that:

- the Company's Shareholders' Equity came to Euro 655,739 thousand, deemed suitable by the Directors to ensure adequate capitalisation of the Company with respect to the future objectives set out in the Plan;
- the economic results achieved in previous years, and in the 2018-2022 period in particular, confirmed the better performances than those forecast in the Business and Financial Plan and subsequent updates;
- the results of 2022, markedly better than the previous year, are extremely positive, recording an Operating Profit of Euro 130,518 thousand and a net profit of Euro 89,579 thousand;
- the realisation, up until the present day, of the actions set out in the aforementioned "Plan" in terms of increasing the efficiency of resources, led to a reduction in structure costs;
- the verification of the capacity to generate cash allowed a faster repayment of the loan as such to extinguish the entire Tranche A three years earlier than the natural expiry of the instalments and to repay in advance, with respect to the contractual expiry of December 2024, the entire amount of tranche B;

the reasonableness of the assumptions used by the directors to draft the "Plan" and its updating was confirmed, instilling confidence in them regarding the Company's ability to be able to reach the results expected in the “Plan” also in future years, despite being fully aware that the results envisaged in the aforementioned Plan may only materialise if the assumptions contained therein are satisfied. These assumptions are primarily related to the market trends and regulatory developments which are subject, owing to their nature, to uncertainties in terms of the methods and timing of their realisation.

The Company’s management has constantly monitored the impacts on the financial situation deriving from the significant increase in the cost of commodities and, in particular, of gas due to the implications of the significant amounts of VAT credits generated.

The management will take all actions aimed at maintaining the highest levels of efficiency and availability of the production plants in order to capitalise on all the market opportunities that present themselves.

In consideration of the Company's economic performance during the period of geopolitical tensions, there were no impacts that could represent an indicator of impairment. However, in consideration of the persisting uncertainties that characterise the reference macroeconomic framework, the directors will continue to closely monitor the evolution of operations.

Based on these assumptions, the directors reasonably expect the company to continue to operate in the foreseeable future as an operating entity, therefore, drafting these financial statements on the basis of the going concern assumption.

Evolution of the macroeconomic scenario

As reported in the Bank of Italy Economic Bulletin published in January 2023, the global cyclical scenario deteriorated again in the fourth quarter. According to available indicators, activity in advanced countries - still affected by the repercussions of the war in Ukraine and high inflation - slowed down; China also weakened due to the measures imposed in October and November to contain the Covid-19 pandemic. International trade would have slowed considerably. The slowdown in global demand helped to moderate the price of oil; in Europe, natural gas prices fell sharply, although they remained at historically high values. International institutions predict a slowdown in global growth for the current year mainly due to the persistently high energy prices, the weakness of household disposable income and less favourable financial conditions.

The increase in official rates in the United States continues, albeit at a slower pace.

At its meetings in November and December, the Federal Reserve approved further hikes in the reference interest rate of 75 and 50 basis points, respectively. Since mid-October, conditions on the international financial markets have generally improved, albeit with a temporary deterioration in the second half of December, when they were affected by a more restrictive than expected stance of the main central banks. In mid-January, long-term government bond yields in Europe and the United States returned to lower values than in October.

According to the most recent economic indicators, the GDP of the euro area remained almost stationary in the last quarter of 2022. Consumer price inflation remained high (9.2% in December on an annual basis), albeit down since November; the core component continued to strengthen also as a result of a gradual conveyance of past energy price increases. The wage trend has slightly accentuated since October. The marked recovery in the participation rate and the stagnation of labour productivity - trends that differ from those observed in the United States - together with government measures to support households have helped to contain demands for wage increases. In the Eurosystem forecasts last December, the GDP growth estimates were revised downwards for the current year; those for inflation were revised upwards for the two-year period 2023-24, reflecting the more intense and persistent transmission of pressures at source to consumer prices and the increase in wage growth estimates.
The ECB again raised the reference rates and announced measures to reduce the Eurosystem's balance sheet.
In its October and December meetings, the Governing Council of the ECB increased the official rates, by 75 and 50 basis points, respectively, and announced that they will still have to increase rates significantly and at a constant pace to favour a timely return of inflation to the average target term. The Board also decided to make the conditions applied to targeted longer-term refinancing operations (TLTRO3) less advantageous and in December announced the criteria on the basis of which it will normalise the amounts of securities held by the Eurosystem for monetary policy purposes.
According to the estimates contained in the bulletin, activity in Italy weakened in the last quarter of last year. Both the attenuation of the recovery of the added value of services, which returned to pre-pandemic values already in the summer months, and the decline in industrial production would have contributed to this. Household spending would have slowed down, despite measures to support disposable income in a context of high inflation. The companies interviewed as part of the Bank of Italy surveys consider the conditions for investing to still be unfavourable.
Employment grew slightly, while the wage trend remains contained.
In the autumn months, harmonised consumer inflation reached new highs (12.3% in December on an annual basis), still supported by the energy component, which continues to be transmitted to the prices of other goods and services. According to Bank of Italy estimates, which consider both direct and indirect effects, on average just over 70% of total inflation was attributable to energy; in the same period, government energy measures would have mitigated the trend in consumer prices by more than one percentage point.
According to the Bank of Italy's projections for the Italian economy, in the baseline scenario, the tensions associated with the war are still high in the first months of 2023 and gradually reduce over the forecast horizon. After an increase of almost 4% in 2022, GDP is expected to slow this year to 0.6%. Growth is expected to strengthen again in the following two years, thanks to the acceleration of both exports and domestic demand. Inflation, which rose to almost 9% last year, would drop to 6.5% in 2023 and more markedly thereafter, reaching 2.0% in 2025.
In a scenario in which the permanent suspension of supplies of energy raw materials from Russia to Europe is assumed, GDP would contract in 2023 and 2024 and would grow moderately in the following year; inflation would rise further this year, and then fall significantly over the next two years. The

scenario does not take into account new measures introduced to mitigate the effects of these more unfavourable developments; it also does not consider the possibility that the significant weakening of economic activity is reflected, more than what is suggested by regular historical trends, in inflation, determining a lower value at the end of the forecast horizon.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

No significant events occurred after the end of the year.

PROPOSALS OF THE BOARD OF DIRECTORS

Dear Shareholders,

We invite you to approve the financial statements as at December 31, 2022 as a whole and their individual items.

Taking into account the contents of this Report on Operations, as well as the provisions of article 2430 of the Italian Civil Code and the provisions of the Company's Articles of Association, it is proposed to allocate the net profit, amounting to Euro 89,578,971, in full to retained earnings, as the legal reserve has already reached the amount of one fifth of the share capital.

Rome, March 6, 2023

For the Board of Directors

(Chairman)

FINANCIAL STATEMENTS SCHEDULES

BALANCE SHEET

(Euro)	Note	Dec-31-22	Dec-31-21
Assets			
Property, plant and equipment	1	599,015,623	611,643,365
Intangible assets	2	1,745,329	1,482,850
Non-current financial assets	3	6,277,704	4,321,496
Deferred tax assets	4	7,409,722	12,686,510
Other non-current assets		543,960	608,589
Total non-current assets		**614,992,338**	**630,742,809**
Inventories	5	191,538,243	92,324,150
Trade receivables	6	128,804,486	139,303,179
Other current assets	7	75,312,185	63,517,144
Derivative financial instruments	8	-	249,978
Other current financial assets		306,334	9,145
Cash and cash equivalents	9	30,023,482	49,910,079
Total current assets		**425,984,731**	**345,313,676**
Total assets		**1,040,977,069**	**976,056,485**
Liabilities and Shareholders' Equity			
Share capital		60,516,142	60,516,142
Other reserves		136,410,202	135,764,989
Accrued gains (losses)		369,233,532	322,230,584
Profit (losses) for the period		89,578,971	47,002,948
Shareholders' equity	**10**	**655,738,847**	**565,514,663**
Provisions for risks and charges	11	65,238,706	71,169,217
Post-employment and other employee benefits	12	3,621,963	4,919,273
Deferred tax liabilities	13	31,287,443	32,023,707
Other non-current financial liabilities	14	1,009,446	1,297,446
Total non-current liabilities		**101,157,558**	**109,409,643**
Payables for loans	15	-	55,155,120
Provisions for risks and charges	11	15,293,505	28,198,883
Trade payables	16	70,616,571	127,748,530
Payables for income taxes	17	15,998,079	2,619,906
Other current liabilities	18	181,680,007	86,358,608
Derivative financial instruments	19	-	566,295
Other short-term financial liabilities	14	492,503	484,838
Total current liabilities		**284,080,664**	**301,132,180**
Total shareholders' equity and liabilities		**1,040,977,069**	**976,056,485**

INCOME STATEMENT

(Euro)	Note	Dec-31-22	Dec-31-21
Revenues	20	2,737,443,743	991,031,079
Other revenues	21	6,568,438	14,507,063
Total revenues		**2,744,012,181**	**1,005,538,141**
Own work capitalised	22	948,434	1,803,319
Consumption of raw materials	23	(2,331,659,736)	(758,514,286)
Personnel costs	24	(22,124,512)	(22,771,120)
Service costs	25	(25,641,579)	(19,263,781)
Other operating costs	26	(182,024,502)	(92,181,929)
Amortisation, depreciation and write-dow	27	(52,992,607)	(50,919,978)
EBIT		**130,517,680**	**63,690,365**
Financial expenses	28	(5,294,639)	(4,304,796)
Financial income	29	575,234	423,480
Pre-tax profit		**125,798,275**	**59,809,049**
Taxes	30	(36,219,304)	(12,806,101)
Net income		**89,578,971**	**47,002,948**
Earnings per share - basic and dilute	31	**1.48**	**0.78**

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

(Euro)	Note	2022	2021
Net income for the period		**89,578,971**	**47,002,948**
Other components of comprehensive income:			
Change in fair value of financial instruments on POWER	*19*	413,395	(496,825)
Change in fair value of financial instruments on GAS	*8*	(155,798)	525,763
Change in fair value IAS 19 - Post-employment and other BEN	*12*	414,302	(108,597)
Change in fair value of financial instruments on CO2	*8*	(26,686)	26,686
Total other components of comprehensive income		**645,213**	(52,973)
Total comprehensive income		**90,224,185**	**46,949,975**

STATEMENT OF CASH FLOWS

(Euro)	Note	Dec-31-22	Dec-31-21
OPERATING ACTIVITIES			
Net income for the period	14	89,578,971	47,002,948
Amortisation, depreciation and write-downs	32	52,992,607	50,919,978
Net provisions for deferred taxes and other provisions		(20,869,463)	(8,917,147)
Increase (decrease) in IAS 39, IAS 19, Interest Rate CAP reserves		645,213	(52,972)
Other non-monetary changes		(1,271,054)	(21,461)
Change in other non-current assets and liabilities		3,097,208	17,600,310
Change in other current assets and liabilities		(49,548,669)	10,300,547
Cash flow from operating activities		**74,624,814**	**116,832,204**
of which:			
- Interest income collected		-	-
- Interest expenses paid		*(951,485)*	*(918,819)*
- Income taxes paid		*(17,373,174)*	*(16,129,675)*
INVESTMENT ACTIVITIES			
Investments in tangible assets		(38,321,000)	(37,210,000)
Investments in intangible assets		(1,038,000)	(731,000)
Divestments		2,710	
Cash flow from investment activities		**(39,356,290)**	**(37,941,000)**
FINANCING ACTIVITIES			
Increase in share capital		-	-
Increase (decrease) in payables for non-current loans		-	(74,158,808)
Increase (decrease) in payables for current loans		(55,155,120)	31,133,510
Participating Financial instruments		-	-
Changes in other short-term financial liabilities			
Cash flow from financing activities		**(55,155,120)**	**(43,025,298)**
Increase (decrease) in cash and cash equivalents		**(19,886,597)**	**35,865,905**
Opening cash and cash equivalents		**49,910,079**	**14,044,174**
Closing cash and cash equivalents		**30,023,482**	**49,910,079**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro)	Note	Share capital (a)	Other reserves (b)	Accrued gains (losses) (c)	Profit (loss) for the period (d)	Total (a+b+c+d)=e
Balance as at January 1, 2021		**60,516,142**	**134,773,997**	**197,761,721**	**125,512,828**	**518,564,687**
Allocation of profit for 2020			1,043,964	124,468,864	(125,512,828)	-
Comprehensive profit/loss as at December 31, 2021			(52,973)		47,002,948	46,949,975
of which:						
Income/losses booked directly to shareholders' equity	*10*		*(52,973)*			*(52,973)*
Profit/Loss as at December 31, 2021					47,002,948	47,002,948
Balance as at January 1, 2022		**60,516,142**	**135,764,988**	**322,230,585**	**47,002,948**	**565,514,663**
Allocation of profit for 2021				47,002,948	(47,002,948)	-
Comprehensive profit/loss as at December 2022			645,213		89,578,971	90,224,185
of which:						
Income/losses booked directly to shareholders' equity	*10*		*645,213*			645,213
Profit/loss for December 2022					89,578,971	89,578,971
Balance as at December 31, 2022		**60,516,142**	**136,410,201**	**369,233,533**	**89,578,971**	**655,738,847**

EXPLANATORY NOTES

DECLARATION OF CONFORMITY

These financial statements are prepared in accordance with IFRS international accounting standards issued by the 'International Accounting Standards Board (IASB) and provide complete information on the basis of IAS 1.

