TIRRENO POWER

La trasformazione continua.

Financial Statements for the year ended

2023

Tirreno Power S.p.A.

Financial statements as at 31 december 2023

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

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 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 31 december 2023, and the income statement, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 december 2023, 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 matter

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 Director's assessment on the criminal proceeding, hinged at Appeal Court, initiated by the Prosecutor's Office of Savona, concerning the plant of Vado Ligure. In 2018 the Company was cited as civil liable party and, following the acquittal in first instance in October 2023, was called to appear before the Court of Appeal.

Our opinion is not modified on 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.

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 27 January 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 31 december 2023, 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 31 december 2023 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 31 december 2023 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 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Roma, 11 March 2024

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.

Change is part of us.

Financial Statements

as at December 31 2023

TIRRENO POWER

The transformation continues.

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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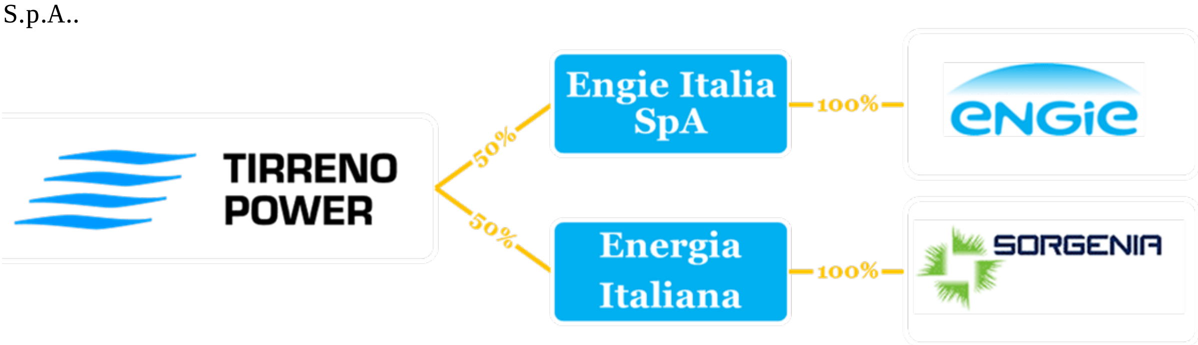
MANAGEMENT REPORT

INTRODUCTION

Ownership structure

The Company, as at December 31, 2023, is jointly owned by Energia Italiana S.p.A. and Engie Italia S.p.A..



Corporate bodies

Board of Directors	
Chairman	Alberto Bigi
Directors	Giuseppe Gatti Giovanni Chiura Charles Hertoghe 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	Riccardo Zingales
Statutory Auditors	Gianluca Marini Maurizio Lauri
Alternate Auditors	Goffredo Hinna Danesi Giuseppe Panagia

Independent Auditors
EY S.p.A.

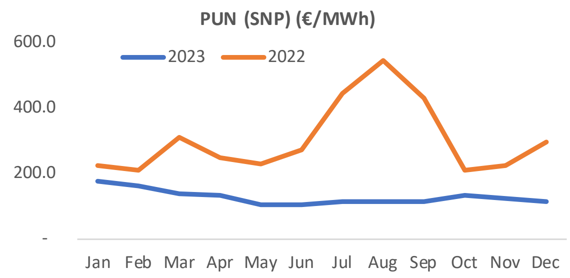
FOCUS ON RESULTS

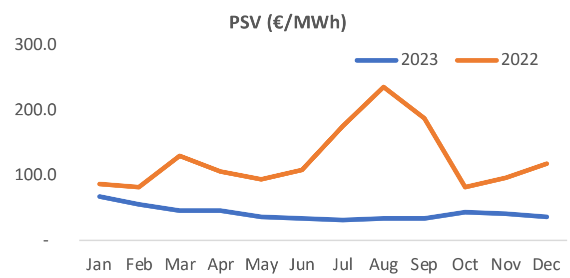
The profits in 2023 are markedly lower than the previous year.

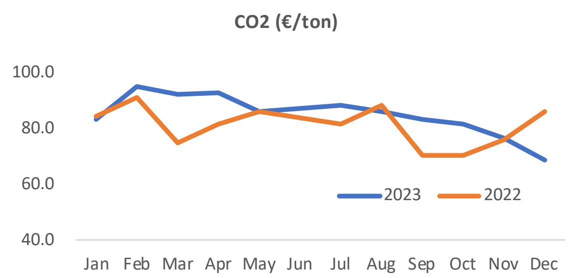
The Company achieved a Gross operating profit of Euro 53,770 thousand, compared to Euro 185,554 thousand achieved in 2022. The operating result came to Euro 8,599 thousand, compared to Euro 130,518 thousand in the previous year.

The results for the period were heavily influenced by the decrease in internal electricity requirements (-4%), the growth in imports (in 2022, imports covered 16.9% of requirements, compared to 20% in the same period of 2023), the penetration of renewables and the essentiality of the coal plants, which significantly reduced the market share contested by CCGT plants, with a consequent decrease in market margins. In addition, operations in the MSD (dispatching services market) were almost non-existent compared to 2022, the year in which, following the launch of the Capacity Market, the results achieved on this market had already been significantly reduced, both in terms of volumes and margins.

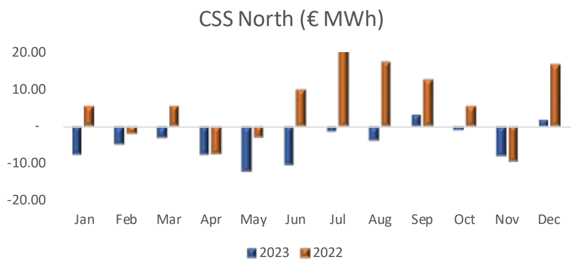
Compared to 2022, the year in which the price of energy commodities had been heavily impacted by the onset of the conflict in Ukraine, the price of gas recorded a decrease of 66% for the variable component alone. The PUN (Single National Price) also recorded a significant decline (-58%). The price of CO_2 rights showed much less marked changes, with an increase of 5%.

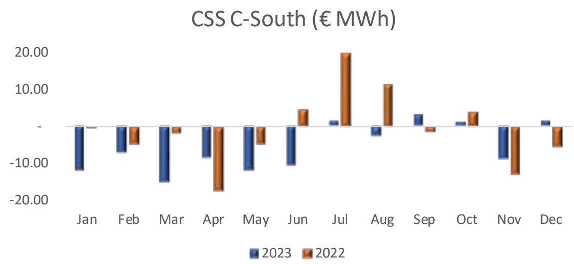






Market margins (base load energy price net of fuel costs and emission rights) were always practically negative or close to zero, while in 2022, albeit only in a few months and especially in the Northern area, highly profitable market margins were recorded.





The results for the period were positively affected by the Capacity Market premium. 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, on the other hand, were notably affected by the significant decrease in volumes (approximately 59%) compared to the same period of 2022.

Despite the contraction in market margins, the positive effect of non-recurring items such as insurance reimbursements, the contingent assets recognised following the settlement agreement for ICI (local property tax), IMU (municipal property tax) and TASI (taxes on indivisible services) signed with the Municipality of Civitavecchia, as well as the release of some surplus provisions for risks, in any event made it possible to close the year with a profit.

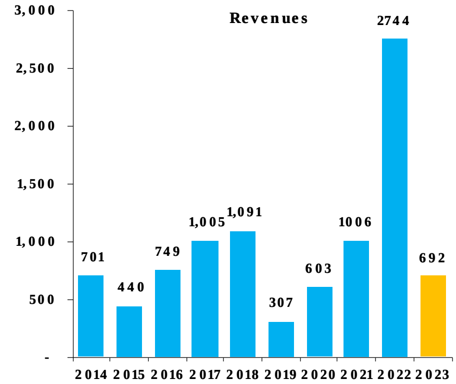
Cash and cash equivalents stayed in line with December 2022, despite the high amount of investments paid during the year.

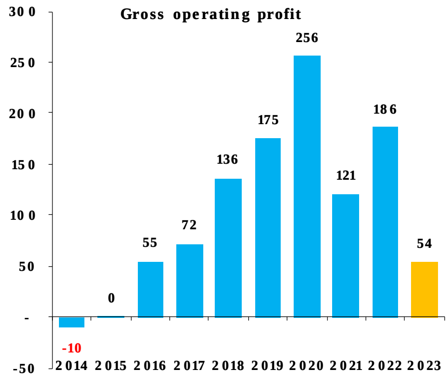
Highlights of the Company

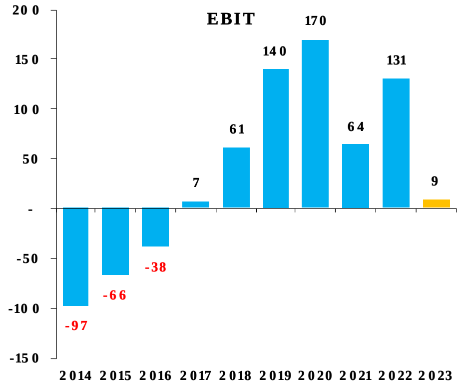
With the objective of presenting the results and analysing the financial structure, the tables below contain some “alternative performance indicators”, which management feels are most representative of the economic and financial results that are contained in the reclassified statements that differ from 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.

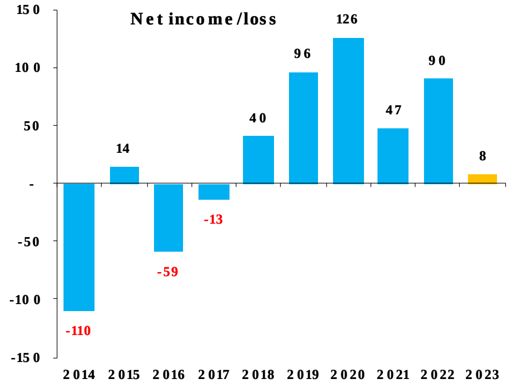
	12.31.2023	12.31.2022	% Change
Income statement data (millions of Euro)			
Total revenues	691.8	2,744.0	-74.8%
-of which revenues from energy sales	*664.2*	*2,732.1*	*-75.7%*
Gross operating profit	53.8	185.6	*-71.0%*
EBITDA (including commodity derivatives)	66.3	183.5	-63.9%
EBIT	8.6	130.5	-93.4%
Net income for the period	7.6	89.6	-91.5%
Equity and financial data (millions of Euro)			
Investments in fixed assets	70.6	39.4	79.5%
Cash flow from operating activities	74.7	74.6	0.1%
Shareholders' equity	663.3	655.7	1.2%
Net capital employed	629.3	625.7	0.6%
Net financial debt	(34.1)	(30.0)	13.4%
Debt/Equity	n.s.	n.s.	n.s.
Operating data			
Energy sold (GWh)	4,176	7,896	-47.1%
Energy injected (GWh)	1,963	5,402	-63.7%
Average amount (units)	229	240	-4.7%
Economic/financial indicators			
Unit revenue from energy sale (€/MWh)	159.0	346.0	-54.0%
ROS (Return on Sales)	1.2%	4.8%	-73.9%
ROI (Return on Investment)	1.4%	21.8%	-93.7%
Market indicators (half-yearly averages)			
PUN (SNP) (€/MWh)	127.43	303.10	-58.0%
PSV index (€/MWh) (source: "Heren" PSV index)	42.34	122.23	-65.4%
Emission rights (€/ton) (source: "ICE" EUA Futures index)	84.70	81.35	4.1%
Price of Brent crude oil ($/barrel) (source “Platt’s”)	82.62	101.19	-18.4%
US Dollar/Euro exchange rate *(source Bank of Italy)*	1.081	1.054	2.6%
1-month Euribor @ 365 average *(source Il Sole 24 Ore)*	3.245%	0.095%	3315.8%

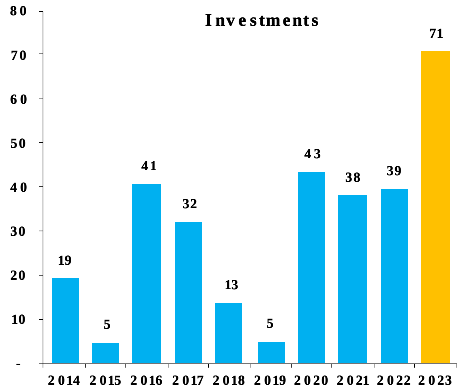
The trend in the main profit indicators of the last 10 years is indicated below:

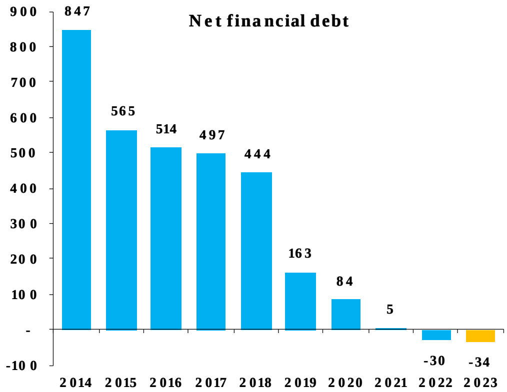












Operating structure

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 12/31/2023**	**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 cycles (VL5 in Vado Ligure, TV5 and TV6 at the Torrevaldaliga site and NA4 in Naples);
- the renewable sources include 19 hydroelectric plants (divided equally between "run-of-river" and "power regulation" stations) located along the entire Ligurian Apennines.

Information regarding the criminal proceedings of the Vado Ligure site

As described extensively in the previous financial statements, 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 under investigation. On March 11, 2014, the Judge for preliminary investigations ordered the preventive seizure of units VL3 and VL4 of the Vado Ligure thermoelectric plant. On July 20, 2016, the notice of conclusion of preliminary investigations was served for 26 persons charged with the offences referred to in Article 434 paragraph 2 and Article 449 of the Italian Criminal Code.

The preliminary hearing, which began on October 27, 2017, ended on April 12, 2018 with the committal for trial at the hearing on December 11, 2018 of all 26 defendants before the Court of Savona. Some Environmental Associations (Greenpeace Onlus, Medicina Democratica-Movimento della Salute, Uniti per la Salute, Legambiente NPO, WWF-NGO Onlus, ANPANA Association), the Ministry of the Environment and Land and Sea Protection, the Ministry of Health, some Associations (ADOC, Accademia Kronos, Codacons, Art. 32, Cittadinanza Attiva) and 48 natural persons, appeared as Civil Parties. Not all the civil parties have quantified their claims for damages.

