ALPERIA GROUP

CONSOLIDATED FINANCIAL STATEMENTS OF THE ALPERIA GROUP AT 31 DECEMBER 2022

Alperia Spa

Share Capital Euro 750,000,000 fully paid up

Via Dodiciville 8 - 39100 Bolzano

Register of Companies of Bolzano / Tax code and VAT registration number 02858310218

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Domestic energy data

The year 2022 was characterised by uncertainty and concern. The year that was supposed to consolidate the post-pandemic recovery was instead marked by a series of dramatic events and tensions that closely affected the energy sector, which reacted with price increases that, in turn, led to strong inflationary pressures which have added to the difficulty of the commodities market and many basic products.

Russian aggression against Ukraine beginning in February 2022 was a new factor in international relations, notwithstanding Russia's previous annexation of Crimea.

The return to the conflict between Russia and the West, which seemed to have been overcome with the collapse of the Berlin Wall, is leading to a reshuffling of global geopolitical equilibria, with China committed more than ever to expanding its influence in the world starting from Central Asia or in many of the former Soviet republics.

The European Union, which in recent decades had increasingly focused on decarbonising the system, to the point of becoming a leader in this process, found itself in great difficulty in dealing with the consequences of the Russian/Ukrainian conflict on the oil and natural gas markets.

In an attempt to make Russia back down, Western countries resorted to a series of economic and financial sanctions and also an embargo on a number of strategic materials and equipment.

In the case of gas, on the other hand, the embargo was put in place by Russia in retaliation to the measures taken by Western countries, with severe consequences on the prices of this energy source. The gas market, especially in Europe, is based on gas pipelines (the *Nord Stream 1 and 2* connecting Russia to Germany were also subject to sabotage at the end of September), therefore leaving little flexibility in the case of unexpected events.

In this highly complex scenario regarding the geopolitical context and the energy market, it should be noted that in Italy there was a slight drop in demand for electricity in 2022 compared to the previous year (-1.0%). The modest contraction in demand is the result of a "two-speed" year, with growth in the first part of the year and decline from August onwards, the result of a number of simultaneous factors: the measures to limit electricity consumption adopted by citizens and businesses, following Government indications, high prices on the energy markets and the rather mild temperatures recorded in the autumn and winter months.

In this regard, see the following table.

Energy balance in Italy (GWh)	**2022**	**2021**	**Change %**
Hydroelectric (including pumping)	29,732	46,919	- 36.6%
Thermal	193,287	182,234	+ 6.1%
Geothermal	5,444	5,535	- 1.6%
Wind	20,358	20,724	- 1.8%
Photovoltaic	27,552	24,633	+ 11.8%
Total net production	**276,373**	**280,045**	**- 1.3%**
Imports	47,391	46,572	+ 1.8%
Exports	4,404	3,782	+ 16.4%
Foreign balance	*42,987*	*42,790*	*+ 0.5%*
Pumping consumption	(2,533)	(2,916)	- 13.1%
Electricity demand (GWh)	**316,827**	**319,919**	**- 1.0%**

(Source: Terna Spa, Monthly Report on the Electricity System, December 2022)

In the year under review, demand for electricity stood at 316.8 TWh, 55.3% of which was met by production from non-renewable energy sources, 31.1% by renewable energy sources and the remainder by the foreign balance.

Net production decreased by 1.3% to 276.4 TWh; of particular note is the sharp drop in production from hydraulic sources, including pumping (-36.6%), and the slight drop in production from wind (-1.8%) and geothermal (-1.6%), against the increase in both thermal (+6.1%) and photovoltaic (+11.8%) sources.

The foreign balance (imports - exports) remained at last year's level (+0.5%).

As regards hydropower production, 2022 was characterized by a real drought. The worst problems were in the north, which suffered from a much lower amount of snowfall in the winter of 2021/2022 than the historical average.

This critical situation led several Italian regions to declare a state of emergency. On 4 July 2022, the Council of Ministers approved the declaration of a state of emergency until 31 December 2022 in relation to the water deficit in areas of autonomous regions and provinces located in the district basins of the Po and the Eastern Alps, and also for the particular conditions and needs of the Emilia-Romagna, Friuli Venezia Giulia, Lombardy, Piedmont and Veneto regions.

The state of emergency was aimed at dealing with the situation ongoing at the time, with extraordinary measures and assistance for the population concerned, and the resumption of public services and strategic network infrastructures. To deal with initial measures, Euro 36.5 million were earmarked from the fund for national emergencies, allocated to the regions involved.

With regard to the development of the single purchase price (PUN) for electricity, it should be noted that during the year under review, the price reached the highest ever recorded since the start of the Power Exchange. See, in this regard, the following table.

Single Purchase Price (PUN) – annual average	(Euro/MWh)
2004 (April to December)	51.60
2005	58.59
2006	74.75
2007	70.99
2008	86.99
2009	63.72
2010	64.12
2011	72.23
2012	75.48
2013	62.99
2014	52.08
2015	52.31
2016	42.78
2017	53.95
2018	61.31
2019	52.32
2020	38.92
2021	125.46
2022	303.95

(Source Gestore Mercati Energetici Spa, Statistics)

However, it should be noted that the PUN is not the actual price at which the Alperia Group sells its production, which instead is affected by a number of factors such as production concentrated in the summer months, timing and – above all – coverage strategies.

The PUN rose from an average of about Euro 125/MWh to about Euro 304/MWh, with a peak of Euro 543.15/MWh in August 2022. In this regard, the following table shows the monthly values.

Single National Price (PUN) – Monthly Average (Euro/MWh)	2022	2021	Change %
January	224.50	60.71	+269.8%

February	211.69	56.57	+274.2%
March	308.07	60.39	+ 410.1%
April	245.97	69.02	+ 256.4%
May	230.06	69.91	+ 229.1%
June	271.31	84.80	+ 219.9%
July	441.65	102.66	+ 330.2%
August	543.15	112.40	+ 383.2%
September	429.92	158.59	+ 171.1%
October	211.50	217.63	- 2.8%
November	224.51	225.95	- 0.6%
December	294.91	281.24	+ 4.9%
Annual average	**303.95**	**125.46**	**+ 142.3%**

(Source Gestore Mercati Energetici Spa, Statistics)

The extraordinary year-on-year growth of the PUN took place across the first nine months of 2022. In the last quarter of the year, the single price instead recorded variations, compared to the previous year, that were not very significant if referred to the changes of the first three quarters.

The price of electricity followed the fluctuating trend of gas, the reference fuel for Italian production: starting from 24 February 2022, with Russia's invasion of Ukraine, the price of gas – already significantly high – further increased, with subsequent storage tensions in Europe, in view of winter 2022/2023, with the record figure of 342 Euro/MWh being reached in August. The price then gradually fell, thanks to a milder winter than forecast in Europe, the diversification of sources with a decrease in reliance on Russian gas, increasingly substantial imports of liquefied natural gas from America, and the slowdown in industrial production and therefore in consumption. In December, the agreement on the price cap, reached with some difficulty in Europe, also influenced the fall in the price.

Overall, in 2022 the average annual price of gas, both on the Italian PSV market and on the Dutch TTF market, rose to an all-time high of approximately 125 Euro/MWh (+166% compared to the previous year).

As for natural gas consumption in Italy, a decrease to 69.0 billion cubic meters in 2022 was recorded (729.4 TWh, - 9.5% compared to the previous year), returning to 2020 levels - the year marked by the start of the health emergency caused by COVID-19. The decrease affected the entire year and was more intense in the last four months (peaking in November at – 25%), when the recessive effects of the Russian-Ukrainian crisis were combined with milder climatic conditions. All consumption in the three reference sectors decreased: the most significant dynamics occurred in the civil and industrial sectors, with volumes equal to 28.9 billion cubic meters (305.8 TWh, -13.2% compared to 2021) and 11.9 billion cubic meters (126.0 TWh, -15.2%) respectively, with a more moderate trend for the thermoelectric sector, with figures equal to 25.2 billion cubic meters (266.2 TWh, - 3.1%), reflecting a growth trend until August, reversed in the last part of the year.

On the other hand, gas exports increased, amounting to 3.0 billion cubic meters (31.3 TWh, +2.7%).

Along with the lower demand and a substantially unchanged national production, equal to 3.1 billion cubic meters (33.1 TWh, +0.1%), there was a drop in imports of natural gas, down to 68.7 billion cubic meters (726.0 TWh, -4.2%) and a significant redistribution of flows by type and entry points, determined by the policies that each European country had to implement, to deal with the cut in Russian supplies and diversify supply sources. In particular, imports from gas pipelines, which totalled 54.5 billion cubic meters (575.8 TWh), decreased by 12% compared to 2021 and this trend is mainly due to the net reduction in flows from Russia to Tarvisio. This situation was tackled in Italy by resorting to a marked increase in LNG imports (+47%), equal to 14.2 billion cubic meters (150.1 TWh), which involved all terminals.

The dynamics observed for storage systems were also largely conditioned by the effects of the Russia-Ukraine crisis and by the need to guarantee adequate stock levels. The actions encouraged by the measures put in place by institutions led to injections into storage systems equal to 12.0 billion cubic meters (126 TWh, +21.6%), while outflows fell to 9.2 billion cubic meters (96.8 TWh, -18.9%).

On the last day of the year under review, the level of gas in storage, equal to 10.3 billion cubic meters (109.1 TWh), was decidedly higher than at the end of 2021 (+37%).

Sector overview

The Alperia Group closely monitors developments in provincial, national and European legislation in the energy industry.

As regards the Autonomous Province of Bolzano, the law concerning the assignment of large-scale diversion concessions, has not yet been enacted.

As regards medium-scale diversions, it should be noted that the Provincial Council of Bolzano approved – in the session of 21 June 2022 – guidelines for determining the compensation for outgoing concession holders in the event of renewal of the concessions following a tender. Iin particular, there is a “cherry picking” provision for dry works in favour of the incoming concession holder, with the possibility of indemnifying only the works selected, with dismantling at the expense of the outgoing concession holder if the dry works are not selected by the incoming concession holder, and the valuation of dry works on expiry "based on the accounting data of the outgoing concession holder or on a sworn expert's report".

On 30 August 2022, the same Council approved the South Tyrol 2040 Climate Plan - Part I. The document, drawn up with the help of the provincial agency for the environment and climate protection in collaboration with the South Tyrol Energy Agency – CasaClima, was presented during the South Tyrol Sustainability Days – held from 6 to 9 September 2022.

The new South Tyrol 2040 Climate Plan is a complete revision of the South Tyrol 2050 Energy Climate Plan dating back to 2011 and contains ambitious goals to achieve climate neutrality by 2040.

More specifically, CO_2 emissions will have to be reduced – compared to 2019 levels – by 55% by 2030 and by 70% by 2037, while emissions of greenhouse gases other than CO_2, in particular N_2O and methane, will have to drop – again compared to 2019 levels – by 20% by 2030 and by 40% by 2037. The share of renewable energies must instead go up from the current figure of 67% to 75% by 2030 and to 85% by 2037, and then 100% to achieve climate neutrality.

Part I of the Plan contains the general vision and strategy, an initial overview of the status quo and the main areas of action. Part II, which will be available by June 2023 at the latest, will be produced in more detail for a targeted implementation of the various measures.

Part I of the new Plan, in chapter 6.10 dedicated to the "Production of electricity – storage – transport", states the following:

"*It is indisputable that electrification with electricity from renewable sources will be a cornerstone of climate change. At the same time, electricity generation will face a huge surge in demand due to the replacement with other energy sources. The order of priority for this sector is: a reduction in consumption, increased efficiency in use, increased* *efficiency in production, but also a massive expansion of electricity production from renewable sources (the fact that today, South Tyrol produces more electricity than it uses is not a real argument against the expansion process: in fact, our reference parameter is the status quo and the electricity that we no longer export is produced elsewhere, from perhaps unsustainable sources; our net electricity exports also partially compensate for imported embodied energy).*

On the above priorities, several strategic initiatives already exist: increasing the efficiency of electricity grids, the technical conversion of public lighting, but also the production of electricity with photovoltaic systems are important approaches, to be continued and consolidated in quantitative terms. It is also necessary to create the infrastructural bases to be able to tackle, from a technical and organizational point of view, the decentralized production of electricity, and with electricity flows fluctuating considerably over time".

At national level and, in particular, as concerns concessions for the large-scale diversion of hydroelectric power, Law 118 of 5 August 2022, containing the 2021 annual law for the market and competition, established – under Article 7 – new provisions on the subject, amending Article 12 of Legislative Decree 79/1999.

Under these provisions, the procedures for assigning large-scale diversion concessions should be carried out based on competitive, fair and transparent parameters, with an appropriate economic valuation of concession payments and an appropriate technical valuation of the work to improve the safety of the existing infrastructure and the work to restore reservoir capacity, with the provision of adequate compensation, to be paid by the incoming concession holders, which takes into account the amortisation of investments made by the outgoing concession holder. Moreover, it was established that concessions may also be awarded through project financing. The process of assigning concessions must be started within two years from the date of entry into force of the regional laws and in any case no later than 31 December 2023. After this deadline, and in any case in the event of failure to adopt said laws within the prescribed time limits, the Ministry of Infrastructure and Sustainable Mobility (MIMS) will exercise powers of substitution. Lastly, it was decided that, for concessions with an expiry date prior to 31 December 2024, including those which have already expired, the regions may allow for the diversion to continue to be operated, for the time strictly necessary to complete the award procedures and in any case no later than three years from the entry into force of the new provisions in question, taking into account any additional charges to be borne by the outgoing concession holder and the competitive advantage arising from continuing the concession beyond the expiry date.

Article 13, paragraph 6, of the Consolidated Law on constitutional laws concerning the special statute for Trentino-South Tyrol pursuant to Presidential Decree no. 670/1972 was amended, ruling that concessions for the large-scale diversion of hydroelectric power granted in the Autonomous Provinces of Trento and Bolzano with an expiry prior to 31 December 2024 or a later date identified by the State for similar concessions located in Italy are extended by law, even if expired, for the time useful for completing public tenders and in any case no later than the aforementioned date.

Prior to the approval of the law in question, Utilitalia and Elettricità Futura, sector associations which the Alperia Group are members of, had expressed regret over the contents of the bill. In their position statement, the two associations had pointed out, among others that "*The Competition Bill could and should be the vehicle to correct the current regulatory framework, in light of the dismissal of the European procedure against Italy, of the request of the Italian Antitrust Authority (AGCM) for a greater standardisation at national level and of the significant asymmetries that still remain between our country and other European nations regarding regulations on the allocation of large-scale concessions for hydroelectric power.*

The Decree, on the other hand, provides for an acceleration of the current regulatory system, which has already shown its limits (due to the prevalence of local and sector interests over general and national ones) with several regional and provincial laws challenged by the Government, which distances our country from the Green Deal target.

On the one hand, this approach of the bill generates uncertainty about the future of hydropower, making a further long-lasting disputes and the blocking of all investments likely; on the other hand, it penalises national excellence (management, manufacturing) in favour of potential foreign players who, supported by their own governments, could have advantages in entering the Italian market.

This would not result in desired benefits for the community and instead would be a major risk in terms of safety and protection of the areas concerned".

As regards this last aspect, reference is made to the authoritative report of the Parliamentary Committee for the Security of the Republic dated 13 January 2022, which – with regard to the hydroelectric sector – states the following: "... *the hydropower sector is one of the areas in which our country has a significant competitive edge. Italy was the only European country to have introduced a competitive regime in the field of hydroelectric concessions more than 20 years ago and to have recently modified the regulations by making it possible for foreign operators to participate in tenders, but without reciprocal conditions, since other European countries adopt a protectionist position in this field. A revision of the current legislation with a view to re-centralising and standardising the rules and an extension of concessions would be necessary, with two aims: to allow concession holders to modernise, upgrade and extend the useful life of their facilities under new regulations; to wait for the national rules of various countries to be brought in line with European directives, so as to have a level playing field for all operators. Italy's current legislative framework in the hydropower sector jeopardises the control of strategic assets for the security of the energy system and for national energy autonomy, allowing foreign companies (including non-EU companies, either individually or in association with investment funds or operators not active in the energy* *sectors) to participate in new tenders, with a consequent weakening of the competitive position of the Italian industrial system. A revision of the regulations appears necessary to position the sector in the right strategic dimension for the country, guaranteeing the protection of assets, the involvement of areas affected by the production and distribution plants and an industrial perspective for making major investments. The current situation, exposing the country to speculative actions and the loss of control over strategic assets for national energy security and autonomy, makes it essential to define measures capable of guaranteeing the protection of the sector".*

It should be noted that the nearby Autonomous Province of Trento, with Law 16 of 7 December 2022 gave holders of concessions for the large-scale diversion of hydroelectric power - the possibility to submit a business plan with investments aimed at making production more efficient and increasing production capacity, also willing to pay, in addition to the fees already envisaged, a new component of the fee, parameterized to energy market values.

The plan, which is evaluated and approved by the Province, must comprise an investment stage to complete by 31 December 2024 and a possible second stage to take place by 1 April 2029 (expiry date of the large-scale diversion concessions granted to ENEL Spa).

For the duration of the aforesaid business plan, the Trentino provincial legislation establishes that "…… *the procedures for the assignment of concessions are suspended……"* relating to plants affected by the aforementioned plan.

As regards this legislation, the Antitrust Authority – in its meeting of 24 January 2023 – drafted a report for the Province of Trento, in which it highlights the critical issues regarding competition: more specifically, this Authority confirmed *"….. that the legal competence of the province in granting concessions for the large-scale diversion of hydroelectric power must be exercised in compliance with European Community law (pursuant to Article 117, paragraph 1 of the Constitution) and with the fundamental principles* *of the national legal system, including the protection of competition, which is dealt with exclusively by the state (pursuant to Article 117, paragraph 2, letter e), of the Constitution".*

In the session of 2 February 2023, the Government challenged the Constitutional Court on the relative provincial law, as the latter would exceed the competencies of the Autonomous Province of Trento granted by the Special Statute of Autonomy, presenting aspects of constitutional illegitimacy: contemplating the suspension of the concession award procedures for the entire duration of the business plan presented by the concession holder, the law would give holders of ongoing concessions an advantage.

However, the Council of Ministers decided to convene a technical session with the competent Ministers to plan proposals to solve the problem before the hearing of the appeal before the Constitutional Court.

On 20 February 2023 Utilitalia and Future Electricity wrote to the competent Ministers, pointing out that the European Commission itself, in its communication relating to the closure of the infringement procedure 2011/2026 which involved Italy on the failure to tender for hydroelectric concessions, essentially excluded the possibility of a real opening of the sector to competition, implicitly admitting the tolerability of any extensions of existing concessions.

Also on the basis of this evidence, the aforementioned sector associations – as *amicus curiae* – intended to provide the Constitutional Court with useful elements in support of the position of the Autonomous Province of Trento.

In the meantime, concessions for the large-scale diversion of hydroelectric power were included under "assets of strategic importance for national interest": Article 25 of Decree Law 21 of 21 March 2022, converted – with amendments – by Law 51 of 20 May 2022, in fact consolidates the special powers of the Prime Minister (the so-called "golden power") in strategic sectors which also include energy.

As may be inferred from the above, hydroelectric power concessions are still a strongly debated, ongoing issue. The matter is of particular importance, as any regulatory changes inevitably have an impact on the budgets of current concession holders.

In order to prepare the annual bill for the market and competition for 2022, with parliamentary approval scheduled for the summer of 2023, the Antitrust Authority sent a report to the Government on 31 March 2022 (see Bulletin no. 13 of 11 April 2022).

This report addressed, firstly, issues concerning the electricity grid development plan and promoting the distribution of second-generation smart electricity meters; secondly, the Authority focused on some aspects of competitive interest, strictly connected to the achievement of the objectives and targets identified in the PNRR (National Resilience and Recovery Plan), including – as far as relevant here – the completion of the process to leave the enhanced protection scheme for the supply of retail electricity, in particular regarding domestic consumers and relations with the so-called category of “vulnerable customers” to whom regulated conditions even after the end of the standard offer are guaranteed.

As regards the exceptional level of energy commodity prices which occurred, in particular, in the second half of 2021 and continued during 2022, the Government intervened on several occasions to limit prices for end customers (both households and businesses).

As regards the first quarter of 2022, with Article 1, paragraphs 503-511, of Law 234 of 30 December 2021 (the 2022 budget law): the measures introduced were the same as those already established for the fourth quarter of 2021, and in particular: for electricity, in addition to a partial compensation of general system charges for all users, the cancellation of rates for general system charges applied to domestic users and non-domestic users of low voltage, for other uses, with available power up to 16.5 kW; for natural gas, the reduction of VAT to 5% for the supply of methane gas used for combustion for civil and industrial purposes, accounted for in invoices issued for consumption referring to January, February and March 2022, as well as the reduction in rates for general system charges. The measures for social electricity and gas bonuses were consolidated. Lastly, the obligation was added for electricity and gas sellers to offer their domestic end customers who fail to pay their bills in the period from 1 January 2022 to 30 April 2022, an instalment plan for repayments, with a duration of no more than 10 months.

Lastly, Decree Law 4 of 27 January 2022, converted – with amendments by Law 25 of 28 March 2022, provided for the cancellation – in the first quarter of 2022 – of the rates relating to general system charges applied to users with available power equal to or greater than 16.5 kW, including those connected to medium and high/very high voltage or for public lighting or electric vehicle recharging in places accessible to the public.

Moreover, an extraordinary contribution in the form of a tax credit, equal to 20% of the expenses incurred for the energy component purchased in the first quarter of 2022, was granted to companies with a high electricity consumption (so-called energy-intensive companies), whose cost per kWh of the energy component, calculated on the basis of the average of the last quarter of 2021, increased by more than 30% compared to the same period of 2019.

Companies with a high consumption of natural gas (so-called gas-intensive companies), whose benchmark price, calculated as the average of intraday market prices (MI - GAS), had increased by more than 30% in the first quarter of 2021 compared to the same period of 2019 - were granted an extraordinary contribution in the form of a tax credit, equal to 10% of the expenses incurred for the purchase of the same gas consumed in the first quarter of 2022 for energy uses other than thermoelectric use.

With Decree Law 17 of 1 March 2022, converted – with amendments – by Law 34 of 27 April 2022, the Government, among other provisions:

- reset the rates for general system charges for all users (domestic and non-domestic) to zero for the second quarter of 2022;
- reduced (i) the rates relating to general system charges for the gas sector for the second quarter of 2022 and (ii) the VAT rate to 5% on gas consumption for the months of April, May and June 2022;
- consolidated the social electricity and gas bonus for the second quarter of 2022;
- granted - for companies with a high consumption of electricity (so-called energy-intensive companies), whose costs per kWh of the energy component, calculated on the basis of the average for the first quarter of 2022, have increased by more than 30% compared to the same period in 2019 - an extraordinary contribution in the form of a tax credit, equal to 20% of the expenses incurred for the energy component purchased in the second quarter of 2022;
- granted – for companies with a high consumption of natural gas (so-called gas-intensive companies), whose benchmark price, calculated as the average of intraday market prices (MI - GAS), had increased by more than 30% in the first quarter of 2022 compared to the same period of 2019 - an extraordinary contribution in the form of a tax credit, equal to 15% of the expenses incurred for the purchase of the same gas consumed in the second quarter of 2022 for energy uses other than thermoelectric use;

- envisaged the adoption, by the Minister of Ecological Transition, of the "*National strategy against energy poverty*", establishing *"periodic indicative objectives for the development, at national level, of structural and long-term measures and for the integration of actions in progress and those planned in the context of public policies in order to combat the phenomenon of energy poverty in a homogeneous and effective way"*.