IFRS means all the "International Financial Reporting Standards", all International Accounting Standards ("IAS"), all of the interpretations of the International Financial Reporting Standards Committee ("IFRIC"), all the interpretations of the Standing Interpretations Committee ("SIC"), adopted today by the European Union and contained in the EU Regulations published on G.U.C.E. (Official Journal of the European Union) up to today's date, in which the Board of Directors of Tirreno Power S.p.A. authorised the publication of these financial statements. Lastly, still on the subject of interpretation, account was also taken of the documents on IAS / IFRS in Italy prepared by the Italian Accounting Board (OIC).

STRUCTURE AND CONTENT OF FINANCIAL STATEMENTS

These financial statements consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income/Loss recorded in the period, Statement of Cash Flows, Statement of Changes in Shareholders' Equity, as well as the Explanatory Notes and are drafted on the basis of the going concern assumption, based on the indications of the paragraph "Business outlook".

As for the financial statements that the Company has chosen to adopt it should be noted:

- in the "Balance sheet" assets and liabilities are sorted by due date, separating current and non-current items by expiry, respectively, within or after 12 months;
- the "Income statement" is presented in a scalar form by nature;
- the "Cash flow statement" is prepared using the indirect method, as allowed by IAS 7;
- the "Statement of comprehensive income/loss" is prepared separately in accordance with IAS 1 Revised.
- the "Statement of changes in Shareholders' Equity" is prepared in accordance with IAS 1 Revised.

The functional currency used for the presentation of financial statements is the euro and all amounts are expressed in thousands of Euro unless indicated otherwise. For disclosure purposes, the values are reported without decimals.

This document is subject to auditing by the Independent Auditors *EY S.p.A.*, a company which was also entrusted with the legal auditing of accounts.

ACCOUNTING POLICIES AND VALUATION CRITERIA

The accounting policies and valuation criteria adopted are summarised below. The valuation criteria are adopted on a going concern basis and comply with the principles of accrual accounting, relevance and materiality of accounting information and the prevalence of economic substance over legal form.

The general principle used in preparing these financial statements is the cost method with the exception of any derivatives for which IFRS 9 requires the fair value measurement.

Current/non-current classification

Assets and liabilities are classified in these financial statements according to the current/non-current criterion.

An asset is current when:

- it is expected to be realised, or held for sale or consumption, during the normal course of the operating cycle;
- it is held primarily for trading purposes;
- it is expected to be realised within twelve months of the date of year-end; or
- it is composed of cash or cash equivalents unless it is prohibited to exchange or use it to extinguish a liability for at least twelve months from the date of year-end.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be extinguished during its normal operating cycle;
- it is held primarily for trading purposes;
- it must be extinguished within twelve months of the date of year-end; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months from the date of year-end.

All other liabilities are classified as non-current.

Discretionary valuations and significant accounting estimates

The application of generally accepted accounting standards for the preparation of the financial statements entails that the Company's management makes accounting estimates based on complex and/or subjective judgements, on past experience and on assumptions considered reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates affects the carrying amount of assets and liabilities, as well as the disclosure on contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reference period. The actual results may differ from those estimated, due to the uncertainty that characterises the assumptions and the conditions that generate the estimates. The main accounting estimates included in the process of preparing the financial statements, which involve the use of subjective judgements, assumptions and estimates on issues that are uncertain by their nature, are indicated below.

1. *Recoverability of non-financial assets*

Assets such as property, plant and equipment, intangible assets, assets consisting of the right of use of an underlying asset are subject to impairment when their book value exceeds the recoverable value, represented by the higher of the fair value, net of costs of disposal, and the value in use.

These recoverability tests are carried out according to the criteria envisaged by IAS 36 and described in more detail in the following Note “Property, plant and equipment”.

In determining the recoverable amount, the Company generally applies the value in use criterion. Value in use is the present value of future cash flows that are expected to originate from the asset being measured, discounted using a discount rate, gross of taxes, which reflects current market valuations of the time value of cash and the specific risks of the business.

The expected future cash flows are prepared on the basis of the most recent approved business plans and information available at the time of the estimate; therefore, the assumptions used in estimating the cash flows are based on the management’s judgement with particular reference to the performance of future variables indicated in the “Business outlook” section and in note no. 1.

2. *Disputes*

The Company is a party to some legal disputes relating mainly to labour, the operation of some production plants, environmental damages, and criminal disputes. Given the nature of these disputes, it is not always objectively possible to predict their final outcome, some of which could be concluded with an unfavourable outcome.

Provisions were set up to cover all significant liabilities for cases in which the Company, also supported by legal advisors, has assessed an unfavourable outcome as probable and a reasonable estimate of the amount of the loss can be made.

3. *Provisions for risks and charges*

Provisions for risks are made on the basis of expectations of specific events deemed reasonably certain whose effects, on the basis of the information available and the support of the consultants, are estimated as probable.

4. *Deferred tax assets*

The financial statements include deferred tax assets, related to income components with deferred tax deductibility, for an amount whose recovery in future years is considered highly probable by the Directors.

The recoverability of the above-mentioned deferred tax assets is subject to the achievement of future taxable profits that are sufficiently large enough to attain the benefits deriving from the deferred tax assets.

Significant judgments of management are required to determine the amount of deferred tax assets that can be recognised in the financial statements, based on the timing and amount of future taxable income as well as future tax planning strategies and tax rates in force at the time of their transfer.

Estimates and assumptions are reviewed periodically and the effects of each change are simultaneously recognised in the income statement.

Translation of foreign currency items

The functional and presentation currency is the Euro.

Foreign currency transactions are recorded at the exchange rate prevailing at the transaction date. Monetary assets and liabilities in currencies other than the functional currency are subsequently adjusted at the exchange rate prevailing at the balance sheet date. Exchange differences arising from the conversion operations are reflected in the income statement and recorded under financial income and expenses. Non-monetary assets and liabilities denominated in foreign currencies and valued at cost are translated at the exchange rate prevailing at the date of initial transaction.

Tangible assets

Property, plant and equipment are stated at acquisition or production cost, less accumulated depreciation and any accumulated impairment losses. The cost includes expenditure directly incurred to prepare the assets for use, as well as any charges for dismantling and removal (as provided by IAS 37), recorded at the present value of the future expense which is estimated will be incurred. The cost also includes any interest paid on the purchase or construction of property, plant and equipment incurred to bring these into operation.

They also include the costs relating to spare parts considered strategic for guaranteeing plant productive activities.

Depreciation commences when the asset is available for use and is recognised systematically over the remaining useful life of the same, i.e. on the basis of the estimated useful life.

The useful life of property, plant and equipment and their residual value are reviewed and adjusted if appropriate, at least at the end of each year. The presumed realisable value which is deemed recoverable at the end of its useful life, if determined, is not depreciated.

Where the asset subject to depreciation is composed of separately identifiable elements whose useful life differs significantly from that of the other parts that make up the asset, depreciation is calculated separately for each of these parts, in application of the component approach.

Ordinary maintenance costs are fully expensed in the year they are incurred.

The costs incurred for maintenance carried out at regular intervals (*known as* Major Inspections) are recorded as assets in the balance sheet and are depreciated on the basis of the intervention cycle, as planned by management.

The depreciation of assets that can be transferred free of charge outside the scope of IFRIC 12 is calculated on a straight-line basis over the shorter of the residual duration of the concession, and the estimated useful life of the same, with the exception of exemptions regarding investments in accordance with the provisions of the current legislation.

Land, whether free of constructions or annexed to civil and industrial buildings is not depreciated as it has an unlimited useful life.

The estimated useful lives of property, plant and equipment is as follows:

Buildings	25/40 years
Equipment; steam generator; mech. mach.; hydraulic works	20 years
Combined cycle plants	30 years
Maintenance	2 to 8 years
Electronic calculators; office machines; IT equipment	5 years
Transport lines	35 years
Penstocks	50 years
Long distance transmission systems and industrial equipment	10 years

The book value of an element of property, plant and equipment and each significant component initially recognised is eliminated at the moment of disposal (i.e. as at the date on which the purchaser acquires control of it) or when no future economic benefit is expected from its use or disposal. The profit/loss that emerges at the moment of the derecognition of the asset (calculated as the difference between the net book value of the asset and the consideration received) is booked to the income statement when the element is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are revised at the close of the year and, where appropriate, corrected prospectively.

In the event of signs of deterioration, tangible fixed assets are subject to a recoverability test (so-called “impairment test”) which is illustrated in the following paragraph “Impairment of Assets”. At the same time, the restoration of an asset previously written down as a contra-item in the income statement is also booked to the income statement.

Intangible assets

Intangible assets are composed of non-monetary, identifiable elements without physical substance, controllable and capable of generating future economic benefits. They are carried at cost of purchase and/or production cost, including directly attributable costs of preparing the asset for use, net of accumulated amortisation, in cases where there is an amortisation process, and any impairment. Amortisation commences when the asset is available for use and is recognised systematically over the remaining useful life of the same, i.e. on the basis of the estimated useful life.

Research costs are expensed in the year they accrue. Development costs are capitalised if the cost can be measured reliably and it is shown that the asset is able to generate future economic benefits.

Impairment of assets

As at each balance sheet date, property, plant and equipment and intangible assets with indefinite lives are tested in order to establish whether there are indicators of impairment. When the presence of these indicators is identified, the recoverable amount of the assets is estimated and any impairment loss recognised in the income statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, where the latter is the present value of estimated future cash flows of the asset. In determining the value in use, expected future cash flows are discounted with a discount rate that reflects the assessment of the cost of money for the company, in relation to the investment period and the specific risks of the asset. An impairment loss is recognised in the income statement when the asset's carrying amount exceeds its recoverable amount.

For tangible and intangible fixed assets, should the reasons for a write-down effected previously no longer exist, the carrying value is reinstated by an entry in the income statement, in accordance with the limits of the net book value that the asset would have had if it had not been written down and amortisation/depreciation had been charged.

Inventories

Raw materials, consumables and supplies are valued at purchase cost determined using the weighted average method and are not written down below cost given held to be used in the production process.

The purchase cost is determined for the reference period, in respect of each inventory item. The weighted average cost includes the relevant accessory charges relating to purchases in the period.

The value of obsolete and slow-moving inventory is written down in relation to the risk of use or sale, through the allocation of risk in a specific provision for the write-down of inventories.

With regard to the so-called emission rights, as better specified in the previous annual financial statements, as from January 1, 2020 Tirreno Power decided to privilege a classification of the rights purchased to meet its own needs (so-called own use), among the inventories of the current assets.