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.

The first instance of the criminal proceedings ended on October 3, 2023 with the issuance, by the Judge of Savona, of the acquittal of all the defendants and (consequent) exclusion of the civil liability of Tirreno Power S.p.A. for the crime of culpable disaster pursuant to article 40, paragraph II, articles 113, 434, 449 of the Italian Criminal Code, because the offence does not exist, with simultaneous release order and immediate return to the Company of the plants and areas seized on March 11, 2014.

On February 2, 2024, the Public Prosecutor's Office of Savona appealed against the ruling issued on October 3, 2023.

In relation to this appeal, the law firm assisting the Company confirmed that the assessment on the risk of losing is still possible. It also confirmed that the compensation consequences for the Company deriving from the outcome of the appeal proceedings, at present, are not yet foreseeable as the claims formulated are supported by the same elements acquired in the first instance proceedings.

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.

The position of the Company, which was under investigation for the offence pursuant to art. 25 septies, paragraph 3, Italian Legislative Decree no. 231/2001, in relation to art. 590, paragraph 3 of the Italian Criminal Code, was dismissed with the dismissal decree of April 14, 2023.

MARKET SCENARIO

The energy product markets

In 2023, all energy commodities recorded significant decreases, recording an average lower than 2022.

The price of Brent crude oil (ARA Spot Average) fell when compared to 2022, from 101.19 $/barrel in 2022 to 82.62 $/barrel in 2023, with a high of 94.00 $/barrel reached in September *(source: "Platt's Crude Oil Marketwire")*.

The average price of coal decreased compared to 2022, falling from 289.92 $/ton to 128.97 $/ton in 2023 *(source: "Argus" Index API # 2 Northwest Europe Cif ARA)*.

The average price of natural gas declined compared to 2022, down from 122.23 €/MWh to 42.34 €/MWh in 2023, reaching a high in January (68.37 €/MWh). *(source: "Heren" PSV index)*.

The average price of CO_2 recorded an increase compared to 2022, rising from 81.35 €/ton to 84.70 €/ton in 2023, reaching a maximum value of 92.47 €/ton in April *(Source: "ICE" EUA Futures index)*.

The average exchange rate of the US dollar against the Euro in 2023 was €/$ 1.08166, up (+2.61%) compared to €/$ 1.0540 in 2022 *(Source: Italian Exchange Office)*.

Production and demand for electricity in Italy

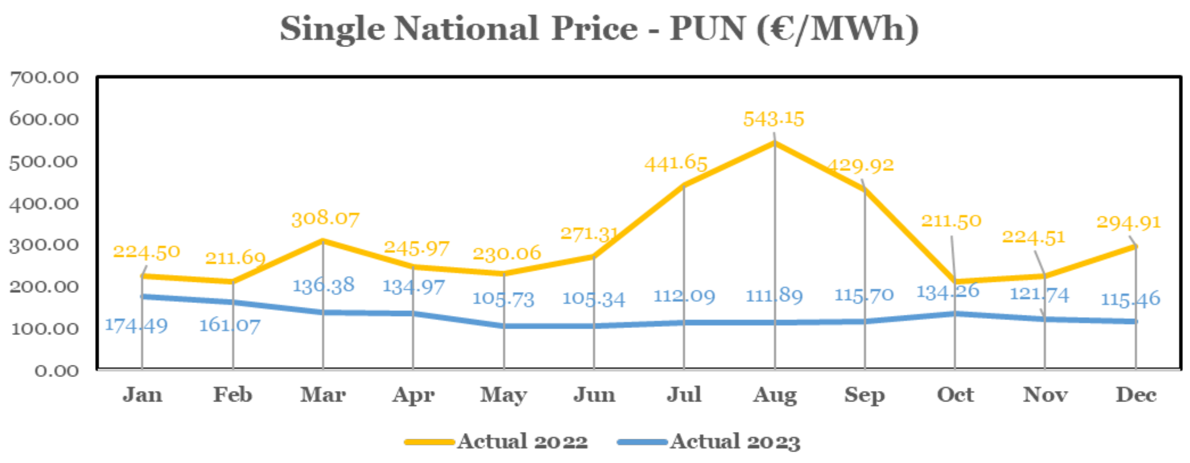
In 2023, the cumulative value of net production (254,838 TWh) was down (-6.4%) compared to 2022, essentially like the value of electricity demand (306,090 TWh), which fell by -2.8% compared to 2022.

Note should be taken of the considerable increase in hydroelectric production (+10.2 TWh or +36.1%), contrary to the decrease in pumping (-0.3 TWh equal to -15.5%); on the other hand, the foreign balance increased by +8.3 TWh (+19.2%), as did wind power generation (+3.1 TWh equal to +15.1%) and photovoltaic production (+2.9 TWh equal to +10.6%). On the other hand, there was a decrease in thermoelectric production (-33.3 TWh equal to -17.4%).

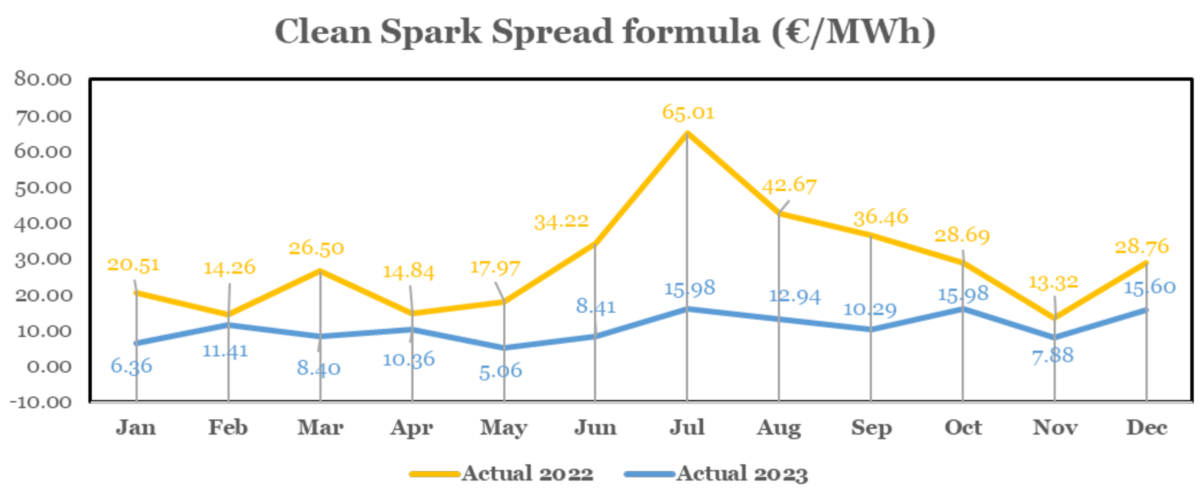
(source: Terna - Monthly report on the electricity system - final December 2023).

Trend in energy sales prices

In 2023, the purchase price of energy (PUN) on the Day-Ahead Market (MGP) fell to 127.43 €/MWh, recording a percentage decrease of -42% (source: GME). In June, the PUN recorded its annual low with an average value of 105.34 €/MWh.



The decrease of all Commodities determined a higher average Clean Spark Spread than 2022 (-17.88 €/MWh on average).



The Clean Spark Spread represents the electricity sale margin including variable costs (gas and CO_2).

The presence of substantial installed photovoltaic power, equal to 29.56 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 18.00 and 22.00.

LEGISLATIVE AND REGULATORY FRAMEWORK

The following notes report the main legislative and regulatory events of 2023 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 being revised: after a consultation phase, in July, MASE sent an update proposal to the European Union. In the proposal, for 2030, a renewable energy target of 40% is envisaged on gross energy consumption (65% for the electricity sector alone) and an increase of approximately 70 GW of installed renewable power. The document generically confirms the use of the capacity market instrument and the closure of coal plants for 2025 (with the exception of those located in Sardinia).

In December, the European Commission provided an initial assessment of the PNIECs (Integrated National Energy and Climate Plans) submitted. The national plans must be approved by June 2024.

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%.

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) constantly monitors the markets and, should it ascertain the occurrence of the aforementioned events, will publish a "market correction notice" on its website.

On December 29, 2023, two new regulations were published that prolong the effects of the European emergency rules on solidarity, coordination of purchases, cross-border gas exchanges and price caps.

Reform of the European electricity market

In December 2022, the European Commission announced that the launch of a consultation on the proposed reform of the electricity market. The main areas of consultation were 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.

On March 14, 2023, the European Commission presented a proposal for the new design of the electricity market, which was put up for consultation.

The text of the Regulation, approved in December, will be published in the European Official Journal after the vote of the Parliament.
Among other things, the text established the structural nature of instruments for the remuneration of electricity production capacity (i.e. capacity market), and are no longer considered temporary measures.

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.

As part of the appeals filed by some operators against the ARERA resolutions implementing these rules, in July 2023, the Lombardy Regional Administrative Court expressed a judgment of potential non-compliance of the measures with the relevant European legislation, referring the matter to the Court of Justice of the European Union.

On the basis of the provisions of Regulation (EU) no. 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.

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 no. 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.

Italian Law no. 14/2023 provided for the extension of the period of application of the measure, previously limited to the emergency, to March 31, 2024.

On the basis of some guidelines, MASE has defined over time the guidelines for the use of these plants. After broad application of the plan during the first half of the year, the last act on the matter, of July 2023, based on the improvement of the general framework of gas supplies, made provision for a substantial downsizing of the programme for coal-fired plants (concluded in September) and cancellation for those powered by fuel oil.

Rules relating to 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.

By means of Ministerial Decree dated June 28, 2019, MiSE (Ministry of Economic Development) formally launched the Capacity Market mechanism in Italy. The Italian Decree established the holding of auctions by 2019, with expected delivery in 2022 and 2023.

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.

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.

In February 2023, Terna published a report on the adequacy of the system in which some medium-term scenarios are described, investigating the level of possible lack of coverage of the requirements (LOLE). The Report, which defines the Italian system as adequate under certain assumptions in the medium term, highlights the need to have tools to maintain the minimum necessary capacity. At the end of the year, Terna published an update of the report which also includes an analysis of economic sustainability for gas production capacity, which highlights problems of missing money in the medium term.

In December, Terna launched the consultation on the new capacity market regulations. According to Terna's informal announcements, the new auctions should be held in the summer of 2024 for the delivery years from 2025 to 2027.

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 proposed 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 for achieving 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.

In June 2023, following the guidelines illustrated in the consultation, ARERA published the Resolution establishing the mechanism. In November, Terna launched the consultation on the proposed framework for the regulation of the electricity storage capacity procurement mechanism (MACSE). The mechanism was also notified to the European Commission for verification of compliance with the rules on State aid: the Commission approved it in December for an amount of Euro 17.7 billion in force until December 31, 2033.

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. In November 2023, the draft decree was approved by the European Commission and the final publication of the deed is pending.

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 final text was approved in July and its application set for January 1, 2025.

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.

To date, only a few Regions have issued their own laws implementing the new legislation.

For the regions affected by the administrative elections of 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.

In November 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.

In August 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. The regulations also set forth 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.

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

With consultation document no. 502/2022/R/gas, relating to the procedure initiated by the Authority with resolution no. 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. In April, with resolution no. 139/2023/R/gas, ARERA adopted the criteria for this tariff regulation.

Under resolution no. 448/2022/ R/gas, it initiated proceedings for compliance with the rulings of the Council of State (nos. 6096 and 6098 of July 18, 2022) concerning the regulation of gas tariffs for the periods 2018-19 and 2020-23. Therefore, based on said resolution, ARERA intends to introduce measures of flexibility and cost-effectiveness of the tariff for high-consumption entities, in application of art. 38, paragraph 2 bis, of Italian Law Decree no. 83/2012.

In fact, owing to this failure to apply the aforementioned legislative decree, an appeal was filed by some operators, including Tirreno Power, against the transitional gas regulatory period 2018-2019, upheld by the Lombardy Regional Administrative Court. 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.

Following the aforementioned resolution, ARERA launched a consultation in February 2023 (41/2023/R/gas) for the definition of the application criteria of tariff discounts for high-consumption customers (starting from 2024) and for the granting of any reimbursements to the plaintiffs. However, subsequently, by means of resolution 410/2023/R/gas, ARERA suspended the process of compliance on the basis of the introduction of a new regulation repealing the content on the matter in Italian Law Decree no. 83/2012.

Together with other operators in the sector, Tirreno Power challenged this latest ARERA measure.

Acts directly relating to Tirreno Power

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

Following a complex administrative dispute, by means of resolution no. 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. In October 2023, the ECHR rejected the appeal.

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.

Resolution no. 333/2016/R/eel was, in turn, the subject of a detailed dispute, brought by some operators before the Lombardy Regional Administrative Court and the Council of State. In some of these proceedings, Tirreno Power intervened with an objection to defend the legitimacy of the resolution. In various rulings issued starting from 2020, the Council of State confirmed the legitimacy of the overall approach defined by ARERA with resolution no. 333/2016, however accepting some appeals relating to measures applying the alternative regulations (which Tirreno Power had not opted to apply). One of these rulings gave rise to doubts relating to the possibility of the judgment of annulment concerning Resolution no. 333/2016 in its entirety but, with ruling no. 5002/2023 issued during compliance, the Council of State definitively clarified that the judgment of annulment concerns only the part of resolution no. 333/2016/eel relating to the alternative regulations. This ruling protects Tirreno Power from the risk of Terna applying the regulation pursuant to resolution no. 111/2006 (in the previous version) to those who had opted for the standard regulation.

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 no. 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 no. 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.

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).

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 2023, 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 plant envisaged in the Vado Ligure site could have a power of approximately 1 MWp and will be served by a Renewable Energy Community.

The plant envisaged for the Torrevaldaliga Sud site may have a power of approximately 2.6 MWp and may be partly served by a Renewable Energy Community.

PRODUCTION SCENARIO

The energy injected during the period amounted to 1,963 TWh, down by 3,440 TWh compared to 2022.