Decree Law 21 of 21 March 2022, converted – with amendments – by Law 51 of 20 May 2022, then envisaged further measures, such as:

- an extraordinary contribution, in the form of a tax credit, for the purchase of electricity for companies with meters with an available power of 16.5 kW or more, other than energy-intensive companies; the bonus is equal to 12% of the expenditure incurred for the purchase of the energy component, actually used in the second quarter of the year 2022, if the average price of the first quarter of 2022 has undergone an increase in the cost per kWh of more than 30% compared to the average price of the first quarter of 2019;

- an extraordinary contribution in the form of a tax credit for the purchase of natural gas in favour or non-gas intensive companies; the bonus is equal to 20% of the expenditure incurred for the purchase of the same gas, consumed in the second quarter of 2022, for energy uses other than thermoelectric use, if the benchmark price of natural gas, calculated as the average, referring to the first quarter of 2022, of the benchmark prices of the Mercato Infragiornaliero (MI-GAS) published by the GME, has undergone an increase of more than 30% compared to the average price referring to the same quarter of 2019;

- an increase in the tax credit for energy-intensive companies, provided for in the above-mentioned Decree Law 17/2022, from 20% to 25%;

- an increase in the tax credit for gas-intensive companies, provided for in the above-mentioned Decree Law 17/2022, from 15% to 20%;
- an increase – for the period from 1 April to 31 December 2022 – in the ISEE (income) cap for access to social electricity and gas bonuses from Euro 8,265 to Euro 12,000;
- the obligation – on the part of electricity and gas sellers – to offer their domestic end customers who fail to pay bills issued in the period from 1 January 2022 to 30 June 2022 (the deadline was originally set at 30 April 2022) a plan to pay in instalments, for a duration not exceeding 10 months;
- the possibility for companies based in Italy, that are end customers of electricity and natural gas, to request from their suppliers based in Italy to pay in instalments (a maximum of 24) the amounts due for energy consumption for the months of May and June 2022.

Subsequently, Decree Law 50 of 17 May 2022, converted – with amendments – by Law 91 of 15 July 2022:

- consolidated the social electricity and gas bonus for the third quarter of 2022;
- increased the various extraordinary contributions in the form of tax credits, mentioned above, granted to companies for the purchase of electricity and natural gas in the second quarter of 2022 (from 12% to 15% and from 20% to 25%);
- reset the rates for general system charges for all users (domestic and non-domestic) to zero for the third quarter of 2022;
- (i) kept unchanged, for the third quarter of 2022, the rates relating to general system charges for the gas sector in force in the second quarter of 2022, further reduced with

particular reference to consumption brackets up to 5,000 cubic meters per year and (ii) reduced the VAT rate to 5% on gas consumption for the months of July, August and September 2022.

With Decree Law 115 of 9 August 2022, converted – with amendments – by Law 142 of 21 September 2022, the Government:

- consolidated the social electricity and gas bonus for the fourth quarter of 2022;
- suspended – until 30 April 2023 – the effectiveness of any contractual clause providing for the possibility, for the seller of electricity and natural gas, to unilaterally modify the general conditions of the contract in relation to the definition of the price; also rendered ineffective, up to the aforementioned date, the advance notices communicated for the aforementioned purposes before the date of the entry into force of the Decree Law, unless the contractual changes had "... *already been finalised*"; the subsequent Decree Law 198 of 29 December 2022, converted – with amendments – by Law 14 of 24 February 2023, extended the deadline of 30 April 2023 to 30 June 2023, specifying that the above provision does not apply to contractual clauses that allow sellers to update the contractual economic conditions upon expiry of the same, in compliance with the terms of notice contractually envisaged and without prejudice to the customer's right of withdrawal;
- maintained, for the fourth quarter of 2022, the various extraordinary contributions in the form of tax credits, mentioned above, granted in the previous quarter to companies for the purchase of electricity and natural gas (15% for non-energy-intensive companies and 25% for energy-intensive, gas-intensive and non-gas-intensive companies);

- reset the rates for general system charges for all users (domestic and non-domestic) to zero for the fourth quarter of 2022;
- (i) kept unchanged, for the fourth quarter of 2022, the rates relating to general system charges for the gas sector in force in the third quarter of 2022 and (ii) reduced the VAT rate to 5% on gas consumption for the months of October, November and December 2022.

With the subsequent Decree Law 144 of 23 September 2022, converted – with amendments – by Law 175 of 17 November 2022, the Government raised the amount of the various extraordinary contributions in the form of tax credits, mentioned above, granted to companies for the purchase of electricity and natural gas in the months of October and November 2022: for non-energy-intensive companies the percentage rose from 15% to 30% (the power threshold was also lowered to 4.5 kW), while for energy-intensive, gas-intensive and non-gas-intensive companies the percentage rose from 25% to 40%.

These extraordinary contributions in the form of tax credits were confirmed, with the aforementioned last percentages, by Decree Law 176 of 18 November 2022, converted – with amendments – by Law 6 of 13 January 2023, also relating to the purchase of electricity and natural gas in December 2022.

The latter Decree Law provides for the possibility, for companies with users located in Italy, to request sellers to allow them to pay in instalments (a minimum of 12 and a maximum of 36 monthly instalments), the amounts due for the electricity and gas component consumed for uses other than thermoelectric and exceeding the average amount recorded, for the same consumption, in the period between 1 January and 31 December 2021, for consumption between

1 October 2022 and 31 March 2023 and invoiced by 30 September 2023. This possibility is in any case an alternative to using the aforementioned tax credits.

The aforementioned Decree Law also provided for the postponement of the abolition of the protected market in the gas sector to January 2024, aligning with the deadline for the electricity sector.

Finally, Law 197 of 29 December 2022 (2023 budget law):

- increased the various extraordinary contributions in the form of tax credits, mentioned above, granted to companies for the purchase of electricity and natural gas in the first quarter of 2023 (from 30% to 35% and from 40% to 45%);
- reset the rates relating to general system charges for all electricity users (domestic and non-domestic low voltage, for other uses, with power up to 16.5 kW) to zero for the first quarter of 2023;
- (i) fixed, for the first quarter of 2023, a negative component of general system charges for gas consumption brackets up to 5,000 cubic meters per year, maintaining the resetting to zero of all other rates of these charges and (ii) reduced the VAT rate to 5% on gas consumption for the months of January, February and March 2023;
- reduced the VAT rate to 5% on the supply of district heating services relating to consumption for the months of January, February and March 2023;
- consolidated the social electricity and gas bonus for the first quarter of 2023;
- increased – for 2023 – the ISEE (income) cap for access to social electricity and gas bonuses to Euro 15,000.

In order to recover resources to allow for the implementation of the above provisions, to the benefit of customers, some special measures were introduced by the Government - at the expense of sector operators.

A first provision, implemented with Article 15 bis of Decree Law 4/2022, concerned the adoption - from 1 February 2002 until 31 December 2022 (deadline then extended to 30 June 2023 by the aforementioned Decree Law 115/2022) - of a two-way compensation scheme for the electricity produced by photovoltaic plants with a capacity of more than 20 kW that benefit from fixed premiums under the Conto Energia mechanism, which do not depend on market prices, as well as for the electricity produced by solar, hydroelectric, geothermal and wind power plants with a capacity of more than 20 kW that do not have access to incentive mechanisms and that became operational prior to 1 January 2010.

To this end, GSE will calculate the difference between a reference price for each market zone indicated in a table annexed to the aforementioned decree (58 Euro/MWh for the northern area) and the hourly zonal market price of electricity. If the difference is positive, the Operator pays the related amount to the producer; if negative, GSE balances or requests the corresponding amounts from the producer. At the request of GSE, the producers concerned have had to provide a statement drawn up in accordance with Presidential Decree 445/2000 certifying the information required. The Italian Regulatory Authority for Energy, Networks and Environment (ARERA)regulates the procedures for implementing the above provisions, which do not apply to electricity covered by contracts stipulated before 27 January 2022 (in relation to the energy fed into the grid in 2023, with reference to contracts stipulated before 5 August 2022), provided that they are not linked to the price trend of spot energy markets and that, in any case, they are not stipulated at an average price equal to the benchmark price increased by 10 per cent.

In the case of producers belonging to a group of companies that sell electricity to companies belonging to the same group, only contracts stipulated between companies in the group, including non-producers, and other natural or legal persons external to the same group are taken into account.

ARERA, with decision 266/2022/R/eel of 21 June 2022, implemented the aforementioned Article 15 bis.

In this regard, the Lombardy Regional Administrative Court (TAR) – in relation to the proceedings brought by various operators – annulled the aforementioned decision in closed session on 23 November 2022; as stated in the operative part of the judgments published on 9 February 2023, "….. *the contested resolution is flawed on a preliminary and motivational level because it has unreasonably failed to identify on a technical level and to valorise on a regulatory framework level all the factors that lead to the definition of the economic items functional to the emergence of the infra-marginal profit actually realized by the operators affected by the measure*".

Pending the publication of the ruling, the Council of State – on 18 January 2023 – with an order published the following day suspended the enforceability of the provisions of the aforementioned rulings of the TAR. Moreover, this suspension was motivated only on the basis of precautionary reasons and not on merit, since the public interest in supporting consumers was considered to prevail over the interest claimed by operators.

In the meeting of 28 February 2023 ARERA, with decision 67/2023/C/eel, appealed against the aforementioned rulings of 9 February 2023 of the Lombardy TAR.

Finally, the Council of State – with orders published on 22 March 2023 – confirmed the suspension of the enforceability of the aforementioned TAR rulings, stating that it was necessary to further investigate the extent of ARERA's regulatory powers on the merits, in any case without affecting assessments of the compatibility of the provisions *sub iudice* with supervening European legislation (Council Regulation (EU) 2022/1854, to which reference is made further on). The merit hearing has been set for 5 December 2023.

As a result of the orders of the Council of State, the aforementioned ARERA decision became enforceable again.

The Group, also supported by a specific opinion from a renowned external law firm, believes that its production plants (except for some minor facilities) may fall within the exception provided for by the aforementioned Article 15 bis for the period February/December 2022.

With a second provision, introduced with Article 37 of the aforementioned Decree Law 21/2022 (amended by Article 55 of Decree Law 50/2022), the Government established – for 2022 - a contribution by way of an extraordinary solidarity levy to be paid - among others – by producers of electricity and methane gas, by entities engaged in the extraction of natural gas, resellers of electricity, methane gas and natural gas and entities engaged in the production, distribution and trade of petroleum products. The contribution is also payable by entities that import electricity, natural gas or methane gas, petroleum products for subsequent resale or who bring such goods into the territory of the State from other States of the European Union. The contribution is due if at least 75% of the turnover for the year 2021 derives from the aforementioned activities. The taxable base of this contribution is the increase in the balance of the receivable and payable transactions for the period from 1 October 2021 to 30 April 2022 compared to the balance for the period from 1 October 2020 to 30 April 2021. The contribution applies at the rate of 25% in cases where the increase exceeds Euro 5 million and is not due if the increase is less than 10%. The contribution had to be paid, as an advance of 40 per cent by 30 June 2022 and the remainder, as the balance, by 30 November 2022 and is not deductible for income tax and IRAP (regional production tax) purposes.

The Revenue Agency, with the provision of 17 June 2022, defined the obligations and methods of payment of the extraordinary contribution and, with circular no. 22/E of 23 June 2022, provided some answers to the questions put forward by trade associations and operators concerned.

Alperia Group companies did not make any payments for this purpose within the required deadlines, as they do not fall within the above cases.

The two measures have been strongly criticized both by sector associations and by various operators; some companies of the Alperia Group (more specifically Alperia Greenpower Srl, Alperia Vipower Spa and Alperia Ecoplus Srl) have also appealed against the aforementioned Article 15 bis.

Another provision was introduced by Article 1, paragraph 30 of the aforementioned 2023 budget law, which established a mechanism similar to that referred to in Article 15 bis of the aforementioned Decree Law 4/2022.

This measure concerns the application – from 1 December 2022 until 30 June 2023 – of a one-way compensation mechanism for electricity produced by: (i) renewable source plants not falling within the scope of the aforementioned Article 15 bis and (ii) plants powered by non-renewable sources pursuant to Article 7, paragraph 1 of Council Regulation (EU) 2022/1854 of 6 October 2022 (which will be discussed further on). Power plants up to 20 kW are excluded.

For this purpose, GSE was ordered to calculate the difference between a benchmark price of 180 Euro/MWh or, for sources with generation costs higher than the aforementioned price, a value per technology established according to criteria defined by ARERA, keeping account of investment and operating costs and a fair return on investments, and the hourly zonal market price of electricity. If this difference is negative, GSE adjusts or requests the corresponding amounts from the producer. At the request of GSE, the producers concerned shall provide a statement drawn up in accordance with Presidential Decree 445/2000 certifying the information required. The competent ARERA will regulate the procedures for implementing the above provisions, which do not apply to the energy covered by contracts stipulated before 1 December 2022, provided that they are not connected to the price trend of spot energy markets and which, in any case, are not stipulated at an average price higher than the aforementioned benchmark price.

In the case of producers from a group of companies that sell electricity to companies belonging to the same group, it was confirmed that only contracts stipulated between companies in the group, including non-producers, and other natural or legal persons external to the same group are taken into account. This had an insignificant impact on Group companies.

The last provision was introduced by Article 1, paragraph 115, of the aforementioned 2023 budget law, which established – for 2023 - a further temporary solidarity contribution to be paid - among others – by producers of electricity and methane gas, by entities engaged in the extraction of natural gas, resellers of electricity, methane gas and natural gas and entities engaged in the production, distribution and trade of petroleum products. The contribution is also payable by entities that import electricity, natural gas or methane gas, petroleum products for subsequent resale or who bring such goods into the territory of the State from other States of the European Union. The contribution is due if at least 75% of revenues for 2022 derive from the aforementioned activities. It is due by applying a rate equal to 50% on the amount of income for IRES (corporate income tax) purposes relating to 2022 which exceeds the average income earned in the years 2018-2021 by at least 10%. However, the contribution cannot be higher than 25% of the value of existing shareholders' equity at 31 December 2021. The contribution must be paid by 30 June 2023 and is not deductible for income tax and regional production tax purposes.

The cost of the aforesaid contribution, borne by some companies of the Alperia Group consolidated line-by-line, amounts to approximately Euro 6.5 million.

An important act, long awaited by sector operators, is the decree of the Minister of Ecological Transition of 25 August 2022, adopting the regulation establishing the criteria, procedures and requirements for registering, maintaining and excluding entities on the list of subjects authorized to sell electricity to end customers.

Being registered and remaining on the list, which has been set up by the aforesaid Ministry, qualifies companies that are direct commercial counterparties of end customers in the context of energy supply contracts to carry out sales activities on the retail electricity market.

Sales companies which, at the date of entry into force of the decree, qualified as commercial counterparties of end customers in the Integrated Information System (SII) were registered in the list on a provisional basis.

It was established that within 45 days from the date of entry into force of the decree, the competent Ministry, subject to the opinion of the Data Protection Authority, will define the templates for presenting application for registration in the list and the required documents. Within the following 90 days from the date of adoption of the decree, the companies concerned will have to certify – by self-certification pursuant to Presidential Decree 445/2000 – that they meet the requirements.

The decree of the competent Ministry of the Environment and Energy Security (MASE) (formerly the Ministry of Ecological Transition) is dated 16 January 2023, and sets out operational indications on the matter. Companies temporarily authorized to sell electricity also include Group companies (Alperia Smart Services Srl and Fintel Gas e Luce Srl).

As regards the termination of the enhanced protection service for micro-enterprises (customers with power withdrawal points of up to 15 kW) and for non-domestic customers in general (e.g., some condominiums), the competent ARERA – with decision no. 208/2022/R/eel of 10 May 2022 – established the necessary provisions for the supply of the service with gradual protection, which was to start from 1 January 2023 and end on 31 December 2026.

On 30 May 2022, Acquirente Unico, which the aforementioned resolution appointed to manage tender procedures for the assignment of this service, published the related regulations: twelve territorial areas were identified, the first of which includes Friuli-Venezia Giulia and Trentino-South Tyrol Adige, as well as the provinces of Belluno, Venice and Verona.

As a result of a cyber attack on GSE in late August 2022, which made its information systems and those of Acquirente Unico – that is dependent on the systems – unavailable, the times of the tender and action were updated in November; Alperia Smart Services Srl was unable to win the tender for the aforementioned territorial area of interest to it, including around 100,000 customers, which instead was awarded to the company Hera Comm Spa.

The service in question was assigned – for the twelve territorial areas – for the period starting on 1 April 2023 and ending on 31 March 2027.

Mention should be made of the important decree of the Minister of Ecological Transition no. 341 of 16 September 2022 (the so-called Energy Release Decree), which provided for the sale of electricity available to GSE at "fixed" prices with three-year contracts for a two-way difference for a duration covering the period from 1 January 2023 to 31 December 2025 for industrial customers, small and medium-sized enterprises, customers located in Sardinia and Sicily participating in the instant island interruption and reduction service, and energy-intensive customers.

The minimum volume that each candidate for the procedures was able to request was 1 GWh/year, the maximum volume could not exceed 3% of the total offered by GSE and 30% of the average consumption of the last three years.

In January 2023, GME carried out the procedure for allocating electricity volumes in order to identify the successful tenderers and the electricity volume to be sold to the individual participants: the total energy made available by GSE, equal to approximately 16 TWh, was assigned to 1,420 end customers at the expected price of 210 Euro/MWh.

As regards the National Recovery and Resilience Plan (PNRR), it should be noted that some companies of the Alperia Group participated in the selection of proposals for interventions worthy of funding in the form of non-repayable grants; more specifically:

- Edyna Srl participated in the call for tender no. 118 of the General Directorate of Energy Incentives of the MITE, of 20 June 2022, for the selection of proposals for interventions aimed at improving the resilience of the electricity grid to extreme weather events and the project it presented (relating to increasing the resilience of the electricity grid in Val Senales) was eligible for funding of approximately Euro 5.5 million (see MASE decree no. 414 of 16 December 2022);
- Edyna Srl also participated in the call for tender no. 119 of the MITE dated 20 June 2022, for the selection of project proposals aimed at (i) increasing the network capacity to host and integrate further generation distributed from renewable sources and (ii) increasing

the capacity and power available to users to promote the electrification of energy consumption and the project presented (consisting in the construction of a new primary substation in Vandoies, the construction of the new connection between the primary substations in Dobbiaco and the future substation in Sesto Pusteria and the installation of a new transformer at the primary substation in val di Nova) and was eligible for funding of approximately Euro 13.2 million (see MASE decree no. 426 of 23 December 2022);

- Alperia Ecoplus Srl participated in the call for tender no. 94 of the MITE dated 28 July 2022, for the selection of project proposals for the development of district heating systems; the two projects presented (the first relating to the installation of an additional biomass boiler at Chiusa and, the second, to the expansion of the Bolzano network) were eligible but unfortunately could not receive funding due to a lack of available resources (see MASE Decree no. 435 of 23 December 2022;
- Alperia Greenpower Srl participated in the call for tender no. 113 of the MIMS, dated 10 November 2022, for the selection of project proposals for the construction of at least 40 refuelling stations based on renewable hydrogen for road transport, proposing a project for the construction and management of a refuelling station at Brunico in Val Pusteria; the latter is one of 36 projects included in the ranking and is therefore eligible for funding, of approximately Euro 4.0 million (see the MIMS notice of 16 March 2023).

In addition, with decree no. 10 of 12 January 2023, the MASE defined the criteria and procedures for granting non-repayable grants up to 40% of the costs – within the framework of the PNRR – in order to incentivise the construction and operation in urban centres of at least 13,755 fast charging stations for electric vehicles (with at least 90 kW of power) by 31 December 2025:

optimal territorial tender areas were identified and 234 new facilities have been planned for the Trentino-South Tyrol region.

With decree no. 11 of 12 January 2023, the MASE also defined the criteria and procedures for granting non-repayable grants up to 40% of the costs – within the framework of the PNRR – in order to incentivise the construction and operation on dual carriageways of at least 7,500 fast charging stations for electric vehicles (with at least 175 kW of power) by 31 December 2025: tender areas were also identified in this case, and 256 new facilities have been planned for the Trentino-South Tyrol region.

Within thirty days from the date of entry into force of the two decrees, the MASE identified the operator in charge of technical-operational support activities for the effective and timely implementation of the investment programme, defining the terms and procedures for presenting applications, the requirements of beneficiaries, and the procedures for granting and disbursing funding.

Neogy Srl, which has Alperia Spa and Dolomiti Energia Holding Spa as joint partners, is interested in participating in the selection procedures that will be called.

At European level, the European Commission adopted an important initiative in May 2022 regarding energy, with the presentation of the REPowerEU package which aims – by 2030 – to end the European Union's reliance on Russian imports of fossil fuels by tackling energy saving, clean energy production and the diversification of energy supplies.

The package includes five communications, a proposal for a regulation, a recommendation and a directive as well as guidelines on changes to the member states' PNRR; in fact, the PNNR will guarantee the investments necessary for the implementation of the measures (300 billion by 2030).

Below is a summary of the planned initiatives:

- an increase in the 2030 renewables target from 40 to 45%;
- the introduction of a "Solar Strategy", which envisages doubling photovoltaic capacity by 2025 to 320 GW and further growth to 600 GW by 2030, also thanks to a "European Solar Rooftop Initiative" that will include the obligation to build photovoltaic plants on the rooves of all new public, commercial and residential buildings;
- increasing two-fold the growth rate of heat pumps and introducing measures to integrate solar thermal and geothermal energy in district heating networks;
- the introduction of measures also on permitting RES with authorization procedures that will have to be accelerated by classifying them as "mainly of public interest" and "in the interest of public safety";
- an increase in energy efficiency savings by 2030 from 9 to 13%;
- a 2030 target of 10 million tonnes of green hydrogen from EU production plus the same amount from imports to replace natural gas, coal and oil in hard-to-abate industries and sectors;
- an increase in biomethane production to 35 billion cubic meters by 2030;
- the possibility of imposing a gas price cap at EU level in the event of a total disruption of gas supplies from Russia;
- the creation of a common gas purchasing mechanism in which member states will be able to participate;
- the possibility for member states to intervene in electricity markets to provide support for consumers, extending any rules on extra profits until winter 2022/2023.

Remaining in Europe, some important Regulations were issued, aiming to protect consumers from high energy prices and encourage the installation of RES plants.

The first is Regulation (EU) 2022/1854 of the Council of 6 October 2022, which has introduced common measures to reduce the demand for electricity and to collect and redistribute excess revenues from the energy sector to final customers.

Below is a summary of the main measures:

- a cap on market revenues for inframarginal plants: a cap on market revenues of producers obtained from the generation of electricity from the sources referred to in Article 7, paragraph 1 was set at 180 EUR/MWh for the period between 1 December 2022 and 30 June 2023: these include solar energy (thermal and photovoltaic), wind energy, hydropower without reservoir, biomass fuel (excluding biomethane) and waste. Furthermore, elements of flexibility have been envisaged in the total or partial application of the cap, including the possibility of introducing a minimum plant size threshold and applying a cap on the market revenues of hydropower units that do not come under the scope of the regulation;
- a solidarity contribution for the fossil fuel sector: Member States have been called upon to set a compulsory temporary solidarity contribution on the profits of companies active in the crude oil, natural gas, coal and refinery sectors. The solidarity contribution – with an applicable rate at least equal to 33% – is calculated on taxable profits, determined by national tax regulations in the 2022 and/or 2023 tax years, which exceed 20% of the average annual taxable profits in the four tax years starting on or after 1 January 2018;
- a reduction in electricity demand: an indicative target for reducing gross monthly electricity consumption equal to 10% compared to the average of gross electricity

consumption in the corresponding months of the five years preceding the date of entry into force of the Regulation has also been introduced. Furthermore, Member States have been obliged to reduce consumption by at least 5% during peak hours (the latter being at least 10% of all hours in the period between 1 December 2022 and 31 March 2023).