Financial instruments

Financial instruments include financial assets and liabilities whose classification is determined at the time of their initial recognition, depending on the purpose for which they were purchased. Purchases and sales of financial instruments are recognised on the trade date.

The financial instruments include not only investments available for sale, but other non-current financial assets, receivables and non-current loans, trade receivables, other receivables originated by the enterprise as well as other current financial assets such as cash and equivalents or bank deposits and financial receivables due within three months. Financial payables, trade payables, other payables and other financial liabilities and derivative instruments also fall under financial instruments.

All assets and liabilities for which the fair value measured or stated in the financial statements are categorised on the basis of the fair value hierarchy, as described below:

- Level 1 - prices listed (not adjusted) in active markets for identical assets or liabilities which the company can access at the measurement date;
- Level 2 - inputs other than prices listed in Level 1, observable directly or indirectly for the asset or for the liability;
- Level 3 - valuation techniques for which the input data are not observable for the asset or the liability.

The fair value measurement is classified entirely to the same level of the fair value hierarchy in which the input of the lowest level of the hierarchy used for the measurement is classified.

It should be noted that no changes were verified in the levels of the fair value hierarchy used for the purposes of measuring the financial instruments with respect to the last financial statements.

For assets and liabilities booked to the financial statements at fair value on a recurring basis, the company determines whether transfers between levels of the hierarchy have taken place.

Their initial assessment takes into account the transaction costs directly attributable to the acquisition or the issue costs that are included in the initial measurement of financial instruments. The fair value of instruments listed on public markets is determined with reference to quoted prices (bid price) as at the balance sheet date. The fair value of unlisted instruments, including those related to electricity, is instead measured with reference to the financial valuation techniques or using major financial counterparties. In particular, the fair value of interest rate swaps is measured by discounting the expected cash flows, the fair value of foreign exchange forwards is determined on the basis of market exchange rates at the balance sheet date and the rate differentials between the relevant currencies, while the fair values of derivatives related to commodities are calculated using models based on industry best practices.

In general, in applying those models, market data are used rather than internal company data.

Trade receivables

Trade receivables, which accrue within the normal commercial terms, are not discounted and are recognised at cost (identified by their nominal value) net of related impairment losses.

The management verified that the fair value of the trade receivables and trade payables, as well as of the cash and cash equivalents and short-term deposits and other current liabilities approximates the book value as a result of the short-term maturities of these instruments.

Cash and cash equivalents

Cash and cash equivalents include cash, i.e. assets that meet the requirements of availability on demand or at short notice, successful outcome and absence of collection expenses and are measured at fair value. For the purposes of representation in the cash flow statement, the cash and cash equivalents are represented by the liquid funds defined above.

Cancellation (derecognition) of financial assets

Financial assets are derecognised from the balance sheet when the rights to receive cash flows from the instrument expires and the entity has transferred substantially all the risks and rewards relating to the instrument and the relative control.

Trade payables

The trade payables, which accrue within the normal commercial terms, are not discounted and are recognised at cost (identified by their nominal value).

Financial liabilities

Financial liabilities, including borrowings and other payment obligations are initially recognised at cost corresponding to the fair value of the liability net of costs incurred to secure loans (transaction costs). Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate. Net financial charges are consequently restated on the basis of the effective interest rate method.

If there is a change in expected cash flows and the possibility exists to reliably estimate the value of the loans is recalculated to reflect this change on the basis of the present value of expected future cash flows and the internal rate of return originally determined. Financial liabilities are classified as current liabilities unless the entity has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled. Where an existing financial liability is replaced by another of the same lender, under substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or modification is treated as a derecognition of the original liability, accompanied by the recognition of a new liability, with any differences in the book values posted to the income statement.

Derivative financial instruments

The Company uses derivative financial instruments including: interest rate swaps and forward commodity purchase contracts to hedge interest rates and commodity price risks respectively. These derivative financial instruments are initially recognised at fair value on the date in which the derivative contract is signed and, periodically, updated at each reporting date. Derivatives are accounted for as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. For hedge accounting purposes, there are three types of hedge:

- fair value hedge in the event of hedging of the exposure to changes in the fair value of the asset or liability recognised or unrecognised irrevocable commitment;
- cash flow hedge in the case of hedging of exposure to changes in cash flows attributable to a particular risk associated with all assets or liabilities recognised or a highly probable forecast transaction or foreign currency risk on an unrecognised firm commitment;
- hedge of a net investment in a foreign operation.

At the start of a hedging transaction, the company designates and formally documents the hedging relationship, to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.

The documentation includes the identification of the hedging instrument, the hedged element, the nature of the risk and the methods the company will use to evaluate whether the hedging relationship satisfies the hedge effectiveness requirements (including an analysis of the sources of hedge ineffectiveness and the way in which the hedging relationship is determined).

The hedging relationship satisfies the hedge accounting eligibility criteria if it meets all the following hedge effectiveness requirements:

- there is an economic relationship between the hedged element and the hedging instrument;
- the effect of the credit risk does not dominate the changes in value resulting from the aforementioned economic relationship;

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The transactions that satisfy all the criteria to qualify for hedge accounting are accounted for as follows:

(i) Fair value hedges

The fair value change in hedging derivatives is recognised under other costs in the statement of profit/(loss) for the year. The fair value change in the hedged element attributable to the hedged risk is recorded as part of the carrying value of the hedged element and it is also recognised under other costs in the statement of profit/(loss) for the year.
As regards fair value hedges relating to elements accounted for using the amortised cost method, each adjustment of the carrying value is amortised in the statement of profit/(loss) for the year over the residual period of the hedge, using the effective interest rate method. Amortisation determined in this way may start as soon as adjustment exists but cannot extend beyond the date in which the element subject to hedging ceases to be adjusted due to the fair value changes attributable to the risk subject to hedging.
If the hedged element is cancelled, the fair value not amortised is recognised immediately in the statement of profit/(loss) for the year.
When an unrecognised firm commitment is designated as an element subject to hedging, subsequent cumulated changes in its fair value attributable to the hedged risk are accounted for as assets or liabilities and the corresponding profits or losses booked to the statement of profit/(loss) for the year.

(ii) Cash flow hedge

The portion of the profit or loss on the hedged instrument, relating to the effective part of the hedge, is recognised in the statement of comprehensive income, under the “cash flow hedge” reserve, while the ineffective part is booked directly to the statement of profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower of the cumulated profit or loss on the hedging instrument and the cumulated variation in the fair value of the hedged element.

The Company only designates the spot component (intrinsic) of forward contracts as hedging instrument. The forward component (time) is cumulatively recognised in a separate item of the statement of other comprehensive income.

The amounts accumulated under other comprehensive income are accounted for depending on the nature of the underlying hedged transaction. If the transaction subject to hedging subsequently involves the recognition of a non-financial component, the amount accumulated under shareholders’ equity is removed from the separate component of shareholders’ equity and included in the cost value or other book value of the hedged asset or liability. This is not considered a reclassification of the items recognised in other comprehensive income for the period. This also applies in the event of a planned hedge of a non-financial asset or non-financial liability that subsequently becomes a firm commitment to which the accounting of fair value hedging transactions is applied.

For any other cash flow hedge, the cumulated amount in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same period or in periods during which the hedged cash flows impact the income statement.

If the accounting of the cash flow hedge is suspended, the cumulated amount in other comprehensive income must remain as such if the future hedged cash flows are expected to materialise. Otherwise, the amount must be reclassified immediately to profit/(loss) for the year as a reclassification adjustment. After the suspension, once the hedged cash flow is verified, any accumulated amount remaining in other comprehensive income must be accounted for depending on the nature of the underlying transaction as described previously.

It should be noted that the company considered that the bilateral contracts stipulated with Terna in order to guarantee the availability of productive capacity for the years 2022 and 2023 (capacity market) fall within the scope of application of the own use exemption.

Embedded derivatives

Embedded derivatives included in other financial instruments or in other contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the latter are not stated at fair value with recognition of gains and losses in the income statement. The Company verifies the existence of any embedded derivatives, analysing the facts and circumstances which could have originated them, including, for example, any contracts regarding the receipt or sale of "non-monetary" assets according to specific company purchase, use or sale requirements.

Employee Benefits

The short-term benefits are recognised in the income statement in the period in which the working activity is performed.

It is noted that, in connection with the pension reform of 2007, the provision for Post-employment benefits was restated, by adopting the new methodological approach, or considering that the amounts accrued as of January 1, 2007 are a defined contribution benefit and, therefore, not included in the calculation of liabilities. Where the provision accrued as at December 31, 2006 is treated as a defined benefit plan, the benefits granted to employees are recognised over the vesting period, as well as other long-term benefits (Additional months' salaries, Tariff Incentives and Loyalty Bonuses).

The cost of providing benefits under the various plans is determined separately for each plan, using actuarial assumptions to estimate the amount of future benefits that employees have accrued as at the reporting date.

The valuation of the liabilities in question is determined on the basis of independent actuarial assumptions. Gains and losses resulting from actuarial calculations are recognised in the income statement.

For defined contribution plans, contributions are only recorded when the employees have carried out their activities and therefore those contributions are accrued. In the latter case Tirreno Power pays fixed contributions into a separate entity (e.g. a Fund) and will have no legal or constructive obligation to pay further contributions if the fund is not solvent.

Provisions for risks and charges

Provisions are recorded to cover losses and charges of a specific nature, certain or probable, in respect of which, however, the amount and/or date of occurrence cannot be determined.

Provisions for risks and charges are recognised when, as at the reporting date, in the presence of a present obligation (legal or constructive) to third parties arising from a past event, it is likely that, to fulfil the obligation, an outflow of resources whose amount can be estimated reliably will be required.

When the financial effect of time is significant, the provision is discounted using a yield curve that reflects the time value of money expressed by the market and the risks associated with the liability.

If the provision is estimated taking into account the discounting process, the increase in provisions, due to the passage of time is recognised in the income statement as a financial charge. If the liability relates to tangible assets (e.g. dismantling and restoration of sites), the provision is recorded against the asset to which it relates; the expense is recognised in the income statement through the depreciation of the tangible asset to which the expense relates, as well as through the measurement of the financial expenses of the revaluation of the liability.

The estimate of the costs of future dismantling and remediation works is reviewed annually. Changes in the estimates of future costs or the discount rate applied increase or decrease the cost of the asset if they refer to the portion of the asset that will depreciate in subsequent periods.

The allocation of restructuring expenses takes place when the general criteria for allocation of a provision are respected. The Company has an implicit obligation when a detailed and formalised plan identifies the business unit concerned, the location and number of employees forming the object of the restructuring, the detailed estimate of costs and the implementation timescales. In addition, the personnel concerned must be informed of the main characteristics of the restructuring plan.

Revenue recognition

Revenue is recognised to the extent that it is possible to reliably determine its value (fair value) and it is probable that the associated economic benefits will be enjoyed by taking into account any discounts and reductions linked to quantities.

The company recognises revenues in order to faithfully represent the transfer of goods and services promised to customers, for an amount that reflects the consideration the company expects to be entitled to in exchange for the goods and services supplied. The recognition takes place through the application of this key principle and the use of the 5-step model provided by IFRS 15.

Revenues related to the sale of electricity are recognised at the time of delivery of supply, even if not invoiced, based on the actual sales prices on the Power Exchange or the conditions set forth contractually, taking into account the existing legislation.

Other revenues are determined according to the terms and conditions which take account of the risks and benefits transferred.

Recognition of costs

Costs are recognised in the periods in which the related revenues are recorded and, in general, in accordance with the accrual principle. Costs that cannot be associated with revenues are immediately recognised in the income statement. For the criteria for recognition and measurement of specific costs, the Company considers their nature and the reference accounting legislation.

Financial income and expenses

The financial income and expenses are recognised according to the accrual method, based on the interest accrued on the amount of the related financial assets and liabilities using the effective interest rate.