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)	12.31.2023	12.31.2022	Changes
Combined Cycles	**1,883**	**5,362**	***(3,479)***
- TV5	258	832	*(574)*
- TV6	158	438	*(279)*
- VL5	873	2,795	*(1,922)*
- NA4	593	1,298	*(704)*
Renewable Sources	**80**	**40**	***39***
Total	**1,963**	**5,402**	***(3,440)***
By plant			
Vado Ligure	873	2,795	*(1,922)*
Torrevaldaliga	417	1,270	*(853)*
Naples	593	1,298	*(704)*
Genoa	80	40	*39*
Total	**1,963**	**5,402**	***(3,440)***

(source: Company database)

In 2023, CCGT production was decidedly lower than the previous year, substantially as a result of the worsening of market margins and, for the Vado and Torrevaldaliga plants, also by the extension of the respective scheduled shutdowns, as better explained in the next paragraph.

Hydroelectric production recorded an increase compared to the previous year, as a result of the higher levels of water availability in the period, which nonetheless remained well below the ten-year average.

Plant maintenance

With regard to the **Vado Ligure** plant, the VL5 unit carried out the scheduled annual shutdown from March 27 until May 28: the line relating to the gas turbine 52 carried out maintenance works from March 27 to April 19, four days ahead of schedule as envisaged by the programme, while the line pertaining to the gas turbine 51 carried out maintenance from March 27 until May 28, postponing the return to operation with respect to the programme due to the results of the inspections carried out on the gas turbine. In particular, the rotor and stator blades of the TG51 were heavily compromised (more evidently on the 7th section of the compressor). This entailed the replacement of the worn blades of machine 51. The maintenance activities on the unit concerned, among other things, the seawater conduits, the main steam by-passes, the alternator exciters and the gas turbine static starter 52.

During the reference period, for the Vado Ligure plant, there were two brief unavailability events: the first occurred on October 20, lasting about 40 hours, due to a failure on a 6 kV electrical supply panel;

the second event, which took place on October 24, resulted in a period of unavailability of about 2 days as a result of high accelerations (humming) in the combustion chamber of gas turbine 51.

At the **Torrevaldaliga Sud** plant, a common scheduled shutdown was carried out for the entire production site to allow the complete replacement of the natural gas metering system. The shutdown programme envisaged an out-of-service period from May 2 to May 30. On the TV5 unit, the gas turbine line B was shut down according to the schedule, while the TGA, following the checks carried out, was subject to restoration works that led to an extension of the shutdown until June 18.

The inspections carried out on the gas turbine C of the TV6 unit also highlighted the need for restoration and replacement works, postponing the return to operation to June 11. It should also be noted that the supervision and control system (DCS) was replaced on the TV6 unit with the T3000 system supplied by Siemens.

During the reference period, two brief unavailability events occurred at the Torrevaldaliga Sud plant. On the TV5 unit, there was one day of unavailability on August 18 due to repair work on the auxiliary systems relating to transformer of gas turbine B. On August 26, the TV5 unit required maintenance lasting just over 2 days to repair the exhaust compartment of gas turbine B.

Between March 20 and April 2 inclusive, the **Napoli Levante** plant carried out the first of the two shutdowns scheduled for the year 2023, bringing forward the re-entry into production by around one day. The main activities concerned checks and maintenance work on turbine alternators, the restoration and painting of condenser cases, and work on fire prevention systems. The second scheduled shutdown took place between October 9 and 13. The main activity was the complete replacement of gas turbine filters and pre-filters.

In the reference period, there was an unavailability event at the Napoli Levante plant, which occurred on December 30 and affected the natural gas compressor C2, which led to a short out-of-service period of about 7 hours; however, the failure has led to the current loss of redundancy on the natural gas supply system.

Some planned works were carried out on **hydroelectric plants**.

In August, the Giacopiane dam underwent flaring and maintenance activities, which mainly concerned the bottom discharge of the dam, which continued until the middle of January 2024. Further scheduled maintenance works were carried out at the river barriers of Millesimo and Piana Crixia. In particular, the activities carried out during the summer months concerned the replacement of the bottom gates of both barriers. In addition, the hydraulic control system of the turbine at the Ponte Vizzà plant was replaced.

ENVIRONMENT AND SAFETY POLICY

Introduction

During the course of 2023, 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 founding values of the company and the guidelines for implementing a sustainable development process and is the reference followed by the “Environment and safety policy” of the integrated management systems adopted by all sites and certified pursuant to the standard UNI EN ISO 14001:2015 for the environmental part, and UNI ISO 45001:2018 for the safety part.

In the Policies, the site managers specify the commitments, objectives and actions they intend to put in place to improve the environmental performance of the plants and the health and safety of the organisation's workers, taking due account of both the results of the analysis of the context in which the organisation operates, and therefore of the satisfaction of the Compliance obligations, i.e. the expectations of relevant related parties, which then become requirements that the Company voluntarily chooses to comply with.

The organisation

In order to effectively achieve the aims of the Sustainability Policy and, therefore, of the integrated management systems, 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 workers' 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, annually reports the results obtained through the Sustainability Report externally and within the Company.

Integrated management systems

The implementation of management systems and their certification ensures compliance with regulatory requirements, as a mandatory element for obtaining system certification, and provides for the continuous improvement of the organisation's performance in terms of the environment and safety, active participation of employees and transparency with institutions and the public.

The Company has not only implemented environment management systems, but has chosen to acquire the EMAS registration (Eco Management and Audit Scheme), the most prestigious environmental certification in Europe.

During 2023, the EMAS registrations of the Torrevaldaliga and Naples sites were maintained and the certifications of the integrated management systems of the Naples and Vado Ligure sites were renewed for a further three years, and the certification of the Torrevaldaliga site according to the same standard was confirmed.

Training, information and education

Sustainability, environmental and safety 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 2023, activities continued aimed at informing production sites about the correct interpretation and implementation of the obligations deriving from the new applicable legislation as well as training personnel on environment and safety 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 2022 Sustainability Report.

Environmental and sustainability reporting

In addition to mandatory reporting for sites subject to the Integrated Environmental Authorisation such as thermoelectric power plants, the environment management systems provide periodic reports on environmental data and performance that are subject to management review for an analysis of any comments and non-conformities that have emerged during the audits, in order to identify and implement the necessary corrective actions.

In addition, EMAS certified sites update the public on their environmental performances through the *Environmental Statement*, a document issued every three years and updated annually.

In 2023, 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 company completed the implementation of the new KPIs identified following a gap analysis of the non-financial information reported in the Sustainability Report in order to improve the disclosure of these issues.

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 2023 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.

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.

As regards the Training of workers on occupational health and safety, disclosure 403-5 was included, with regard to employees, dividing the hours of training provided on the basis of the professional qualification of the personnel.

The main environmental events

During 2023, 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.

On February 23, 2023, the three-year agreement with Arpa Campania for the management of two Tirreno Power control units, acquired from the regional air quality monitoring network, was renewed under the same conditions as the previous period.

On August 25, 2023, the sharing with ISPRA of the contents of the biomonitoring plan of the coastal marine area in front of the Torrevaldaliga Sud plant, whose implementation will affect the three-year period 2024-2026, was completed.

The Company's Combined Cycle Plants operate on the basis of currently valid Integrated Environmental Authorisations.

At the hydroelectric sites, the activities and maintenance work established in the Management Projects prepared and transmitted for each reservoir were carried out; in the second quarter of 2023, at the Millesimo, Piana Crixia and S. Margherita Vara plants, flaring work was carried out in preparation for the performance of extraordinary maintenance work on the normally submerged parts. In the third and fourth quarters, the flaring of the Zolezzi and Giacopiane lakes was carried out. For the latter initiative, it was necessary to carefully design and build a slide that allowed the waters and fish fauna (consisting largely of carp and tench) to flow into the underlying Pian Sapejo lake; it was therefore possible to achieve a fish fauna survival rate of 97%.

INVESTMENTS AND DEMOLITIONS

INVESTMENTS

In 2023, the Company made investments totalling Euro 70,632 thousand, of which Euro 70,082 thousand in tangible fixed assets and Euro 550 thousand in intangible fixed assets.

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

- for the Napoli Levante plant (Euro 13,874 thousand), the replacement of spare parts (Euro 1,740 thousand), the advance relating to the installation of the MXL2 upgrade (Euro 7,475 thousand), the activities carried out during the scheduled shutdown, the resin coating of seawater inlet conduits and preventive maintenance of gas compressors;
- for the Vado Ligure plant (Euro 29,588 thousand), the repair of the fault in the stator blades of the TG51 gas turbine (Euro 10,719 thousand), the advance relating to the installation of the MXL2 upgrade (Euro 13,325 thousand), the installation of the VFD on the circulation pumps (Euro 644 thousand), the evolution of the DCS, as well as the activities carried out during the scheduled shutdown;
- for the Torrevaldaliga Sud plant (Euro 20,041 thousand), the advance relating to the installation of R4P and Opiflex (Euro 5,300 thousand), the overhaul of the steam turbine of the TV6 unit (Euro 2,493 thousand), the extraordinary maintenance of GVR collectors (Euro 1,755 thousand), the auxiliary electric boiler (Euro 1,408 thousand), the upgrade of static starters (Euro 1,680 thousand), the cross-over power supply installation (Euro 1,764 thousand), the complete replacement of the SME (Euro 615 thousand), the overhaul of rotating machinery, as well as the activities carried out during the planned shutdown;
- as regards the hydroelectric generation park, Euro 5,281 thousand was invested, which mainly concerned the latest repair works following flood damage in 2020, the extraordinary maintenance of the Giacopiane plant, works to comply with ARERA resolutions, the execution of various civil works.
- 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

In 2023, all planned demolition activities of the decommissioned VL3 and VL4 units were completed, while the freed up areas are being rectified.

Torrevaldaliga

Demolition work began in May 2023 on the decommissioned TV4 unit. In particular, the demolition of the electrostatic precipitator was completed, while the demolition of the boiler is 80% complete. Some demolitions of disused buildings were carried out, in preparation for the installation of the photovoltaic system.

Naples

During 2023, all the activities on the subsoils requested by the Tyrrhenian Sea Port Authority (AdSP) were carried out; notified of their completion was sent in December 2023. The removal and disposal of excavated earth removed for the identification of underground utilities is in progress.

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

PEOPLE AND ORGANISATION

In 2023, as in the previous year, the company continued to oversee the ordinary management of issues related to People and the Organisation.

Tax wedge reduction

One of the main regulatory changes introduced in 2023 in favour of the reduction of the tax wedge was the measure, set forth in Labour Decree of July, which raised the individual tax and contribution exemption limit from € 258.23 to € 3,000 (only for employees with dependent children).

This provision allowed beneficiary employees a saving on the value of the benefits provided by the company (non-professional accident insurance, life insurance, allocation of car for personal and business use, vouchers, etc.) of the entire contribution payable by them and the corresponding income tax and, likewise, for the company, contribution relief from the entire mandatory contribution.

In the budget law of 2024, approved in the last few days of December 2023, this concession measure was restructured with the following provisions:

€ 1,000 for all employees

€ 2,000 for employees with dependent children.

The certainty of the measure that, unlike in 2023 was defined as early as the beginning of the year, will allow the Company to maximise the benefits offered to employees during 2024.

Company performance bonus

The final calculation of the targets assigned for the 2022 performance bonus resulted in the disbursement of 120% of the portion allocated to profitability, and of 116% (average value) for the productivity portion.

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:

- 96 out of 214 employees (45%, compared to 49% in 2022) elected for the payment of the entire bonus in cash;
- 104 employees (47% compared to 41% in 2022) 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;
- 14 employees (0.6% compared to 10% of 2022) allocated the entire bonus to welfare or 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.

With regard to the company performance bonus for the year 2023, which will be paid in 2024, the value set aside was defined on the basis of the results reported, equal to 111% of the value of profitability and 100% of the productivity value.

MBO

With reference to the MBO incentive plan for the year 2022 for company management, the results achieved allowed the attainment of 100% of the reference base value. This incentive was disbursed in the first four months of 2023.

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 was restated due to the results achieved during the reference three-year period that allowed a valuation of the base incentive at 115%, a reduction compared to the estimate of 150% made in 2022.

The final balance of the final data therefore resulted in a decrease in the value already allocated for the years 2021 and 2022 of € 0.4 million.

Discount on electricity sales tariffs for former employees

Following the cancellation of the benefit in question following a trade union agreement reached in 2018, a provision for risks was established to manage the costs relating to former employees whose position had not yet been settled (due to non-acceptance of the company proposal, due to the impossibility of tracking down the beneficiaries or due to the latter disputing the legitimacy of the termination of the benefit).

Based on the prescriptive period for the right expiring because the interested parties did not exercise the right, the estimate of the amount set aside was redefined to adjust it to the actual potential beneficiaries, with a reduction of approximately Euro 0.4 million.

Trade union agreements

The year 2023 saw the company and the trade unions committed, in the local areas, to the renewal of the video surveillance agreements, while at national level the issue of the renewal of the economic agreements and the entitlement of the indemnity for the operation of the steam generators was discussed at length. Topics that will be defined in the first quarter of 2024.

With respect to the renewal of economic agreements, the entitlements that must be updated are:

- Entitlement of reimbursement of expenses pursuant to art. 42 of the current National Collective Labour Agreement
- Entitlement of higher expenses due to the application of the 8th DV and introduction of the additional indemnity
- Restaurant vouchers
- Driving allowance

Taking into account the current economic and financial situation, the company has set the objective of identifying innovative tools to support workers and, as part of the aforementioned renewal, does not rule introducing one-off amounts, in agreement with the trade unions, to be allocated to fringe benefits.

In the first half of the year, the renewal of the agreement for Smart Working services was signed for the July 2023 - June 2024 period, which incorporates the elements already defined on the topic in the middle of 2022. The agreement confirms both the maximum number of days of service in smart working mode (25 in a two-month period) and the main management rules (planning agreed with the manager, reference hours, increased physical presence, etc.). The method described was accompanied by the one set forth by the legislation, extended several times, in favour of employees with dependent children under the age of 14 and vulnerable workers, which involved 17 management staff members.

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

Following the European Commission's approval, 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, the contribution exemption was applied at a rate of 30% of the contributions payable by the company for all company employees whose place of work is in the city of Naples.

By virtue of this legislative measure, in 2023, the contribution cost was approximately Euro 0.2 million lower.

By means of a decision of December 15, 2023, the European Commission approved the request of the Ministry of Labour and Social Policies to authorise the extension for a further 6 months, and therefore up until 30 June 2024, of the contribution exemption to support the companies of Southern Italy in the context of the war with Ukraine.