Under the Regulation, Member States must ensure that all revenues resulting from the application of the cap on market revenues are used to finance measures to support final customers to mitigate the impact of high electricity prices. Furthermore, if not sufficient, Member States may use other appropriate means such as budgetary resources.

The measures identified by the Regulation (by way of example) include:

- granting a financial compensation to final electricity customers for reducing their electricity consumption, including through demand reduction auctions or tender schemes;
- direct transfers to final electricity customers, including through proportional reductions in the network tariffs;
- compensation to suppliers who have to deliver electricity to customers below costs following a State or public intervention in price setting;
- lowering the electricity purchase costs of final electricity customers, including for a limited volume of the electricity consumed;
- promoting investments by final electricity customers into decarbonisation technologies, renewables and energy efficiency investments.

The second is Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders.

The Regulation – which applies for one year – has introduced temporary measures on the subject of:

- demand aggregation and joint purchasing of gas: this is a temporary tool to organize voluntary demand aggregation at EU level by bundling gas import needs and seeking offers on the market that match demand (participation in the aggregation process is mandatory for natural gas companies and gas consuming companies under the jurisdiction of a Member State equipped with underground storage facilities to meet at least 15% of their storage filling target). Furthermore, entities intending to trade volumes of gas exceeding 5 TWh/year are required to inform the Commission and the Member State in which they are based;
- measures to enhance the use of LNG facilities, gas storage facilities and LNG pipelines;
- management of excess intraday volatility in energy derivatives markets: each trading venue will have to set up a temporary intraday volatility management mechanism. The mechanism is based on an upper and lower price limit, according to which orders that cannot be executed are defined. The trading venues are free to establish, for each energy derivative traded there, the calculation method applicable to the determination of the price limits with respect to the reference price; the objective is to prevent excessive same-day fluctuations in derivative prices, while maintaining the formation of reliable end-of-day closing prices;
- new solidarity measures in the event of a real shortage in gas supply.

The third Regulation (EU) 2022/2577 of the Council of 22 December 2022 lays down a framework to accelerate the deployment of renewable energy, implementing the provisions contained in the REPowerEU Plan mentioned previously. The Regulation has classified the planning, construction and operation of renewable plants and related connections and storage plants as being of prevailing public interest and of interest for public health and safety.

The latest Council Regulation (EU) 2022/2578 of 22 December 2022 has established a market correction mechanism to protect Union citizens and the economy from excessively high prices.

The Regulation introduces a market correction mechanism (MCM) for natural gas transactions on the Dutch TTF market as of 15 February 2023 and applies for a period of one year.

The MCM is automatically activated if the price of front month TTF derivatives:

- exceeds 180 EUR/MWh for three working days and
- is 35 Euros higher than an international reference price based on a benchmark basket calculated by ACER (European Union Agency for the Cooperation of Energy Regulators) for the same three working days.

Once activated by ACER, the mechanism’s dynamic supply limit applies for a minimum of 20 working days, unless suspended by the Commission in order to preserve the security of supplies and trade or if the reference price is less than 145 Euro/MWh for three consecutive working days.

Significant events in 2022

Management of the epidemiological emergency caused by COVID-19

Firstly, it should be recalled that the obligation – for all workers in the public and private sector – to have and show on request, for the purpose of accessing workplaces, COVID-19 certification (the so-called Basic Green Pass), imposed from 15 October 2021 until 31 December

2021 (the period of the health emergency), was first extended to 31 March 2022 by Decree Law no. 221 of 24 December 2021, converted – with amendments – by Law no. 11 of 18 February 2022 and, subsequently, to 30 April 2022 by Decree Law no. 24 of 24 March 2022, converted – with amendments – by Law no. 52 of 19 May 2022.

At the same time, employers were obliged to check that employees had their Green Pass.

In addition, Decree Law no. 1 of 7 January 2022, converted – with amendments – by Law no. 18 of 4 March 2022, further tightened measures in the workplace, *"adopting appropriate and immediate measures to prevent and combat the worsening of the epidemiological emergency"*. In particular, from 15 February 2022 and until 15 June 2022, workers who had reached 50 years of age or who would reach 50 years of age at a date subsequent to the entry into force of the new decree (in fact the vaccination obligation for the latter category was in place until 15 June 2022), had to have and show an Enhanced Green Pass to access workplaces in the public and private sector. The enhanced Green Pass could only be obtained following vaccination or recovery, as the basic Green Pass, which could be obtained after a negative rapid antigen or molecular test for the virus, was no longer sufficient.

The aforementioned Decree Law 24/2022 subsequently established that until 30 April 2022, without affecting the obligation to be vaccinated, workers over 50 years old could present a basic Green Pass to access workplaces.

From 1 May 2022, the obligation to have and present the basic Green Pass to access workplaces ended, and employers were no longer required to carry out checks.

Starting from the aforementioned date, structural smart working began at Alperia Group companies – based on individual agreements signed by employers and employees; for two years beforehand, companies had resorted to smart working in a simplified way, i.e. without the need to stipulate the individual agreements envisaged by Law no. 81/2017.

These individual agreements provide for up to a maximum of 8 working days per month when employees may work away from the companies concerned. This limit has been extended to a maximum of 12 working days per month in the following cases:

- if the employee lives at least 25 km from their place of work;
- if the employee has at least one child under 14 years of age and proves that the other parent is unable to care for him/her;
- if the employee is taking leave for himself or for a family member under Law 104/1992.

As a further support measure aimed at facilitating the work/life balance, the number of days of smart working due to each person, may be increased in certain circumstances, compatibly with service requirements.

Smart working days must be distributed over the month in such a way that employees are physically present approximately two to three days a week.

Considering the fact that the first year when the agreement was valid was entirely experimental, the Group is currently evaluating – in the light of experience gained so far – any additions/modifications to smart working; today there are some 760 members of staff who have opted for smart working (equal to over 60% of total employees).

In any case, this means that with effect from 23 January 2023, the Alperia Group decided to suspend the application of the "Shared protocol for the regulation of measures to contrast and contain the spread of the SARS-CoV-2/COVID- 19 in the workplace". Therefore, the obligation to comply with the prevention and containment measures introduced from time to time has ended, while maintaining general precautions to prevent contagion.

Organizational and corporate reorganisation

Firstly, it should be noted that the shareholders' meeting of the parent company, in the session of 9 June 2022, appointed the new Supervisory Board of Alperia Spa, its Chair and Deputy Chair. The new board will remain in office for three years and therefore until the shareholders' meeting convened to resolve on the result for the year relating to the financial statements at 31 December 2024.

On 22 June, the Management Board appointed the new General Manager of the parent company with effect from 1 July 2022.

Also on 22 June 2022, the Supervisory Board appointed the new Management Board, its Chair and Deputy Chair with effect from 1 July 2022: this board will also remain in office for three years.

The reorganization of the entire Smart Region area became effective, from 1 January 2022, with the aim of creating synergies and efficiencies, in particular through (i) the creation of a single product company, (ii) the centralization of staff personnel at the parent company, (iii) the strengthening of the concept of a single sales company.

The following operations took place:

- the sale of the "IoT" business unit from Alperia Fiber Srl to Gruppo Green Power Srl;
- the merger by incorporation of Alperia Fiber Srl into Alperia Greenpower Srl;

- the transfer of the "Smart Region" business unit from Alperia Bartucci Srl to Gruppo Green Power Srl, whose name was changed to Alperia Green Future Srl;
- the merger by incorporation of Alperia Bartucci Srl into Alperia Spa.

From 1 January 2022, Alperia Green Future Srl therefore became operational, with its activities focused on four main areas, which also represent strategic development factors for businesses and local communities: (i) the energy requalification of buildings (the company acts as General Contractor in the development of energy efficiency projects for buildings, (ii) strategic consulting for companies (high-level consulting aimed at defining a decarbonisation strategy for companies or public bodies), (iii) energy performance contracts, in which the company supports the investment of an energy efficiency and/or decarbonisation project and then shares the benefits obtained with the end customer) and (iv) artificial intelligence (Sybil Solutions - advanced automation systems that, in a predictive manner, are able to optimise complex production processes and the climate control systems of buildings).

Another reorganization initiative approved in 2022 concerned the Sales and Trading area, which was divided – effective January 2023 – into two separate BUs; the activities within the Sales BU were reorganized and related responsibilities reassigned with the appointment of the new Chief Executive Officer of Alperia Smart Services Srl.

As regards corporate matters instead, on 30 December 2021 the acquisition of the companies Solar Total Italia Srl and Solart Srl, both based in Bolzano and operating in the installation, maintenance and management of photovoltaic systems, was finalised, with the signing of the deed of purchase of the shares before the notary with effect from 1 January 2022. The acquisition in question, which concerned 100% of the shares of both companies, was undertaken by Gruppo Green Power Srl, now Alperia Green Future Srl.

The reason why the Alperia Group acquired these shareholdings is strategic: Solar Total Italia, which relies on Solart for its operational activities, has a portfolio of around 2,900 photovoltaic systems, mainly located in the centre and north of Italy, and has worked with the parent company to create the Alperia *myHome* offer. Its expertise in the specific sector is crucial for the nationwide dissemination of this offer.

With a deed dated 30 August 2022, the merger by incorporation of Solart Srl into Solar Total Italia Srl took place; the accounting and tax effects of the transaction are retroactive, from 1 January 2022.

On 5 January 2022, the acquisition of the companies Fintel Gas e Luce Srl and Fintel Reti Srl, both based in Pollenza (Macerata) and operating – the first – in the sale of gas and electricity and – the second – in the management of the commercial network used by the first, was finalised, with the signing of the deed of purchase of the shares. The acquisition in question, which involved 90% of the shares of both companies, was undertaken by the parent company.

Alperia has an option right for the purchase of the remaining shares, which may be exercised on the first of the following two dates: (i) the date of full payment of any maximum amount envisaged as an earn-out and (ii) the date of approval of the financial statements of the companies referring to the 2024 financial year. If Alperia does not purchase the remaining shares, the seller may – in turn – exercise the put option granted to it.

With this acquisition, the Alperia Group is continuing to lay down roots outside the Autonomous Province of Bolzano. In addition to the Veneto region, where activities to open new sales outlets and acquisition channels aimed at the residential segment have already been underway for some time, this transaction adds a further step in the growth of sales outlets and retail and small business customers in Lombardy and central Italy.

The operation will allow for the expansion of the portfolio with around 30,000 customers, mainly concentrated on the residential market (domestic customers and customers with VAT numbers), and of the commercial network consisting of 12 directly managed branches, 3 branches managed by agencies and 25 corner outlets.

The merger by incorporation of Fintel Reti Srl into Fintel Gas e Luce Srl took place with a deed dated 21 September 2022; the accounting and tax effects of the transaction are effective from 1 October 2022.

As regards Alperia SUM Spa, following the exercise of the put option by the two minority shareholders of the company (SI Srl and Iniziative Unindustria Srl), Alperia Spa, on 30 May 2022, acquired the remaining 30% shares of Alperia SUM Spa at a price provisionally set at Euro 3.363 million, made up of a fixed component (equal to Euro 3.216 million), paid at the time of the notary deed, and a variable component (equal to Euro 0.147 million), which will be paid by 31 December 2024 if and insofar as the conditions referred to in the agreement previously concluded between the parties occur; as a result of this transaction, the entire share capital is now owned by Alperia Spa.

On the same day, the shareholders' meeting of the company was held which approved – in the extraordinary session – its transformation into a limited liability company and the amendment to the articles of association and – in the ordinary part, the assignment of management to a Sole Director.

On 8 June 2022, the shareholders' meetings of Alperia SUM Srl and Alperia Smart Services Srl approved the draft merger by incorporation of the first company into the second: the reason behind this operation is to rationalize and simplify the current structure of the Group, merging the companies that operate in the same sector (the sale of commodities) with consequent cost savings and operating synergies.

The deed of merger was signed on 20 July 2022 with effect from 1 August 2022; from an accounting/tax point of view, the operation takes effect retroactively from 1 January 2022.

On 19 January 2022, Alperia Spa – owner of a 43.97% stake in the share capital of IIT Bolzano Scarl – subscribed and paid to the latter company its share of the capital increase, amounting to approximately Euro 0.66 million, reserving the right to consider subscribing to a further share if not subscribed by one or more other shareholders. In fact, the company's shareholders' meeting had resolved – at its meeting of 20 December 2021 – to increase the company's share capital against payment by Euro 1.5 million.

On 1 March 2022, Alperia Spa then subscribed and paid in a further share capital increase, amounting to Euro 75 thousand, for the part of the increase not subscribed by the other shareholders, to reach a stake of 47.68%.

The strengthening of the company's financial structure, including the future provision of a specific shareholder loan, was made necessary by (i) the decision of the Autonomous Province of Bolzano to no longer finance the company and (ii) the opportunity for its industrial relaunch. In this last respect, a well-known consultancy firm was commissioned to draw up the new strategic plan, with the aim of creating an economically independent company in the future. Three possible lines of business were identified for development: (i) the performance of upstream service provider activities, (ii) the performance of O&M activities of production and distribution facilities and (iii) the supply (end-to-end) of distribution facilities.

On 17 October 2022, Alperia Greenpower Srl sold a total stake of 0.90% of the share capital of Alperia Vipower Spa to the municipalities of Curon Venosta, Malles Venosta and the city of

Glorenza, decreasing its shareholding from 77% to 76.1%; the sale price of the shares was equal to approximately Euro 555 thousand.

During the year under review, two important contracts for the purchase/lease of business units were signed: the first concerns Alperia Ecoplus Srl, which acquired from the Municipality of Verano – by deed dated 25 August 2022 with effect from 1 September 2022 – the business unit for district heating of the aforementioned Municipality, comprising – in addition to the plant (which produces approximately 2 GWht), the heat distribution network (approximately 4 km long) and all the technical systems necessary for operating – as well as supply contracts with end customers (approximately 110 customers). The amount paid for the acquisition was Euro 975 thousand.

At the same time, Alperia Ecoplus Srl transferred, with effect from 1 September 2022, the supply contracts with customers to Alperia Smart Services Srl (a Group company already operating in the sale of heat in South Tyrol) for Euro 42 thousand.

The second contract was instead signed on 14 December 2022 by Edyna Srl with the Municipality of Tires and concerns the lease of the business unit relating to the electricity distribution network of the aforementioned Municipality.

With effect from 1 January 2023, Edyna became responsible for both the ordinary management of the network in question (about 57 kilometres long with 22 transformation stations) and extraordinary management. In agreement with the Municipality of Tires, which remains the owner of the network, Edyna carries out all activities necessary for improvements to, the maintenance and resilience of the distribution infrastructure.

Users connected to the electricity grid supplied under the enhanced protection scheme (just under 700 customers) were switched to Alperia Smart Services Srl, with effect from 1 January 2023, as the latter is a sales company, already carrying out the aforementioned service, and connected at corporate level with the distribution company Edyna Srl.

The business unit lease agreement is for 5 years and is therefore valid until 31 December 2027 and will be renewed for a further 3 years, unless one of the parties notifies the other party – at least 3 months before the expiry date – that it does not intend renewing the aforementioned agreement.

The amount for the business unit lease is approximately Euro 123 thousand for 2023 and will be adjusted – year by year – according to contract provisions.

Finally, it should be noted that discussions with Terna Spa had been started in 2021 to explore the issue of a possible sale of the shares held by the parent company in Edyna Transmission Srl, owner of a portion of the electricity transmission grid (RTN).

In this regard, it is recalled that Legislative Decree no. 93/2011 establishes that the transmission and dispatching of electricity is overseen by the State and carried out under concession by Terna, which operates as transmission system operator pursuant to Legislative Decree no. 79/1999.

In order to improve the safety and efficient functioning of the national electricity transmission grid, ARERA established mechanisms aimed at promoting the complete unification of the grid.

More specifically, ARERA envisaged – on the one hand – the disbursement of a one-off bonus for asset acquisitions taking place before the end of 2022 and – on the other hand – the downwards revision of the remuneration of costs relating to the networks of owners of portions of the national transmission grid, in particular, of owners other than Terna.

Edyna Transmission Srl was the last operator in Italy to own a portion of the national transmission grid, made up of high voltage lines and electrical substations. In fact, over the last few years, Terna had purchased portions of the NTG from various operators.

For these reasons, the parent company Alperia signed an agreement with Terna on 29 December 2022 for the sale of 100% of the shares of Edyna Transmission Srl, not without having previously agreed with Terna an appropriate collaboration with the local distributor Edyna Srl and a commitment to make investments in the area.

The total value of the operation is equal to just under Euro 14 million, to which the value of the net financial position and net working capital existing at the closing date will be added/subtracted.

The sale of the shares is subject to certain conditions precedent being met; as regards the so-called *golden power*, this means that the Coordination Group of the Prime Minister's Office, on the proposal of the Ministry of Economy and Finance, the administration responsible for the preliminary investigation, after consulting with the Ministry of the Environment and Energy Security, responsible for the matter, resolved on 18 January 2023 to not exercise the special powers " ...... *as there is no information of a threat of serious harm to the national interest*".

The deadline for stipulating the share disposal contract is 30 September 2023.

2023-2027 Business Plan and Vision 2031

The Management Board and the Supervisory Board of Alperia Spa approved the 2023-27 Business Plan and Vision 2031 respectively on 27 October 2022 and 2 December 2022. Vision 2031 is the new Strategic Plan of the Alperia Group which summarizes the visions of

Management, the Boards and shareholders and which will lead the Group to 2027 and 2031, combining sustainability objectives with the significant growth of all Business Units.

Alperia's Vision is based on 2 goals: sustainability (with the goal of reaching Net Zero by 2040) and integrated positioning along the energy value chain. In summary, the 2023-27 Business Plan envisages:

- Euro 1 billion of total investments by 2027, with considerable focus on economic and social territorial impacts;
- EBITDA growth to over EUR 300 million in 2027;
- growth focused on energy transition and customers with the energy refurbishment of buildings for over Euro 450 million and the activation of over 400 energy communities by the end of the Plan;
- a reduction, compared to 2021, in CO2 emissions (Scope 1, 2 and 3) of 46% by 2027.

In more detail, the following growth priorities and initiatives have been planned for the individual BUs:

<u>Generation BU</u>

This is the Group's leading business unit in terms of margins and invested capital and represents the strength of the current business portfolio. Alperia is one of the major Italian hydroelectric power producers with 39 plants and over 1400 MW of capacity. At the end of 2024, 8 large-scale diversion concessions for a total of 440 MW will expire.

The Plan covers the following activities and strategic priorities:

- a task force to renew the 8 expiring concessions;
- confirmation of the Capacity Market also for 2024;

- growth for new hydropower plants following new tenders for the large-scale diversion of hydroelectric power in 2024.

Networks BU

The Alperia Group's electricity distribution network is over 8,700 km long (high, medium and low voltage) and distributes over 2.5 TWh. Edyna, the Group's distribution company is one of the first operators to have introduced new generation meters in Italy.

In particular, the Business Plan provides for:

- the installation of over 260,000 new generation electricity meters, completing the release plan in all areas served;
- the completion of the voltage unification process;
- ongoing investments to ensure network resilience, and increase the quality and continuity of the electrical service;
- consolidation and integration of the Bolzano and Merano network;
- upgrading of the network in relation to the 2026 Olympic and Paralympic Games.

Sales and Trading BU

Alperia is enabling new business models to communicate with customers through digital channels and revisiting the role of physical channels.

In particular, the Business Plan provides for:

- a significant growth in the customer base (+270 thousand), both through organic growth and growth through acquisitions;
- the development of an omnichannel network, continuing territorial reinforcement;
- the development of the asset management portfolio for non-owned plants;
- the development of further Trading and Demand Response services;
- a proposal for new "on the shelf" power and gas offers that are only 100% green.

Heat and Services BU

Alperia operates 7 district heating plants in South Tyrol, including plants in the cities of Bolzano and Merano. The development of a network of more than 125 km guarantees the supply of a quarter of the thermal energy produced in South Tyrol. Alperia Ecoplus is one of the major national operators with approximately 217 GWht produced and distributed.

The strategic priorities for the BU will focus on:

- continuing the development of district heating in Bolzano;
- improving Merano's energy mix;
- the construction of 6 new plants, 3 of which biomass;
- the consolidation of other district heating plant operators;
- the construction of a cooling plant in Bolzano.

BU Smart Region

This is the Group BU that promotes energy transition through high-tech solutions and applications for companies, cities and citizens, strengthening its position in industries, SMEs, condominiums, the Public Administration and healthcare. Important initiatives are being developed to supply an offer at the forefront of market trends. Domestic efficiency incentives (e.g., the 110% Superbonus tax relief scheme) have already generated considerable market returns with significant growth in the portfolio of opportunities. The roles of Neogy, the primary national operator in electric mobility for public charging points, and of Care4u, which is active in Smart Health solutions, are also important.

In particular, the BU will focus on the following initiatives:

- building efficiency improvements (including thermal insulation);
- growth of the business linked to the Public Administration, with the PPP model (hospitals, airports, trade fairs, municipalities, rest homes, residential building associations);
- innovative energy efficiency solutions based on algorithms, data analysis and artificial intelligence;
- continuation of the development of Smart Health and Smart City solutions;
- being a reference player on the Italian market in the management of photovoltaics, capable of ranging from the residential to the industrial sector;
- continuing the development of sustainable mobility (electric and hydrogen) both for the infrastructure of the territory and for the development of innovative commercial solutions;
- being a benchmark operator in the area for the development of distributed self-consumption solutions – Energy communities;
- providing support for the construction of biomethane production plants.

Sustainability plan

On 19 May 2022, the Management Board of Alperia Spa approved the Group's 2022-2027 sustainability plan, which represents the continuation, without interruption, of the previous 2017-2021 sustainability plan.

The goals of the new plan, totalling approximately 160, have been associated with the following five relevant areas of action, which bring together the material topics and the ten priority SDGs (Sustainable Development Goals) of the Group:

- Governance & Resilience (the following topics were identified: Integrated governance and good business conduct, economic development and business model resilience, supply security and accessibility, asset integrity, innovation, digitization, research and development, cyber security & data protection);
- Customers (sustainable energy products and services, customer satisfaction);
- Green Mission (water, energy, emissions);
- Territory (added value for the territory, supply chain);
- People (health and safety at work, employee involvement and development, diversity and equal opportunities).

Consolidating credit lines

On 3 November 2022, the parent company Alperia Spa obtained a loan of Euro 1,400 million from a pool of banks; more than 20% of the total loan was also underwritten by two local banks - Cassa di Risparmio di Bolzano Spa and Cassa Centrale Raiffeisen dell'Alto Adige Spa.

The complex transaction involved the disbursement of several credit lines, aimed, among others, at refinancing existing short-term debt (between December 2021 and May 2022 several loans were underwritten with various banks) and at obtaining the financial resources necessary to meet the Group's cash needs.