Government grants

Government grants, in the presence of a formal resolution by the disbursing entity, are recognised on an accruals basis in direct correlation with the costs incurred. In particular, the operating grants are classified to the item “Other revenues” in the income statement, while public capital grants that relate to property, plant and equipment are recorded as deferred revenue in balance sheet liabilities. The deferred income is recognised in the income statement as income on a straight-line basis over the useful life of the asset to which it directly relates.

Income taxes

Current income taxes are recognised as tax payables and calculated based on the estimated taxable income determined in accordance with the provisions in force as at the reporting date.

Deferred tax assets and liabilities are calculated on temporary differences between the carrying amounts and the corresponding amounts recognised for tax purposes applying tax rates that are expected to apply in the period when the asset is realised or the liability settled.

Deferred tax liabilities are recognised without exception for all taxable temporary differences. Deferred tax assets are recognised only if it is considered probable that, within a reasonable period of time, a sufficient amount of taxable income will emerge to absorb the deductible temporary differences and any IRES losses underlying said deferred taxes.

Current and deferred taxes are recognised in the income statement, except those relating to items charged or credited directly to shareholders' equity; in which case, the tax effect is recognised as a separate item in shareholders' equity.

New accounting standards, interpretations and amendments adopted by the Company

The following new standards and amendments are effective from January 1, 2022 but did not have a significant impact on the Company's financial statements:

- *Reference to the Conceptual Framework – Amendments to IFRS 3*

The amendments aim to replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change in the requirements of the standard.

The amendment added an exception to the IFRS 3 measurement standards to avoid the risk of potential losses or "day-after" gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if contracted separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, rather than the Conceptual Framework, to determine whether a current obligation exists at the acquisition date.

- *Property, plant and equipment: Proceeds before intended Use - Amendment to IAS 16*

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any revenue deriving from the sale of products sold in the period in which that asset is brought to the place or the conditions necessary for it to be able to operate in the way it was designed by management.

- *Onerous contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*

An onerous contract is a contract in which the non-discretionary costs (i.e., the costs that the Company cannot avoid as it is part of a contract) necessary to fulfil the obligations assumed are higher than the economic benefits that are supposed to be obtainable from the contract.

The amendment specifies that in determining whether a contract is onerous or generates losses, the company must consider the costs directly related to the contract for the supply of goods or services that include both the incremental costs (i.e., the cost of direct labour and materials) and the costs directly attributable to the contractual activities (i.e. depreciation of the equipment used for the fulfilment of the contract as well as the costs for the management and supervision of the contract).

General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly recharged to the counterparty on the basis of the contract.

- *IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities*

This amendment clarifies which fees an entity includes in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or by the lender on behalf of others.

Standards issued but not yet in force

The standards and interpretations that, as at the date of drafting of these financial statements, had been issued but were still not in force, are illustrated hereunder. The Company intends to adopt these standards and interpretations, if applicable, when they enter into force.

No material impacts are expected for the Company with reference to these standards and interpretations.

- *IFRS 17 Insurance Contracts*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
- *Definition of accounting estimate - Amendments to IAS 8*
- *Disclosure on accounting standards - Amendments to IAS 1 and IFRS Practice Statement 2*
- *Deferred taxes relating to assets and liabilities arising from a single transaction - Amendments to IAS 12*

TYPE OF RISKS AND MANAGEMENT OF HEDGING ACTIVITIES

Risk management is an integral and fundamental part of the strategies of every organisation and the process through which companies tackle the risks connected with their activities, with the objective of obtaining long-lasting benefits.

The basis of good risk management consists of identifying and dealing with risks in order to allow an understanding of the potential positive and negative aspects of all factors that can influence the organisation. Risk management, a continuous and gradual process that involves the entire organisation strategy and its implementation, must be engrained in the company culture through an effective policy and a project managed by the company's top management, in order to turn the strategy into objectives and assign responsibilities at all levels of the organisation, making every person responsible for risk management.

For Tirreno Power S.p.A., in general, risk-taking is limited, in nature and extent, to those which, according to principles of sound and prudent management, are the risks considered ordinary. The "Risk Management Manual" sets out, on the one hand, the general principles for managing the Company's main risks, consistently with the strategic objectives identified and, on the other, the methods of coordination between the entities involved in order to maximise the effectiveness and efficiency of the Internal Control and Risk Management System.

The Manual sets forth that the General Manager, as the company's Risk Owner, has the responsibility and ownership for the management of company risks, with the exclusion of "Environmental risk" and "Health and safety risk" for which the responsibility falls to the "Employer" of the various Organisational Units. The Risk Owner and the Employer are supported by Management in identifying and assessing risks, as well as defining the risk management policies.

The Company distinguishes two risk macro-categories: **Financial and Market Risks** and **Other Risks**. Financial and Market Risks mean those deriving from the impact they could have on margins and expected cash flows and, more specifically: future fluctuations in one or more specific interest rate or exchange rates, financial instruments, prices of energy and raw materials, prices of CO_2 emission rights. Other types of risk that are also associable to the category of financial risks, and in particular credit and liquidity risk, are dealt with separately.

Financial and Market Risks include ***Market Risk***, ***Interest Rate Risk*** and ***Exchange Rate Risk***. By contrast, Other Risks include the following sub-categories: ***Counterparty Risk, Liquidity Risk, Environmental Risk, Legal Risk, Legislative/Regulatory Risk, Image Risk and Health and safety risk.***

The different types of risk are monitored in order to assess early the potential adverse effects and take the appropriate actions to mitigate them. The optimisation and the reduction of the level of risk is pursued through an adequate organisational structure, the adoption of rules and procedures, the implementation of certain trade and procurement policies, the use of insurance coverage and hedging derivative financial instruments.

For the monitoring and management of Financial and Market Risks, the Risk Owner is supported by the Risk Committee, with advisory functions in relation to the risk management process. The Committee, composed not only of the General Manager, the Head of Management and Production Manager and the Chief Financial Officer meets once a month and is responsible for supporting the Risk Owner in analysing and preparing the necessary documentation for implementing the hedging strategies, as well as proposing the "Hedging Policy" and the quarterly updates to be submitted to the BoD for approval.

We focus below on the risks, from those listed, with the biggest impact for the Company.

Market risk

Market risk is the risk that the value of a financial instrument, as defined by IAS 32, will fluctuate because of changes in market prices or exchange rates.

Owing to the nature of its business, the Company is exposed to changes in the prices of electricity, fuel and environmental costs (CO_2 emission rights) that can significantly influence the financial results.

To mitigate this exposure, it has developed a strategy of stabilising margins by means of the early negotiation of fuel supply. Through formulas or indexing, the company pursues, as far as possible, a policy of standardisation between sources and physical uses.

The Company has also implemented a formal procedure that provides for the measurement of the residual price/commodity risk and the implementation of hedging operations. Hedging transactions may have the objective of stabilising the margin on an individual transaction or a group of similar transactions, or to limit overall exposure to price risk. Tirreno Power does not adopt speculative positions in financial instruments.

Interest rate risk on cash flows

The exposure to the risk of changes in the Company's interest rate is linked primarily to the financial debt, which, even if now to a lesser extent, is at floating rate. The Company, taking into account the contractual obligations, regularly assesses its exposure to the risk of changes in interest rates and manages these risks through the use of non-speculative derivative financial instruments.

The Hedging Policy aims to stabilise cash outflows relating to financial expenses, reducing the effects of increases in interest rates and at the same time retaining some of the benefits associated with a reduction of the same through a combination of debt between fixed and floating rate.

In 2022, the only variable rate loan facility is the Revolving Facility of Euro 50,000 thousand, fully available as at December 31, 2022.

Counterparty risk

Counterparty risk, or more commonly known as credit risk, represents the Company's exposure to potential losses arising from the default of a counterparty.

Credit risk is the risk that a counterparty will not fulfil its obligations linked to a financial instrument or a commercial contract, therefore leading to a financial loss. The company is exposed to credit risk deriving from its operating activities (especially for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Credit risk is limited due to the characteristics and the creditworthiness of the customers served. The portfolio of accounts receivable is constantly monitored by the relevant departments. Tirreno Power also pays particular attention to the selection of prime counterparties (both commercial and financial), the evaluation of supplier references in terms of the customers served and respect for supply/service obligations, in the definition of contractual penalties in cases where the non-fulfilment of the obligation by the third party may have economic consequences for the company in the issue and request for guarantees, especially financial, for entering into derivative contracts according to ISDA standards.

As for the payment terms applied by most customers, deadlines are mostly concentrated within thirty or sixty days from billing, normally monthly, and is carried out within the month following the month of the supply.

The monitoring and analysis of counterparty risk is entrusted to the Internal Credit Risk Committee, composed of the Risk Committee (mentioned above), with the addition of the Head of Legal and Corporate Affairs, which evaluates existing exposures on a monthly basis per individual counterparty and resolves on credit facilities. The main monitoring tool used is the weekly statement of exposure for each individual counterparty, also containing alert mechanisms when given exposure thresholds of attention are reached.

As at the date of these financial statements, the credit risk is reduced as the trade receivables relate to counterparties with high credit standing.

Liquidity risk

The liquidity risk is related to the possibility that the Company finds itself in a situation of difficulty in meeting the financial obligations arising from contractual commitments and, more generally, from its financial liabilities.

This risk is closely tied to the Restated Facilities Agreement signed with the lenders, as described in note 14 “Payables for loans”. The following table summarises the contractual expiry date for the financial and trade assets and liabilities as at the date of these financial statements.

Maturity of financial assets and liabilities (Euro thousands)	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Cash and cash equivalents	30,023				30,023
Derivative financial instruments	-				-
Trade receivables and other assets	204,423	544	6,278		211,245
Total Financial assets	**234,446**	**544**	**6,278**	**-**	**241,268**
Financial payables	493		1,009		1,502
Trade payables and other liabilities	268,295				268,295
Derivative financial instruments	-				-
Total Financial liabilities	**268,787**	**-**	**1,009**	**-**	**269,797**
Total net exposure	**(34,341)**	**544**	**5,268**	**-**	**(28,528)**

Legal risk

This is the risk of the Company suffering negative repercussions from violations of laws or regulations and contractual and non-contractual liability.

Through the Legal and Corporate Affairs Department, the company monitors the risks identified through:

- verification of compliance with the regulatory provisions;
- an analysis of the legal documents and contracts, by verifying, in particular, the clauses of acceptance of the Code of Ethics and of the Organisational and Management Model pursuant to Italian Legislative Decree no. 231/01;
- monitoring of the contractual standards in use.

In the event of the signing of international contracts, the Legal and Corporate Affairs Department verifies that they are consistent with the frameworks set forth in international conventions or approved by international trade associations.

Legislative/Regulatory risk

This risk identifies the eventuality that the Company may suffer negative consequences, in economic or capital terms, or which damage its reputation, as a result of the issuing of primary legislation or resolutions of the regulatory authorities. For the analysis of legislative and regulatory risk, and the monitoring of the activities impacted, Tirreno Power has, through the following functions, implemented the following instruments:

- Institutional and Regulatory Affairs Work Group – The work group meets monthly and the General Manager and Heads of the main functions exposed to risk (Energy Management, Financial and Production) take part. In this context, on the basis of a document prepared by the Regulatory, Institutional and Communication Affairs Organisational Unit, all the main regulatory and legislative events, which could have an impact on Tirreno Power are discussed and any actions to be taken are evaluated (if necessary, also through the launch of specific studies, also assigned to specialist advisors). A closer coordination was activated between the Energy Management Department and the Regulatory, Institutional and Communication Affairs Organisational Unit, which periodically meet to discuss matters of reciprocal interest. On emerging regulatory issues (see capacity market, TIDE, etc.), specific workshops are held for the functions affected.