Renewal of the National Collective Labour Agreement

Starting from January 2023, the company has increased the contribution portion allocated to the FOPEN supplementary pension fund by Euro 3.00 for each employee who has chosen to fully participate in this scheme. The total contribution payable by the company therefore amounts to 1.35% of the employee's remuneration for the purposes of the employee severance indemnity, plus an amount of Euro 20.00 per month.

It should be noted that 86% of the company population signed up to the supplementary pension scheme, a substantially stable value despite the turnover of personnel in the last two years as almost all newly hired employees opted for this form of pension.

Starting from July 2023, the increase in the contractual minimums was paid for an average increase of Euro 65.00 per month and a corresponding cost for the company of approximately Euro 90.00 per month per capita.

Training

2023 was characterised by the implementation of training initiatives that saw the involvement of new partners.

At the beginning of the year, a training platform covering themes common to the entire company was established with the company Goodhabitz, which is intended to be used not only by Tirreno Power personnel, but also their family members who request it.

The year just ended also saw the start of the collaboration with Wibo and the Holden school of Turin for a training course on storytelling. Three different training sessions were provided between March and November, involving over 60 staff.

In the last quarter of 2023, an awareness-raising and personal development course was also launched with Adecco, aimed at 8 Production Department managers.

The second edition of the BBS course was also held, with a focus on the figure and the role of the person in charge.

A number of training initiatives were provided through distance learning and, where possible, the use of e-learning and live streaming courses continued.

In quantitative terms, 2023 saw 8,830 hours of training delivered, with an average of 38 hours per employee.

GRI 404-1 b)	Average training hours per year by category	M.U.	2023	2022
			Total	Total
	Executives	h	21	8
	Middle managers		48	15
	Employees		38	39
	Workers		34	65
	Total		38	39

In particular, the training hours provided on occupational health and safety were as follows:

GRI 403-5	Occupational Health and Safety Training: hours of training provided by qualification	M.U.	2023	2022
	Executives	h	26	29
	Middle managers		447	226
	Employees		2,377	2,631
	Workers		1,021	965
			3,871	3,851

Organisation

Following the launch of the selection process for the role of Head of Development, Organisation and Trade Union Relations, an external individual was identified, who joined the organisation on May 16.

The onboarding processes commenced in 2022 were completed in 2023, with the confirmation of the two staff members on permanent contracts, previously hired on temporary ones. During the year, selection processes were also launched to fill 3 positions that, following organisational changes in the production area, would have become vacant.

Organisational well-being

In 2023, a structured process of listening to company personnel was initiated. This process was created to identify individual needs (including not strictly business-related) and attempt to satisfy them to build a better working environment.

The idea of corporate well-being revolves around three fundamental pillars of the concept of physical, mental and social well-being. Starting from this vision, a package of initiatives was designed to improve the general level of well-being of our employees.

In February and November 2023, two surveys were administered to all personnel to gauge the company climate; the survey participation rate was 72% of employees in the former and 60% in the latter.

The general results of the two surveys indicate a positive perception of the organisational climate across the board, with an average score of 3.6 on a scale of 1 to 5.

The first initiatives were therefore introduced:

- “Fruit in the office”, a weekly supply of fresh organic fruit was provided to all company offices to allow a healthy and energetic break.
- “Mens Sana in Corporate Sana”, an online platform has been activated where it is possible to take care of one's individual/mental well-being, by accessing dedicated content and starting an individual psychological path, with professionals in the sector.
- “l’appetito vien testando”, all company personnel were offered the change to carry out genetic tests to search for any food intolerances, in the comfort of their own homes.
- “Il Benessere Online” (on-line well-being) was rolled out, a cycle of webinars dedicated to specific topics; in the second half of 2023, the first two seminars on nutrition (Nutrition Lab) and posture (Pillole Posturali - short video clips on posture) were held.

The total cost of all the initiatives described above amounted to approximately Euro 0.06 million for the year 2023.

Digital Transformation

In 2023, as part of the process to optimise and digitise company processes, the application for managing subcontracts was rolled out. In addition, the analysis phase was completed for the project which will allow the digitalisation of "resource accreditation" management (people, vehicles and substances) in preparation for access to the various sites. The plan makes provision for the release into operation of the solution in 2024.

For the Energy Management area, the new application for managing the processes of monitoring gas consumption was released.

For the Production Department, a new functionality was released for the Vado Ligure plant to manage interference and risks related to work areas.

An application was implemented for use by the renewable sources sector, which allows the production and automatic communication to the bodies in charge of the DPC (civil protection documents) in the event of an alert.

During 2024, the implementation of the automated management of communications through the use of SMS and telephone calls was planned, to supplement the current transmission channels (e-mail and certified e-mail).
Finally, the portal and the document system were implemented, where the invoice documents for accounts receivable sent to the SDI are managed in an integrated manner with the ERP.

The mobile phone contract was renewed, which led to the replacement of the entire company smartphone suite; a new multi-year telecommunications outsourcing contract was also awarded, which will see a technological refresh of the transmission infrastructures in all company offices.

The upgrading of IT equipment is continuing, which concerned approximately 40% of the company's suite.

With regard to cyber security aspects, the remedial activities planned following the penetration test carried out in 2022 were completed.

The end of 2023 saw the commencement of the start-up phase of the SOC (Security Operation Centre) service, which will enable the supervision and management of information systems security against cyber events 24 hours a day, 7 days a week.

Purchases, Services and Security

The company started to use the module for the Management of Sub-Contracts on the Synergy platform, dedicated to managing the purchasing process. The new functionality makes it possible to streamline the management of the Subcontracting authorisation procedure, in particular by tracking and archiving the evidence and results. In addition, the data of the suppliers authorised to sub-contract feed into the supplier register.

The supplier suitability process was fine-tuned. Upon completion of the demolitions of the former Units 3 and 4 of the Vado Plant, steps were taken to submit to the Revenue Agency the Land Registry Change for the real estate units registered in the Buildings Registry in the Municipality of Vado and Quiliano, in order to reduce the rent and consequently reduce the IMU (municipal property tax) tax from January 2024.

An area of land was divided up in the Municipality of Osiglia in order to sell it to the municipal body through a real estate brokerage procedure and thus legalise the ownership of the plot of land of the pier, a structure owned by the Municipality.

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 February 27, 2023.
All the obligations identified in Italian Legislative Decree no. 24/2023 for the whistleblowing reporting system for companies with up to 249 employees have been put in place.

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 before the Court of Civitavecchia for the offence of negligent injury, the Public Prosecutor issued a dismissal decree, as indicated in the paragraph Other Criminal Proceedings.

Obligations for compliance with Regulation EU no. 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.

All the personal data processing obligations identified by the Whistleblowing Decree (Italian Legislative Decree no. 24/23) were put in place.

By means of resolution of the Board of Directors of April 21, 2023, the Company renewed the DPO appointment for one year.

AUDIT Committee

The Company employs 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. This indicator does not include the residual debt portions of rights of use relating to long-term car rentals and property rentals.

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

Energy sold in 2023 totalled 4,176 GWh, a decrease of 3,720 GWh compared to 2022. The decrease in production concerned all CCGT plants, registering an average reduction of 64%, with the greatest impact for the VL5 unit which, in 2022, had benefited from the highest market margins.

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.

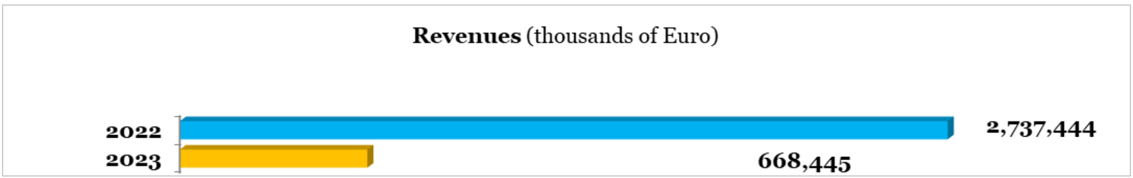
Energy balance (GWh)	12.31.2023	12.31.2022	Changes
Energy injected	**1,963**	**5,402**	***(3,439)***
Energy purchased	**2,256**	**2,541**	***(285)***
Energy sold	**4,176**	**7,896**	***(3,720)***
-on free market	1,966	1,943	*24*
-on Power Exchange - day-ahead market	2,052	5,568	*(3,516)*
-on Power Exchange - dispatching services market	158	386	*(227)*
Imbalances	**(42)**	**(47)**	***5***

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)	12/31/2023	12/31/2022	Changes
Revenues	668,445,493	2,737,443,743	(2,068,998,250)
Other revenues	23,402,909	6,568,438	16,834,470
Total revenues	**691,848,402**	**2,744,012,181**	**(2,052,163,779)**
Own work capitalised	2,232,141	948,434	1,283,708
Consumption of raw materials	(521,114,980)	(2,331,659,736)	1,810,544,756
Personnel costs	(21,402,774)	(22,124,512)	721,738
Service costs	(25,838,398)	(25,641,579)	(196,819)
Other costs	(71,954,016)	(179,981,204)	108,027,188
Total costs	**(638,078,027)**	**(2,558,458,598)**	**1,920,380,570**
Gross operating profit	**53,770,375**	**185,553,584**	**(131,783,209)**
Provisions	12,563,577	(2,043,297)	14,606,874
EBITDA	**66,333,952**	**183,510,287**	**(117,176,335)**
Amortisation, depreciation and write-c	(57,734,634)	(52,992,607)	(4,742,027)
EBIT	**8,599,318**	**130,517,680**	**(121,918,362)**
Financial expenses	(3,925,924)	(5,294,639)	1,368,715
Financial income	1,708,446	575,234	1,133,212
Pre-tax profit	**6,381,840**	**125,798,275**	**(119,416,436)**
Taxes	1,242,018	(36,219,304)	37,461,322
Net income for the period	**7,623,858**	**89,578,971**	**(81,955,113)**

Revenues, amounting to Euro 668,445 thousand, showed a net decrease compared to 2022 (Euro 2,068,998 thousand).



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

(Euro)	12.31.2023	12.31.2022	Changes
Power Exchange - day-ahead market	314,779,729	1,930,698,607	*(1,615,918,878)*
Free market (other)	251,864,913	572,087,432	*(320,222,518)*
Power Exchange - dispatching services market	33,822,856	166,090,586	*(132,267,730)*
Hydro sales to GSE	2,313,289	3,147,049	*(833,761)*
Capacity Market/Payment	61,446,506	59,912,038	*1,534,469*
Other	4,218,200	5,508,031	*(1,289,832)*
TOTAL	**668,445,493**	**2,737,443,743**	***(2,068,998,250)***

The year 2023 was characterised by sharply falling energy prices also as a result of the drop in the price of gas. The average PUN fell by roughly 175.7 €/MWh, equal to 58%, compared to 2022.

This, combined with the lower volumes sold (-3,516 GWh, equal to 63%), led to drop in revenues from sales on the MGP (day-ahead market), which recorded a decline of Euro 1,615,919 thousand.

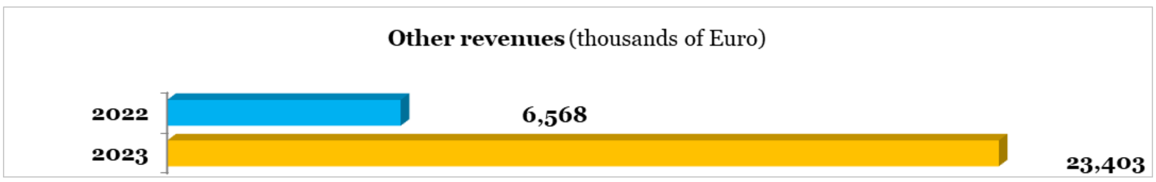
Revenues from sales on the Free Market were also affected by the decrease in the PUN. Average sales revenues on bilateral contracts decreased by approximately 57%, while volumes are in line with the previous year (+1%).

In view of the above, revenues from the free market dropped by Euro 320,223 thousand compared to 2022.

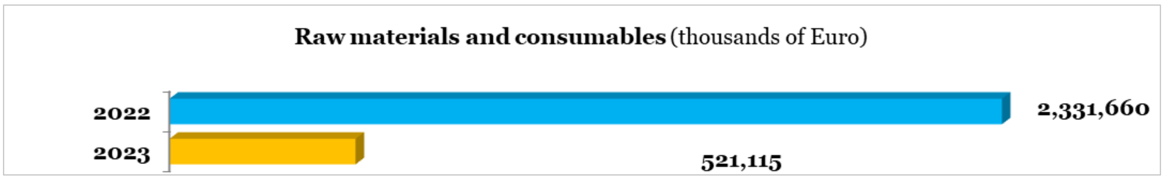
Revenues from sales on the dispatching market instead show a decrease of Euro 132,268 thousand as a result of reduced operations in this market (volumes fell by 59%), and as a result of lower average revenues from sales in this market, which show a contraction of around 52%.

The item “other” includes revenues from the sale of ferrous materials from demolitions of Vado Ligure coal units and the Torrevaldaliga TV4 unit (Euro 3,817 thousand).

Other revenues amounted to Euro 23,403 thousand and mainly relate to insurance reimbursements (Euro 6,300 thousand due to flood damage to the hydro plant in 2020, Euro 7,100 thousand for damage to the VL TG51 gas turbine rotor in 2023 and Euro 1,450 thousand for damage to the rotor of the VL alternator in 2020). They also include contingent assets (Euro 7,926 thousand) which refer to the settlement agreement for ICI (local property tax), IMU (municipal property tax) and TASI (taxes on indivisible services) signed with the Municipality of Civitavecchia (Euro 4,269 thousand), to the recognition of the tax credit for the purchase of capital goods (Euro 281 thousand), the Tasi 2018/2019 reimbursement of Civitavecchia (Euro 217 thousand), as well as positive adjustments to costs/revenues of previous years, mainly due to energy items.
Other revenues in 2022 amounted to Euro 6,568 thousand and related 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.



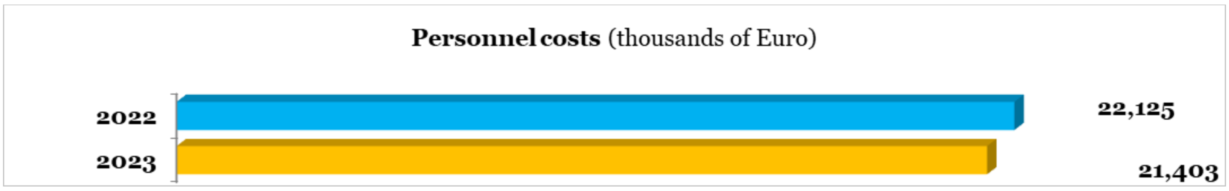
The **cost of raw materials consumption** amounted to Euro 521,115 thousand, a decrease of Euro 1,810,545 thousand compared to 2022.