In more detail, the following lines were obtained:

- a Bridge to Bond line for Euro 480 million with a maturity of 12 months from the stipulation date with two extension options of six months each (i.e. 12 months + 6 months + 6 months);
- a Term Loan of Euro 440 million, secured in part (80%) by the SupportItalia guarantee issued by SACE Spa pursuant to the so-called Aid Decree, maturing 30 September 2024; the Parent Company is considering the early repayment of part of the aforementioned line;
- a Revolving Credit Facility (RCF) line of Euro 480 million with a 36-month maturity.

The loan was drawn down partially, for Euro 1.186 million; at 31 December 2022, the Bridge to Bond and Term Loan lines were fully drawn, while the RCF line was unused.

This complex debt reorganization and capital structure strengthening transaction enabled Alperia to significantly increase the Group's liquidity profiles; at times of such high volatility, as recorded in 2022, it was considered essential to acquire new credit lines to deal with the uncertain situation of the energy market.

During 2023, Alperia Spa intends replacing the Bridge to Bond line with the issue of bonds, in order to extend the average maturity of its funding sources on the one hand, and rebalance these sources between fixed and variable rates, on the other hand.

Confirmation of Alperia's BBB rating

On 15 December 2022, Fitch Ratings confirmed Alperia Spa's long-term rating of BBB, but revised its outlook from "stable" to "negative".

The confirmation of the rating takes into account the update of the 2023-2027 business plan and the Vision 2031 plan, approved by the competent corporate bodies, which have redefined strategic priorities and the financial policy.

As already briefly mentioned above, in 2022 the continuation of geopolitical tensions and consequent negative market scenario added to the remarkably low level of rain and snowfall: the effects, similar for all energy operators, led to an increase in working capital and a consequent increase in financial debt which led the rating agency to revise its outlook.

In any case, Fitch considers the Group's liquidity adequate, also thanks to the structural operation to consolidate its credit lines, which took place at the beginning of November 2021, enabling it to reach 2023 and 2024 without any financial stress.

Alperia is assessed on a "standalone" basis, but the presence of the reference shareholder, the Autonomous Province of Bolzano, is considered positive for the Group's overall business profile.

Accidents at work, certifications

12 accidents occurred in 2022, which is a best performance for Alperia, since it was founded.

The Alperia Group has always maintained a high level of attention paid to health and safety in the workplace. It should be noted that the extraordinary initiatives for greater worker protection, in addition to the measures required by the law implemented to manage the COVID-19 emergency have ended.

As regards certification, during 2022, maintenance and – in some cases – renewal audits were conducted at various Group companies for ISO 9001, 14001, 27001, 45001 and EMAS.

As part of the Group's digitization project, the migration to the new IT system also continued for HSE processes, enabling important improvements in terms of synergies between the various positions involved.

Between August and September 2022, Alperia Greenpower Srl and Alperia Ecoplus Srl obtained ISO 50001:2018 certification for the Ponte Gardena hydroelectric plant and for the Bolzano district heating plant respectively. ISO 50001 certifies the creation of an energy management system, which has the objective of continually improving energy performance.

In October 2022, the certification process for the energy produced in 2021 by the Cardano, Lana, San Pancrazio and Santa Valburga plants was successfully completed based on the Generation EE standard of TÜV SÜD. The company that operates these hydropower plants, Alperia Greenpower Srl, is therefore able to give greater value to the energy produced. In fact, the certification in question is a supplementary guarantee for the issue of guarantees of origin by GSE.

Research and innovation

As stated previously, the Alperia Group has a strong focus on the development of innovative products and services to offer to customers, in order to transition from a commodity-based model to a service-based model.

In this context, it should be noted that the fourth edition of "*Alperia Startup Factory"* started on 8 November 2021, focused on the following topics: Hybrid customer engagement, Smart Region, Energy communities, CO2 Quotas, Corporate wellbeing.

After an initial selection process, the best ideas were presented at the *Innovation Camp* in January 2022. The most promising projects were then chosen by a jury to for the proof of concept phase, which ran from February 2022, ending in early June with the Demo Day.

The four finalist teams, made up of Group employees and students from Bolzano University, were accompanied by consultants from Gellify (a rapidly growing innovation platform that connects high-tech start-ups with traditional companies), the Innovation Managers of Alperia as well as the University itself.

Below is a brief description of the project finalists:

- Alperia Metaverse: as a team intrapreneur without the involvement of an external start-up, the team worked on the future of customer interaction, the Alperia Metaverse: a platform that will make it possible to trace one's ecological footprint in the digital world;
- Flowtech: the team, with the collaboration of the start-up Flowtech, focused on human emotions: a patented algorithm uses artificial intelligence to analyse customer perceptions based on incoming emails, in order to draw conclusions about needs and behaviours in real time;

- Eggup: the team, with the collaboration of the start-up Eggup, has adapted a software-as-a-service (SaaS) platform to efficiently use the valuable information regarding the soft skills and personalities of Alperia employees in order to optimize organizational development, training and even new hires;

- Eurac research: together with Eurac researchers, the team worked on a tool aimed at citizens that encourages their participation in energy communities, taking into account existing regulations and Alperia *MyHome* products.

On the occasion of the Demo Day held on 9 June 2022, the jury awarded first place to the Alperia Metaverse project for its high technological value and originality; the other teams also convinced the jury, which therefore decided for the work to be continued to see the future developments of the other projects.

On 20 May 2022, the results of the IDEE project (Data Integration for Energy Efficiency for Public Administrations) were presented at the town hall of Merano. The Bolzano-based company R3GIS, the Alperia Group and the Faculty of Computer Science and Technology of the Libera Università University of Bolzano, together with the Municipality of Merano, which acted as a pilot Municipality, have been working on the project for two years.

The aim of the project has been to develop an innovative digital tool capable of giving concrete support to Public Administrations in defining energy efficiency strategies and in pursuing environmental objectives, such as reducing energy consumption and reducing greenhouse gas emissions. The system has been developed based on the circumstances of the Municipality of Merano, thus taking into account sources of information useful for energy efficiency policies relating to this town and normally available to any other Public Administration, with the aim of being replicable and adaptable to other municipalities.

Thanks to innovative IT technologies, the developed system gathers and integrates information in a structured way, including the consumption of electricity, gas and district heating, collected from multiple databases and makes it accessible in an intuitive way. Thus it is possible for local administrations to identify, for example, particularly energy-intensive buildings to plan targeted actions, or identify the most suitable buildings for the installation of photovoltaic systems. In addition, the system will be able to process the information by providing maps and charts, and comparing data on a time line, which is particularly important for monitoring the results of initiatives taken.

The project was financed by the Autonomous Province of Bolzano under the European Fund for Regional Development (ERDF).

On 28 June 2022, Alperia Spa, along with another 44 innovation winners, received the National Award for Innovation "*Premio dei Premi*", for the "Industry and Services - Large Enterprises" sector, coordinated by the COTEC Foundation, by concession of the President of the Republic. The award ceremony was held in Rome, at the conference hall of the National Research Council,

This Award is given annually to subjects operating in industry, design, the tertiary sector, the public administration sector and universities, who have distinguished themselves for the originality of the innovations they have developed in relation to products, processes and business models.

The awarded innovations were selected by the main business and professional associations in the industry, handicraft and tertiary sectors, as well as by large Italian industrial groups, by the Ministry of Education and the Department of Public Administration.

Alperia winner of the Top Utility award

Alperia was honoured at the tenth edition of the Top Utility award, which took place on 24 February 2022. The event was promoted by Althesys (an independent professional company specialising in strategic consultancy and knowledge development) in association with, among others, Utilitalia and involved the 100 biggest energy, water, gas and waste companies.

Alperia was proclaimed the winner in the Operational Performance category "for the high quality standards achieved in operational management thanks to the production and distribution of energy operated with respect for the natural environment in a sensitive area and in synergy with local communities".

The award demonstrates the Alperia Group's strong responsibility in operating in the local area, while fully respecting environmental sustainability.

Assignment of the legality rating for Alperia

At its session of 1 March 2022, the Antitrust Authority examined the application for the legality rating submitted by Alperia Spa in mid-January 2022. On the basis of the declarations made and the outcome of the assessments carried out, the Authority decided to award the parent company the legality rating with the following score: ★★+.

As is known, the legality rating is a synthetic indicator of compliance with high standards of legality by companies that have applied for this rating. This recognition takes the form of a score between a minimum of one and a maximum of three "stars".

The legality rating is valid for two years after issue and is renewable on request.

Alperia Spa was therefore included in the specific list kept by the Authority.

Mentoring Project

In mid-June 2022, the Mentoring project, which began in October 2021 and was implemented for the first time in Alperia, came to an end. This initiative, attended by 30 staff members from the Group, took the form of a series of regular monthly meetings between managers (mentors) and young key positions/managers (mentees). During these meetings, the mentors and mentees learned new ways of thinking and behaving, passing on their experiences and boosting their growth paths.

Some mentees were selected on the basis of the results of the Talent management project evaluation, others were selected for their key position in different companies. The mentors were chosen from managers and from so-called pillars of the Group.

The mentors and mentees exchanged ideas on various topics, such as leadership, negotiation, communication, assertiveness, work-life-balance, career planning, networking, managing challenges and broadening professional knowledge.

The project was supported by the Hermes agency: each pair of participants was assigned a Hermes coach/mediator who could be asked for support at any time.

Process taxonomy

In the first half of 2022, the Group worked to create a process taxonomy, meaning a single, shared and clear list of company processes.

The objective was to identify what the business processes are for each company and the respective process owners, providing a uniform and unambiguous structure, which must also be observed in the future when producing procedures/regulations/operating instructions.

So far, the taxonomy has been created for the following Alperia Group companies:

- Alperia SpA
- Alperia Greenpower Srl
- Alperia Trading Srl
- Edyna Srl

with the prospect of extending it to other companies in the future.

Construction of the new headquarters in Merano

Having obtained the second and final version of the working project in June 2021, from the joint venture that won the competition in which more than 50 local, national and international teams participated (headed by Studio Cecchetto e Associati of Venice), and having received in July 2021 a positive assessment of the working project from the company ICMQ of Milan, Alperia Spa – as central purchasing body for the procedure in question, acting on behalf of Edyna Srl – published on 23 July 2021 the European call for tenders for the construction of the new headquarters in Merano. A deadline of 22 October 2021 was set for the receipt of offers, which was then extended to 9 November 2021. Considering the circumstance that a participant in the tender filed an appeal with the Bolzano TAR for having been excluded during the evaluation of the offers, the award of the tender only took place in October 2022. The construction site is scheduled to start up in March/April 2023, while the works will end in spring/summer 2025.

The two buildings, consisting of offices, technical areas and warehouses, have been designed to accommodate around 300 employees of the various Group companies.

Particular attention has been paid to the buildings' energy efficiency, aiming for the highest level of energy certification (according to international standards such as *LEED Platinum* or *Gold and* national standards such as CasaClima). Alperia's certification aimed at the wellbeing of employees who will work at the new headquarters is also very important (international WELL and CasaClima Work & Life certifications), as well as aspects such as the sustainability of buildings, domotics and smart living solutions, the flexibility of the environments and the integration of the new structure in the urban context of the town of Merano with ample space dedicated to green areas.

The new location will be in Via Scuderie, near the hippodrome and the Maia Bassa railway station.

Renovation of the Lasa plant and new control unit at Tel

The renovation of the Lasa plant built in the 1950s is an important initiative, with main activities including: the replacement of penstock, extraordinary maintenance of the diversion tunnel, the replacement of the alternator, the replacement of penstock butterfly valves, the replacement of unit rotary valves, the replacement of the unit hydraulic system, the rebuilding of the unit cooling system, the replacement of the main unit transformer, the rebuilding of plant automation, the complete rebuilding of electrical installations, the rebuilding of the electrical station.

Thanks to these important measures, carried out during 2021/2022, the Lasa hydroelectric plant is now once again in step with technological developments and, with its new characteristics, is ready to face the challenges associated with grid regulation and stability, thus contributing to the energy transition.

The total investment was equal to approximately Euro 40 million, of which Euro 24 million was dedicated to the installation of the new underground penstock 2,281 meters long, and will benefit from Capacity Market incentives, referring to the “new capacity” for 2023, which will span a 15-year period.

As far as Tel is concerned, the construction of the new ecological outflow station at the intake was completed. This new plant is now able to turbine ecological outflows using the difference in height between the intake and the Tel gorge. The aim of the plant is to optimise and reuse water resources, while at the same time maintaining the ecological integrity of the Adige river downstream of the Tel crossing.

Work began in February 2020 and the new unit was commissioned in April 2022. The plant has an average annual production of 2.8 GWh and contributes to increasing the productivity rate of the Tel hydroelectric concession by about 2.5%, to a total annual rate of 117 GWh.

Project management, design and works supervision were overseen by Alperia’s Engineering & Consulting department.

Electricity distribution network

In 2022, a strong push was made to build new plants in the high-voltage (Euro 10.7 million investment), medium-voltage (Euro 22 million) and low-voltage (Euro 9.5 million) networks.

As its main technical response to resolving interruptions on medium voltage lines, Edyna Srl increased the laying of MV underground cables, with the percentage of underground lines out of the total number of MV lines going up from 58% at the end of 2017 to 70% at the end of 2022.

As regards the upgrading of plants, in the period from 2019 to 2022, nominal power at the primary plants was increased, from 1,319 MVA at the end of 2018 to 2,516 MVA at the end of 2022.

As regards the grid integration project with voltage unification at 20 kV, the expected duration of which spans approximately 7 years (July 2019 - December 2025), the following objectives had been achieved at 31 December 2022, with respect to the draft plan:

- upgrading of medium voltage lines: 82.70%;

- change of transformers: 38.48%.

As regards the PMS2 Smart Meter project, almost 50,000 2G meters were installed in 2022, most of them in the Municipality of Bolzano and in 6 other Municipalities in South Tyrol. Considering the massive installations in 2020 and 2021 as well, over 100 thousand new generation meters have been installed (equal to 47% of the meter fleet), thus confirming alignment with the planning approved by ARERA.

During 2023, around 68,000 meters will be covered in the cities of Merano and Laives.

Commercial and trading activity

Today, the Group is in a context where issues relating to energy transition and decarbonisation are the driving forces of the next decade in the Energy & Utilities sector, creating unprecedented opportunities for multi-utility players such as Alperia.

Furthermore, the highly dynamic and globalized overall framework considers technological and digital innovation and environmental, social and governance responsibility as its main all-encompassing macro-trends.

The profound changes the market is facing and the awareness that these phenomena are structural and long-lasting require operators to adopt a long-term mindset, in order to capture their value and build a leadership position.

The Alperia Group has confirmed its commitment to having an increasingly far-reaching commercial presence in South Tyrol: on 3 October 2022, the new Energy Point was opened at Varna inside the Maxi Mode Shopping Center (near Bressanone); this new store is the third to open in South Tyrol, after the stores at the Twenty shopping centre in Bolzano and the ALGO shopping centre in Lagundo (Merano).

Meeting the needs of South Tyrol's domestic customers faced with the extraordinary high level of electricity prices, Alperia Smart Services Srl - after proposing a fixed price offer called "Alperia Smile Bonus", in 2021, valid for 12 months starting from the activation date (with a take-up of around 40,000 customers) - proposed a new offer called "Alperia Eco" in June 2022. This offer was for South Tyrol customers for their own homes and envisaged the application of a significantly reduced fixed price for two years on an annual quantity of 1,500 kWh and a variable price anchored to the PUN on the excess amount.

To give all citizens the chance to find out about the energy market situation, understand how to defend themselves against price increases (also thanks to the aforementioned new offer) and how to experience energy in a more sustainable way, the Group organized its "Alperia Energy Days" in some Municipalities of South Tyrol – starting from October 2022 – holding an informative evening as well as a full day dedicated to bespoke consultancy.

On 7 December 2022, the Alperia Group – together with Südtiroler Wirtschaftsring – Economia Alto Adige (SWR-EA) and Rete Economia – Wirtschaftsnetz – presented the "Alperia Eco Business" offer, which gives companies based in South Tyrol, and members of one of the two aforementioned associations, the option of purchasing 1,000 kWh per month at a fixed price which is considerably lower than the market price, with the application of a variable price anchored to the PUN on the excess quantity.

The previous framework agreement with Südtiroler Wirtschaftsring – Economia Alto Adige and Economia Network – Wirtschaftsnetz, providing for the application of a discounted variable price, has remained in force, so each company can choose the most advantageous product based on its consumption profile.

In line with Alperia's sustainable business strategy, all "Alperia Eco Business" customers receive 100% green energy.

For domestic customers with a contract on the free market, with dependent children under the age of 24, Alperia has instead offered a family bonus worth Euro 300, which is disbursed in three instalments directly in electricity bills; the bonus can be requested by 30 June 2023.

Finally, Alperia has extended its advantageous "Alperia Eco" offer, which can now be subscribed until 30 June 2023; by mid-February 2023, around 66 thousand customers had taken up the offer.

The important measures adopted by Alperia demonstrate the Group's support for South Tyrol and are intended to make a concrete contribution to strengthening the economy and helping families, particularly affected by high electricity prices.

As for gas, with procurement that became increasingly difficult in the second half of 2022, Alperia Trading Srl successfully participated in the auction for the sale of storage gas called by GSE on 22 November 2022. Alperia Trading Srl was awarded a lot for a quantity of approximately 20 million m3 for the period from December 2022 to March 2023.

In December 2022, the same company was also awarded two lots in the auction held by SNAM for the sale of gas stored at STOGIT Spa, with a quantity of approximately 40 million m^3 for the period from January 2023 to March 2023.

Thanks also to the acquisition of these lots, the Alperia Group was able to manage the supply of gas to end customers in the winter of 2022/2023 with greater peace of mind.

Capacity Market 2024

On 21 February 2022, the capacity market auction for the 2024 delivery year took place. With regard to national capacity, 34.2 GW of existing capacity, 1.5 GW of authorised new capacity and 2.3 GW of unauthorised new capacity were allocated. The valuation premium was, in all national areas, Euro 33 thousand/MW/year for existing capacity and Euro 70 thousand/MW/year for newly authorised capacity; for new, unauthorised capacity, the valuation premium was – for the Northern zone – about Euro 48 thousand/MW/year.

Alperia Trading Srl, taking part in the auction with the Group's own plants, was awarded 632 MW of existing capacity, corresponding to revenues of Euro 20.8 million. It was also awarded

22 MW of new unauthorised capacity related to the refurbishment of the San Pancrazio plant, which corresponds to revenues of Euro 15.8 million spread over a 15-year period.

District heating

Bolzano's district heating is in continuous development: during the second part of June 2022, work began on the new phase of expanding the network in via Palermo. The works, carried out in two separate lots, were completed by September 2022. The further expansion will make it possible to connect a significantly greater number of public and private buildings to district heating and to use the waste heat from the Bolzano waste-to-energy plant even more efficiently. In this way it will be possible to further reduce the consumption of fossil energy sources and CO_2 emissions in the South Tyrol capital.

An additional third lot will be completed in 2023 and will see the network expand along via Dalmazia as far as via Rovigo and viale Europa.

The 2022 expansion programme also covered via Amba Alagi, via Orazio, corso Italia, via Novacella, via Capri, via Ischia, via Lancia and via Avogadro.

As regards the district heating in Merano, the new biomass plant, located in southern Merano near the helipad, began to operate on a temporary basis in February 2022, and was then commissioned in full.

The plant, with a capacity of 8 MW and an annual output of 27 GWht, will cover about 30% of the thermal energy needs of Merano's district heating network, thus saving 3 million cubic metres of methane gas per year and avoiding carbon dioxide emissions of 5,800 tonnes.

In November 2021, Alperia Ecoplus submitted a definitive proposal for a Public Private Partnership (PPP), to supply energy carriers (steam, hot water, electricity) for the S. Maurizio Hospital of Bolzano, to the South Tyrol Health Authority and the Agency for procedures and supervision of public contracts for works, services and supplies of the Autonomous Province of Bolzano. The construction of a cogeneration plant within an area already owned by Alperia Ecoplus is functional to this supply.

The latter obtained – with a resolution of the Director General of the South Tyrol Health Authority dated 11 January 2022 – the declaration of feasibility pursuant to Article 183, paragraph 15 of Legislative Decree no. 50/2016 (Public Contracts Code). This resolution appointed the Sole Project Manager to start the subsequent phases envisaged by the aforementioned Article 183, paragraph 15, comprising the call of the related tender, with Alperia Ecoplus acting in any case as the proposer.

The tender, the value of which – divided over 25 years – is equal to approximately Euro 85.5 million, took place in October/November 2022 and was awarded – on 9 January 2023 – to the aforementioned company of the Alperia group.

Alperia Green Future Srl

On the subject of PPPs, it should be noted that at the end of December 2021, the local Agency for Residential Building (ATER) in the Province of Verona announced it had declared the feasibility of the proposal submitted by Alperia Bartucci Srl (now Alperia Green Future Srl), in a joint venture with Egea Produzioni e Teleriscaldamento Srl of Alba (Cuneo), aimed at upgrading and improving the energy efficiency of ATER's buildings through the use of tax incentives under the so-called 110% Superbonus tax relief scheme.

The proposal, submitted at the beginning of August 2021, was subsequently revised and supplemented in the following months, and then approved with various expressions of interest received by ATER. The planned investment is equal to approximately Euro 41.8 million and the works will be carried out during 2023, followed by the management of the redeveloped properties for a further 7 years.

In 2022, the tender was held by open procedure and awarded – on 12 December 2022 – to the proposer.

Sustainable mobility

In 2022, Neogy Srl was awarded the tender called by the Municipality of Merano for the installation of 19 charging stations open to anyone, which will be placed in some strategic points around the town; of the 19 stations planned, three will be ultrafast hyperchargers and two will be fast-type chargers: these will be placed near the Maia Bassa railway where, adding to an existing station, they will complete a hub capable of recharging 12 vehicles at the same time.

The company intends taking part in other tenders for the installation and management of charging stations that may be called. In this regard, the Minister of the Environment and Energy Security issued two decrees dated 12 January 2023, setting out the criteria and methods for granting non-repayable benefits envisaged by the PNRR, in order to incentivise the construction, over the next three years, in urban centres, of at least 13,755 fast charging infrastructures with at least 90 kW of power and, on dual carriageways, at least 7,500 super-fast charging infrastructures with at least 175 kW. The funding will be disbursed as a capital grant for an amount not exceeding 40% of eligible expenses.

To support the "growth spurt" the company intends pursuing at national level, the current two shareholders of Neogy (Alperia and Dolomiti Energia Holding) will open up their capital to both international and Italian infrastructure funds, dedicated to energy transition and sustainable mobility, while maintaining control of the company. In early February 2023, the related teaser prepared with the help of Mediobanca, the transaction's financial advisor, was shared with various potential interested parties, with the aim of having the transaction signed by June 2023.

Energy communities

One of Alperia's main objectives has always been to actively contribute to the creation of an increasingly efficient and intelligent energy system, which – in addition to supporting the energy transition – brings significant added value to the province.

In times of climate crisis and rising energy costs, renewable energy communities can certainly make an important contribution to this approach, also by promoting the sustainable development of South Tyrol.

Renewable energy communities promote solidarity for the economy, encouraging the diffusion of renewable energy production plants and favouring the virtuous social effects that this model encourages, through active collaboration between members of the communities themselves for the purpose of collective self-consumption.