- Regulatory Dashboard – Every four months, the Regulatory, Institutional and Communication Affairs O.U. prepares a document that summarises all the regulatory and legislative issues that, during the reference period, have determined potential impacts for the Company. The document is published on the company intranet and made accessible to all employees. In addition, a weekly newsletter, circulated via e-mail to all personnel, reports a review of the specialised press on regulatory, institutional and market issues.
- Association activities – Tirreno Power participates in some trade associations (for example, Energia Libera, Unione Industriali di Savona, Unindustria Lazio), with the objective of monitoring the legislative-regulatory framework, promoting the relationship and the exchanging of information with the institutions, and promoting and participating in initiatives to protect the company's position.

Image risk

Image risk is the risk of the Company suffering negative repercussions on its reputation, with particular regard to the management of institutional communications.

Control of the activities exposed to risk through the constant monitoring of the perception of the Tirreno Power brand by stakeholders and specific communication and information activities, targeted at maintaining an excellent brand reputation.

The Corporate Affairs Department is responsible for the actions targeted at the correct implementation of the risk management policies, which ensures the development of relational capital and the identity of the company, the definition of the corporate image and brand identity strategies and strengthening of the Company's reputation.

The Company monitors and manages the risk through the following non-exhaustive list of analyses and instruments:

- Press Review – The company is equipped with a press review service, which, through a daily newsletter, reports the news that appears in the press in relation to the Company, its shareholders, the reference areas and some important themes.

- Media relations – The Regulatory, Institutional and Communication Affairs O.U. deals with the press office functions, supported by an advisor who handles relations with the local and national press publications.
- Practice of management of critical events – The Company has defined a communication flow dedicated to the management of emergences, in order to monitor any particularly urgent or relevant cases.

In addition, the Company implements proactive media communication actions and initiatives aimed at the reference areas with the aim of increasing knowledge of the company and its processes and protecting the company's reputation by reducing image risk.

Environmental risk

This risk identifies the eventuality that the Company may suffer negative consequences, in economic or capital terms, or which damage its reputation, or in terms of the safety of personnel, as a result of environmental pollution resulting from the operation of plant operation.

The Company's policy consists of the prevention of all forms of environmental pollution or damage connected with the operation of its plants, the prevention of possible risky events through the development and implementation of certified management procedures that make it possible to satisfy its obligations as regards compliance with environmental requirements, the development of regular technical-operating training programmes for personnel in the mapping and analysis of potential environmental risks; as well as the transfer of residual risks through the stipulation of adequate insurance policies to cover any damages and civil liability connected with accidents.

The Company monitors and manages the risk through the following non-exhaustive list of analyses and instruments:

  - implementation of an Integrated Management System, drawn up in compliance with the requirements of the UNI EN ISO 14001 and UNI ISO 45001 standards, at the thermoelectric assets, which includes procedures for the identification of applicable environmental legislative measures, equipment maintenance plans and internal emergency plans, in order to minimise environmental risks;
  - development of regular technical-operational training programmes for personnel, both employees and companies operating at the sites and mapping and analysis of near accidents in order to minimise environmental risks;
- plants aligned with Best Available Techniques (MTD) and compliance with legal requirements and environmental requirements;
- stipulation of adequate insurance policies to cover any damages and civil liability connected with accidents; It should be noted that Tirreno Power has also always been equipped, accompanying its Third-Party Civil Liability Insurance Policy, with a specific Pollution Civil Liability policy to cover the risk of "gradual pollution", where the Third-Party Civil Liability Policy only covers damages stemming from "accidental" pollution.

NOTES TO THE BALANCE SHEET

ASSETS

NON-CURRENT ASSETS

1. PROPERTY, PLANT AND EQUIPMENT

Details of tangible fixed assets are provided below, by individual category, along with the changes in the period:

(thousands of Euro)	FIXED ASSETS IN OPERATION					Fixed assets in progress and advances	BOOK VALUE
	Lands and buildings	Rights of use	Plant and equipment	Industrial and commercial equipment	Other assets		
-historical cost as at 12.31.2021	175,940	3,200	1,623,357	9,030	5,955	6,591	1,824,072
-write-downs (-) as at 12.31.2021	(17)	0	(4,569)				(4,587)
-accumulated depreciation (-) as at 12.31.2021	(115,357)	(1,469)	(1,077,433)	(8,709)	(4,872)		(1,207,841)
Values as at 12.31.2021	**60,565**	**1,731**	**541,353**	**321**	**1,083**	**6,591**	**611,644**
Opening values as at 01.01.2022	**60,565**	**1,731**	**541,353**	**321**	**1,083**	**6,591**	**611,644**
Changes							
-acquisitions	1,848	252	17,613	124	195	18,289	38,321
-disposals (-)							
of which:							
historical cost					(3)		(3)
accumulated depreciation					1		1
use of write-down provision							0
-depreciation	(5,159)	(529)	(46,025)	(83)	(372)		(52,168)
-write-downs (-)							0
-write-backs (+)			16				16
-commissioning	588		1,754		27	(2,369)	0
-other changes			1,205				1,205
Total changes (B)	**(2,723)**	**(277)**	**(25,437)**	**41**	**(152)**	**15,920**	**(12,628)**
Values as at 12.31.2022	**57,842**	**1,454**	**515,914**	**362**	**932**	**22,510**	**599,016**
Of which							
-historical cost	178,376	3,452	1,643,929	9,154	6,177	22,511	1,863,598
-write-downs (-)	(17)	0	(4,553)				(4,570)
-accumulated depreciation (-)	(120,516)	(1,998)	(1,123,458)	(8,792)	(5,244)		(1,260,010)
Net value	**57,842**	**1,454**	**515,914**	**362**	**932**	**22,510**	**599,016**

As at December 31, 2022, the value of property, plant and equipment amounted to Euro 599,016 thousand. During the year, the Company made investments totalling Euro 38,321 thousand, of which Euro 18,289 thousand relating to "work in progress and payments on account", Euro 19,780 thousand relating to "fixed assets in operation" and Euro 252 thousand in capitalisation for rights of use.

Investments relating to non-current assets (Euro 22.149 thousand including transfers into operation) mainly concerned:

- for the Napoli Levante plant, the maintenance work performed during the scheduled shutdown, the upgrade of electrical protection devices and the rectification of site areas;
- for the Vado Ligure plant, the reconditioning of the former TG52 rotor, the evolution of the DCS and automation, the modification of the GVR52 metal couplings, as well as the activities carried out during the scheduled shutdown;

- for the Torrevaldaliga Sud plant, the supply and installation of ultrasonic gas flow meters, the restoration of GVR gratings and carpentry, the overhaul of rotating machinery, the overhaul of methane decompressor valves, extraordinary work on the plant buildings;
- with regard to the hydroelectric generating facilities, investments mainly related to flood damage restoration activities, the performance of civil works for the strengthening and maintenance of the Osiglia dam side spillway, the construction of civil structures for the new Bevera plant linked to the exploitation of the minimum vital flow.

For more details, please refer to the paragraph "Investments and demolitions" in subsequent note 11.

The impairment test as at December 31, 2022 was carried out on the only CGU of Tirreno Power, using the cash flows relating to the period 2023 - 2039, the period in which the useful life of the production plants ends, extrapolated from the 2023 - 2028 Business Plan approved by the Board of Directors, which incorporates the market scenario required from MBS with the latest available curves on the energy market forecast and which assumes the extension of the Capacity mechanism at least until 2029. The dispatching model then processed the values up to 2035, while from 2035 to 2039 zero growth values are assumed with the only increase stemming from inflation. Lastly, the Plan takes into account both the additions and changes in regulatory and industrial terms, and the main actions undertaken to date by management that will have an impact in future years.

The flows are also updated with the final data for 2022 and with the data of the 2023 budget.

The impairment test showed a recoverable amount exceeding the net book value. Therefore, there was no need for write-downs of corporate assets.

Operating cash flows are stated net of taxes and the post-tax discount rate of operating cash flows (WACC) used was 6.22%. This value is the result of the valuation of the rates and prospective returns forming the basis of the calculation of said perimeter in December 2022. The updated WACC is higher than that used for the impairment test in December 2021 (5.43%), consistent with the increase in market rates and the reference yields.

The sensitivity analyses performed on the recoverable value based on a change of +/- 100 bps in the WACC and on the Risk scenario, both a reduction in margins on the MSD market of 20% and also with a reduction in all margins by 8% (excluding the Capacity Market) - confirm the recoverability of the corporate assets.

Depreciation of property, plant and equipment for the period mainly concerns mainly the combined cycle thermoelectric production sites (Euro 35,865 thousand), the related Major Inspections (Euro 7,967 thousand) and the dismantling costs (Euro 715 thousand), and are calculated by applying the economic-technical rates representative of the useful life of each component.

As regards freely transferable assets, it should be noted that, as better indicated in the previous annual financial statements, with Italian Law no. 12/2019, converting Italian Law Decree no. 135 of December 14, 2018 (Simplifications Decree), the Legislator made changes to art. 11-quater with an overall reorganisation of the regulations regarding large-scale hydroelectric concessions (> 3 MW). The new regulations introduced (which amended art. 12 of Italian Legislative Decree no. 79/1999) set forth that the Regions will regulate, based on their own laws, the methods, procedures and criteria for the assignment of concessions, which may be entrusted to economic operators identified through their tenders, or to mixed public/private companies with the selection of the private partner via tender, or through forms of public/private partnership pursuant to Italian Legislative Decree no. 50/2016.

In addition, the aforementioned regulatory provisions envisage that the “wet works” relating to the large diversions pass free of charge to the Regions at the end of the concession; however, the investments in the "wet works" components carried out during the period of validity of the concession must be compensated to the outgoing concessionaire, for the part of the asset not amortised, provided that they are envisaged by the concession deed or in any case authorised by the grantor and have been incurred at its own expense.

Starting from last year, the Company therefore redefined the depreciation plans of the assets concerned (previously commensurate with the duration of the related concession as it was shorter than the useful life of the works) and updated the depreciation rates based on the economic-technical life of the individual types of investments incurred on the assets of the “wet works”.

Tangible fixed assets as at December 31, 2022, classified according to their use, are broken down as follows:

Production plants	Original cost	Accumulated depreciation	Net value	Write-down provision	Net reported value
Thermoelectric plants	1,684,495	(1,172,555)	511,940	(4,570)	507,370
Freely transferable assets	2,132	(2,132)	0		0
Total	**1,686,628**	**(1,174,687)**	**511,940**	**(4,570)**	**507,370**
Renewable Sources Plants	92,125	(46,800)	45,325		45,325
Freely transferable assets	37,573	(18,076)	19,497		19,497
Total	**129,698**	**(64,876)**	**64,822**		**64,822**
Total production plants	**1,816,326**	**(1,239,564)**	**576,762**	**(4,570)**	**572,191**
equipment, other assets	24,763	(20,446)	4,316		4,316
Total operating assets	**1,841,088**	**(1,260,010)**	**581,080**	**(4,570)**	**576,509**
Fixed assets in progress and advances	22,510		22,510		22,510
Total	**1,863,598**	**(1,260,010)**	**603,590**	**(4,570)**	**599,016**

As at December 31, 2022, there are no tangible fixed assets for which collateral has been given to third parties.

2. INTANGIBLE ASSETS

A table is provided below, which details the original values and changes:

(thousands of Euro)	Industrial patents and software applications	Other assets	Fixed assets in progress and advances	BOOK VALUE
-historical cost as at 12.31.2021	11,405	44	18	11,467
-accumulated amortisation (-) as at 12.31.202	(9,949)	(36)		(9,985)
Opening values as at 01.01.2022 (A)	***1,456***	***8***	***18***	***1,482***
Changes as at 12.31.2022				
-acquisitions	991		47	1,038
-reclassifications	19		(19)	0
-amortisation (-)	(775)	(1)		(776)
-other changes				0
Total changes (B)	**235**	**(1)**	**28**	**262**
Values as at 12.31.2022 (A+B)	***1,691***	***7***	***47***	***1,745***
Of which				
-historical cost	12,415	44	47	12,505
-write-downs (-)				
-amortisation (-)	(10,724)	(37)		(10,761)
Net value	***1,691***	***7***	***47***	***1,745***

Acquisitions in the period, amounting to Euro 1,038 thousand, mainly relate to the development of application software.