The cost of fuel consumed in the period amounted to Euro 225,285 thousand, down by Euro 1,310,848 thousand compared to the cost incurred in 2022. There was both a significant price effect (the WAP dropped by around 60% from 1,471.5 €/kSmc to 585.2 €/kSmc) and a volume effect as the quantities consumed showed a decrease of roughly 63% as a result of lower production.

Charges related to the purchase of energy and trading on the power exchange amounted to Euro 292,591 thousand, a decrease of Euro 500,211 thousand compared to 2022. This decrease mainly derives from lower purchases of energy from the GME and from bilateral purchases (Euro 420,519 thousand), essentially due to the decrease in the PUN and the lower value of purchases in the MSD (dispatching services market) (Euro 77,218 thousand) due to the decrease in transactions in the MSD from high to low (the GWh repurchased decreased by 65%), as well as the decline in average repurchase costs (-57%).

Personnel costs came to Euro 21,403 thousand, down by Euro 722 thousand compared to 2022. The decrease is attributable to the lower MBO and Performance Bonuses recorded in relation to the worsening of the results achieved in 2023, as well as to the lower average amounts. It should be noted that, in 2022, the reabsorption of the overlaps between the new hires and the exits generated in 2020 was concluded, to facilitate the coaching process needed to complete the turnover process.



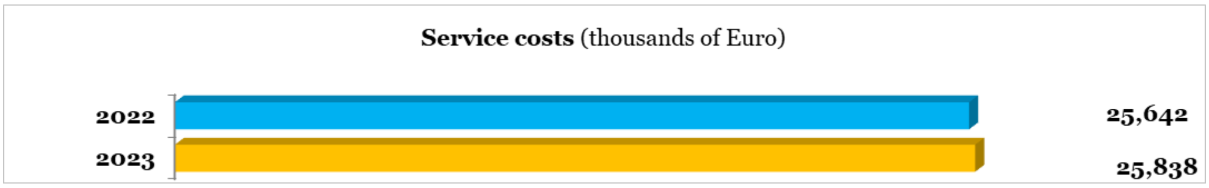
The table shows the average balance by job classification in 2023 compared with the previous year.

Average amount	12.31.2023	12.31.2022	Changes
Executives and Middle Managers	47.4	46.9	*0.5*
Employees	152.0	159.9	*(7.9)*
Workers	29.1	33.1	*(4.0)*
TOTAL	**228.5**	**239.9**	***(11.4)***

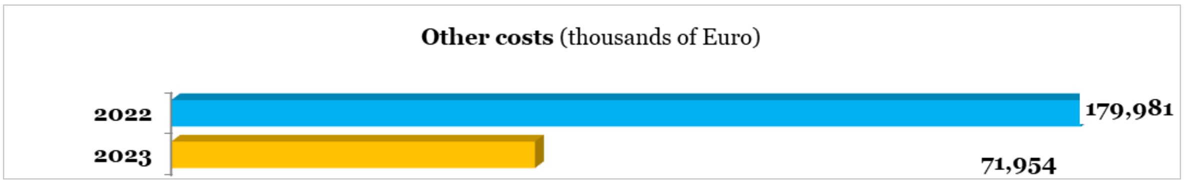
GRI 401-1 a)	Recruitment by age group in 2023			
	M.U.	< 30	30 - 50	> 50
	No.	1	5	0
	%	17%	83%	0

GRI 401-1 b)	Employees terminated by age group in 2023			
	M.U.	< 30	30 - 50	> 50
	No.	0	2	2
	%	0%	50%	50%

Costs for services for the period amounted to Euro 25,838 thousand, marking a slight increase of Euro 197 thousand compared to 2022, mainly due to the costs incurred for the renegotiation of the Revolving line.



Other costs amounted to Euro 71,954 thousand, a decrease of Euro 108,027 thousand compared to 2022.

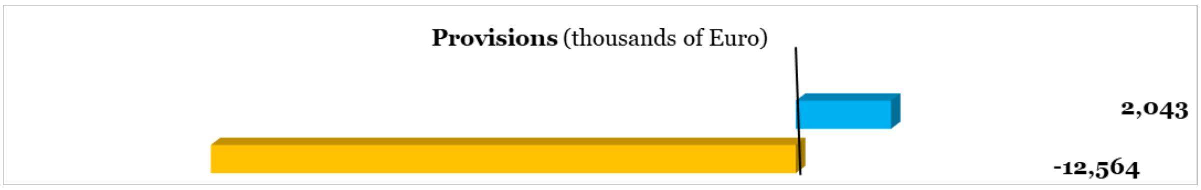


The change is essentially attributable to lower charges for emission rights, for Euro 107,846 thousand, due to the significant drop in emissions following lower production (779 Kton. in 2023 compared to 2,122 Kton. in 2022), only minimally offset by the increase in the CO2 enhancement PMP (weighted average price) (81.41 €/tonnes in 2022 compared to 83.33 €/tonnes in 2023).

Gross operating profit came to Euro 53,770 thousand, compared to Euro 185,554 thousand realised in 2022.

Provisions show a positive balance of Euro 12,564 thousand. In particular, they mainly concerned the repayment of the asbestos provision following settlement reports signed between the parties for Euro 3,550 thousand, the repayment of the provision for unbalancing of previous years for Euro 5,055 thousand, the release of the excess of the 2020 flood damage provision for Euro 1,833 thousand and the provision for demolition of coal units of Vado L. for Euro 1,076 thousand, as well as the write-off of the

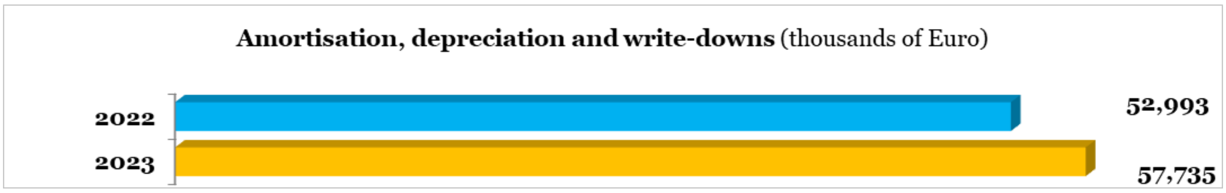
IMU provision of Torrevaldaliga for Euro 705 thousand, partially offset by the adjustment of the Vigliena demolition provision for Euro 800 thousand and the allocation of Euro 250 thousand relating to damage to the Bevera and Airole hydro plants caused by heavy rains at the end of the year.



In 2022, provisions (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).

EBITDA amounted to Euro 66,334 thousand compared to Euro 183,510 thousand in 2022.

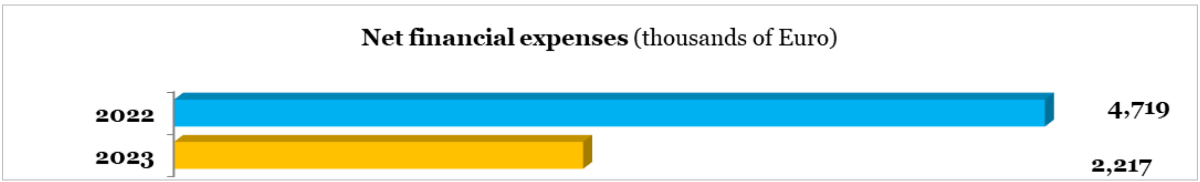
Depreciation, amortisation and write-downs (Euro 57,735 thousand) are higher than 2022 (Euro +4,742 thousand), largely due to the higher depreciation of the Major Inspection of the NA4 unit carried out in 2021 (Euro +1,783 thousand). The repositioning of the next Major Inspection in 2025 instead of in 2027, as per the latest forecasts, led to a reduction in the useful life of the asset subject to maintenance, and therefore a higher depreciation charge. The depreciation of the new TG51 gas turbine blades (Euro 1,873 thousand) was also recorded.



The **Operating Profit** therefore amounted to Euro 8,599 thousand, compared to an Operating Profit achieved in 2022 of Euro 130,518 thousand.

In 2023, **financial expenses** of Euro 3,926 thousand were recorded, a decrease of Euro 1,369 thousand compared to the previous year. The savings derive from the lower charges incurred for the discounting of VAT credits, which amounted to Euro 1,476 thousand and were equal to zero in 2023, as well as from the lower use of the Revolving line which led, between financial charges and commitments, to lower charges of Euro 419 thousand, partially offset by an increase in interest expense due to the revaluation of the decommissioning provision (Euro 258 thousand) as a result of the change in the discount rate.

Financial income amounted to Euro 1,708 thousand, compared to Euro 575 thousand in 2022. The amount derives from interest income accrued on bank accounts and Time Deposits (Euro 1,019 thousand) and on VAT credits (Euro 494 thousand), as well as interest accrued and agreed with the Municipality of Civitavecchia following the settlement agreement (Euro 180 thousand).



The Company closed the year 2023 with a tax loss, both for IRES and IRAP purposes, therefore there are no current taxes.

Taxes as at December 31, 2023, were a positive Euro 1,242 thousand and refer:

- for Euro 6,514 thousand to the positive effect of deferred tax assets (mainly relating to the IRES tax loss) estimated as recoverable in relation to future taxable income;
- for Euro 5,612 thousand to the negative effect of deferred tax assets relating mainly to the use of dismantling provisions and the provision for risks and charges;
- for Euro 313 thousand, to the positive effect relating to the use of the deferred tax liabilities generated on previous excess and early tax amortisation;
- the positive effect, amounting to Euro 27 thousand, relating to taxes from previous years.

The net profit for 2023 amounted to Euro 7,624 thousand (Euro 89,579 thousand in 2022).

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)	12/31/2023		12/31/2022		Changes
Net fixed assets					
Tangible and intangible assets	613,520,674		600,760,952		12,759,723
Other net non-current assets/(liabilities)	12,414,908		13,221,940		(807,033)
Total net fixed assets	**625,935,582**		**613,982,892**		**11,952,690**
Net working capital					
Inventories	86,944,228		191,538,243		(104,594,015)
- of which purchased emission rights	*73,681,872*		*179,035,500*		(105,353,627)
Trade receivables	70,616,212		128,804,486		(58,188,274)
Tax (payables)/receivables	-		(15,998,079)		15,998,079
Trade payables	(50,344,280)		(70,616,571)		20,272,291
Other net current assets/(liabilities)	(8,558,766)		(106,553,990)		97,995,225
Total net working capital	**98,657,394**		**127,174,089**		**(28,516,695)**
Gross capital employed	**724,592,976**		**741,156,981**		**(16,564,005)**
Other provisions					
Provisions for risks and charges	(60,610,728)		(80,532,211)		19,921,483
Post-employment and other employee benefits	(3,737,469)		(3,621,963)		(115,506)
Deferred tax liabilities	(30,974,133)		(31,287,443)		313,310
Total other provisions	**(95,322,330)**		**(115,441,616)**		**20,119,287**
Net capital employed	**629,270,647**	**100%**	**625,715,365**	**99%**	**3,555,282**
Shareholders' equity	**663,331,856**	**100%**	**655,738,847**	**100%**	**7,593,009**
Net financial debt	**(34,061,210)**	**-**	**(30,023,482)**	**-**	**(4,037,727)**

Tangible and intangible assets increased by Euro 12,760 thousand. The main changes concerned:

- amortisation/depreciation and write-downs in the period amounting to Euro 57,735 thousand,
- investments in the period of Euro 70,632 thousand.

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

Other net non-current assets/(liabilities) fell by Euro 807 thousand compared to December 31, 2022. There was a decrease in deposits from third parties following the return of the deposit for the 2022 Capacity Market (Euro 1,855 thousand), partially offset by an increase in the receivable for deferred tax assets (Euro 912 thousand) due to the recognition of deferred tax assets on the tax loss of the period, net of deferred tax assets used following the use of risk provisions.

Inventories, amounting to Euro 86,944 thousand, recorded a decrease of Euro 104,594 thousand compared to December 31, 2022. This change is entirely attributable to the purchase of CO_2 rights relating to 2023 emissions, net of the cancellation of the 2022 quotas.

Trade receivables show a decrease of Euro 58,188 thousand compared to December 31, 2022. In particular, we note:

- lower receivables from bilateral sales (Euro 21,779 thousand) following the reduction in bilateral sales revenues in December 2023 compared to December 2022;
- lower receivables from Terna (Euro 31,861 thousand) owing to the lower revenues in the dispatching services market in the months of November and December 2023, compared to the months of November and December 2022;
- lower receivables from GME (Euro 3,564 thousand) as a result of lower revenues in the MGP (day-ahead) market in the last two weeks of December 2023 compared to the same period of December 2022.

No **tax payables** were recorded as at December 31, 2023.

The balance of **Trade payables** fell by Euro 20,272 thousand compared to December 31, 2022. In particular, we note:

- lower payables to Terna (Euro 8,177 thousand) as a result of lower costs for the purchase of energy in the MSD market in the months of November and December 2023 compared to the last two months of 2022;
- lower payables to GME (Euro 13,639 thousand) as a result of lower purchases of energy in the MGP market in the last two weeks of December 2023 compared to the same period of December 2022.

Other net current assets/(liabilities) registered an increase of Euro 97,995 thousand compared to December 31, 2022. This change derives mainly from:

- the decrease in payables for CO2 rights to be delivered (Euro 107,846 thousand) in relation to the cancellation of the allowances for 2022, partially offset by the payable for emissions for the period;
- decrease in the VAT credit (Euro 12,740 thousand) due to the receivable accrued in the period;
- the decrease in advances to third parties (Euro 20,120 thousand) due almost entirely to the reduction in the prepayment to Edison for the supply of gas (Euro 20,000 thousand);
- the increase in receivables for damages (Euro 14,850 thousand).

The **Provision for Risks and Charges** decreased by Euro 19,921 thousand as a result of the changes as better illustrated in note no. 11.

The **Net invested capital** therefore amounted to Euro 629,271 thousand (Euro 625,715 thousand as at December 31, 2022).