In addition, renewable energy communities represent a model with high added value in order to achieve the Alperia Group's sustainability objectives, since – in addition to contributing to the stability of the electricity system – they actively help reduce the use of fossil sources for energy purposes, also through decreasing network losses.

It is with this goal in mind that Alperia Spa, Federazione Cooperative Raiffeisen Soc. coop. and Regalgrid Europe Srl signed a memorandum of understanding on 9 March 2022 for the creation of pilot projects of cooperative energy communities in the Autonomous Province of Bolzano. Since December 2022 – with the signing of an exclusive planning agreement for the next five years in South Tyrol – the three organizations have intensified their partnership and expanded the promotion of cooperative and other types of energy communities, also at national level.

According to these agreements, the partnership will entail the development and implementation of an initial pilot project for a cooperative energy community, which will then jointly promote, on the basis of experience gained, the establishment of the largest possible number of energy communities in the 116 municipalities of South Tyrol.

The first pilot projects – one for each type of community in relation to the type of connection of the various Municipalities to the primary distribution stations – concerned the Municipality of Postal, the Municipality of Cermes and the Bassa Atesina (Municipalities of Salorno, Cortaccia, Magrè and Cortina all'Adige). Over 30 local administrations have already expressed active interest in the development model for renewable energy communities promoted by Alperia, Federazione Cooperative Raiffeisen and Regalgrid Europe, while some of them have already taken steps to officially approve the creation and direct participation in a renewable energy community developed on their territory according to the proposed model, extended to all subjects who intend to be part of it.

Subsequent events

Sector overview

On 23 January 2023, the European Commission launched a public consultation, which lasted until 13 February, on the reform of the European Union's electricity market design. This reform aims to better protect consumers from excessive price volatility, to support their access to safe and clean forms of energy and to make the market more resilient.

The Commission recalled that the current system has provided an efficient and well-integrated market for many years, allowing the EU to reap the economic benefits of a single energy market, ensuring security of supply and encouraging the decarbonisation process. However, the system has also exhibited some shortcomings, mainly high, volatile electricity prices and the associated economic burden that has been passed on to the final consumers. Hence the need for a reform to better protect households and businesses from high energy prices, to increase resilience and to accelerate the transition foreseen by the European Green Deal and the REPowerEU plan.

In mid-March 2023, the Commission presented a proposal for a Community regulation which, however, turned out to be less ambitious than expected: in fact, the decoupling of the price of electricity from gas, which was discussed so much during 2022, is not contemplated.

In particular, the proposal introduces measures to incentivize longer-term contracts (PPAs) with the production of non-fossil energy and to introduce cleaner and more flexible solutions to compete with gas; in this way the impact of fossil fuels on consumers' electricity bills will be reduced, conversely increasing the impact of less expensive renewables.

The Commission has also proposed the use of contracts by difference, or two-way contracts, with a price guaranteed by the State. Based on this mechanism, the electricity producer must repay the profit obtained if the spot price is higher than the agreed one, but is compensated in the opposite case.

Hydrogen production

On 6 March 2023, the competent bodies of Alperia Spa approved the participation of the parent company in the public tender called by the Autonomous Province of Bolzano with resolution dated 31 January 2023 for the presentation of project proposals for the construction of renewable hydrogen production plants in abandoned industrial areas.

The Province has been identified as the delegated body for the South Tyrol, for the implementation of the projects in question within the PNRR. In this regard, a specific agreement was signed between the MASE and the aforementioned Province pursuant to the MITE decree of 21 October 2022, no. 463. The financial resources assigned to the Autonomous Province of Bolzano amount to Euro 14 million; grants of up to 100% of the eligible costs have been earmarked.

Alperia is participating in this tender together with another local company.

The Provincial Council of Bolzano, with resolution no. 611 of 30 August 2022 approved the "Brenner Green Corridor" project which provides, in particular, for the following measures:

- an increase in the current production of hydrogen for road transport or other civil and industrial uses through the construction of new production plants powered by renewable energy along the Brenner green corridor and in main urban centres;
- the construction of new filling stations;

- the development of a hydrogen logistics and distribution system that guarantees the transport and supply of hydrogen from the new production plants to the filling stations in the area;
- the expansion of the hydrogen-powered bus fleet.

The project in question envisages the participation of local partners operating in the local public transport sector (STA Strutture Trasporto Alto Adige Spa and SASA - Società Autobus Servizi d'Area Spa), the environment (Eco Center Spa), energy (Alperia Spa) as well as IIT (Institute for Technological Innovations Bolzano Società Consortile arl).

Litigation and contingent liabilities

With respect to the disputes and potential liabilities reported in the Consolidated Financial Statements at 31 December 2021, the following should be noted.

Contingent liabilities in relation to extraordinary transactions

With regard to the dispute between the Parent Company and Edison SpA (Edison), the latter – see comments in previous financial statements – filed claims with Alperia SpA (Alperia) at the end of 2016 for a contract signed on 25 January 2016 for the purchase and sale of shares in Cellina Energy Srl (as later amended and supplemented by the addendum dated 31 May 2016), in connection with alleged liabilities concerning plants owned by Cellina Energy Srl; Alperia promptly replied and challenged those claims, but prudently set aside a special risk provision for a part of the claims.

Alperia in turn filed claims for compensation against A2A SpA (A2A), alleging liabilities – almost entirely the same as those reported by Edison – incurred in connection with the same plants covered by the framework agreement entered into on 26 October 2015 between SEL SpA (now Alperia SpA) and A2A and, as far as their respective areas of responsibility are concerned, between Cellina Energy SpA and Edipower SpA. These claims were identified and disputed by A2A under the terms of the framework agreement.

As regards the payment by Edison of the residual price for the sale of Cellina Energy Srl (Euro 25 million – Deferred Price Guarantee), Alperia collected the payment of approximately Euro 19.3 million from Edison in July 2017; the latter partially offset the aforesaid amount of Euro 25 million with the amount it considered due to it for the aforesaid alleged liabilities relative to the Cellina plants. Alperia SpA does not accept the above liabilities, but took them into account, on a prudential basis, in the preparation of the financial statements at 31 December 2016.

In the arbitration case requested by Edison before the Milan Chamber of Arbitration, Edison requested that Alperia be ordered to pay the amount of Euro 27 million allegedly due as "compensation" under the guarantees provided by the contract (however, Euro 5.743 million must be deducted from this amount, which Edison has already deducted from the amount due and paid to Alperia, as the price at which it purchased and sold the shares in Cellina Energy Srl). Alperia joined the proceedings contesting in full, both the merit of the petition and the amount of damages claimed, Edison's claims for damages and, in turn, counterclaiming that Edison be ordered to pay the amount due as an adjustment to the base price pursuant to the contract.

At the first hearing of 28 January 2019, the Arbitration Board, after granting deadlines for the filing of explanatory briefs and rejoinders, set a hearing for 24 July 2019 in the presence of the parties for an attempt at a settlement.

With the first brief, Edison updated its claim to a total of Euro 23.299 million, in addition to the Euro 5.743 million already withheld as compensation, specifying its grievances. Alperia replied, specifically stating its objections and relative preliminary statements for each single grievance of Edison and to further contest Edison's assumptions concerning alleged breaches of contract obligations and guarantees, challenging further claims put by Edison and also filing its own counterclaim. Respective replies were then filed, with amendments and additions to the issues and petitions, as well as preliminary statements and briefs.

The Arbitration Board granted a deadline until 31 October 2019 for the start of a possible settlement and, due to the negative outcome of negotiations, then postponed the deadlines until 15 November 2019 and 17 December 2019 respectively for the filing of respective briefs and rejoinders.

By order of 14 April 2020, the Arbitration Board requested an Expert Witness Report (CTU), formulating the related questions and allowing the parties to submit their own observations on the CTU's questions, also inviting them to verify the possibility of jointly indicating the Expert, reserving the right to take action as necessary. The observations made by the parties were discussed at the hearing of 14 September 2020, on the outcome of which, the Board, having ascertained the failure to agree with the possible joint appointment of the expert witness, after cancelling the previous conditions, with an order of 4 December 2020 defined the questions of the expert's report and appointed the expert, also with the possible appointment of an accounting/corporate expert. At the hearing of 22 January 2021, the expert witness accepted the assignment and the deadline for filing the report was set for 30 September 2021.

By order of 18 February 2021, the Board accepted the request for the appointment of an accounting expert witness, in order to assist the expert witness already appointed, in relation to the questions assigned to him, in assessing the economic and financial implications arising from the technical analysis. At the hearing of 30 March 2021, the accounting expert witness accepted the assignment and the parties confirmed the appointment of their own expert witnesses.

As a result of the expert witnesses' activities, the draft report was filed in November 2021, in relation to which the parties sent their observations to the expert witnesses on 31 January 2022.

On 5 April 2022, the final report was filed by the expert witnesses on the questions formulated by the Arbitration Board. Also in the light of the findings of the expert witness, the parties insisted on their respective preliminary requests in the briefs authorised by the Board, and reaffirmed at the hearing held on 18 May 2022.

With a subsequent order communicated to the parties on 14 October 2022, the Arbitration Board ordered a supplementary expert witness report in relation to complaints made by Edison regarding (i) the alleged "increases in future fees and surcharges", as well as the alleged non-payment of "past dues and surcharges" and (ii) the alleged extra costs associated with the abandoned sites of Malnisio, Giais and Partidor.

At the hearing of 4 November 2022, the Arbitration Board, having heard the parties, confirmed the questions relating to the expert witness report supplement and ordered the start of the expert's activities, also setting a deadline of 14 April 2023 for the conclusions, a deadline of 15 May 2023 for the closing brief and of 14 June 2023 for the rejoinder. After also carrying out an on-site inspection, the expert witnesses filed their draft report on 1 March 2023, in relation to which the defendant's expert had a deadline of 15 March 2023 to submit own observations, with a deadline of 31 March 2023 to file the final report supplementing the expert witness report.

The deadline for filing the award has been extended to 16 October 2023.

With reference to the aforementioned request for arbitration of 27 July 2018, the provision already allocated in the financial statements was supplemented by a further Euro 7,930 thousand, as a precautionary measure.

Tax Disputes

With regard to ICI, IMU and IMI (local municipality taxes), after Alperia Spa and Alperia Greenpower Srl lodged the necessary appeals, both with respect to SE Hydropower Srl and as the successor to Hydros Srl, against the notices of assessment for higher taxes on the registration of hydropower plants, after the completion of pending proceedings, a settlement was reached for the disputes with all municipalities concerned (Bressanone, Velturno, Brunico, Bolzano, Chiusa, Lagundo, Rasun-Anterselva, Valdaora, Villandro, Naz Sciaves, Perca, Predoi, Renon, Rio di Pusteria, Rodengo, San Candido, Sesto, Selva di Val Gardena, Selva dei Molini, Senales, Borgata Campo Tures, Sarentino, Ponte Gardena, Barbiano and Castelrotto).

Also with regard to IMI, disputes were lodged before the Tax Court of the First and Second Instance concerning the refusal of the reimbursement of the tax paid, on a prudential basis, by Alperia Greenpower Srl in relation to the "freely transferable assets" of the concession GS/2400, which – from 21 April 2015 – is held by another new concession holder. More specifically, for the corresponding portion of IMI 2015 and IMI 2016, an appeal had already been filed against the first instance sentence, while the first instance judgment for the year 2016 is pending.

With regard to the regional tax on production activities (IRAP), the Bolzano revenue agency challenged Alperia Greenpower Srl over the non-application of the increased IRAP rate provided for by Article 16, paragraph 1-bis, letter a) of Legislative Decree 446/1997 for "entities carrying out the activities of concession holders" and for the deduction of personnel costs, allegedly in breach of Article 11, paragraph 1, letter a) of Legislative Decree 446/1997, which for IRAP purposes was excluded until 2014 for "companies operating under concession and tariffs" in certain sectors.

The notice of assessment for the year 2014 of higher tax due for Euro 1,183,584 and the related administrative penalties of Euro 1,065,226, challenged by Alperia Greenpower Srl before the First Instance Tax Commission of Bolzano, First Section, was annulled by the First Instance Tax Commission of Bolzano, with ruling no. 118/2021, filed on 28 July 2021. The appeal filed by the Revenue Agency was rejected by the Second Instance Tax Court with ruling no. 79 of 18 November 2022, which thus confirmed the favourable decision of the first instance for Alperia Greenpower Srl.

The subsequent assessment notice for the year 2015 of higher tax due for Euro 520,557 and the related administrative penalties of Euro 468,501, promptly challenged by Alperia Greenpower Srl, after suspension, was annulled by the First Instance Tax Court with ruling no. 2 of 9 January 2023, which upheld the proposed appeal - after combining the appeals against the refusal to reimburse IRAP for the years 2011, 2012 and 2013.

The appeal brought against the notice of assessment of the higher tax due for the year 2016 for Euro 205,570 and related administrative penalties of Euro 185,013 was upheld by the First Instance Tax Court with ruling no. 10 of 9 January 2023.

Still on the subject of IRAP, Alperia Greenpower Srl, as the incorporating company of the then Sel Srl, challenged the rejected requests for reimbursement submitted with regard to the increased rate for the years 2011-2013 and specifically, for the year 2011, Euro 219,447, for the year 2012 Euro 109,950 and for the year 2013 Euro 134,106. With ruling no. 2 of 9 January 2023, after combining the related cases, the First Instance Tax Court of Bolzano annulled the contested documents, i.e. the notice of assessment relating to the 2015 tax period, as well as the refusal measures relating to the tax periods 2011, 2012 and 2013, with an order to reimburse Alperia Greenpower Srl for the excess IRAP paid.

The Revenue Agency has filed an appeal against the sentences in favour of Alperia Greenpower Srl.

Based on studies also carried out through two leading consulting firms, and considering that the arguments put forward by Alperia Greenpower Srl are based on solid assumptions about the application of the ordinary rate to the free market production of electricity (including hydropower production) rather than the increased rate, also shared by other leading sector operators, encouraged by the first instance ruling in favour, and by the second instance ruling referring to 2014, the risk of losing the case in question is considered as possible and not likely. For this reason, it was not considered necessary at present to allocate specific provisions for risks. Alperia Greenpower Srl has allocated the best estimate of legal fees that it expects to pay in the proceedings to the provision for charges.

As regards taxation, an important issue which is still ongoing is the provincial surtax on excise duties for electricity (Provincial Surcharge). At national level, in fact, the various electricity sales companies have received numerous requests from their customers, since the end of 2019, for reimbursement of the Provincial surcharge applied and paid until its abolition on 1 April 2012.

The issue arises from the disruptive effects of some rulings of the Court of Cassation issued between the end of 2019 and the beginning of 2020, as a result of judgments between end customers and the Customs Agency, according to which the surcharge, repealed – belatedly – by the Italian legislator as of 1 April 2012, should actually have been “disapplied”, from the perspective of the European Union, since the entry into force of the Excise Directive.

Possible claims for the return of the sums paid as the Provincial Surcharge by consumers for the years 2010 and 2011, for which the sales companies, including Alperia Smart Services Srl and the former Alperia Sum Spa, simply charged their customers, fully paid to the competent Administration (Customs Agency or Provinces), do not see legislation aligned with the rights of the sales companies to claim a reimbursement in turn from the actual beneficiary of the Provincial Surcharge, i.e. the Customs Agency or Provinces. At present, the sales companies are forced, in fact, in order not to be affected themselves, to not give the reimbursements requested and to await the outcome of disputes, initiated or yet to be initiated in order to claim back this alleged undue payment, with rulings that are not in their favour. Only after rulings against the sales companies have become final will they be able to exercise their right of reimbursement with the tax authorities.

In the light of the first unfavourable rulings against the sales companies, it is hoped that an interpretation/regulatory solution will be found, also through the trade associations, which have been active since 2020 to support the sellers and interact with the institutional authorities, in order to avoid numerous disputes, while protecting the rights of all parties involved and avoiding the consequent costs, so as to mitigate a possible strong, as well as unfair, financial imbalance incumbent on sellers, as it is not possible to exclude the time lag for the final reimbursement to them by the competent Administration, including any incidental expenses that will be incurred.

It should be noted that the trade associations, first with reference both to the order of referral promoted by the Arbitration Board of Vicenza and, lastly, with reference to the order of the Court of Udine, which referred to the Constitutional Court the question on the legitimacy of the provision establishing the additional tax on excise duty on electricity (Article 6, paragraphs 1, letter c, and 2, of Decree Law 511/1988) "as amended by Article 5, paragraph 1, of Legislative Decree 26/2007, for the period of its validity after 1 January 2010 and until its repeal, for contrast with Article 117, paragraph 1, of the Constitution and Article 1, paragraph 2, of Directive 2008/118/EC of the Council of the EU", deemed it necessary to prepare a specific intervention in the context of the so-called *amicus curiae*, in order to represent useful elements for the evaluation of the important issue of refunds of Provincial Surcharges. The proceedings before the Constitutional Court are still pending, with the hearing to be scheduled.

After assessing the potential liabilities, a precautionary provision was made in the financial statements for the expected liabilities in connection with the various positions.

Still regarding tax, in December 2022, two rejection notices were received from the Revenue Agency - Pescara Operations Centre for two requests for refunds for the years 2019 and 2020 submitted by Alperia Smart Services Srl for a total of Euro 1,813,970 in relation to previous receivables pursuant to Article 8, paragraph 10, letter F) Law no. 448 of 23/12/1998 and Article 29 of Law no. 388 of 23/12/2000 (the so-called "Carbon Tax" law) for not having submitted also to the territorial office, documentation deemed necessary to support the requests. A similar notice of refusal was also received by Alperia Ecoplus Srl for its request for a refund submitted with reference to the year 2019 for Euro 1,272,465 again in relation to previous "Carbon Tax" credits.

The companies promptly filed appeals, considering the receivable to be recoverable in full – also through offsetting – which, moreover, has not been contested by the tax authorities.

Other disputes

As regards the production sector:

With reference to Alperia Greenpower Srl, it should be mentioned that with judgment no. 7/2022 of the Superior Court of Public Waters ("TSAP") published on 18 January 2022, the TSAP upheld the appeal brought by another applicant against the rejection, ordered by the Autonomous Province of Bolzano, of the application for the diversion for hydroelectric purposes of a stretch of water already forming part of a concession for the large-scale diversion of hydroelectric power held by Alperia Greenpower. While acknowledging the indisputable final nature of the measures referred to the large-scale diversion in place, which cannot be appealed against, the TSAP asserted the non-application of those measures due to an alleged conflict with European Union law. Alperia Greenpower Srl and the Autonomous Province of Bolzano promptly filed an appeal before the Combined Civil Sections of the Court of Cassation for the annulment of judgment no. 7/2022 of the TSAP. To date, this sentence has had no direct repercussions on Alperia Greenpower Srl. Pending the judgement of the Court of Cassation, the Province has already suspended the assessment of the application, subject to proceedings before the TSAP.

Following the closed session of 7 February 2023, the decision of the dispute is pending, as it concerns an entirely new judicial decision.

The case following the appeal brought by Alperia Greenpower Srl against the resolution of the Provincial Council of the Autonomous Province of Bolzano no. 516 of 15 June 2021 and the "Water Protection Plan (seven volumes and three annexes), which forms an integral part thereof", regarding the aforementioned resolution, contesting multiple measures and provisions of the aforementioned Plan, due to a contrast with the current regulatory framework, as well as from a technical point of view and harm to rights and interests, is pending before the TSAP; with additional reasons in the same case, the resolution of the Provincial Council no. 126/2022, with which the request for review proposed by Alperia Greenpower Srl of resolution no. 516/2021, concerning the Water Protection Plan, had been rejected, was appealed against.

In another case pending before the TSAP, Alperia Greenpower Srl contested the rejection of the request to adjust the time validity of the license relating to the Prati di Vizze plant.

Alperia Greenpower Srl, as the holder of the concession for the diversion of water from the Rienza river, in the Municipality of Brunico for hydroelectric power purposes (GD/980) referred to the Stegona plant, expiring on 31 March 2029, received the news after many years regarding the outcome of the proceeding concerning applications for the diversion of water from the same Rienza river, which were found to be incompatible with the operation of the aforementioned diversion of Stegona, for which subvoltage was envisaged, appealed against the documents, considered harmful, before the TSAP, and against all assumed and consequent documents.

With regard to Alperia Vipower Spa, following water infiltration that occurred in July and August 2021 in the area of San Valentino alla Muta, the company having an adjacent construction site applied for a preventive technical assessment procedure at the Court of Bolzano, with other subjects participating, to have the causes and damage sustained for the same infiltration in buildings located near the claimant's construction site and in the vicinity of the diversion tunnel ascertained. A settlement report was signed with the claimant, with the court-appointed expert witnesses before the judge of the Court of Bolzano. The dispute was subsequently settled with the other parties.

The provision made by the company at 31 December 2021 to cover the liabilities was found to be adequate.

Alperia Vipower Spa is awaiting the settlement of claims with its own insurance companies.

Against ARERA resolution no. 266/2022, concerning the implementation of the two-way compensation mechanism pursuant to Article 15-bis of Decree Law no. 4/2022 for the period from February 2022 to 30 June 2023, an appeal was promptly filed before the Lombardy TAR by the Group companies Alperia Greenpower Srl, Alperia Vipower Spa and Alperia Ecoplus Srl respectively, to the extent relevant, which are now awaiting for the date of the hearing on the merits to be set.

As regards entirely similar proceedings brought by other operators, the TAR partially upheld the claims of the appellants, ordering the annulment of the aforementioned ARERA resolution. The latter filed an appeal against these provisions, with a request for precautionary suspension which was accepted by the Council of State with orders dated 18 January 2023.

Subsequently, on 9 February 2023, the TAR published the reasons for the rulings, which showed that it had annulled the aforementioned resolution for not having taken into account all the factors leading to the definition of the economic items functional to the emergence of the intramarginal profit actually realised by the operators subject to the measure in question.

ARERA appealed against the rulings before the Council of State, requesting their precautionary suspension. With orders published on 22 March 2023, the Council of State suspended the rulings of the TAR on the aforementioned resolution.

Pending the outcome of the proceedings for which a hearing to discuss the merits has been set for 5 December 2023, the resolution in question has returned to full effect and, therefore, with the obligation for producers to pay any sums due pursuant to the measure *de qua*.

With regard to sales and trading, reference is made to the resolution of the competent Authority for Electricity, Gas and the Water System (now the Regulatory Authority for Energy, Networks and the Environment - ARERA for short) no. 265/2017/E/eel of 20 April 2017, by which the latter ordered Alperia Smart Services Srl (formerly Alperia Energy Srl, in turn formerly Azienda Energetica Trading Srl) – at the end of proceedings initiated against it, as well as against numerous other dispatching users – to return to Terna "[...] the amounts corresponding to the undue benefit achieved as a result of the non-diligent scheduling strategy adopted by the Company in the period between January 2015 and July 2016" as well as "[...] any amounts corresponding to the undue benefit possibly achieved as a result of any non-diligent scheduling strategies adopted by the Company, with reference to its FRNP (non-programmable renewable sources) units, for the period starting from August 2016 until the entry into force of the new rules on the macro-zonal imbalance sign provided for by Resolution 800/2016/R/eel".