3. NON-CURRENT FINANCIAL ASSETS

This item refers to financial receivables due after 12 months.

(thousands of Euro)	12.31.2022	12.31.2021	Changes
- loans to personnel	281	307	(26)
- security deposits	5,997	4,014	1,983
Total non-current financial assets	**6,278**	**4,321**	**1,957**

Guarantee deposits mainly include, for Euro 5,736 thousand, guarantee deposits for participation in the auctions relating to the Capacity Market relating to the delivery of energy for 2022, 2023 and 2024.

It should be noted that "loans to employees", remunerated at current market rates and guaranteed by post-employment benefits, were granted for the purchase of a first home or to meet important family needs.

As at December 31, 2022, there were no financial assets recognised at a value higher than their fair value.

4. DEFERRED TAX ASSETS

The changes in the period are shown below:

(thousands of Euro)	Situation as at 12.31.2021	Situation as at 12.31.2022		
	Balance	Provisions	Uses	Balance
Deferred tax assets				
Provisions for risks and write-downs	11,887	1,325	(6,318)	6,894
Fair value IAS 19 and IFRS 9 to shareholders' equity reserve	799	541	(824)	515
Total deferred tax assets	**12,687**	**1,866**	**(7,142)**	**7,410**

Uses mainly regard the recovery of amounts recognised in relation to the dismantling provisions relating to decommissioned plants, the voluntary redundancy provision and the provision for damages caused by the flood in October 2020.

CURRENT ASSETS

5. INVENTORIES

The item, amounting to Euro 191,538 thousand, includes the CO_2 quotas purchased to meet the company's delivery obligations and the materials mainly intended to be used for plant maintenance.

With regard to the changes in CO_2 quotas, the following steps were taken during the current year:

- the purchase of 2,099,500 CO_2 emission certificates for a total of Euro 171,154 thousand;
- the delivery of no. 1,539,296 emission rights for a total of Euro 79,472 thousand in compliance with the Company's obligations for 2021.

Therefore, as at December 31, 2022, 2,122,231 quotas amounting to Euro 172,307 thousand, as well as advances to suppliers for Euro 6,498 thousand in relation to certificates awaiting delivery, were recognised under inventories.

Inventories of materials amounted to Euro 12,691 thousand and are recognised in the financial statements according to the weighted average cost method.

Due to their intrinsic characteristics, these inventories show a slow movement typical of spare parts for these types of plants, as can be seen also from the modest net change in the value of stocks.

These inventories are recorded net of an obsolescence provision, equal to Euro 1,287 thousand, recognised in previous years in relation to coal-fired units definitively decommissioned.

Details of inventories are provided below by type:

(thousands of Euro)	12.31.2022	12.31.2021	Changes
Tangible inventories	12,691	12,323	368
Other inventories	42	39	3
CO_2 certificates	178,805	79,962	98,843
Total inventories	**191,538**	**92,324**	**99,214**

The overall increase in inventories is essentially attributable, as outlined above, to changes in CO_2 quotas.

6. TRADE RECEIVABLES

This item, amounting to Euro 128,804 thousand, essentially includes trade receivables for the sale of energy.

(thousands of Euro)	12.31.2022	12.31.2021	Changes
Receivables for sale of energy:			
-GME	12,577	58,800	-46,223
-Terna S.P.A.	37,413	32,614	4,799
- Other operators	77,662	47,327	30,335
Total receivables for sale of energy:	**127,652**	**138,741**	**(11,089)**
Other trade receivables	1,152	562	590
Total trade receivables	**128,804**	**139,303**	**(10,499)**

It should be noted that almost all of these receivables arose over the last two months of the year and that, as at the date of drafting these notes, are essentially fully collected or collectible, given that the relevant expiries are in 30/60 days.

For more details on the changes, please refer to what was indicated previously in the Management Report in the “Analysis of the capital structure” section.

7. OTHER CURRENT ASSETS

The item, amounting to Euro 75,312 thousand, mainly includes tax receivables. The latter at the reporting date amounted to Euro 40,852 thousand and essentially include the receivable from the tax authorities for VAT accrued in 2022 (Euro 40,595 thousand).

It should be noted that, in 2022, the VAT credit in Q3 2021 (Euro 13,000 thousand) was collected, as well as the amounts deriving from the without-recourse transfers of the 2021 annual VAT credit (Euro 43,000 thousand), the VAT credit in Q1 2022 (Euro 36,000 thousand), the VAT credit in Q2 2022 (Euro 24,500 thousand) as well as the VAT credit in Q3 2022 (Euro 71,500 thousand).

In addition, the item includes advances paid to suppliers, amounting to Euro 30,000 thousand, following the negotiation for the thermal year 2023 for the supply of methane gas for the operation of the plants.

Lastly, Euro 1,006 thousand was recognised for insurance premiums paid in advance and receivables from social security institutions for Euro 857 thousand, essentially relating to amounts paid in advance to employees for social security benefits relating to the Cassa Integrazione Guadagni Straordinaria (extraordinary wage guarantee fund) and solidarity contracts.

8. DERIVATIVE FINANCIAL INSTRUMENTS

As at December 31, 2022, there were no derivative financial contracts in place.

9. CASH AND CASH EQUIVALENTS

This item, amounting to Euro 30,023 thousand, essentially includes the credit balances of accounts held with leading banks.

LIABILITIES AND SHAREHOLDERS' EQUITY

10. SHAREHOLDERS' EQUITY

For information on changes in shareholders' equity, please refer to the Statement of Changes in Shareholders' Equity.

The item "Other reserves", equal to Euro 136,410 thousand, is composed as follows:

- Reserve from contribution of subscription of Junior PFIs amounting to a nominal Euro 284,386,754, approved at the Extraordinary Shareholders' Meeting on December 16, 2015 and recorded at fair value, amounting to Euro 204,000,000. This reserve was also reduced for the coverage of losses resolved at the same extraordinary shareholders' meeting amounting to Euro 88,735 thousand. The amount of this reserve as at December 31, 2018, is therefore Euro 115,265 thousand;
- Legal reserve for Euro 12,103 thousand;
- Available reserve for coverage of losses for Euro 9,243 thousand;
- IAS 19R reserve - Post-employment benefits and other benefits - negative for Euro 201 thousand.

The item "Accumulated gains and losses" includes the carry-forward of profits from 2018, 2019, 2020 and 2021, amounting to Euro 38,186 thousand, Euro 158,744 thousand, Euro 124,469 thousand and Euro 47,003 thousand, respectively, as well as the IFRS reserve for retained earnings of Euro 831 thousand.

The share capital as at December 31, 2022 is represented by 60,516,142 ordinary shares with a nominal value of Euro 1.00 each, fully paid up and held 50% by ENGIE Italia S.p.A. and 50% by ENERGIA ITALIANA S.p.A.

Based on the provisions of the Company's Articles of Association, the distribution of profits cannot be approved until the credit lines of the Restated Facilities Agreement are repaid in full, and the additional conditions governed in the Restructuring Agreement are satisfied.

The Participating Financial Instruments (PFIs), as defined in art. 2346, paragraph 6 of the Italian Civil Code, are financial instruments with equity or administrative rights, excluding voting rights at the general shareholders' meeting. The articles of association govern their methods and conditions of issue, the rights of entitlement, sanctions for non-performance of the services and, if permitted, the methods of circulation. The PFIs are therefore included in the so-called hybrid financial instruments. This definition means instruments with similar characteristics, both shares and obligations in relation to the characteristics outlined for the instrument, but with their own identity.

Each financial instrument is measured according to its own characteristics, from which is also derived the valuation method that is better able to define the value. The features of the PFIs can be identified by their own regulation.

The Junior PFIs are fully regulated by the Company's Articles of Association, and more precisely, Annex 1 “Regulations of the participating financial instruments of the Senior and Junior categories of Tirreno Power S.p.A.”.

PFIs do not, under any circumstances, entitle holders the right to attend or to vote at the ordinary and extraordinary shareholders’ meeting of the Company.

Details of items of Shareholders' Equity and an indication of their possibility of use and distribution, as well as their use in previous years, is provided below:

Nature/description	Amount	Possibility of use	Amount available	Summary of uses made in previous three years	
				To cover losses	For other reasons
Share capital:	60,516				
Capital reserves:					
Reserve from contribution of subscription of Juni	115,265	B			
Available reserve for coverage of losses	9,243	B			
Profit reserves:					
Legal reserve	12,103	B			
IFRS 9, CFH and IAS 19 reserves	-201	B			
Retained earnings	369,234	B			
TOTAL RESERVES	**505,644**				

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders

NON-CURRENT LIABILITIES

11. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges amounted to Euro 80,532 thousand, down by Euro 18,836 thousand compared to December 31, 2021.

The size of the provision and the changes are summarised below:

(thousands of Euro)	12.31.2021	Allocations	Uses	Other changes	12.31.2022	of which current	of which non-current
Dispute provision	**7,954**	569	**(295)**	**(1,771)**	**6,457**	**372**	**6,085**
Provision for redundancy and mobility incentives	**5,612**		(5,612)				
Provision for sundry risks:	**85,802**	**6,791**	**(17,725)**	**(793)**	**74,076**	**14,922**	**59,153**
- site dismantling and restoration	*66,220*	*5,564*	*(13,232)*		58,552	4,332	54,220
- other	*19,583*	*1,227*	*(4,493)*	*(793)*	15,524	10,590	4,934
Total provisions for risks and charges	**99,368**	**7,360**	**(23,632)**	**(2,564)**	**80,532**	**15,295**	**65,237**

Allocations for the period, amounting to Euro 7,360 thousand, increased the provisions mainly for the following:

- Euro 1,547 thousand for the recognition of financial charges pertaining to 2022 on provisions for future plant dismantling costs;
- Euro 1,217 thousand for the adjustment of the provision for future dismantling costs of the TV5 and TV6 plants of the Torrevaldaliga plant;
- the estimate of the Long-Term Incentive Plan for Euro 981 thousand;
- Euro 2,800 thousand for the adjustment of the provision for demolition of the TV4 plant of the Torrevaldaliga plant;
- Euro 344 thousand as settlement agreements relating to the fees of lawyers who assist the defendants in criminal proceedings no. 5917/2013;
- Euro 224 thousand for charges relating to compensation claims for asbestos damages.

Uses, in particular, included:

- Euro 9,546 thousand for the insulation removal of the decommissioned Vado Ligure and Torrevaldaliga plants;
- Euro 5,612 thousand for the amounts due to outgoing employees during 2022 in relation to the participation in the voluntary redundancy plan;
- Euro 4,113 thousand for repairs to hydroelectric plants damaged by the flood in October 2020;
- Euro 3,686 thousand for the demolition of the areas relating to the old Vigliena facility of the Naples plant.

As regards **other changes**, the following should be noted in particular:

- Euro 1,771 thousand as the release of the provision for asbestos litigation as a result of the settlements formalised to date with consequent updating of the estimate of the outstanding appeals.

The provision for sundry risks includes for Euro 57,944 thousand the estimate of the discounted costs that are expected to be incurred at the end of the production activities of the Torrevaldaliga, Naples and Vado Ligure sites for the abandonment of the area, the dismantling, the removal of the structures and the restoration of the site in the presence of current obligations. The non-current portion mainly refers to the dismantling and restoration works that will be carried out over a period of time between 2035 and 2039.

The item "Provisions for sundry risks - Other", amounting to Euro 15,524 thousand, mainly includes Euro 5,055 thousand for unbalancing charges from previous years, Euro 1,221 thousand for the risk of non-recognition of receivables relating to the 'cassa integrazione guadagni' (wage guarantee fund) and Euro 1,313 thousand for ICI/IMU (municipal property tax) disputes and, finally, Euro 2,707 thousand for the restoration of hydroelectric plants damaged by the flood in early October 2020, as better specified in the previous financial statements.