Shareholders' equity stood at a positive Euro 663,332 thousand, and essentially changed when compared to December 31, 2022, due to the profit in the period, amounting to Euro 7,624 thousand, as well as the net decrease of Euro 31 thousand in IAS 19 and IFRS 9 reserves.

For more details, please refer to note no. 9.

Net financial debt: as at December 31, 2023, there were no debt lines to be repaid; therefore, the net financial indebtedness coincides with the cash and cash equivalents of Euro 34,061 thousand. As at December 31, 2023, the Revolving line of the Restated Facility Agreement, stipulated in 2015 at the time of the Debt Restructuring Agreement, expired and the Company entered into a new Revolving line of Euro 25,000 thousand with Banco Popolare di Milano, assisted by SACE guarantee (Italian Support). The MEF Decree is currently pending, which should arrive at the end of the first four-month period of 2024, which will give effect to the revolving line and the SACE guarantee and consequently the line will be usable.

The breakdown of the net financial debt as at December 31, 2023 is detailed in the following table:

	(thousands of Euro)	12.31.2023	12.31.2022	Changes
A	Cash at bank and in hand	13	7	*6*
B	Bank deposits	34,048	30,016	*4,032*
C	Securities	-	-	-
D	**Total cash and cash equivalents (A+B+C)**	**34,061**	**30,023**	***4,038***
E	**Current financial receivables**	-	-	-
				-
F	Current bank payables			-
G	Current portion of non-current debt			-
H	Other current financial liabilities	-	-	-
I	**Total short-term financial liabilities (F+G+H)**	-	-	-
J	**Current net financial debt (-D-E+I)**	**(34,061)**	**(30,023)**	***(4,038)***
K	**Non-current financial receivables**	-	-	-
L	Non-current bank payables	-	-	-
M	Other non-current payables	-	-	-
N	**Non-current financial debt (L+M)**	-	-	-
O	**Non-current net financial debt (K+N)**	-	-	-
P	**TOTAL NET FINANCIAL DEBT (J+O)**	**(34,061)**	**(30,023)**	***(4,038)***

Cash flows

(thousands of Euro)	12.31.2023	12.31.2022	Changes
Opening cash and cash equivalents	**30,023**	**49,910**	**(19,887)**
Cash Flow from operating activities	74,670	74,625	45
Cash Flow from investment activities	(70,632)	(39,356)	(31,276)
Cash Flow from financing activities	-	(55,155)	55,155
Closing cash and cash equivalents	**34,061**	**30,023**	**4,038**

The cash flow from operating activities, also thanks to the positive trends in working capital, was positive for Euro 74,670 thousand, in line with the previous year.
The cash flow from operating activities allowed the coverage of investment activities (Euro 70,632 thousand), as well as an increase in cash and cash equivalents of Euro 4,038 thousand.

BUSINESS OUTLOOK

Evolution of the Business Plan

As is well-known, a Debt Restructuring Agreement (ADR) 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. The full repayment of the renegotiated tranches of debt and the non-renewal of the Revolving Facility as at December 31, 2023 resulted in the closure of the Restated Facility Agreement at that date.

According to the opinion of Mr. Laghi (certified appraiser of the Plan underlying the ADR), following the repayment of all the restructured credit lines and the non-renewal of the Revolving Facility, the restructuring process, pursuant to art. 182 bis of Bankruptcy Law, of Tirreno Power may qualify as having been executed.

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.

In December 2023, Terna launched the consultation on the new capacity market regulations. According to Terna's informal announcements, the new auctions should be held in the summer of 2024 for the delivery years from 2025 to 2027.

On February 23, 2024, the Board of Directors, in light of the new market scenario, approved the update of the Business Plan which also predicts reduced margins for 2024 (in line with those of 2023) and a subsequent recovery of these in 2025.

In fact, the 2023 results were decidedly lower than the Budget/Plan forecasts due to the contraction in market margins. Despite this, the positive effect of non-recurring items made it possible to close the year with a profit for the sixth consecutive year (Euro 7,624 thousand).

On the whole, considering that:

- the Company's Shareholders' Equity came to Euro 663,332 thousand, deemed suitable by the Directors to ensure adequate capitalisation of the Company with respect to the future objectives set out in the Plan;
- as at December 31, 2023, there are no debt lines to be repaid;
- in December 2023, a new Revolving loan of Euro 25,000 thousand was taken out to support possible working capital requirements, guaranteed by SACE, which will become effective with the issue of the related MEF decree,

the reasonableness of the assumptions used by the directors to draft the Business Plan was confirmed, instilling confidence in them regarding the Company's ability to be able to reach the results expected 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.

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 as at December 31, 2023 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 2024, some signs of weakening of economic activity are emerging in the United States, and in China growth remains below pre-pandemic values. The most recent OECD estimates point to a slowdown in global GDP in 2024, due to restrictive monetary policies and a deterioration in consumer and business confidence. The downside risks associated with international political tensions remain high, particularly in the Middle East. The Bank of Italy estimates a modest trend in trade in goods and services. The prices of crude oil and natural gas remained low despite the attacks on naval traffic in the Red Sea.

In autumn 2023, core inflation in the United States and the United Kingdom shrank. Both the Federal Reserve and the Bank of England have kept the reference rates unchanged, announcing that their monetary policy stance will nonetheless remain restrictive. The downward revision of operators' expectations on official rates in the United States and Europe led to an easing of conditions on the international financial markets.

The stagnation in the euro area continued in the end of 2023, reflecting the lack of dynamism of domestic and foreign demand. The persistent weakness of the manufacturing and construction cycle also extended to services. However, employment continued to grow. In recent months, inflation has been lower than expected and disinflation has extended to the main components of the basket. According to the Eurosystem experts' projections in December, inflation will reach 2% in 2025.

According to Bank of Italy estimates, growth in Italy was almost zero at the end of 2023, held back by the tightening of credit conditions, as well as by the persistently high energy prices. Activity has started to decline again in manufacturing, while it has stabilised in the services sector, while increased in construction, which continued to benefit from tax incentives. The Bank of Italy forecasts a GDP increase of 0.6% in 2024 and of 1.1% in each of the following two years.

The decrease in inflation was accentuated and extended to non-energy industrial goods and services. In December, growth in consumer prices stood at 0.5% (3.0% net of the most volatile components).

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

On February 2, 2024, the Public Prosecutor's Office of Savona appealed against the ruling issued on October 3, 2023.

For more in-depth information, please refer to the paragraph “Information on the criminal proceedings of the Vado Ligure site”.

PROPOSALS OF THE BOARD OF DIRECTORS

Dear Shareholders,

We invite you to approve the financial statements as at December 31, 2023 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 7,623,858, in full to retained earnings, as the legal reserve has already reached the amount of one fifth of the share capital.

Rome, February 23, 2024

For the Board of Directors

(Chairman)

FINANCIAL STATEMENTS SCHEDULES

BALANCE SHEET

(Euro)	Note	Dec-31-23	Dec-31-22
Assets			
Property, plant and equipment	1	612,174,410	599,015,623
Intangible assets	2	1,346,265	1,745,329
Non-current financial assets	3	4,373,049	6,277,704
Deferred tax assets	4	8,321,397	7,409,722
Other non-current assets		479,331	543,960
Total non-current assets		**626,694,451**	**614,992,338**
Inventories	5	86,944,228	191,538,243
Trade receivables	6	70,616,212	128,804,486
Other current assets	7	62,445,328	75,312,185
Other current financial assets		321,309	306,334
Cash and cash equivalents	8	34,061,210	30,023,482
Total current assets		**254,388,287**	**425,984,731**
Total assets		**881,082,738**	**1,040,977,069**
Liabilities and Shareholders' Equity			
Share capital		60,516,142	60,516,142
Other reserves		136,379,353	136,410,202
Accrued gains (losses)		458,812,503	369,233,532
Profit (losses) for the period		7,623,858	89,578,971
Shareholders' equity	**9**	**663,331,856**	**655,738,847**
Provisions for risks and charges	10	54,708,913	65,238,706
Post-employment and other employee benefits	11	3,737,469	3,621,963
Deferred tax liabilities	12	30,974,133	31,287,443
Other non-current financial liabilities	13	758,869	1,009,446
Total non-current liabilities		**90,179,384**	**101,157,558**
Payables for loans	14	-	-
Provisions for risks and charges	10	5,901,815	15,293,505
Trade payables	15	50,344,280	70,616,571
Payables for income taxes	16	-	15,998,079
Other current liabilities	17	70,717,749	181,680,007
Other short-term financial liabilities	13	607,654	492,503
Total current liabilities		**127,571,498**	**284,080,664**
Total shareholders' equity and liabilities		**881,082,738**	**1,040,977,069**

INCOME STATEMENT

(Euro)	Note	Dec-31-23	Dec-31-22
Revenues	18	668,445,493	2,737,443,743
Other revenues	19	23,402,909	6,568,438
Total revenues		**691,848,402**	**2,744,012,181**
Own work capitalised	20	2,232,141	948,434
Consumption of raw materials	21	(521,114,980)	(2,331,659,736)
Personnel costs	22	(21,402,774)	(22,124,512)
Service costs	23	(25,838,398)	(25,641,579)
Other operating costs	24	(59,390,439)	(182,024,502)
Amortisation, depreciation and write-downs	25	(57,734,634)	(52,992,607)
EBIT		**8,599,318**	**130,517,680**
Financial expenses	26	(3,925,924)	(5,294,639)
Financial income	27	1,708,446	575,234
Pre-tax profit		**6,381,840**	**125,798,275**
Taxes	28	1,242,018	(36,219,304)
Net income		**7,623,858**	**89,578,971**
Earnings per share - basic and diluted	29	**0.13**	**1.48**

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

(Euro)	Note	Dec-31-23	Dec-31-22
Net income for the period		7,623,858	89,578,971
Other components of comprehensive income:			
Change in fair value of financial instruments on POWER		-	413,395
Change in fair value of financial instruments on GAS		-	(155,798)
Change in fair value of financial instruments on CO2		-	(26,686)
Change in fair value IAS 19 - Post-employment and other BENEFITS	*11*	(30,849)	414,302
Total other components of comprehensive income		**(30,849)**	645,213
Total comprehensive income		**7,593,009**	**90,224,185**

STATEMENT OF CASH FLOWS

(Euro)	Dec-31-23	Dec-31-22
OPERATING ACTIVITIES		
Net income for the period	7,623,858	89,578,971
Amortisation, depreciation and write-downs	57,734,634	52,992,607
Net provisions for deferred taxes and other provisions	(20,119,287)	(20,869,463)
Increase (decrease) in IAS 39, IAS 19, Interest Rate CAP reserves	(30,849)	645,213
Other non-monetary changes	137,643	(1,271,054)
Change in other non-current assets and liabilities	807,033	3,097,208
Change in other current assets and liabilities	28,516,695	(49,548,669)
Cash flow from operating activities	**74,669,727**	**74,624,814**
of which:		
- Interest income collected	*1,019,352*	-
- Interest expenses paid	(1,544,231)	*(951,485)*
- Income taxes paid	(15,607,641)	*(17,373,174)*
- Extraordinary contribution Italian Law Decree no. 21/2022	-	
INVESTMENT ACTIVITIES		
Investments in tangible assets	(70,082,000)	(38,321,000)
Investments in intangible assets	(550,000)	(1,038,000)
Divestments		2,710
Cash flow from investment activities	**(70,632,000)**	**(39,356,290)**
FINANCING ACTIVITIES		
Increase in share capital	-	-
Increase (decrease) in payables for non-current loans	-	-
Increase (decrease) in payables for current loans	-	(55,155,120)
Participating Financial instruments	-	-
Changes in other short-term financial liabilities		
Cash flow from financing activities	**-**	**(55,155,120)**
Increase (decrease) in cash and cash equivalents	**4,037,727**	**(19,886,597)**
Opening cash and cash equivalents	**30,023,482**	**49,910,079**
Closing cash and cash equivalents	**34,061,210**	**30,023,482**

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, 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 31, 2022			645,213		89,578,971	90,224,184
of which:						
Income/losses booked directly to shareholders' equity	*9*		*645,213*			*645,213*
Profit/Loss as at December 31, 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**
Balance as at January 1, 2023		60,516,142	136,410,201	369,233,533	89,578,971	655,738,847
Allocation of profit for 2022				89,578,971	(89,578,971)	-
Comprehensive profit/loss as at December 31, 2023			(30,849)		7,623,858	7,593,009
of which:						
Income/losses booked directly to shareholders' equity	*9*		*(30,849)*			(30,849)
Profit/Loss as at December 31, 2023					7,623,858	7,623,858
Balance as at December 31, 2023		**60,516,142**	**136,379,352**	**458,812,504**	**7,623,858**	**663,331,856**

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. prepared 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 events 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 (OCI).

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 directly or indirectly 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. If the date of occurrence is uncertain, the provisions are classified under current liabilities.

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.

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New accounting standards, interpretations and amendments adopted by the Company

The following new standards and amendments are effective from January 1, 2023 but did not have a significant impact on the Company's financial statements:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related 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.

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.

The following table summarises the contractual expiry date for the financial and trade assets and liabilities as at the date of these financial statements.