Alperia Smart Services Srl (formerly Alperia Energy Srl), having assessed the findings received by the Authority and examined the initiatives to be taken to protect its interests, filed a precautionary appeal before the Lombardy – Milan Regional Administrative Court (Tar Lombardy), Section II, Case no. 1531/2017 against the Authority and, as far as necessary, against Terna. Subsequently, it was necessary to lodge a precautionary appeal for additional reasons, including against ARERA resolution no. 85/2018/E/eel of 15 February 2018, by which the Authority (i) confirmed the prescriptive measure adopted by resolution 265/2017/E/eel, modifying the content of Annex B in view of the importance of some of the factual elements submitted by Alperia Smart Services Srl; and (ii) Terna shall determine the economic items underlying the above resolution, determined on the basis of the criteria set out in Annex B. Alperia Smart Services Srl, avoiding the start of compulsory recovery procedures and without submitting to the ruling or to the claim or waiving it, provisionally paid the relevant invoice issued by Terna without any acknowledgement.

At this stage, the counterparties have not yet filed an appearance. A hearing for discussion of the merits of the appeal has not yet been scheduled. With reference to the preliminary findings received in relation to the proceedings referred to in the ARERA communication of 22 May 2022, a request for a hearing was formalized and a brief sent. With ARERA resolution no.

594/2022/S/eel of 22 November 2022, the sanctions procedure against Alperia Smart Services Srl was dismissed.

Following the positive involvement of Alperia Trading Srl in Italian capacity market auctions for 2022 and for 2023, some operators in the thermoelectric and photovoltaic production sector also made claims against Alperia Trading Srl, as an involved party, like other assignees, for additional grounds to cancel the outcomes of these auctions.

The same claimants had already appealed – before the Tar Lombardy against the Ministry of Economic Development, Terna – Rete Elettrica Nazionale Spa and ARERA – against the Decree of the Ministry of Economic Development of 28 June 2019 (which approved the regulations of the system to remunerate electricity production capacity availability), the opinion 281/2019/R/eel of 27.06.2019 provided by ARERA to MISE and the rulings ARERA 363/2019/R/eel of 3.09.2019 and 364/2019/R/eel of 3.09.2019, as well as the notice of TERNA published on 5 September 2019 and the "FAQs" of TERNA, requesting their cancellation, subject to suspension which was then adjourned, with the first hearing on 26 February 2020, then adjourned to a new hearing.

At the hearing of 24 March 2021, the Lombardy Regional Administrative Court (TAR), recognising a previous judicial relationship between the proceedings brought by two claimants before the European Union Court to challenge the European Commission's measures concerning the management of the Capacity Market in Italy and the administrative proceedings, ordered the suspension of the administrative proceedings until the outcome of the litigation pending in the European Court, placing on the parties concerned the burden of requesting the setting of the hearing once the above proceedings have been completed.

Considering the major impact on the stability of the national energy system, the trade associations Elettricità Futura and Utilitalia proposed ad opponendum action in proceedings before the Tar Lombardy and applied to take action in cases pending before the General Court of the European Union.

Alperia Trading Srl appeared on its own behalf in the proceedings before the Lombardy Regional Administrative Court and filed an application to intervene in support of the conclusions of the European Commission in the proceedings pending before the General Court of the European Union. By order dated 2 June 2020, Alperia Trading Srl was admitted to intervene in proceedings before the General Court of the European Union. Other operators concerned, as well as Terna, also intervened in the proceedings.

With a ruling dated 7 September 2022, the General Court of the European Union rejected the appeals, confirming the validity of the Commission's decision which declared the regime which established the Italian capacity market compatible with the domestic market, in view of European regulations on State aid. Since the ruling was not appealed within the set time limit, the Commission's decision has become final.

As regards the heat and services sector, with a notice dated 7 August 2017, GSE requested Alperia Ecoplus Srl – for the cogeneration plant combined with district heating in Merano - to return part of the green certificates allocated for the years 2008 to 2014 and - according to the GSE – not due. Alperia Ecoplus Srl appealed against this final measure of the potentially damaging verification procedure, as well as against the separate measure for the recovery of the incentive, before the Lazio Regional Administrative Court, under Case 10189/2017, claiming, in addition to the illegality of the contested measures, that Alperia Ecoplus Srl cannot be held liable for GSE's request. Following GSE's self-protection cancellation, the Lazio Regional Administrative

Court declared that the matter at issue had ceased to be in dispute with sentence no. 11738/2017 of 24 November 2017. To protect its rights and interests, Alperia SpA also deemed it necessary to appeal for the annulment of the GSE note dated 7 August 2017 before the Lazio Regional Administrative Court (Tar) under GDR no. 11460/2017; we are currently waiting for the date of the public hearing to be set.

Considering that the audit by GSE refers to years prior to the transfer of the related business unit to Alperia Ecoplus Srl, the latter has prudently allocated a specific risk provision in its financial statements.

Following the annulment under the self-protection system, with a notice of outcome dated 15 December 2017 and a subsequent note dated 31 January 2018, GSE requested that Alperia SpA return a portion of the green certificates – in its opinion – not due for the same Merano plant, and Alperia SpA therefore had to appeal to the Lazio Regional Administrative Court under Case no. 2060/2018 for the annulment of the contested deeds and measures. A hearing on this has not yet been scheduled.

Again in the heat and services area, Alperia Ecoplus Srl appealed to the Lazio Regional Administrative Court for the annulment of the GSE note of 29 November 2018 with notification of the outcome of the control activity through verification and inspection of the cogeneration plant combined with the "Bolzano Sud" district heating network and relative recalculation in peius of the amount of incentives due for the years 2010-2016. Subsequently, it was necessary to appeal on additional grounds, also against the restitutory claim in GSE's note of 20 February 2019, referring to the same items appealed against regarding GSE's communication of 29 November 2018. We are currently awaiting the date of the public hearing.

The company has already prudently allocated an adequate provision in its financial statements.

Other contingent liabilities

With regard to Biopower Sardegna Srl, it is worth mentioning that in May 2017, together with the other defendants, the above-mentioned company was also summoned to appear before the Nuoro Criminal Court, with reference to the events that occurred on 21 July 2014 (urea spill). As it is allegedly liable under Italian Legislative Decree 231/2001, Biopower Sardegna Srl was served a summons in relation to alleged environmental crimes committed by the defendant, who at that time was the legal representative and director, since the conduct in question was “also in the interest and to the benefit” of the company.

At the hearing of 1 February 2022, the Court of Nuoro acquitted the defendants for the crimes ascribed to them because the fact does not exist, also excluding the liability of Biopower Sardegna S.r.l. with respect to the administrative offences alleged in connection with the indictment pursuant to Article 25-undecies of Legislative Decree no. 231/2001, with the wider-reaching formula, as the fact does not exist.

As regards SF Energy Srl, updates on the dispute initiated by the Separate Administration for Civil Uses - Rover-Carbonare Fraction (ASUC) with the writ of summons served on 31 May 2018 before the Court of Rovereto under RG 608/ 2018, are provided below.

The dispute concerns the alleged presence of parts of the San Floriano d’Egna hydroelectric plant on plots of land owned by ASUC in the municipality of Anterivo that are subject to a civic use restriction. ASUC requested the company, which has held the concession for the large-sale water diversion as from 1 January 2011 and has use of the wet works at the above-mentioned plant as per specifications, to restore pristine conditions or, alternatively, provide compensation for damages or indemnify ASUC for the costs of providing for the above, on its own behalf, in addition to compensation in its favour for the damages arising from the alleged past unlawful occupation of the property in question and the cancellation of an easement to deposit landfill material.

The company, with a statement of appearance and response filed on 20 September 2018, appeared before the court raising preliminary procedural objections, in particular, with regard to the jurisdiction of the ordinary court hearing the case and contesting all of the plaintiff's claims, requesting their complete rejection on the merits. At the hearing of 10 April 2019, the Judge issued an order regarding his own lack of jurisdiction in favour of the Regional Tribunal of Public Waters (TRAP) at the Venice Court of Appeal.

Following the notice of resumption served by ASUC, the company appeared before the TRAP, reiterating all defence positions already adopted and insisting on the acceptance of the conclusions and claims, first of all highlighting its lack of capacity to be sued in relation to the requests for the release and return of the real estate to the status quo ante, as well as the claims for damages, also disputing the request to cancel the easement.

By order of 3 April 2020, the TRAP of Venice ordered the summons of the Autonomous Provinces of Trento and Bolzano, pursuant to Article 107 of the Code of Civil Procedure.

At the hearing of 3 December 2020, the Deputy Judge suspended the proceedings before the TRAP of Venice, adjourning the hearing to 13 May 2021, in order to allow the mandatory mediation procedure to be carried out, which had been preliminarily objected to by the Autonomous Province of Bolzano.

The attempt at mediation, following the request submitted by ASUC to the Conciliation Service of the Trento Chamber of Commerce, unfortunately did not have any effect.

With ruling no. 36/2023 filed on 5 January 2023, the TRAP, definitively deciding the case brought by ASUC against SFE and with the summons of the Autonomous Province of Bolzano and the Autonomous Province of Trento (third summons), rejecting all applications and objections to the contrary, declared its lack of jurisdiction for the application to verify the nullity of the concession measures issued by the Autonomous Province of Bolzano, rejecting the rest of the appellant's claims, with an order to reimburse costs to the counterparties.

With an appeal notified on 3 February 2023, ASUC challenged the ruling issued by the TRAP before the TSAP with a hearing scheduled for 21 June 2023.

On the basis of investigations carried out through the primary law firm that is assisting the company in the dispute, also considering the intervention of the Provinces in the case, and lastly, in view of the favourable ruling, at present there are no elements that would make it necessary for the company to allocate provisions.

With reference to the business branch transferred to Alperia Green Future Srl by the then Alperia Bartucci Srl, which Alperia Spa took over from 1 January 2022, various proceedings are pending against GSE concerning its provisions that officially cancelled and/or disputed the assignment of Energy Efficiency Certificates (TEE). The company, supported by the written opinion of its lawyers, believes that there are valid legal reasons to consider GSE's arguments to be unjustified and that, therefore, at present, it is not likely that any type of liability will arise for the company. With reference to the ruling for the annulment of a PPPM and RVC with a request to return over Euro 5 million, already contested, GSE, while not accepting the repeated request made by the company for a review, expressly retained the reports already approved.

With regard to the lawsuit brought against it with summons served on 14 December 2020 against the then Alperia Bartucci, with a claim for damages following the withdrawal by GSE of incentives quantified as Euro 1.67 million, the Court of Bolzano issued a sentence on 22 November 2022 which partially accepted the claims of the plaintiff, recognizing for the counterparty an amount of Euro 289,365 plus incidental expenses. The terms for the appeal are pending.

In addition, an out-of-court claim by a previous customer for an amount of Euro 1.02 million is ongoing, deemed to be unfounded. At present, the case brought by the previous customer before the TAR against the provisions issued by GSE is still pending.

In the context of an open tender procedure in the special sectors, above the European threshold, to assign works for the construction of the new headquarters of the Alperia Group in Merano, excluded participants – after the opening of administrative documentation – challenged the relative exclusion measure before the Court of Administrative Justice, Bolzano Section, which rejected their appeal. The claimants appealed against this ruling before the Council of State with an application for interim relief. With an order published on 9 June 2022, the Council of State accepted the application, and consequently suspended the enforceability of the first instance sentence, re-admitting with reservations the offer submitted by the participants excluded from the tender.

On 19 December 2022, the claimants filed a deed waiving the appeal, as – given the outcome of the tender to which they had been readmitted – there was no interest in the appeal they proposed, with the other parties accepting the waiver.

With a ruling filed on 17 January 2023, the Council of State declared the judgment as extinguished.

Transactions with related parties

Related parties are those that share the same controlling entity with the Company, the companies that directly or indirectly control it, are controlled, or are jointly controlled by the Parent Company and those in which the Parent Company holds a stake enabling it to exercise a significant influence.

In accordance with paragraph 25 of IAS 24 Related Party Disclosures, the company is exempted from the disclosure requirements in paragraph 18 (which requires the company to disclose the nature of the relationship with the related party, in addition to providing information about the outstanding balances of those transactions, including commitments, necessary for users of the financial statements to understand the potential effects of that relationship on the financial statements) in the case of relationships with another entity that is a related party because the same local authority has control, joint control or significant influence over both the entity that prepares the financial statements and the other entity.

We note, however, that during the year under review (i) related party transactions were carried out at arm's length (or determined on the basis of similar methodologies), (ii) the main details of transactions with group companies are highlighted in the individual sections of the notes and (iii) the main transactions with the shareholders concerned dividends to shareholders for Euro 30 million.

Number and nominal value of treasury shares and of shares of parent companies held by the Company

With reference to the provisions of the aforementioned Article 2428, paragraph 2, no. 3 and 4 of the Italian Civil Code, at 31 December 2022, the Company did not own treasury shares nor did it made acquisitions or disposals of such shares during the year, either directly or through trust companies or third parties.

Group situation and operating performance

Operating data

The main operating data of the group in the electricity segment are presented below.

(in GWh)	**2022**	**%**	**2021**	**%**	**% change**
Hydropower and photovoltaic production	2,861	26%	3,942	31%	- 27%
Production from cogeneration and biomass (with SEU customers)	322	3%	329	3%	- 2%
Wholesale	978	9%	1,834	14%	- 47%
Sales to final customers	6,854	62%	6,636	52%	+ 3%
Total	**11,015**	**100%**	**12,741**	**100%**	- **14%**

N.B. Hydroelectric and photovoltaic production means the energy produced by subsidiaries and associates on the basis of the Alperia Group's share, which is subsequently sold to the market and to third parties.

The Group's hydroelectric power production amounted to 2,861 GWh (a strong decrease compared to the previous period, equal to -27%).

With regard to South Tyrol, in the north and east, rainfall in 2022 was more or less normal, while it was decidedly lower in the western and southern parts of the Province: compared to the long-term average, the deficit was 30%.

The overall balance of winter 2021/2022 was decidedly very dry, with widespread rainfall and snowfall only between one third and one half of the average; due to this situation, the contribution of melt water was already lacking between the beginning and middle of June 2022; therefore, only the melting of the glaciers themselves contributed to the amount of runoff.

The low rainfall and the high temperatures recorded also had an impact on the large water basins of the South Tyrol: those located in the western part of the Province (in particular at Senales and Resia, the latter subject – among other things – to partial emptying in August/September 2021 to allow for subsequent extraordinary maintenance works, at Curon Venosta, on the Glorenza plant diversion tunnel, completed in March 2022) recorded levels that were significantly lower than the long-term average.

In relation to the difficult situation that has arisen, the Bolzano provincial agency for the environment and climate protection declared – on 21 April 2022 – a state of emergency in the Adige river basin, recommending to all users "*to use the water resource in an extremely sparing, sustainable and effective way and to limit consumption to the indispensable minimum*".

Subsequently, on 13 July 2022, the President of the Provincial Council of Bolzano – with a specific water emergency order – introduced precise measures to save water resources, in particular relating to agriculture and gardens/parks.

The aforementioned state of water emergency and related application of measures was subsequently declared to have ended, by order of the President of the Province dated 26 September 2022.

At the request of the Veneto region, and in agreement with the two Autonomous Provinces of Trento and Bolzano, the two most important local hydroelectric power producers (Dolomiti Energia and Alperia) modified the production schedules of some plants they manage, from the end of June 2022 and up to September, in order to guarantee constantly higher flow rates downstream, even at weekends.

As regards weather conditions in South Tyrol, where all of the Group's hydropower plants are located, the Meteorology and Avalanche Prevention Office of the Civil Protection Agency of the Province of Bolzano noted the following.

2022 started out relatively mild and dry: as in the previous December, there was only a little rain and little snow in January. February followed January as a milder than average month and a bit too dry.

March was even drier, with a little rain falling in some areas only at the end of the month. Unlike the other months, however, temperatures were slightly below average. April was also a little cooler than usual, but there was more rain for the first time. Summer started early, in May. Not only was the month too hot, but Bolzano also recorded the first two tropical nights with lows of no less than 20 degrees, a new record. In June, the weather continued to be warmer than average, with balanced rainfall. In July, summer reached its peak, with an extreme heat wave that lasted ten days. The month of August continued to bring midsummer temperatures, with slightly below average rainfall. September was an average month for the first time, i.e. temperatures were close to long-term comparative values and there were regional differences in rainfall, but overall the values were normal. Thanks to long-lasting high pressure conditions, October went down in climate history as one of the hottest months since records began. As a result, rain decreased. In 2022, wet months were rare, and even in November it rained or snowed half as much as usual. December brought two low-level snowfalls and a short cold spell: in the end, however, it was again a milder than average month.

Looking at the Group's operating figures, it should be noted that photovoltaic production stood at 0.3 GWh (the same value in 2021).

The production of electricity from cogeneration stood at 74 GWh, and that from biomass at 248 GWh. Overall, the value produced is slightly down on the previous year's figure.

Compared to 2021, the sale of electricity on a wholesale basis is down considerably (-47%). On the other hand, the sale of electricity to end customers increased slightly (+3%).

As far as heat is concerned, production amounted to 234 GWht, down on 2021's figure of 248 GWht.

The sale of natural gas (including resellers) amounted to 510 million cubic metres, while in 2021 it came to 498 million cubic metres.

Below are the figures for the five areas in which the Group operated during 2022:

1. Production (hydropower and photovoltaics);

2. Sale and trading (electricity, natural gas, heat and various services);

3. Networks (distribution and transmission of electricity, natural gas distribution);

4. Heat and services (cogeneration, district heating and biomass plants);

5. Smart Region (Smart Land areas, photovoltaics and energy efficiency).

The costs incurred by the Parent Company were allocated to the five business areas on the basis of their EBITDA. The latter are reported according to the so-called "view by responsibility" of the different BUs.

EBITDA is a performance indicator that is calculated by adding amortisation/depreciation, provisions and write-downs to the operating income, which is taken from the income statement.

Energy production

EBITDA amounted to Euro 57.7 million compared to Euro 60.4 million in 2021.

Sales and Trading

EBITDA amounted to Euro 150.8 million compared to Euro 142.2 million in the previous year.

Networks

EBITDA referred to this area, equal to Euro 39.0 million, increased compared to Euro 33.2 million in 2021.

Heat and Services

Total EBITDA for the area amounted to Euro 14.4 million, slightly up on the figure of Euro 14.1 million in the previous year.

Smart Region

EBITDA referred to this area, amounting to Euro 10.2 million, increased considerably compared to Euro 0.7 million in 2021.

Performance indicators (in thousands of Euros)

Performance indicators	Formula	2022	2021

EBITDA	Operating income net of amortisation, depreciation, provisions and write-downs	**271,967**	**250,693**
EBITDA MARGIN		**7.47%**	**12.04%**
EBIT	Operating income	**129,554**	**124,648**
Financial Debt	Cash and cash equivalents + Short-term financial receivables – Short-term and Long-term financial payables	**(1,162,686)**	**(715,930)***
ROE	Consolidated net profit / total equity	**6.61%**	**7.99%**
ROS	EBIT / Total Revenues	**3.56%**	**5.98%**

* Figure restated, as commented on, in the specific paragraph of the Notes

Outlook

In Italy, in the first two months of 2023, the cumulative value of electricity demand, equal to 51.2 TWh, was up on the same period of 2022 (-3.5%); see, in this regard, the following table.

Energy balance in Italy (GWh)	**Jan/Feb 2023**	**Jan/Feb 2022**	**Change %**
Hydroelectric (including pumping)	3,898	4,179	- 6.7%
Thermal	30,435	34,508	- 11.8%
Geothermal	872	914	- 4.6%
Wind	4,079	4,805	-15.1%
Photovoltaic	2,829	2,969	- 4.7%
Total net production	**42,113**	**47,375**	**- 11.1%**
Imports	10,021	7,107	+ 41.0%
Exports	585	1,035	- 43.5%
Foreign balance	*9,436*	*6,072*	*+ 55.4%*
Pumping consumption	(337)	(403)	- 16.4%
Electricity demand (GWh)	**51,212**	**53,044**	**- 3.5%**

(Source Terna Spa, Monthly Report on the Electricity System, February 2023)

As can be seen, production from hydroelectric sources (including pumping), was down compared to the figure recorded in the same two months of the previous year (-6.7%).

During the period considered, demand for electricity was met for 53.7% by production from non-renewable energy sources, for 27.9% from renewable energy sources and the remainder from the foreign balance.

As regards the foreseeable hydropower production of the Group, it should be noted that at the end of February 2023 the equivalent energy stored by the snowpack present at high altitudes in the geographical area pertaining to Alperia Greenpower Srl plants was significantly below the historic average (approximately - 55%), resulting significantly lower even compared to the level of 2022 (-39%).

The meteorology and avalanche prevention office of the Bolzano provincial civil protection agency classified the 2022/2023 meteorological winter, which ended on 28 February, as excessively mild and dry. In general, rainfall or snowfall was only half in the entire provincial territory compared to the reference period 1991-2020. Particularly low rainfall was recorded in the western and southern area of South Tyrol: the amount of snow on the mountains was also well below the seasonal average.

Temperatures were 1 to 1.5 degrees Celsius above the multi-year average.

With an order dated 22 March 2023, the President of the Autonomous Province of Bolzano appealed for water saving, noting "*that the extraordinarily low rainfall in the first months of 2023, the entire year of 2022 and autumn 2021, as well as the lack of a significant snow reserve also in the high mountains have brought the outflow of surface watercourses of the entire Province close to the historic minimum and that for* *the moment no precipitation is forecast*". The order strongly recommended all water users, and in particular agricultural users, as well as operators and owners of gardens and parks, to use water resources in a particularly sparing, sustainable and effective way and to limit consumption to the bare minimum.

As regards the price of electricity sold on the market, there was a significant drop in the first two months of 2023 compared to the last month of 2022: the PUN went from 294.91 Euro/MWh (December 2022) to 174.49 Euro/MWh (January 2023) and 161.07 Euro/MWh (February 2023) respectively.

Towards the end of previous year, and – not coincidentally – in conjunction with the European Energy Council of 19 December that placed a cap on the price of gas (which is so cumbersome to apply that it will probably never come into effect, but was an effective message to the markets), a trend reversal was triggered in the energy commodity price cycle.

Futures have seemed to stabilize – in the second half of the current year – at around 145/150 Euro/MWh and – in 2024 – at around 140 Euro/MWh; although reduced, expected prices will not lead to a return to conditions prior to the two crises experienced in the last three years, regarding firstly the COVID-19 pandemic, with a considerable drop in demand and prices, and then Russia's aggression against Ukraine.

The conflict between Russia and Ukraine has continued with an increasingly difficult outcome, while mediation attempts have failed to make substantial progress and hopes of an economic recovery collide with the measures taken by central banks to fight inflation. The geopolitical framework and the market environment therefore remain highly unstable.

As far as the Group's performance is concerned, given the above and considering that the Group's margins largely depend on the performance of hydroelectric power production and the related sales prices, it can mainly be said that (i) it is the Group's policy to prematurely hedge against the volatility of electricity prices through the forward sale of most of its production and (ii) the aforementioned Decree Law 4/2022 established, for the period from 1 February 2022 to 30 June 2023, a sort of "pre-established" energy price that producers with renewable source plants can obtain for the sale of this type of energy; considering that the Lombardy TAR had annulled – with rulings published on 9 February 2023 – ARERA resolution no. 266/2022/R/eel, implementing the aforementioned Article 15 bis, and that the Council of State had suspended the enforceability of the provisions of the aforementioned TAR rulings and that ARERA had appealed against them, it will be necessary to wait for developments in this complex matter to understand whether and to what extent the measures will also affect the Alperia Group in 2023.

All in all, despite the uncertainties described above, the Group believes that it has the industrial and financial conditions in place to manage a 2023 that, nevertheless, promises to be another complicated year for the sector.