The provision for disputes of Euro 6,457 thousand essentially refers to the asbestos dispute for which to date a total of Euro 6,085 thousand has been allocated, with a decrease compared to the previous year of Euro 1,804 thousand due to the settlements with consequent update of the estimate of the appeals in progress, as well as the provision established as a result of the settlement agreements relating to the fees of the lawyers who assist the employees/managers accused in criminal proceedings no. 5917/2013, amounting to Euro 344 thousand.

There are currently no elements to be able to estimate further potential claims for damages.

12. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

These amount to Euro 3,622 thousand and reflect severance indemnities and other benefits accrued at the end of the year by employees, which are valued according to the actuarial criteria of IAS 19R set forth for defined benefit plans. In particular, as regards the economic and financial scenario, the parameters used for the evaluation are as follows:

POST-EMPLOYMENT BENEFITS	2022	2021
Annual technical discount rate	3.63%	0.44%
Annual inflation rate	2.30%	1.75%
Annual rate of increase in post-employment benefits	3.23%	2.81%
Other employee benefits	**2022**	**2021**
Annual technical discount rate	3.63%	0.44%
Annual rate of salary increase	0.50%	0.50%

The following table illustrates the changes:

(thousands of Euro)	Post-employment	Substitute indemnity - Electricity discount	Additional months' pay	Loyalty bonuses	BOOK VALUE
Values as at 12.31.2021 (A+B)	**3,721**	**479**	**434**	**285**	**4,919**
-Provisions			13	0	13
-Financial expenses (+)	48	5	6	4	63
-Gains (losses) from discounting (-/+)	(381)	(89)	(75)	(28)	(573)
-Uses (-)	(688)	(89)	(18)	(6)	(801)
Total changes (B)	(1,021)	(173)	(74)	(30)	**(1,298)**
Values as at 12.31.2022 (A+B)	**2,700**	**307**	**359**	**255**	**3,622**

Costs for employee benefits amounting to Euro 13 thousand were recognised under personnel costs.

Lastly, the gains from discounting amount to Euro 573 thousand and are recognised in the equity reserve (net of taxes), excluding those relating to loyalty bonuses, which are booked directly to the income statement.

As a result of the issuance of the new IAS 19 revised, the additional information is summarised in the tables below:

Sensitivity analysis of the main valuation parameters on the data as at 12.31.2022

	POST-EMPLOYMENT BENEFITS	Additional months' pay	Energy discount indemnity
Inflation rate +0.25%	2,728,632.90	N/A	N/A
Inflation rate -0.25%	2,672,672.38	N/A	N/A
Discount rate +0.25%	2,656,711.47	353,439.51	302,598.11
Discount rate -0.25%	2,745,329.69	364,848.61	311,934.01

	POST-EMPLOYMENT BENEFITS	Additional months' pay	Energy discount indemnity
Pro future service cost	-	10,834.19	-
Duration of the plan	7	7	7

The number of employees by category is shown in the following table:

(units)	12.31.2021	Entries	Exits	Other/ Reclassifications	12.31.2022
Executives and Middle Managers	47		3	1	45
Employees	157	8	20	8	153
Workers	40	2	4	-9	29
Total	**244**	**10**	**27**	**0**	**227**

13. DEFERRED TAX LIABILITIES

The item includes deferred taxes relating to costs not charged to the income statement, but deducted from taxable income in the tax return, as detailed in the following table:

(thousands of Euro)	Situation as at 12.31.2021	Situation as at 12.31.2022		
	Balance	Provisions	Uses	Balance
Deferred tax liabilities				
Amortisation	31,887		(669)	31,218
FV IAS 19 to shareholders' equity reserve	69			69
FV of derivative financial instruments to shareholders' equity	67		(67)	0
Total deferred tax liabilities	**32,024**	**0**	**(736)**	**31,287**

The uses of the item "Amortisation" refer to the completion of the time period of tax amortisation for IRES purposes, with respect to the economic-technical one (statutory amortisation).

14. OTHER NON-CURRENT FINANCIAL LIABILITIES

The item, amounting to Euro 1,009 thousand, includes the non-current part of the financial payable recognised as a result of the application of IFRS 16 - Leases. The current portion of the debt, for Euro 493 thousand, was stated under other current financial liabilities.

CURRENT LIABILITIES

15. PAYABLES FOR LOANS

As at 31 December 2022, the company achieved the important objective of having zero "Payables for loans". The credit lines in place refer to the Restated Facilities Agreement signed with the financial institutions on December 15, 2015 and modified with the Amendment Agreement on January 31, 2018.

The original composition of the credit lines is as follows:

Credit Line	Original amount in thousands of Euro	Rate	Expiry	Amount used in thousands of Euro
Tranche A	300,000	Euribor +2.07%	December 2022	fully repaid in 2020
Tranche B	250,000	fixed 3.42% PIK	December 2024	fully repaid in February 2022
Revolving Credit Facility	50,000	Euribor 2%	December 2023 (extended by 1 year)	fully available
Hedging	2,309	Euribor 2%	December 2019	fully repaid in 2019
Total	**602,309**			-

It should therefore be noted that the Euro 602,309 thousand debt of the original commitment was fully repaid several years in advance of the original maturity.

As at December 31, 2022, the company has a commitment of Euro 50,000 thousand of the Revolving line, the original maturity of which (December 2022) was extended by one year (December 2023) by exercising the option present in the Restated Facilities Agreement by virtue of the cash level available at the end of 2022 equal to Euro 30,022 thousand, an amount below the "minimum liquidity" envisaged in the contract.

16. TRADE PAYABLES

"Trade payables" of Euro 70,617 thousand concern the supply of fuels, materials and equipment, tenders and services, as well as payables to TERNA and GME for supplies and activities carried out by December 31, 2022. The maturities of these payables are generally comprised between 30 and 120 days and duly respected.

The decrease of Euro 57,132 thousand is attributable mainly to:

- lower payables to Terna (Euro 19,792 thousand) as a result of lower costs for the purchase of energy in the MSD market in the months of November and December 2022 compared to the last two months of 2021;
- lower payables for fuels (Euro 49,522 thousand) as a result of the lower quantities of gas consumed in the last ten days of 2022 compared to the same period of 2021;
- higher payables for the purchase of energy from bilateral contracts (Euro 6,019 thousand) following the increased bilateral purchases in December 2022 compared to December 2021;

17. PAYABLES FOR INCOME TAXES

The item, amounting to Euro 15,998 thousand, includes payables for IRES (Euro 13,215 thousand) and IRAP (Euro 2,783 thousand) determined by applying the rate in force to the estimated taxable income of 2022, net of advances paid.

18. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to Euro 181,680 thousand, mainly refer to the payable relating to the expense pertaining to the year for CO_2 emissions rights (Euro 172,754 thousand) valued at weighted average purchase price.

The item also includes payables to employees and payables to social security, welfare and insurance institutions.

The table below provides a breakdown:

(thousands of Euro)	12.31.2022	12.31.2021	Changes
Payables for CO2 emission rights	172,754	79,659	93,095
Other taxes	914	943	(29)
Payables due to social security institutions	1,484	1,609	(125)
Payables due to personnel	6,097	3,902	2,195
Other	431	246	185
Total other current liabilities	**181,680**	**86,359**	**95,321**

The change is essentially due to higher costs for emission rights, due to the significant increase in their enhancement weighted average price.

19. DERIVATIVE FINANCIAL INSTRUMENTS

As at December 31, 2022, there were no derivative financial contracts in place.

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COMMITMENTS AND GUARANTEES

Commitments to suppliers are detailed below:

(thousands of Euro)	12.31.2022	12.31.2021	Changes
Tenders and miscellaneous supplies	78,830	70,389	8,441
Purchase of thermal fuel	13,565	18,467	(4,902)
Total commitments to suppliers	**92,395**	**88,856**	**3,539**

Commitments for the purchase of thermal fuel relate exclusively to the fixed term on natural gas purchase contracts.

The sureties requested in favour of third parties, amounting to Euro 65,770 thousand, concern policies issued by banks and insurance companies, at the request of the Company, and relate mainly to the guarantee of the pooling agreement with Sorgenia (Euro 28,000 thousand); the gas supply contracts (Euro 10,000 thousand), the dismantling of the old Vigliena plant at the Naples site (Euro 2,500 thousand), the participation in the energy markets (Euro 18,500 thousand), as well as the guarantee for state concessions (Euro 2,242 thousand).

NOTES TO THE INCOME STATEMENT

20. REVENUES

The table below provides a breakdown of sales revenues:

(thousands of Euro)	12.31.2022	12.31.2021	Changes
Sale of energy:			
-Power Exchange	2,134,198	801,534	1,332,664
-Free market	596,809	182,189	414,620
-incentivised contributions - ex Green Certificates	973	5,667	(4,694)
-photovoltaic contributions	14	19	(5)
Total energy sales:	**2,731,994**	**989,409**	**1,742,585**
Other sales and services	5,450	1,622	3,828
Total revenues from sales	**2,737,444**	**991,031**	**1,746,413**

Tirreno Power's commercial portfolio consists of two types of customers, customers that operate in the free market and those, instead, that operate on the Power Exchange. Revenues from Power Exchange sales include the results of trading on the dispatching services market. Sales on the free market instead refer to physical bilateral contracts.

The average PUN recorded an increase of around 178.1 €/MWh, equal to a change of 142%, compared to 2021. This led to a significant increase in turnover together with higher volumes sold of 1,972 GWh (+55%).

The item "Other sales and services" mainly refers to the sale of ferrous materials deriving from demolition activities (Euro 5,325 thousand).

For more details on the changes compared to December 31, 2021, please refer to the Management Report.

21. OTHER REVENUES

"Other revenues" amounted to Euro 6,568 thousand, relating primarily to gas adjustments relating to the months of November and December 2022 (Euro 2,490 thousand); to the recognition of the tax credit for the purchase of operating assets (Euro 1,266 thousand), as well as the premium pursuant to Resolution ARERA 44/2021, recognised by Terna to for investments made to improve the stability of the network (Euro 500 thousand).

As regards the changes compared to December 31, 2021, please refer to the Management Report.

22. OWN WORK CAPITALISED

The item totalled Euro 948 thousand, relating primarily to the capitalisation of materials taken from the warehouse (Euro 701 thousand) and the capitalisation of internal resources at the time of the multi-year maintenance carried out in 2022 (Euro 248 thousand).

23. CONSUMPTION OF RAW MATERIALS

(thousands of Euro)	12.31.2022	12.31.2021	Changes	%
Energy purchased on the Electricity Market	792,802	284,747	508,055	178%
Purchase of fuel for heat production	1,536,133	471,350	1,064,783	226%
Purchase of materials and other equipment	3,074	2,084	990	47%
Change in other stocks	(350)	332	(682)	n.s.
Total consumption of raw materials	**2,331,660**	**758,514**	**1,573,145**	**207%**

The purchase of fuels related exclusively to natural gas supply.

The cost of fuel consumed in the period amounted to Euro 1,536,133 thousand, trebling compared to the cost incurred in 2021 (Euro 471,350 thousand). There was both a significant price effect (the WAP rose by around 134% from 627.56 €/kSmc to 1,470.17 €/kSmc) and a volume effect as the quantities consumed showed an increase of around 37% as a result of higher production.

For more details on the changes compared to December 31, 2021, please refer to the Management Report.

24. PERSONNEL COSTS

Labour costs amounted to Euro 22,125 thousand, a decrease of Euro 647 thousand compared to the figure recorded in 2021.

The decrease is attributable to the changes in the Performance Bonus and the MBO (Euro 291 thousand), as well as the reduction in average amounts due to the gradual reabsorption of overlaps between new entries and exits created from 2020 to favour the coaching process needed to complete the turnover plan.

The headcount as at December 31, 2022 was 227, compared to 244 as at December 31, 2021.