Expiry of financial assets and liabilities (thousands of Euro)	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Cash and cash equivalents	34,061				34,061
Derivatives financial instruments	-				-
Trade receivables and other assets	133,383	479	4,373		138,235
Total financial assets	**167,444**	**479**	**4,373**	**-**	**172,296**
Financial payables	608		759		1,367
Trade payables and other liabilities	121,062				121,062
Derivatives financial instruments	-				-
Total financial liabilities	**121,670**	**-**	**759**	**-**	**122,429**
Total net exposure	**45,774**	**479**	**3,614**	**-**	**49,868**

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 12.31.2022	178,376	3,452	1,643,929	9,154	6,177	22,511	1,863,598
-write-downs (-) as at 12.31.2022	(17)	0	(4,553)				(4,570)
-accumulated depreciation (-) as at 12.31.2022	(120,516)	(1,998)	(1,123,458)	(8,792)	(5,244)		(1,260,010)
Values as at 12.31.2022	**57,842**	**1,454**	**515,914**	**362**	**932**	**22,511**	**599,016**
Opening values as at 01.01.2023	**57,842**	**1,454**	**515,914**	**362**	**932**	**22,511**	**599,016**
Changes							
-acquisitions	826	468	33,117	86	389	35,196	70,082
-disposals (-)							
of which:							
historical cost		(36)	(330)				(366)
accumulated depreciation		20	152				172
use of write-down provision							0
-depreciation	(5,156)	(549)	(51,134)	(74)	(374)		(57,287)
-write-downs (-)			(390)				(390)
-write-backs (+)			948				948
-commissioning	372		5,119			(5,491)	0
Total changes (B)	**(3,958)**	**(97)**	**(12,518)**	**12**	**15**	**29,705**	**13,159**
Values as at 12.31.2023	**53,885**	**1,357**	**503,396**	**373**	**947**	**52,216**	**612,174**
Of which							
-historical cost	179,574	3,884	1,681,831	9,240	6,565	52,216	1,933,310
-write-downs (-)	(17)	0	(3,995)				(4,012)
-accumulated depreciation (-)	(125,672)	(2,527)	(1,174,440)	(8,866)	(5,618)		(1,317,123)
Net value	**53,885**	**1,357**	**503,396**	**373**	**947**	**52,216**	**612,174**

As at December 31, 2023, the value of property, plant and equipment amounted to Euro 612,174 thousand. During the year, the Company made investments totalling Euro 70,082 thousand, of which Euro 35,196 thousand relating to “work in progress and payments on account”, Euro 34,418 thousand relating to “fixed assets in operation” and Euro 468 thousand in capitalisation for rights of use.

Investments relating to fixed assets in operation (Euro 39,909 thousand including transfers into operation) mainly concerned:

- for the Napoli Levante plant, the replacement of spare parts, the maintenance activities carried out during the scheduled shutdown, the resin coating of the seawater inlet conduits and the preventive maintenance of the gas compressors;
- for the Vado Ligure plant, the repair of the TG51 gas turbine blade fault, as well as the activities carried out during the scheduled shutdown;
- for the Torrevaldaliga Sud plant, the installation of the R4P and the Opiflex, the overhaul of the steam turbine of unit TV6, the extraordinary maintenance of GVR collectors, the auxiliary

electric boiler, the complete replacement of the SME, as well as the activities carried out during the scheduled shutdown;

- as regards the hydroelectric power plant, the investments mainly concerned the new damming of the intake works and the refurbishment of the cliffs of the Bevera plant, the extraordinary maintenance of the Giacopiane plant, works to comply with the ARERA resolutions, as well as the activities relating to civil works on the various hydroelectric plants.

Disposals, amounting to Euro 366, mainly concerned the turbine blades for Euro 182 thousand and the compressor blades for Euro 146 thousand, both of the TG51 gas turbines, following the damage that came to light in May during the scheduled shutdown.

The **write-downs** concerned, for Euro 390 thousand, the residual book value that the stator vanes of the TG51 unit will have in May 2026. These components were found to be partially damaged during the inspection carried out during the scheduled shutdown in April 2023 and their replacement was therefore planned at the next scheduled shutdown in 2026.

For more details, please refer to the paragraph "Investments and demolitions" in subsequent note no. 10.

The **impairment test** as at December 31, 2023 was carried out on the only CGU of Tirreno Power, using the cash flows extrapolated from the 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 consolidation of the Capacity mechanism for the entire duration of the plan. 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.

In particular, for the purposes of determining the value in use according to the criteria envisaged by IAS 36, the expected cash flows from the following were considered:

i. from the operation, in explicit periods, of the thermoelectric plants until 2039 and from the hydroelectric plants until 2049 (with a view to continuation of the current concessions);
ii. from the Terminal Value, for each thermoelectric plant, calculated in the model as a continuation of the cash flows relating to a further 5 years of operation.

The cash flows also include the financial outlays expected from the demolition of the plants at the end of their useful life.

Operating cash flows are expressed net of taxes and the post-tax discount rate (WACC) used is 6.95%, higher than that used in December 2022 (6.22%) due to the rate increase.

The impairment test showed a recoverable amount exceeding the net book value by roughly Euro 27,900. Therefore, there was no need for write-downs of corporate assets.

The effects of the sensitivity analysis carried out on the recoverable amount in relation to the change in WACC and forecast EBITDA are shown below.

		EBITDA change		
		-3.0%	**0.0%**	3.0%
WACC change	6.70%	19.4	41.3	63.1
	6.95%	6.5	**27.9**	49.3
	7.20%	(6.0)	15.0	36.0

amounts in millions of Euro

Depreciation of tangible fixed assets for the period mainly concerns mainly the combined cycle thermoelectric production sites (Euro 41,652 thousand), the related Major Inspections (Euro 10,421 thousand) and the dismantling costs (Euro 809 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 2021, 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, 2023, 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	1,721,105	(1,225,171)	495,934	(4,012)	491,922
Freely transferable assets	2,132	(2,132)	0		0
Total	**1,723,238**	**(1,227,303)**	**495,934**	**(4,012)**	**491,922**
Renewable Sources Plants	93,840	(49,659)	44,181		44,181
Freely transferable assets	38,343	(18,752)	19,591		19,591
Total	**132,183**	**(68,411)**	**63,772**		**63,772**
Total production plants	**1,855,421**	**(1,295,715)**	**559,706**	**(4,012)**	**555,693**
Other plants and machinery, equipment, other assets	25,674	(21,408)	4,265		4,265
Total operating assets	**1,881,094**	**(1,317,123)**	**563,971**	**(4,012)**	**559,960**
Fixed assets in progress and advances	52,216		52,216		52,216
Total	**1,933,310**	**(1,317,123)**	**616,187**	**(4,012)**	**612,174**

As at December 31, 2023, 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 12.31.2022	12,415	44	47	12,505
-accumulated depreciation (-) as at 12.31.2022	(10,724)	(37)		(10,761)
Opening values as at 01.01.2023 (A)	***1,691***	***7***	***47***	***1,745***
Changes as at 12.31.2023				
-acquisitions	504		46	550
-reclassifications	41		(41)	0
-amortisation (-)	(948)	(1)		(949)
-other changes				0
Total changes (B)	**(403)**	**(1)**	**5**	**(399)**
Values as at 12.31.2023 (A+B)	***1,288***	***6***	***52***	***1,346***
Of which				
-historical cost	12,960	44	52	13,056
-write-downs (-)				
-amortisation (-)	(11,672)	(38)		(11,710)
Net value	***1,288***	***6***	***52***	***1,346***

Acquisitions in the period, amounting to Euro 550 thousand, mainly relate to new licenses and the development of application software.

3. NON-CURRENT FINANCIAL ASSETS

This item refers to financial receivables due after 12 months.

(thousands of Euro)	12.31.2023	12.31.2022	Changes
- loans to personnel	254	281	(27)
- security deposits	4,119	5,997	(1,878)
Total non-current financial assets	**4,373**	**6,278**	**(1,905)**

Guarantee deposits mainly include, for Euro 3,856 thousand, guarantee deposits for participation in the auctions relating to the Capacity Market relating to the delivery of energy for 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, 2023, 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 12/31/2022	Situation as at 12/31/2023		
	Balance	Provisions	Uses	Balance
Deferred tax assets				
Tax losses	0	5,985		5,985
Provisions for risks and write-downs	6,894	530	(5,613)	1,811
Fair value IAS 19 and IFRS 9 to shareholders' equity reserve	515	10		525
Total deferred tax assets	**7,410**	**6,525**	**(5,613)**	**8,321**

Provisions concern deferred tax assets calculated on the estimated tax loss for IRES purposes. The recoverability of this loss, over a reasonable period of time, was verified on the basis of the latest Business Plan approved by the Board of Directors.

By contrast, 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 86,944 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 884,000 CO_2 emission certificates for a total of Euro 74,134 thousand;
- the delivery of 2,121,971 emission rights for a total of Euro 172,759 thousand in compliance with the Company's obligations for 2022.

Therefore, as at December 31, 2023, 884,260 quotas are entered among the inventories, equal to Euro 73,682 thousand.

Inventories of materials amounted to Euro 13,162 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 1,175 thousand, recognised in previous years in relation to coal-fired units definitively decommissioned.

Details of inventories are provided below by type:

(thousands of Euro)	12.31.2023	12.31.2022	Changes
Tangible inventories	13,162	12,691	471
Advances to suppliers	58		58
Other inventories	42	42	0
CO_2 certificates	73,682	178,805	(105,123)
Total inventories	**86,944**	**191,538**	**(104,594)**

The overall decrease in inventories is, as highlighted above, essentially attributable to the significant reduction in the need for CO_2 quotas to comply with the Company's obligations for the year 2023.

6. TRADE RECEIVABLES

This item, amounting to Euro 70,616 thousand, essentially includes trade receivables for the sale of energy.

(thousands of Euro)	12.31.2023	12.31.2022	Changes
Receivables for sale of energy:			
-GME	9,013	12,577	(3,564)
-Terna S.P.A.	5,553	37,413	(31,860)
-Other operators	55,273	77,662	(22,389)
Total receivables for sale of energy:	**69,839**	**127,652**	**(57,813)**
Other trade receivables	777	1,152	(375)
Total trade receivables	**70,616**	**128,804**	**(58,188)**

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 62,445 thousand, mainly includes tax receivables. The latter as at the reporting date amounted to Euro 29,297 thousand and essentially include the receivable from the tax authorities for VAT accrued in 2023 (Euro 27,855 thousand).

It should be noted that, in 2023, the annual 2022 VAT credit was collected (Euro 38,500 thousand) together with the interest accrued (Euro 196 thousand).

In addition, the item includes advances paid to suppliers, amounting to Euro 10,422 thousand, mainly linked to the supply of methane gas for the operation of the plants, the receivable following the settlement agreement for ICI, IMU and TASI (local property tax, municipal property tax and taxes on indivisible services) signed with the Municipality of Civitavecchia on December 22, 2023, equal to Euro 4,449 thousand, as well as the receivable for damages from plants of Euro 14,850 thousand.

Lastly, Euro 1,063 thousand was recognised for insurance premiums paid in advance and receivables from social security institutions for Euro 840 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. CASH AND CASH EQUIVALENTS

This item, amounting to Euro 34,061 thousand, essentially includes the credit balances of accounts held with leading banks.

LIABILITIES AND SHAREHOLDERS' EQUITY

9. 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 136,379 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 232 thousand.

The item "Accumulated gains and losses" includes the carry-forward of profits from 2018 to 2022, amounting to Euro 457,981 thousand and the IFRS reserve for retained earnings of Euro 831 thousand.

The share capital as at December 31, 2023 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, if the additional conditions relating to pre-established minimum cash levels are not 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 current 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 Junior PFIs	115,265	B			
Available reserve for coverage of losses	9,243	B			
Profit reserves:					
Legal reserve	12,103	B			
IFRS 9, CFH and IAS 19R reserves	-232	B			
Retained earnings	458,813	B			
TOTAL RESERVES	**595,192**				

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

NON-CURRENT LIABILITIES

10. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges amounted to Euro 60,611 thousand, down by Euro 19,921 thousand compared to December 31, 2022.

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

(thousands of Euro)	12.31.2022	Allocations	Uses	Other changes	12.31.2023	of which current	of which non-current
Dispute provision	**6,457**	35	(2,100)	(3,550)	**842**	**39**	**803**
Provision for redundancy and mobility incentives		97			**97**	**27**	**70**
Provision for sundry risks:	**74,076**	**3,906**	**(7,021)**	**(11,289)**	**59,672**	**5,836**	**53,836**
- site dismantling and restoration	*58,552*	*3,025*	*(5,081)*	*(1,076)*	55,421	4,159	51,262
- other	*15,524*	*881*	*(1,940)*	*(10,213)*	4,252	1,677	2,575
Total provisions for risks and charges	**80,532**	**4,038**	**(9,121)**	**(14,839)**	**60,611**	**5,902**	**54,709**

Allocations for the period, amounting to Euro 4,038 thousand, increased the provisions mainly for the following:

- Euro 2,225 thousand for the recognition of financial charges pertaining to 2023 on provisions for plant dismantling;
- Euro 800 thousand for the adjustment of the provision for demolition of the Vigliena plant;
- Euro 398 thousand as an estimate for the regularisation of the occupation of the state-owned areas of the Vado Ligure site;
- Euro 250 thousand for the estimate of the damages caused by weather events to the Airole and Bevera plants in 2023;

Uses, in particular, included:

- Euro 5,081 thousand for the demolition of the disused plants of Vado Ligure and Torrevaldaliga and for the demolition of the areas relating to the old Vigliena facility of the Naples plant;
- Euro 1,045 thousand for the long-term incentive programme for directors (Long-Term Incentive) by virtue of the finalisation of the results and the consequent settlement of the liability that will be disbursed to the beneficiaries following approval of these financial statements;
- Euro 873 thousand for repairs to hydroelectric plants damaged by the flood in October 2020;
- Euro 1,766 thousand for the costs of the asbestos dispute, as resulting from the settlement reports signed with the counterparties.

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

- Euro 3,550 thousand as the release of the excess of the provision for asbestos litigation as a result of the formalised settlements;
- Euro 5,055 thousand as the release of the Terna imbalance provision for previous years following the ruling of the Council of State;
- Euro 1,833 thousand as the release of the excess provision for flood damage in 2020;
- Euro 1,076 thousand as a reduction in the provision for dismantling the decommissioned Vado Ligure plant;
- Euro 705 thousand as the release of the ICI/IMU/TASI dispute provision relating to the Torrevaldaliga plant following the settlement agreement signed with the Municipality of Civitavecchia in December 2023.

The provision for sundry risks includes for Euro 55,421 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 at the end of the useful life of the CCGT plants.

The provision for disputes, amounting to Euro 931 thousand, essentially refers to the asbestos dispute for which, at present, there are no elements to be able to estimate further potential claims for damages.

11. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

These amount to Euro 3,737 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	2023	2022
Annual technical discount rate	3.08%	3.63%
Annual inflation rate	2.00%	2.30%
Annual rate of increase in post-employment benefits	3.00%	3.23%
Other employee benefits	**2023**	**2022**
Annual technical discount rate	3.08%	3.63%
Annual rate of salary increase	0.50%	0.50%

The following table illustrates the changes:

(thousands of Euro)	Post-employment benefits	Substitute indemnity - Electricity discount	Additional months' pay	Loyalty bonuses	BOOK VALUE
Values as at 12.31.2022 (A+B)	**2,700**	**307**	**359**	**255**	**3,622**
-Provisions			10	(7)	3
-Financial expenses (+)	99	8	14	6	127
-Gains (losses) from discounting (-/+)	23	8	11	24	66
-Uses (-)				(80)	(80)
Total changes (B)	122	16	35	(57)	**116**
Values as at 12.31.2023 (A+B)	**2,822**	**323**	**394**	**198**	**3,737**

Costs for employee benefits amounting to Euro 3 thousand were recognised under personnel costs.