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Report pursuant to Article 123-bis, paragraph 2, letter b), of Legislative Decree 58/1998, on the risk management and internal control system

During 2022, Alperia SpA continued to develop the activities to establish an internal control and risk management system (the "Internal control system") capable of managing the risks inherent in the activities of the company and the group; this effort is still being implemented.

The internal control system is a set of rules, procedures and organisational structures aimed at monitoring compliance with the strategies and the achievement of the following goals:

(i) effectiveness and efficiency of processes and business operations;

(ii) quality and reliability of economic and financial information;

(iii) compliance with laws and regulations, as well as with the company's articles of association and corporate rules and procedures;

(iv) safeguarding the value of corporate activities and assets and preventing losses.

The following bodies are currently involved in control, monitoring and surveillance processes:

- the Supervisory Board;
- the Control, Risk and Sustainability Committee;
- the Management Board;
- the Internal Audit function;
- the Risk Management function;
- the Compliance area;
- the Supervisory Body.

Given the dual management and control model adopted by the Parent Company, both the Supervisory Board and the Management Board of the Company are actively involved in risk control activities and specifically:

- pursuant to Article 16, paragraph 1, letter (xii) of Alperia SpA's Articles of Association, the Supervisory Board " assesses the degree of efficiency and adequacy of the internal control system, with specific regard to the monitoring of risks, the functioning of internal audit and the accounting information system". Pursuant to Article 17, paragraph 1, letter (v) of the Articles of Association, the Chair of the Supervisory Board, "supervises and activates the procedures and systems in place for the control of the Company's and Group's activities......... '. Pursuant to Article 17, paragraph 1, letter (vi) of the Articles of Association, the Chairman of the Supervisory Board "in accordance with the budget established by the Management Board and approved by the Supervisory Board, also activates the information tools necessary to monitor the correctness and adequacy of the organisational structure and of the accounting and administration system adopted by the Company and the Group";

- pursuant to Article 28, paragraph 1 of the Articles of Association, the Management Board "is vested, on an exclusive basis, with the broadest powers for the management and administration of the Company.........". In addition, pursuant to Article 29, paragraph 1 of the Articles of Association, the Management Board "submits a special report to the Supervisory Board on the overall performance of the company's operations and on major transactions in terms of size and characteristics performed by the Company or its subsidiaries and, in any case, it reports on transactions in which members of the Management Board have an interest on their own or on behalf of third parties".

Within the Supervisory Board, the Control, Risk and Sustainability Committee was set up, which has the task of assisting the Committee in its responsibilities with regard to the internal control system with non-binding recommendation, investigation and advisory functions.

The task of verifying the adequacy and the effective functioning of the internal control systems, which is assigned to the Supervisory Board, involves conducting meetings and analyses with the main stakeholders, including – in particular – the Supervisory Body, the Head of Internal Audit, the Head of the Risk Management function and the controlling bodies of the subsidiaries; it also involves the activation of periodic reporting and monitoring systems.

The Head of Internal Audit has no operating responsibility; he/she reports to the Chairman of the Management Board and, functionally, to the Chairman of the Supervisory Board.

This Head has direct access to all information useful for carrying out duties and operates in accordance with the provisions of a specific Internal Audit Mandate approved by the Management Board.

The Head of Internal Audit reports the results of his/her activity, which is defined in a specific Audit Plan, including any identified deficiencies and the corrective actions identified, through appropriate Audit Reports that are submitted to the Supervisory Board, the Management Board, the General Manager and Deputy General Manager of the Parent Company and the head of the function that is being audited; if the audit concerns the group companies, the Audit Reports are also sent to the relevant bodies of the company concerned.

In addition, annual summary reports of the activities carried out during the reference period are drawn up, which are sent to the Supervisory Board and to the Management Board.

The Head participates, by invitation, in the meetings of the Supervisory Board and the Management Board and is also a permanent participant in the meetings of the Control, Risk and Sustainability Committee.

The Internal Audit function assists the Supervisory Board of Alperia Spa, of which the Head is an internal member, and of various Group companies.

During the 2022 financial year, the Head carried out activities on the basis of a specific Audit Plan approved by the Management Board at the meeting of 14 April 2022, having consulted with the Chair of the Supervisory Board, until 31 May 2022, the date when he stopped working for the Company. In the absence of a Head, the members of the Internal Audit Function continued audit activities independently, as set out in the approved Plan and reported their progress, to the Control, Risk and Sustainability Committee and to the Management Board respectively. On 5 December 2022, the new Head of the Internal Audit Function took stock of the situation, taking charge and supervising the Audit Reports not yet formalized due to holidays taken by the Head of the Function.

In the annual report for 2022, containing a summary of the activities carried out in the period under review, the new Head of the Function pointed out that – considering the outcomes of previous activities and based on the audits conducted in 2022 – there was no evidence that might lead to a negative assessment of the adequacy and effectiveness of the internal control system.

With regard to the Risk Management implementation process, this is constantly evolving in order to develop tools that meet the ever increasing risk control and management requirements imposed by the organisational complexity of the Parent Company and the entire group, the status as issuer of listed bonds and the developments that are typical of a multi-business group. Alperia SpA has put in place a risk assessment and reporting process, based on best practices in Risk Management, which aims to make risk management an integral and systematic part of management processes. The main assumptions considered in the model specifically refer to the group business plan.

The risk assessment is based on the introduction of two essential variables: the impact on company performance if the risk event occurs and the probability of occurrence of the uncertain event.

The methodology adopted is modular and allows for a gradual approach that leverages on the refinement of experience and of the methods of analysis used by the group.

The existing model is based on COSO and ISO 31000 standards; thanks to a well-established governance structure based on the presence of Risk Owners and Risk Experts, qualitative/non-financial risks have also been identified and assessed, incorporating them – in a single management system – with quantitative/financial risks.

In 2022, in addition to further developing Risk Governance, the Enterprise Risk Management Policy was developed for the Group, formalizing the governance and responsibility of Alperia's business areas as regards risk identification and assessment, mitigation and reporting.

At the Management Board meeting of 21 December 2022, the Trading & Commodity Risk Rulebook was approved. This document, drawn up with the assistance of a specialist consulting company, defines – in the interest of the Alperia Group's stability – the governance of the risk management process and the risk limits granted by the parent company Alperia Spa in its management and coordination of the subsidiary Alperia Trading Srl in relation to the trading and management of energy raw materials.

Aware of how crucial climate change can be for its business, Alperia decided to launch the "Climate Change" project in 2022, which aims to identify and assess the risk factors in relation to the ongoing structural climate change that is having long-term repercussions on the Group's assets and activities; (i) an Austrian company specializing in sustainable finance, ESG management and decarbonization and (ii) the European Academy of Bolzano - EURAC were appointed for the assessment.

In addition to the climate issue, another project was launched in 2022 on the planning and management of liquidity risk, an issue that has become particularly important given the tensions over energy prices caused by the war in Ukraine. At the end of the year it was decided to set up a liquidity committee tasked, among others, with (i) evaluating the main loan proposals of the

Group and the consequent debt structure, as well as the issue of new financial instruments, including ESG-related instruments (ii) supporting the Control, Risk and Sustainability Committee, the Management Board and the Supervisory Board in the Group's financial policy and (iii) periodically monitoring the Group's exposure to liquidity risk through final and forecast reporting.

Finally, Alperia decided to better monitor cyber risks, establishing the Cyber Risk Area, under the Risk Management function, at the end of 2022. This Area is tasked with identifying and protecting the organization from main IT risks, and proposing and implementing measures to prevent, limit and mitigate their effects.

The overall process of detecting and analysing risk areas also includes the financial reporting process.

In this respect, it is noted, for example, that the annual financial reporting process, and, especially, the description of the main risks and uncertainties to which Alperia and the group are exposed, is linked to the flow of information coming from the Enterprise Risk Management processes of the companies and the Group.

For a description of the main risks affecting the Company and the Group, please see the respective notes to the separate and consolidated financial statements.

As is well known, Alperia has adopted the Organisation, Management and Control Model (MOG) pursuant to Legislative Decree 231/2001 (hereinafter Model 231), as well as a Code of Ethics and a Disciplinary Code, and has appointed a Supervisory Board.

The purpose of the Model is to define the strategies, rules and principles of conduct governing the Company's activities, which all recipients of the Model must follow in order to prevent, within the specific “sensitive” activities carried out at Alperia, the commission of the offences provided for by Legislative Decree 231/2001 and to ensure conditions of fairness and transparency in the conduct of business activities.

The implementation of the Model requires activities considered “sensitive” to be carried out in accordance with the provisions of the Model; any behaviour which is not in line may, in fact, lead to sanctions imposed by the Company, according to the provisions of its Disciplinary Code, which forms an integral part thereof.

During 2022, the updating cycle of the Models was completed, in particular of the companies Alperia Smart Services Srl, Alperia Trading Srl and Alperia Green Future Srl.

The Supervisory Body of the Parent Company comprises the Head of Internal Audit and two external professionals.

At the meeting of 26 January 2023, the Management Board of the parent company appointed the new members of the Supervisory Body with effect from 1 March 2023.

The composition and functions of the Supervisory Board comply with the characteristics identified by Legislative Decree 231/2001 and relevant Confindustria guidelines.

Specifically, the Supervisory Body has independent powers of initiative and control and the independent exercise of such powers is ensured (i) by the fact that the members of the Body are not subject to hierarchical constraints in the performance of their function, as they report directly to the highest operating level, namely the Management Board and (ii) by the presence of an external member as Chairman of the Body.

The members of the Supervisory Body are adequately trained and have a consolidated and qualified experience in accounting, auditing, organisational activities and in criminal law; in addition, they can rely on internal staff within Alperia and on external consultants to carry out any technical activities as may be necessary to ensure the control function is properly performed.

The Body is entrusted with the task of monitoring the operation and observance of the Model and of keeping it up to date. The Supervisory Body reports on the implementation of the Model, the detection of any critical aspects and the need for modifications.

The Supervisory Body reports to the Management Board of the Parent Company, informing it, whenever it deems appropriate, about significant matters or events related to the conduct of its activities.

The Group Code of Ethics is a key element of the Model, as well as a component of the preventive control system. This Code sets out Alperia's ethical and professional principles and the guidelines and principles of conduct designed to prevent the offences referred to in Legislative Decree 231/2001. The Code is an essential and integral element of the Model as it constitutes a systematic corpus of internal rules designed to disseminate a culture of ethics and corporate transparency. The Code calls for the observance of the principles and rules contained therein, by the corporate bodies, by all the employees of the group and by anyone who, permanently or temporarily, interacts with the group.

Each group company is required to endorse the principles of the Code of Ethics adopted by Alperia and to put in place the most appropriate measures to ensure their respect.

The Code of Ethics is available on the website of the Parent Company and companies (where adopted).

PricewaterhouseCoopers Spa is the independent auditor of the company Alperia SpA and the Alperia Group.

Bolzano, 30 March 2023

The Chair of the Management Board

Flora Emma Kröss

CONSOLIDATED FINANCIAL STATEMENTS OF THE ALPERIA GROUP AT 31 DECEMBER 2022

Consolidated statement of financial position

(in thousands of Euros)	Notes	At 31 December 2022	At 31 December 2021
ASSETS			
Non-current assets			
Concessions	9.1	455,208	457,730
Goodwill	9.1	106,576	83,110
Other intangible assets	9.1	5,588	35,624
Tangible assets	9.2	1,067,262	976,898
Investments	9.3	36,575	37,405
Deferred tax assets	9.4	153,319	104,195
Other non-current receivables and financial assets	9.5	45,577	76,145
Total non-current assets		**1,870,105**	**1,771,106**
Current assets			
Trade receivables	9.6	873,773	586,901
Inventories	9.7	183,591	78,885
Cash and cash equivalents	9.8	251,097	79,385
Other current receivables and financial assets	9.9	278,307	294,688
Total current assets		**1,586,768**	**1,039,860**
Assets held for sale and Discontinued Operations	9.10	**14,455**	**16,113**
TOTAL ASSETS		**3,471,328**	**2,827,078**
Share capital	9.11	750,000	750,000
Other reserves	9.11	(2,270)	95,945
Retained profits (accumulated losses)	9.11	98,511	50,530
Group result for the year	9.11	60,819	79,549
Total shareholders' equity attributable to owners of the parent		**907,059**	**976,024**
Non-controlling interests	9.11	26,181	26,720
Total consolidated shareholders' equity		**933,240**	**1,002,744**
LIABILITIES			
Non-current liabilities			
Provisions for risks and charges	9.12	70,923	51,252
Employee benefits	9.13	11,887	13,767
Deferred tax liabilities	9.4	119,062	125,160
Non-current borrowings from banks and other lenders	9.14	919,440	847,766
Other non-current payables	9.15	67,457	57,804
Total non-current liabilities		**1,188,769**	**1,095,749**
Current liabilities			
Trade payables	9.16	474,078	440,342
Current borrowings from banks and other lenders	9.14	808,256	233,704
Current tax liabilities	9.17	14,083	0
Other current payables	9.15	50,417	52,052
Total current liabilities		**1,346,833**	**726,097**
Liabilities held for sale and Discontinued Operations	9.10	2,485	2,488
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,471,328**	**2,827,078**

Consolidated income statement

(in thousands of Euros)	**Notes**	**2022**	**2021**
Revenues	10.1	3,602,277	1,976,559
Other revenues and income	10.2	35,620	106,266
Total revenues and other income		**3,637,898**	**2,082,825**
Costs for raw materials, consumables and goods	10.3	(2,752,453)	(1,091,134)
Cost of services	10.4	(511,436)	(659,916)
Personnel costs	10.5	(78,636)	(71,792)
Amortisation/depreciation, provisions and write-downs	10.6	(142,413)	(126,045)
(of which value adjustments of trade receivables)		*(6,764)*	*(482)*
Profit / (loss) arising from the fair value measurement of investments in associates and joint ventures	10.7	0	0
Other operating costs	10.8	(11,665)	(11,498)
Net income/(expenses) from commodity derivatives	10.9	(11,741)	2,208
Total costs		**(3,508,344)**	**(1,958,177)**
Operating income		**129,554**	**124,648**
Gains (losses) on valuation of investments	10.10	(2,172)	(1,529)
Financial income	10.11	7,530	6,151
Financial charges	10.11	(31,174)	(19,832)
(of which value adjustments of financial receivables)		*0*	*(12)*
Net financial income		**(25,816)**	**(15,210)**
Profit before taxes		**103,738**	**109,439**
Taxes	10.12	(41,699)	(39,129)
Net profit/(loss) (A) from continuing operations		**62,039**	**70,309**
Discontinuing operation	10.13	***(325)***	***9,828***
Net profit/(loss) (B) from Discontinued Operations		**(325)**	**9,828**
Consolidated result for the year		**61,714**	**80,138**
owners of the parent		***60,819***	***79,549***
non-controlling interests		*896*	*588*

Consolidated comprehensive income statement

(in thousands of Euros)	**2022**	**2021**
Consolidated result for the year (A)	**61,714**	**80,138**
Income Statement items that may subsequently be reclassified to the income statement (net of taxes)		
Gains / (losses) on cash flow hedges	(102,673)	(133,319)
Total Income Statement items that may subsequently be reclassified to the income statement (B)	**(102,673)**	**(133,319)**
Income Statement items that cannot subsequently be reclassified to the income statement (net of taxes)		
Actuarial gains / losses on employee defined benefit plans	1,267	577
Total Income Statement items that cannot subsequently be reclassified to the income statement (C)	**1,267**	**577**
Total other gains (losses) not recognised in profit or loss net of tax effect (B) + (C)	**(101,406)**	**(132,742)**
Total comprehensive income (A)+(B)+(C)	**(39,691)**	**(52,604)**
Overall result:		
of which attributable to owners of the parent	(40,642)	(53,209)
of which attributable to non-controlling interests	951	605

Statement of changes in consolidated shareholders' equity at 31 December 2021

(in thousands of Euros)	Notes	Share capital	Statutory reserve	Reserve pursuant to Article 5.4.2 Framework Agreement	First Time Adoption reserve	Cash flow hedge reserve	IAS 19 reserve	Other consolidated reserves	Retained profits (accumulated losses)	Year's result	Shareholders' equity attributable to owners of the parent	Shareholders' equity attributable to non-controlling interests	Consolidated shareholders' equity
At 31 December 2020		**750,000**	**76,231**	**32,151**	**(9,972)**	**4,373**	**(4,595)**	**147,734**	**25,319**	**60,037**	**1,081,279**	**29,671**	**1,110,950**
Dividend allocation of 2020 profit		0	1,526	0	0	0	0	0	25,211	(60,037)	(33,300)	(1,919)	(35,219)
Shareholders' equity after resolution to allocate the net result for the year		**750,000**	**77,757**	**32,151**	**(9,972)**	**4,373**	**(4,595)**	**147,734**	**50,530**	**0**	**1,047,979**	**27,752**	**1,075,731**
Change in cash flow hedge reserve		0	0	0	0	(133,297)	0	0	0	0	(133,297)	(22)	(133,319)
Change in IAS 19 reserve	**6.13**	0	0	0	0	0	535	0	0	0	535	42	577
Changes in the scope of consolidation	**2.3**	0	0	0	0	0	0	(19,733)	0	0	(19,733)	(1,640)	(21,373)
Other changes		0	0	0	0	0	0	991	0	0	991	0	991
Consolidated profit (loss) and profit (loss) attributable to owners of the parent		0	0	0	0	0	0	0	0	79,549	79,549	588	80,138
At 31 December 2021		**750,000**	**77,757**	**32,151**	**(9,972)**	**(128,924)**	**(4,060)**	**128,992**	**50,530**	**79,549**	**976,025**	**26,720**	**1,002,744**

The dividend per share approved in FY 2021 amounted to Euro 0.04440.

Statement of changes in consolidated shareholders' equity at 31 December 2022

(in thousands of Euros)	Notes	Share capital	Statutory reserve	Reserve pursuant to Article 5.4.2 Framework Agreement	First Time Adoption reserve	Cash flow hedge reserve	IAS 19 reserve	Other consolidated reserves	Retained profits (accumulated losses)	Year's result	Shareholders' equity attributable to owners of the parent	Shareholders' equity attributable to non-controlling interests	Consolidated shareholders' equity
At 31 December 2021		**750,000**	**77,757**	**32,151**	**(9,972)**	**(128,924)**	**(4,060)**	**128,992**	**50,530**	**79,549**	**976,025**	**26,720**	**1,002,744**
Dividend allocation of 2021 profit		0	1,569	0	0	0	0	0	47,981	(79,549)	(30,000)	(101)	(30,101)
Shareholders' equity after resolution to allocate the net result for the year		**750,000**	**79,326**	**32,151**	**(9,972)**	**(128,924)**	**(4,060)**	**128,992**	**98,511**	**0**	**946,025**	**26,619**	**972,643**
Change in cash flow hedge reserve		0	0	0	0	(102,673)	0	0	0	0	(102,673)	0	(102,673)
Change in IAS 19 reserve	**6.13**	0	0	0	0	0	1,212	0	0	0	1,212	55	1,267
Changes in the scope of consolidation	**2.3**	0	0	0	0	0	0	1,686	0	0	1,686	(1,389)	297
Other changes		0	0	0	0	0	0	(9)	0	0	(9)	0	(9)
Consolidated profit (loss) and profit (loss) attributable to owners of the parent		0	0	0	0	0	0	0	0	60,819	60,819	896	61,714
At 31 December 2022		**750,000**	**79,326**	**32,151**	**(9,972)**	**(231,597)**	**(2,848)**	**130,669**	**98,511**	**60,819**	**907,059**	**26,181**	**933,240**

The dividend per share approved in FY 2022 amounted to Euro 0.04000.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the result for the period by the number of ordinary shares in circulation at 31 December 2022.

Group net profit (in thousands of Euros): 60,819

Number of ordinary shares (in thousands): 750,000

Basic and diluted earnings per share: 0.0811

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euros)	**Notes**	**2022**	**2021**
Cash flow from operating activities			
Profit before taxes		**103,413**	**119,267**
Continuing operation		103,738	109,439
Discontinuing operation		(325)	9,828
Adjustments to earnings before taxes to obtain the cash flow from operating activities:			
Amortisation and depreciation	10.6	106,678	104,797
Net provisions and net write-downs/writebacks of tangible and intangible assets	10.6	36,229	5,055
Net (Capital gains) Capital losses from disposals of tangible and financial assets	10.2/10.8	1,749	1,272
Net (gains) losses from discontinued operations		0	(9,691)
Write-down of trade receivables	10.6	6,764	482
Gains (losses) on valuation of investments through profit and loss	10.9	0	1,530
Exchange rate effect	10.10	(10)	7
Net financial charges /(income)	10.10	23,654	13,674
Cash flow from operating activities before changes in working capital		**175,064**	**117,124**
Changes in working capital			
Inventories	9.7	(104,705)	(40,522)
Trade and other receivables	9.4, 9.5, 9.6, 9.9, 9.10	(389,473)	(420,452)
Trade and other payables	9.15, 9.16, 9.17	(28,858)	202,502
Cash flow from changes in working capital		**(523,036)**	**(258,472)**
Use of provisions for risks and charges	9.12	(14,138)	(9,532)
Use of provisions for employee benefits	9.13	(1,530)	(1,232)
Net financial charges paid		(20,102)	(10,976)
Cash flow generated (absorbed) by operating activities (A)		**(280,329)**	**(43,821)**
discontinued operations		817	77
Cash flow absorbed by investing activities			
Tangible, intangible and financial assets (includes margin on derivatives and deposits for derivative transactions)	9.1, 9.2	(143,467)	(307,826)
Net investments in companies (or business units) net of cash and cash equivalents acquired		(22,704)	0
Cash flow from disinvestment activities			
Tangible, intangible and financial assets	9.1, 9.2, 9.3	4,068	15,608
Cash flow generated (absorbed) by investing activities (B)		**(162,103)**	**(292,218)**
discontinued operations		0	0
Cash flow from financing activities			
Change in net financial payables	9.14	642,831	282,068
Payment of dividends		(30,101)	(35,219)
Cash flow generated by financing activities (C)		**612,729**	**246,849**
discontinued operations		0	0
Net cash flow for the year (A + B + C)		**170,297**	**(89,190)**
discontinued operations		817	77
Cash and cash equivalents at the beginning of the year		79,385	168,576
Cash and cash equivalents arising from the acquisitions described in section “2.4 Information required by International Accounting Standard IFRS 3” of the Notes		1,415	0
Cash and cash equivalents at the end of the year		251,097	79,385

NOTES

1. General information

The Parent Company Alperia SpA (the "**Company**" or "**Alperia**") or "**Parent Company**" is a company incorporated under Italian law and domiciled and organised in Italy, with registered office in Bolzano, Via Dodiciville no. 8.

At 31 December 2022, the Company's share capital was broken down as follows:

Description	Number of shares	Nominal value (Euro thousands)	% of share capital
Autonomous Province of Bolzano	347,852,466	347,852	46.38%
Municipality of Bolzano	157,500,000	157,500	21.00%
Municipality of Merano	157,500,000	157,500	21.00%
Selfin Srl	87,147,534	87,148	11.62%
Total	**750,000,000**	**750,000**	**100.00%**

Alperia and its subsidiaries (the "**Alperia Group**" or the "**Group**") were engaged in five different operating segments in 2022, summarised below:

- Production (hydropower and photovoltaics);
- Sale and trading (electricity, natural gas, heat and various services);
- Networks (distribution and transmission of electricity, natural gas distribution);
- Heat and services (cogeneration, district heating and biomass plants);
- Smart Regions (Smart Land areas, photovoltaics and energy efficiency).