25. SERVICE COSTS

The service costs, amounting to Euro 25,642 thousand, are detailed below:

(thousands of Euro)	12.31.2022	12.31.2021	Changes	%
Costs of services and tenders	7,500	7,979	(480)	-6%
Expenses for transactions on the Electricity Market	2,235	1,326	909	69%
Insurance costs	8,898	4,468	4,430	99%
Security, cleaning and other building costs	593	364	229	63%
Waste disposal	248	185	64	34%
IT services	1,642	1,441	201	14%
Telephone and data transmission expenses	482	481	1	0%
Other services	4,043	3,020	1,023	34%
Total service costs	**25,642**	**19,264**	**6,378**	**33%**

The increase is mainly due to higher insurance costs (Euro 4,430 thousand) due to the new insurance on the Capacity Market as well as a generalised increase in insurance premiums.

"Other services" mainly relate to costs for studies and consulting (Euro 1,446 thousand) costs for professional and legal services (Euro 1,151 thousand), expenses for travel and training (Euro 537 thousand), the fees of the Statutory Auditors (Euro 182 thousand), as well as the remuneration to the Independent Auditors (Euro 164 thousand).

26. OTHER OPERATING COSTS

Other operating costs amounted to Euro 182,025 thousand, up by Euro 89,843 thousand compared to December 31, 2021.

The following table shows a breakdown of other operating costs:

(thousands of Euro)	12.31.2022	12.31.2021	Changes	%
Contributions and fees	3,460	3,222	238	7%
Provisions for risks and charges	2,043	5,922	(3,878)	-65%
Expenses for CO2 rights	172,754	79,659	93,094	117%
Taxes and duties	2,588	2,707	(119)	-4%
Other expenses	1,179	671	508	76%
Total operating costs	**182,025**	**92,182**	**89,843**	**97%**

The change is attributable essentially to the higher expenses for emission rights, for Euro 93,094 thousand, due to the notable increase in the weighted average price of valuation of CO_2 (81.41 €/ton. in 2022 compared to 51.63 €/ton. in 2021). Emissions are approximately 38% higher than the previous year (2,122 Kton. in 2022 compared to 1,543 Kton. in 2021).

As regards provisions for risks and charges, please refer to note no. 11.

27. AMORTISATION/DEPRECIATION AND WRITE-DOWNS

The item refers to the depreciation/amortisation in the period, calculated on the basis of economic-technical rates.

The table below sets out the depreciation/amortisation by type of asset compared with data for the previous year:

(thousands of Euro)	12.31.2022	12.31.2021	Changes	%
Depreciation of buildings	5,159	5,346	(187)	-3%
Amortisation of rights of use	529	495	34	7%
Depreciation of plant and equipment	46,025	44,069	1,956	4%
Depreciation of industrial equipment	83	97	(14)	-14%
Depreciation of other assets	372	341	31	9%
Amortisation of intangible fixed assets	841	638	203	32%
Write-back	(16)	(66)	50	n.a.
Total	**52,993**	**50,920**	**2,073**	**4.07%**

For the changes to amortisation/depreciation, which have taken place, please refer to the Management Report.

28. FINANCIAL EXPENSES

Financial expenses amounted to Euro 5,295 thousand, up by Euro 990 thousand compared to 2021. The following table shows a breakdown:

(thousands of Euro)	12.31.2022	12.31.2021	Changes	%
Interest expenses and charges on loans	2,470	1,973	497	25%
Interest expenses for decommissioning, post-employment and other benefits	1,583	1,497	86	6%
Other financial expenses	1,242	835	407	49%
Total financial expenses	**5,295**	**4,305**	**990**	**23%**

Interest expense and charges on loans include the costs for VAT receivables discount transactions carried out in 2022 for Euro 1,477 thousand.

"Interest expense for decommissioning", equal to Euro 1,547 thousand, is offset by the provisions for site dismantling and restoration, while "Interest on post-employment benefits and other benefits" recognised in application of IAS 19R, amounted to Euro 36 thousand.

The item "Other financial charges" essentially refers to commissions on sureties for Euro 1,236 thousand.

29. FINANCIAL INCOME

Financial income amounted to Euro 575 thousand, an increase of Euro 152 thousand compared to December 31, 2021 and refers mainly to interest income on bank current accounts accrued in 2022.

30. INCOME TAXES

Taxes recognised as at December 31, 2022, totalled Euro 36,219 thousand and refer:

- for Euro 23,385 thousand to the estimate of current IRES (corporate income tax) taxes and for Euro 5,074 thousand to the estimate of current IRAP (regional business tax) taxes, calculated on taxable income.
- for Euro 1,325 thousand to the positive effect of deferred tax assets estimated as recoverable in relation to future taxable income;
- for Euro 6,318 thousand to the negative effect of deferred tax assets relating mainly to the use of decommissioning provisions and the voluntary redundancy provision;
- for Euro 669 thousand, to the positive effect relating to the use of the deferred tax liabilities generated on previous excess and early tax amortisation;
- the negative effect, amounting to Euro 565 thousand, relating to taxes from previous years;
- to the recognition, for Euro 2,871 thousand, of the extraordinary contribution set forth in Italian Law Decree no. 21/2022 to be paid by some entities including electricity producers, equal to 25% of the extra profits considering the increase in the balance between income-generating and expense-generating transactions in the October 2021 - April 2022 period compared to the balance of the same period of previous years.

(thousands of Euro)	12.31.2022	12.31.2021	Changes
IRES	23,385	9,800	13,585
IRAP	5,074	2,200	2,874
Deferred tax assets	4,993	3,275	1,718
Deferred tax liabilities	(669)	(589)	(80)
Extraordinary contribution	2,871		2,871
Taxes of previous years	565	(1,879)	2,444
Total	**36,219**	**12,806**	**23,413**

The reconciliation between the theoretical and effective tax rates is presented below:

(thousands of Euro)

IRES	Taxable amount	Tax	%
Pre-tax result (A)	**125,798.3**		
Theoretical rate			**24.00%**
Theoretical taxation		**30,192**	
Increases in taxable income	9,791	2,350	
Decreases in taxable income	(30,849)	(7,404)	
10% IRAP (regional business tax) deduction and ACE (aid for economic growth)	(7,174)	(1,752)	
Taxable income	**97,567**		
Actual tax (B)		**23,385**	
Actual rate (B/A)			**18.59%**

IRAP	Values	Taxation	%
Net Value of Production (C)	**154,670**		
Theoretical rate			**4.84%**
Theoretical taxation		**7,486**	
Increases in taxable income	2,988	145	
Decreases in taxable income	(52,826)	(2,557)	
Tax result	**104,831**		
Actual tax (D)		**5,074**	
Actual rate (D/C)			**3.28%**

31. EARNINGS PER SHARE

For the calculation of earnings per share, the net profit attributed to shareholders was considered. The denominator used in the calculation is represented by the number of shares issued, both in the calculation of the Basic Earnings and the Diluted Earnings, since there are no dilutive elements either as at December 31, 2022 or as at December 31, 2021.

(values in Euro)	Period ended as at 12.31.2022	Period ended as at 12.31.2021
Net income for the period	89,578,971	47,002,948
Average number ordinary shares (units)	60,516,142	60,516,142
Earnings per share - basic and diluted	1.48	0.78

32. NET FINANCIAL POSITION

The breakdown of the net financial position as at December 31, 2022 is detailed in the following table:

	(thousands of Euro)	12.31.2022	12.31.2021	Changes
A	Cash at bank and in hand	7	18	*(11)*
B	Bank deposits	30,016	49,892	*(19,876)*
C	Securities	-	-	-
D	**Total cash and cash equivalents (A+B+C)**	**30,022**	**49,910**	***(19,888)***
E	**Current financial receivables**	**-**	**-**	**-**
F	Current bank payables			-
G	Current portion of non-current debt			-
H	Other current financial liabilities	-	(55,155)	*55,155*
I	**Total short-term financial liabilities (F+G+H)**	**-**	**(55,155)**	***55,155***
J	**Net current financial position (D+E+I)**	**30,022**	**(5,245)**	***35,267***
K	**Non-current financial receivables**	**-**	**-**	**-**
L	Non-current bank payables	-	-	-
M	Other non-current payables	-	-	-
N	**Non-current financial debt (L+M)**	**-**	**-**	**-**
O	**Net non-current financial position (K+N)**	**-**	**-**	**-**
P	**OVERALL NET FINANCIAL POSITION (J+O)**	**30,022**	**(5,245)**	***35,267***

33. OTHER INFORMATION

33.0 Cash flows

(thousands of Euro)	12.31.2022	12.31.2021	Changes
Opening cash and cash equivalents	**49,910**	**14,044**	**35,866**
Cash Flow from operating activities	74,625	116,832	(42,207)
Cash Flow from investment activities	(39,356)	(37,941)	(1,415)
Cash Flow from financing activities	(55,155)	(43,025)	(12,130)
Closing cash and cash equivalents	**30,022**	**49,910**	**(19,887)**

Cash flow from operating activities was positive for Euro 74,625 thousand, a decrease of Euro 42,207 thousand compared to 2021, mainly due to the trends in working capital.

The cash flow from operating activities allowed the coverage of investment activities (Euro 39,356 thousand), as well as improvement in the net financial position of Euro 35,267 thousand.

The cash flow from financing activities is the result of the amount repaid in the period, in terms of principal and interest through the cash sweep mechanism, of Tranche B (Euro 35,155 thousand) as well as the reimbursement of the Revolving line (Euro 20,000 thousand).

Cash and cash equivalents, equal to Euro 49,910 thousand as at December 31, 2021, decreased by Euro 19,887 thousand as a result of the aforementioned changes and amounted to Euro 30,022 thousand as at December 31, 2022.

Having repaid all the existing debt lines, the net financial debt is positive and equal to the value of cash and cash equivalents (Euro 30,024 thousand). As at December 31, 2021, it recorded a negative value of Euro 5,245 thousand.

33.1 Relations with subsidiaries, associates, parent companies and companies controlled by the latter

Any transactions carried out with other related parties, as described below, were carried out under normal market conditions and in the interest of each company:

(thousands of Euro)	Receivables 12.31.2022	Payables 12.31.2022	Costs 12.31.2022	Revenues 12.31.2022
Financial				
ENGIE ITALIA Spa				
Tax transparency	87			
Trade				
ENGIE Global Markets Italia	38,612	4,998	27,836	361,708
Sorgenia S.p.A.	11,475	684	1,777	36,220
Tractebel Engineering Suez		33	178	

Loans to Shareholders, amounting to Euro 87 thousand, relate to IRES (corporate income taxes) refund requests for non-IRAP deductions, presented when the Company signed up to the tax transparency regime in accordance with art. 115 of the Consolidated Law on Income Tax (TUIR).

The items of a commercial nature vis-à-vis ENGIE Global Markets Italia relate to purchases and sales of energy, while those vis-à-vis Sorgenia S.p.A. refer mainly to the items relating to the Agreement for the management of obligations deriving from the Capacity Market.
It should be noted that, in December 2022, a gas supply contract was signed with the shareholders to power some production plants of Tirreno Power. The contract is valid until the end of the current thermal year (October 1, 2023), with the right to freely withdraw from the contract starting from April 1, 2023, with notice to be notified in writing no later than February 20, 2023. At the date of approval of these financial statements, this right had not been exercised.

33.2 Contingent assets and liabilities

There are no additional contingent assets and liabilities to be highlighted arising from events that occurred during the year 2022, in addition to what has already been reported in the Management Report and in the notes.

On the other hand, as regards the potential liabilities deriving from the Proceedings pending at the Public Prosecutor's Office of Savona, in the light of the investigation to date, no elements have arisen to change the assessment on the risk of losing, which must be considered possible and the consequences in terms of compensation payable by the Company cannot be predicted.

For more details, please refer to the paragraph "Information on the criminal proceedings of the Vado Ligure site".

33.3 Atypical and unusual transactions

There were no atypical or unusual transactions, or outside normal company operations or able to significantly impact the Company's financial position.

33.4 Significant events after the end of the period

Please refer to the relevant paragraph of the Management Report.

33.5 Proposed allocation of profit for the year

Please refer to the "Proposals of the Board of Directors" paragraph of the Management Report.

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