Lastly, the losses from discounting amount to Euro 66 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 12.31.2023

	Post-employment benefits	Additional months' pay	Energy discount indemnity
Inflation rate +0.25%	2,848,861.99	N/A	N/A
Inflation rate -0.25%	2,795,447.21	N/A	N/A
Discount rate +0.25%	2,780,137.08	388,955.83	317,487.26
Discount rate -0.25%	2,864,842.05	400,125.23	327,682.24

	Post-employment benefits	Additional months' pay	Energy discount indemnity
Pro future service cost	-	11,657.86	-
Duration of the plan	7	7	7

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

(units)	12.31.2022	Entries	Exits	Other/ Reclassifications	12.31.2023
Executives and Middle Managers	45	1		2	48
Employees	153	2	-4	2	153
Workers	29	3		-4	28
Total	**227**	**6**	**-4**	**0**	**229**

12. DEFERRED TAX LIABILITIES

The item includes deferred taxes relating to costs not charged at the time 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 12/31/2022	Situation as at 12/31/2023		
	Balance	Provisions	Uses	Balance
Deferred tax liabilities				
Amortisation	31,218		(313)	30,905
FV IAS 19 to shareholders' equity reserve	69			69
Total deferred tax liabilities	**31,287**	**0**	**(313)**	**30,974**

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).

13. OTHER NON-CURRENT FINANCIAL LIABILITIES

The item, amounting to Euro 759 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 608 thousand, was stated under other current financial liabilities.

CURRENT LIABILITIES

14. PAYABLES FOR LOANS

For the second consecutive year, Tirreno Power closed the year with zero financial debt. As at December 31, 2023, there were actually no debt lines to be repaid.

The end of December 2023 saw the expiry of the Revolving line of the Restated Facility Agreement, stipulated in 2015 at the time of the Debt Restructuring Agreement, and the Company entered into a new Revolving line with Banco Popolare di Milano to support working capital of Euro 25,000 thousand, backed by a SACE guarantee (Support Italy).

The MEF Decree is currently pending, which should arrive at the end of the first quarter of 2024, which will give effect to the SACE guarantee and consequently the line will be usable.

15. TRADE PAYABLES

"Trade payables", amounting to Euro 50,344 thousand, relate to fuel supplies, materials and equipment, tenders and services, as well as debts to TERNA and GME for supplies and activities carried out by December 31, 2023. The maturities of these payables are generally comprised between 30 and 120 days and duly respected.

For a detailed analysis of the decrease, amounting to Euro 20,272 thousand, please refer to the Management Report.

16. PAYABLES FOR INCOME TAXES

As at December 31, 2023, the Company recorded a tax loss with reference to both IRES and IRAP and, therefore, there were no payables for income taxes to be paid.

17. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to Euro 70,718 thousand, refer mainly to the payable relating to the expense for the year for CO_2 emission rights (Euro 64,908 thousand) valued at the 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)	12.31.2023	12.31.2022	Changes
Payables for CO2 emission rights	64,908	172,754	(107,846)
Other taxes	781	914	(133)
Payables due to social security institutions	1,879	1,484	395
Payables due to personnel	2,778	6,097	(3,319)
Other	372	431	(59)
Total other current liabilities	**70,718**	**181,680**	**(110,962)**

The change is essentially due to higher costs for emission rights, due mainly to the significant decrease in production volumes.

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COMMITMENTS AND GUARANTEES

Commitments to suppliers are detailed below:

(thousands of Euro)	12.31.2023	12.31.2022	Changes
Tenders and miscellaneous supplies	86,082	78,830	7,252
Purchase of thermal fuel	15,916	13,565	2,351
Total commitments to suppliers	**101,998**	**92,395**	**9,603**

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 63,376 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

18. REVENUES

The table below provides a breakdown of sales revenues:

(thousands of Euro)	12.31.2023	12.31.2022	Changes
Sale of energy:			
-Power Exchange	350,916	2,134,198	(1,783,282)
-Free market	313,360	596,809	(283,449)
-incentivised contributions - ex Green Certificates	0	973	(973)
-photovoltaic contributions	23	14	9
Total energy sales	**664,299**	**2,731,994**	**(2,067,695)**
Other sales and services	4,147	5,450	(1,303)
Total revenues from sales	**668,445**	**2,737,444**	**(2,068,998)**

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 item “Other sales and services” mainly refers to the sale of ferrous materials deriving from demolition of the decommissioned plants (Euro 3,817 thousand).

For more details also on the changes compared to December 31, 2022, please refer to the Management Report.

19. OTHER REVENUES

“Other revenues”, equal to Euro 23,403 thousand, are mainly attributable to insurance reimbursements (Euro 6,300 thousand for the 2020 flood damage to hydroelectric plants, Euro 7,100 thousand for the damage to the VL TG51 gas turbine rotor in 2023 and Euro 1,450 thousand for the damage to the rotor of the VL alternator of 2020). They also include the settlement with the Municipality of Civitavecchia, signed on December 22, 2023, for ICI/IMU for years 2009_2017 and TASI for years 2014_2017 (Euro 4,269 thousand); the recognition of the tax credit for the purchase of capital goods (Euro 281 thousand); the Tasi 2018/2019 reimbursement of Civitavecchia (Euro 217 thousand), as well as the positive adjustments of costs/revenues of previous years, mainly due to energy items.

As regards the changes compared to December 31, 2022, please refer to the Management Report.

20. OWN WORK CAPITALISED

The item totalled Euro 2,232 thousand, relating primarily to the capitalisation of materials taken from the warehouse (Euro 1,374 thousand) and the capitalisation of internal resources at the time of the multi-year maintenance carried out in 2023 (Euro 858 thousand).

21. CONSUMPTION OF RAW MATERIALS

(thousands of Euro)	12.31.2023	12.31.2022	Changes	%
Energy purchased on the Electricity Market	292,591	792,802	(500,211)	-63%
Purchase of fuel for heat production	225,285	1,536,133	(1,310,848)	-85%
Purchase of materials and other equipment	3,940	3,074	866	28%
Change in other stocks	(701)	(350)	(352)	n.s.
Total consumption of raw materials	**521,115**	**2,331,660**	**(1,810,545)**	**-78%**

The purchase of fuels related exclusively to natural gas supply.

The cost of fuel consumed in 2023 amounted to Euro 225,285 thousand, down considerably compared to the cost incurred in 2022. In fact, there was a significant reduction in the price (the PMP - weighted average price contracted by about 60%) and a volume effect as a result of lower production (consumption fell by about 63%).

Charges related to energy purchases are also down sharply compared to 2022 by virtue of the decrease in the PUN and less transactions on the market.

For more details, please refer to the Management Report.

22. PERSONNEL COSTS

Labour costs amounted to Euro 21,403 thousand, a decrease of Euro 722 thousand compared to the figure recorded in 2022.

The decrease is attributable to lower MBO and Performance Bonuses in relation to the reduced profits recorded in 2023, 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 average headcount fell by around 11 employees).

The headcount as at December 31, 2023 was 229, compared to 227 as at December 31, 2022.

23. SERVICE COSTS

The service costs, amounting to Euro 25,838 thousand, are detailed below:

(thousands of Euro)	12.31.2023	12.31.2022	Changes	%
Costs of services and tenders	7,359	7,500	(141)	-2%
Expenses for transactions on the Electricity Market	1,851	2,235	(385)	-17%
Insurance costs	8,995	8,898	96	1%
Security, cleaning and other building costs	537	593	(56)	-9%
Waste disposal	243	248	(6)	-2%
IT services	1,753	1,642	111	7%
Telephone and data transmission expenses	449	482	(33)	-7%
Other services	4,652	4,043	610	15%
Total service costs	**25,838**	**25,642**	**197**	**1%**

"Other services" mainly relate to costs for studies and consulting (Euro 1,709 thousand) costs for professional and legal services (Euro 953 thousand), expenses for travel and training (Euro 624 thousand), the fees of the Statutory Auditors (Euro 182 thousand), as well as the remuneration to the Independent Auditors (Euro 177 thousand).

24. OTHER OPERATING COSTS

Other operating costs amounted to Euro 59,390 thousand, down by Euro 122,634 thousand compared to December 31, 2022 are broken down as follows.

(thousands of Euro)	12.31.2023	12.31.2022	Changes	%
Contributions and fees	3,478	3,460	18	1%
Provisions for risks and charges	(12,564)	2,043	(14,607)	-715%
Expenses for CO2 rights	64,908	172,754	(107,846)	-62%
Taxes and duties	2,547	2,588	(41)	-2%
Other expenses	1,021	1,179	(158)	-13%
Total operating costs	**59,390**	**182,025**	**(122,634)**	**-67%**

The change is essentially attributable to lower charges for emission rights, for Euro 107,846 thousand, due to the significant drop in emissions following lower production (779 Kton. in 2023 compared to 2,122 Kton. in 2022), only minimally offset by the increase in the PMP for the enhancement of CO_2 (83.33 €/tonne in 2023 compared to 81.41 €/tonne in 2022).

As regards provisions for risks and charges, please refer to note no. 10.

25. 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)	12.31.2023	12.31.2022	Changes	%
Depreciation of buildings	5,156	5,159	(3)	0%
Amortisation of rights of use	542	529	13	2%
Depreciation of plant and equipment	51,134	46,025	5,109	11%
Depreciation of industrial equipment	74	83	(9)	-11%
Depreciation of other assets	374	372	2	1%
Amortisation of intangible fixed assets	1,013	841	172	20%
Write-downs of tangible fixed assets	390	0	390	n.a.
Write-back	(948)	(16)	(932)	n.a.
Total	**57,735**	**52,993**	**4,742**	**8.95%**

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

26. FINANCIAL EXPENSES

Financial charges amounted to Euro 3,926 thousand, down by Euro 1,369 thousand compared to the 2022 financial year. The following table shows a breakdown:

(thousands of Euro)	12.31.2023	12.31.2022	Changes	%
Interest expenses and charges on loans	399	2,470	(2,071)	-84%
Interest expenses for decommissioning, post-employment and other benefits	2,375	1,583	793	50%
Other financial expenses	1,152	1,242	(91)	-7%
Total financial expenses	**3,926**	**5,295**	**(1,369)**	**-26%**

"Interest expense for decommissioning", equal to Euro 2,225 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 150 thousand.

The item "Other financial charges" essentially refers to commissions on sureties for Euro 1,145 thousand.

As regards the changes compared to December 31, 2022, please refer to the Management Report.

27. FINANCIAL INCOME

Financial income amounted to Euro 1,708 thousand, an increase of Euro 1,133 thousand compared to December 31, 2022 and mainly refers to interest income accrued on bank accounts and Time Deposits (Euro 1,019 thousand) and on VAT receivables (Euro 494 thousand), as well as interest income deriving from the settlement agreement signed with the Municipality of Civitavecchia (Euro 180 thousand).

28. INCOME TAXES

The Company closed the year 2023 with a tax loss, both for IRES and IRAP purposes, therefore there are no current taxes.

The taxes recognised as at December 31, 2023, equal to a positive Euro 1,242 thousand, therefore refer to:

- for Euro 6,514 thousand to the positive effect of deferred tax assets (mainly relating to the IRES tax loss) estimated as recoverable in relation to future taxable income;
- for Euro 5,612 thousand to the negative effect of deferred tax assets relating mainly to the use of dismantling provisions and the provision for risks and charges;
- for Euro 313 thousand, to the positive effect relating to the use of the deferred tax liabilities generated on previous excess and early tax amortisation;
- the positive effect, amounting to Euro 27 thousand, relating to taxes from previous years.

(thousands of Euro)	12.31.2023	12.31.2022	Changes
IRES		23,385	(23,385)
IRAP		5,074	(5,074)
Deferred tax assets	(902)	4,993	(5,895)
Deferred tax liabilities	(313)	(669)	356
Extraordinary contribution		2,871	(2,871)
Taxes of previous years	(27)	565	(592)
Total	**(1,242)**	**36,218**	**(37,460)**

29. 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, 2023 or as at December 31, 2022.

(values in Euro)	Period ended as at 12.31.2023	Period ended as at 12.31.2022
Net income for the period	7,623,858	89,578,971
Average number ordinary shares (units)	60,516,142	60,516,142
Earnings per share - basic and diluted	0.13	1.48

OTHER INFORMATION

Relationships with subsidiaries, affiliates, 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 12/31/2023	Payables 12/31/2023	Costs 12/31/2023	Revenues 12/31/2023
Financial				
ENGIE ITALIA Spa				
Tax transparency	87			
Trade				
Sorgenia S.p.A.	16,398	3,514	59,550	145,751
ENGIE ITALIA Spa	4,833	3,694	59,204	82,624
ENGIE Global Markets Italia	414		15,079	26,397
NV/SA ELECTRABEL		525	494	
Tractebel Engineering S.A.		36	75	

Loans to Shareholders, amounting to Euro 87 thousand, relate to the portion pending collection by Engie Italia in relation to IRES 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 refer to purchases and sales of energy, while those vis-à-vis Sorgenia S.p.A. and Engie Italia S.p.A., in addition to the purchase and sale of energy, also refer to gas purchases. It should be noted that, in December 2023, a gas supply contract was renewed with the shareholders to power some Tirreno Power production plants.
Commercial transactions with Sorgenia S.p.A. also concern the items deriving from the Agreement for the management of obligations deriving from the Capacity Market.

Contingent assets and liabilities

There are no additional contingent assets and liabilities to be highlighted arising from events that occurred during the year 2023, in addition to what has already been reported in the Management Report and in the notes.

On the other hand, as regards the contingent liabilities deriving from the continuation of the proceedings pending at the Public Prosecutor's Office of Savona, despite the acquittal at first instance, the assessment of the risk of losing the case must still be considered possible and, at present, the compensation consequences for the Company deriving from the outcome of the appeal proceedings are not foreseeable as the claims made are currently supported by the same elements acquired in the first instance proceedings.

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

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.

Significant events after the close of the period

Please refer to the relevant paragraph of the Management Report.

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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