2. Summary of the accounting principles adopted

The accounting policies and principles applied in the preparation and drafting of the Group's Consolidated Financial Statements (the "**Consolidated Financial Statements**") are presented below. These accounting standards have been applied consistently in the periods presented in this document.

2.1 Basis of preparation

Regulation (EC) No 1606/2002 of 19 July 2002 introduced the obligation for companies with equity and/or debt securities listed in one of the regulated markets of the European Community to apply the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("EU IFRS" or "International Accounting Standards") in the preparation of their financial statements as of the 2005 financial year. On 23 June 2016, the Company approved a "Euro Medium Term Note Programme" ("EMTN") listed on the Irish Stock Exchange for a maximum amount of Euro 600 million. On 27 June 2016, the Company issued the first two tranches of Notes, for a nominal value of Euro 125 million and Euro 100 million, which were admitted to trading on 30 June 2016; on 23 December 2016, the Company issued the third tranche of Notes for a nominal value of Euro 150 million. During 2017, the company finally issued the fourth tranche of bonds for a value of NOK 935 million.

Since 2016, Alperia qualifies as a Public Interest Entity ("EIP") and is therefore required to prepare the separate and consolidated financial statements in accordance with EU IFRS.

However, the Company does not fall within the scope of Directive 2013/50/EU and is therefore not required to prepare its consolidated financial statements in an ESEF *(European Single Electronic* Format), as it is the issuer of bonds with a denomination per unit of at least Euro 100 thousand in accordance with Directive 2004/109/EC, as implemented by Ireland as the home Member State chosen by the Company.

These Consolidated Financial Statements have been prepared in accordance with the international accounting standards and on a going concern basis.

The EU IFRS are all the "International Financial Reporting Standards", all the "International Accounting Standards" (IAS), all the interpretations of the "International Reporting Interpretations Committee" (IFRIC), previously referred to as "Standing Interpretations Committee" (SIC) which, on the date of approval of the Consolidated Financial Statements, have been approved by the European Union in accordance with the procedure laid down in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

These Consolidated Financial Statements have been drawn up on the basis of the best knowledge of international accounting standards and in the light of the best academic writings on this matter; any future guidelines and updated interpretations will be reflected in subsequent years, in the manner as set out in the relevant accounting standards.

These Consolidated Financial Statements were approved by the Company's Management Board on 30 March 2023 and will be submitted to the Supervisory Board of Alperia SpA for approval on 8 May 2023.

2.2 Statements

2.2.1 Form and content of the financial statements

With regard to the form and content of the consolidated financial statements, the Group has made the following choices:

i) the statement of financial position separately shows current and non-current assets and, likewise, represents current and non-current liabilities;

ii) the consolidated income statement shows a classification of costs and revenues by nature;

iii) the consolidated statement of comprehensive income includes, in addition to the result for the period, the changes in shareholders' equity related to income or cost items, which, by explicit provision of the International Accounting Standards, are recognised in equity; this statement is called Other Comprehensive Income or OCI;

iv) the consolidated cash flow statement is presented according to the indirect method;

v) the statement of changes in Consolidated Shareholders' equity and in shareholders' equity attributable to owners of the parent.

The formats used, as specified above, are those that best represent the Group's financial position and operating performance.

These financial statement have been drawn up in Euro, which is the functional currency of the Group. The amounts shown in the financial statements and in the detail tables included in the Notes are in thousands of Euro, unless otherwise stated.

The Consolidated Financial Statements are audited by the auditing firm PricewaterhouseCoopers Spa, which is the independent auditor of the Company and of the Group.

2.2.2 Method for presenting financial information

These Consolidated Financial Statements do not allow for a full comparison of the statement of financial position and income statement balances as at 31 December 2022 with those of the previous year due to changes to the Group's scope of consolidation, illustrated in section "2.3 Scope of consolidation and its changes" of these Notes.

2.3 Scope of consolidation and changes

The Consolidated Financial Statements include the statement of financial position and income statement of the Parent Company Alperia Spa for the year 2022 and its subsidiaries. These financial statements have been appropriately adjusted, where necessary, to align them to the Parent Company's accounting principles.

The corporate structure of the Alperia Group as at 31 December 2022 is shown in **Annex A** to this document.

As illustrated in the Report on Operations, the following transactions involving the scope of consolidation took place in 2022:

- the acquisition, in a single joint operation, of a majority interest equal to 90% of the voting rights in the companies Fintel Gas e Luce Srl and Fintel Reti Srl, formalized with deed dated 5 January 2022;
- the acquisition, in a single joint transaction, of all the shares of the companies Solar Total Italia Srl and Solart Srl, formalized with deed dated 30 December 2021 and effective from 1 January 2022.

The remaining 30% of the shares of Alperia SUM Srl, a company subsequently merged by incorporation into Alperia Smart Services Srl, was also acquired during the first half of 2022.

The complete list of companies included in the scope of consolidation as at 31 December 2022 with information on the consolidation method used to prepare the Consolidated Financial Statements is set out in **Annex A** to this document.

Annex C instead has information on significant investees measured with the equity method, which are required by paragraphs B12 and following of IFRS 12 (the data are inferred from the financial statements of investees at 31 December 2022, where possible).

2.4 Information required by International Accounting Standard IFRS 3

2.4.1 Acquisition of shares in Fintel Gas e Luce Srl and Fintel Reti Srl

The majority acquisition of the two companies in question saw the inclusion in the financial statements of the Alperia Group, pursuant to IFRS 3, of non-current assets for Euro 23,140 thousand (mainly referring to goodwill of Euro 21,520 thousand and financial receivables), current assets of Euro 25,969 thousand (mainly attributable to trade receivables and cash and cash equivalents), current liabilities of Euro 27,368 thousand (mainly consisting of trade payables), as well as non-current liabilities of Euro 2,978 thousand (mainly comprising financial payables).

Finally, the consolidated income statement of the Alperia Group s at 31 December 2022 includes revenues and other income, before consolidation adjustments, attributable to the acquired companies for Euro 55,748 thousand, operating costs equal to Euro 55,665 thousand, as well as net profit of Euro 54 thousand.

2.4.2. Acquisition of Solar Total Italia and Solar Srl shares

As a consequence of the aforementioned operation steps were taken to include in the financial statements of the Alperia Group, in accordance with IFRS 3, non-current assets of Euro 2,716 thousand (mainly referring to goodwill of Euro 2,477 thousand), current assets of Euro 759 thousand (mainly attributable to inventories, trade receivables and cash and cash equivalents), current liabilities of Euro 1,083 thousand (mainly consisting of trade payables and bank payables), as well as non-current liabilities of Euro 220 thousand.

Moreover, the consolidated income statement of the Alperia Group as at 31 December 2022 includes revenues and other income, before consolidation adjustments, attributable to the acquired companies for Euro 1,331 thousand, operating costs equal to Euro 1,832 thousand, as well as a net loss of Euro 398 thousand.

2.5 Principles of consolidation

The criteria used by the Group to define the scope of consolidation and the related consolidation principles are illustrated below.

Subsidiaries

Subsidiaries are those companies over which the Group has control. The Group controls a company when it is exposed to the variability of that company's profits and can influence such profits through its power over the company. Usually, control is presumed when the Company holds, directly or indirectly, more than half of the voting rights, taking also into account the potentially exercisable or convertible voting rights.

All subsidiaries are consolidated using the line-by-line method as of the date on which control was transferred to the Group. They are excluded from consolidation as of the date on which such control ceases.

Business combinations are accounted for using the acquisition method. According to this method:

i) the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and the equity instruments issued in exchange for control of the acquired company; transaction charges are recognised in the income statement when they are incurred;

ii) at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at fair value at the acquisition date; as an exception, deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or equity instruments related to share-based payments of the acquiree or share-based payments of the group issued in lieu of contracts of the acquired company, and assets (or groups of assets and liabilities) held for sale are instead valued according to their reference standard;

iii) goodwill is determined as the excess of the sum of the consideration transferred to the business combination, the value of shareholders' equity attributable to non-controlling interests and the fair value of any investment previously held in the acquired company over the fair value of the net assets acquired and liabilities assumed at the acquisition date; if the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the value of the shareholders' equity attributable to non-controlling interests and the fair value of any previously equity interests held in the acquired entity that surplus is immediately recognised in the income statement as income from the completed transaction;

iv) any conditional consideration provided under the terms of the business combination is measured at fair value on the acquisition date and included in the value of the consideration transferred to the business combination in order to determine goodwill.

In business combinations achieved in stages, the previously held equity interest in the acquiree is revalued at fair value at the date of acquisition of control and the resulting profit or loss is recognised in the income statement.

If the initial values of a business combination are provisional as at the reporting date of the period in which the business combination has occurred, the Group shall report the provisional amounts of the items for which the final accounting cannot be determined. These provisional amounts are adjusted during the measurement period to take account of new information obtained on facts and circumstances that existed at the acquisition date which, if known, would have had an impact on the value of the assets and liabilities recognised at that date.

Joint arrangements

Joint arrangements are accounted for in accordance with IFRS 11. In accordance with the provisions of IFRS 11, a joint arrangement can be classified as a joint operation or joint venture on the basis of a substantial analysis of the rights and obligations of the parties. Joint ventures are joint arrangements in which the joint venture partners hold, inter alia, rights to the net assets of the arrangement. Joint operations are joint arrangements whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint ventures are accounted for using the equity method, whereas equity investments in a joint operation involve the recognition of assets / liabilities and costs / revenues related to the arrangement on the basis of contractual rights/obligations regardless of the interest held.

Transactions in foreign currency

Transactions in currencies other than the functional currency are recognised at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in currencies other than the Euro are subsequently adjusted according to the exchange rate prevailing at the reporting date. Any exchange differences arising from commercial and financial transactions are recorded in the income statement as “Financial charges” and “Financial income”.

Non-monetary assets and liabilities denominated in currencies other than the Euro are recorded at historical cost using the exchange rate prevailing at the date of initial recognition of the transaction.

2.6 Measurement criteria

Concessions, Goodwill and Other Intangible Assets

Concessions and other intangible assets consist of non-monetary, identifiable and non-physical elements that are controllable and capable of generating future economic benefits, as well as goodwill when acquired for valuable consideration.

Concessions and other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation/depreciation and any impairment losses.

In the Consolidated Financial Statements, concessions were mainly recognised in relation to business combinations in the fair value measurement of transferred assets. The value is amortised according to the useful life of the asset. At year-end, or more frequently, the value of the asset is tested for impairment.

This test is performed by comparing the carrying amount of the asset or group of assets making up the cash-generating unit (CGU) with the recoverable amount of the asset, which is the higher of the fair value (net of any selling costs) and the value of the discounted net cash flows that are expected to be generated by the asset or group of assets making up the CGU (value of use), which have been identified in each individual power plant under concession.

For the impairment test, the cash flows for the term of the concession have been used, as extrapolated from the Group business plan, and the expected residual value of the works and assets constructed during the concession period, which the Group expects to obtain at the end of the concession.

The discount rate used to discount the cash flows (WACC), which reflects the market valuation of the cost of money and the specific business risks net of taxes, is 9.7% for the hydroelectric sector, which is the Group's main market.

The goodwill on business combinations is initially recognised at cost at the acquisition date. Goodwill is not amortised but is tested for impairment annually or more frequently if specific

events or changed circumstances suggest the asset may have suffered an impairment. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
The WACCs used for impairment testing referring to the main goodwill recorded in the consolidated financial statements are 11.4% (subsidised building and energy efficiency activities) and 9.4% (commodity reselling activities).

With particular reference to "Software as a service" and applications managed through solutions that envisage the use of "Infrastructure as a service", the Group takes steps to:

- capitalise the costs of licences together with the internal and external costs incurred for their configuration and customisation, if they meet the requirements of IAS 38;
- charges, on an accrual basis, the periodic costs associated with the "Software as a service" and "Infrastructure as a service" services to the income statement, using the deferral technique.

Amortisation of the intangible assets begins when the asset is available for use, and is systematically allocated in relation to the residual possibility of use, i.e. on the basis of the asset estimated useful life.

The useful life of concessions and other intangible assets has been estimated by the Group as follows:

Type of asset	**% rate**
Concessions	Term of the concession
Industrial patents and software	20%
Contract cost (commissions to agents)	25%

Tangible assets

Tangible assets are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes the expenses directly incurred to make the asset ready for use, as well as any dismantling and removal charges that will be incurred as a result of contractual obligations that require the asset to be returned in its original conditions.

Financial charges directly attributable to the acquisition, construction or production of an asset to be capitalised pursuant to IAS 23 are capitalised on the asset as part of its cost.

The costs incurred for ordinary and/or cyclical maintenance and repairs are directly charged to the income statement when incurred. The capitalisation of costs associated with the expansion, modernisation or improvement of structural elements owned by the entity or of third parties is carried out to the extent they meet the requirements for being separately classified as an asset or part of an asset.

Improvements on third party assets include the costs incurred for fitting and upgrading property held other than based on ownership.

Depreciation is charged on a straight-line basis using rates that enable the asset to be depreciated according to its useful life.

The useful life of each category of tangible assets has been estimated by the Group as follows:

Type of asset	% rate
Commercial and industrial equipment	5%-15%
Office furniture	6%-12%
Buildings used in operations	1.5% - 4%
Electronic machines	10% - 20%
Distribution network	2.86%
Gas meters	5% - 6.66%

District heating building	3.5% - 4%
District heating system	5% - 25%
District heating substations	7%-8%
Heat transmission network	3.33%
Measurement and control devices	5% - 6.66%
Hydroelectric plants	2.5%

Assets transferable at no cost are depreciated in accordance with the financial method over the period of time in which they are expected to give the related economic benefits, which coincides with the duration of the concession for the use of water for hydroelectric purposes.

Leased assets (IFRS 16)

The rules introduced by IFRS 16 were applied on a forward-looking basis during First Time Adoption, starting from 1 January 2019, adopting some simplifications allowed by the standard, whereby contracts with a duration of less than twelve months and some low-value contracts were excluded from measurement.

The Standard defines "Leases" as contracts under which, for a fee, the lessee has the right to control the use of a specific asset for a specified period of time. The application of the standard to contracts identified as such results in the recognition of an asset, representing the right of use. This asset is depreciated over the shorter of the asset's economic/technical life and the remaining life of the contracts. The corresponding liability, recognised under financial liabilities, is equal to the present value of the minimum future obligatory payments to be made by the lessor and decreases as these payments are made. It should also be noted that, at the time of initial recognition of the contracts, the right of use and the liability are measured by discounting future lease payments, throughout the duration of the contracts, taking into account the possibility of renewal or early termination, only in cases where the exercise of these options is reasonably certain. For discounting purposes, the explicit rate specified in the contract is generally used, where available. In its absence, the rate on the most recent bond debt is used.

Impairment of non-financial assets

At each reporting date, non-financial assets are analysed to assess whether there is any indication of impairment. When events occur that indicate a likely impairment of non-financial assets, the recoverability of those assets is verified by comparing the carrying amount with the recoverable amount that is the higher of fair value, net of selling costs, and the value in use. The value in use is determined by discounting the expected cash flows arising from use of the asset and, if significant and reasonably determinable, as of its disposal until the end of its useful life, net of disposal costs. Expected cash flows are determined on the basis of reasonable and demonstrable assumptions representative of the best estimate of future economic conditions that will occur during the residual useful life of the asset, giving greater importance to external indications. The expected future cash flows used to determine the value in use are based on the most recent business plan approved by management and containing revenue, operating cost and capital expenditure projections. For assets that do not generate highly independent cash flows, the recoverable amount is determined in relation to the cash generating unit of which they are part (that is, the smallest identifiable set of assets that generates autonomous revenue streams arising from continued use). Discounting is carried out at a rate that reflects current market valuations of the time value of money and the specific business risks that are not reflected in cash flow estimates. More specifically, the discount rate used is the Weighted Average Cost of Capital (WACC). The value in use is determined net of the tax effect as this method produces substantially equivalent amounts to those obtainable by discounting the cash flows before tax at a pre-tax discount rate obtained, iteratively, from the result of the after-tax evaluation. The evaluation is carried out for each asset or cash generating unit. When the reasons for the write-downs no longer apply, the asset value is restored and the adjustment is recognised in the income statement as value reversal. The value is reinstated at the lower of the recoverable amount and the carrying amount before the write-downs previously made, less the depreciation charges that would have been recognised if the write-down had not been made.

Trade receivables and other current and non-current receivables

Trade receivables and other current and non-current receivables are non-derivative financial instruments, mainly related to receivables from customers, not listed in an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are recognised as current assets, except for those with a contractual maturity of more than twelve months from the reporting date, which are recognised as non-current assets.

These financial assets are recognised as assets when the Company becomes a party to the related contracts and are derecognised when the right to receive cash flows is transferred together with all the risks and rewards associated with the transferred asset.

Trade receivables and other current and non-current receivables are initially recognised at their fair value and subsequently at amortised cost, using the effective interest rate, reduced for impairment.

Impairment losses on receivables are determined as explained in the next section "Financial assets" of these Notes. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the expected future cash flows.

Receivables are stated in the financial statements net of the bad debt provisions.

Current and non-current trade and other receivables are derecognised when the right to receive cash flows is extinguished and substantially all the risks and rewards of ownership of the asset are transferred ("derecognition") or if the item is deemed to be definitively irrecoverable after all necessary recovery procedures have been completed.

Financial assets

Financial assets are initially recognised at fair value; they are subsequently classified under the following three categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value recognised in other comprehensive income; and
- financial assets measured at fair value through profit or loss.

The classification within the three categories is based on the Group's business model and in relation to the characteristics of the cash flows generated by the assets themselves. In particular, a financial asset is measured:

- at amortised cost, if the Group's business model holds the asset to collect the relative cash flows and not to realise profit even from the sale and the characteristics of the asset's cash flows only correspond to the payment of principal and interest;
- at fair value with a balancing entry in the other components of the comprehensive income statement if it is held with the aim of both collecting contractual cash flows and being disposed of; and
- at fair value, with changes in value recognised in profit or loss, if the financial asset is held for trading and does not come under the previous two categories.

In the case of changes at a business model level, the Group reclassifies the financial assets under different categories, applying the effects of the reclassifications on a forward-looking basis.

The recoverability of financial assets not measured at fair value with effects in profit or loss is measured taking account of expected losses, where "Loss" means the present value of all future cash failures, suitably integrated to take account of future expectations ("Forward looking information"). The estimate, initially made on the expected losses in the following twelve months, in consideration of any progressive deterioration of the receivable, must be adjusted to cover the expected losses over its entire life.

Financial assets are derecognised from the balance sheet when the right to receive the related cash flows is extinguished and all risks and rewards of ownership are substantially transferred ("derecognition") or if the item is deemed to be definitively irrecoverable after all necessary recovery procedures have been completed.

Tax receivables for tax benefits received from customers

Remuneration for services rendered by Group entities operating in the subsidised building and energy efficiency sector may consist, in part or in full, of the allocation to such entities – through the sale or discounts in invoices – of tax receivables for future tax deductions, by customers, who are the original beneficiaries.

From 2021 onwards, revenues corresponding to payments settled in this way (and consequently the corresponding tax receivables) are recognised directly at their inferred market value, which is lower than the nominal value of the tax benefits. In the case of items that the Group does not expect to dispose of within twelve months after the reporting date, the amortised cost method is also applied.

Any adjustment to the value that may be inferred from the market of the carrying amount of items arising prior to 2022 was instead recognised under financial items of the consolidated income statement.

Inventories

Inventories of raw materials, semi-finished goods and finished products are measured at the lower of weighted average cost and market value at the date of the closing of the accounts. The weighted average cost is determined for the reference period for each inventory code. The weighted average cost includes the direct costs of materials and labour and the indirect costs (variable and fixed). Inventories are constantly monitored and, if necessary, obsolete inventories are written-down with contra-entry to the Income Statement.

If the conditions set out in paragraph 35 of IFRS 15 are met, contract work in progress is measured using the cost to cost method (input method). If it is probable that the estimated total costs of an individual contract exceed the estimated total revenues, the contract is measured at cost (so as to eliminate any profit margin recognised in prior periods) and the probable loss on completion of the contract is recognised as a decrease in contract work in progress. If that loss exceeds the value of the work in progress, the contractor shall recognise a provision for risks and charges equal to the excess. A probable loss is recognised in the period in which it is expected based on an objective and reasonable assessment of existing circumstances. The loss is recognised regardless of the contract’s progress. The loss on one contract is not offset by expected positive margins on other contracts. For the purpose of loss recognition, orders are therefore considered individually.

Inventories of contract work in progress that will be settled by allocating to the Group tax receivables for future tax deductions from customers (see, in this respect, the section on tax receivables from customers, in these Notes) are adjusted through a provision aimed at aligning their carrying amount to the realisable value, inferable from the market, of the corresponding tax receivables.

Financial derivatives

All derivative financial instruments (including any embedded derivatives subject to separation) are measured at fair value.

Derivative financial instruments may be recognised according to procedures established for hedge accounting only when:

- the hedging relationship is documented and the hedge has been designated since its inception;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

When derivative instruments meet the requirements to be accounted for under hedge accounting, the following accounting treatment applies:

i) Fair value hedge – if a derivative financial instrument is designated to hedge the exposure to changes in the fair value of a recognised asset or liability, the change in the fair value of the hedging derivative is recognised in the income statement, consistently with the fair value measurement of the hedged assets and liabilities;

ii) Cash flow hedge – if a derivative financial instrument is designated to hedge the exposure to the cash flow variability of an asset or liability or a highly probable transaction that could have an effect on the income statement, the effective portion of the gain or loss on the financial instrument is recognised in equity; the cumulative gain or loss is reversed from equity and recognised in profit or loss in the same period and in the same financial statement item in which the hedged transaction is recognised; the gain or loss associated with a hedge, or that part of the hedge that has become ineffective, is recognised in profit or loss when the ineffectiveness is detected.

If the conditions for hedge accounting are not met, changes in the fair value of derivative financial instruments relating to interest and/or exchange rates are recognised in the income statement under "Financial income" and "Financial charges"; the same items also include effects related to relative closing.

As regards the accounting treatment of financial derivatives on commodities, please refer to the following section of these Notes for further details.

Financial derivatives on commodities

The Group analyses each forward transaction for the purchase and sale of electricity or natural gas, in order to identify those transactions, which come under IFRS 9 and may be considered as financial derivatives, or which instead are excluded.

The financial derivatives in question are recognised at fair value.

The changes in fair value are recognised, based on the characteristics of the derivative and its designation:

- in the consolidated income statements, if relative to instruments not designated as hedging in the accounts; in particular, all changes are classified under "Net income/(expenses) from commodity derivatives";
- directly to a positive or negative reserve of shareholders' equity, if, following specific effectiveness tests, the instrument covers the risk of changes in expected cash flows of an asset, a liability or a planned transaction that is highly likely which exposes the company to the risk of changes in future cash flows and is designated as hedging; this reserve is recognised in the consolidated income statement to the extent and in the times corresponding to the occurrence of the hedging transaction in the same item, affected by the transaction in question.

The effects related to the closure during the year of contracts not qualified for hedge accounting are recognised in the consolidated income statement under "Net income/(expenses) from commodity derivatives".

Determination of the fair value of financial instruments

The fair value of financial instruments listed in an active market is based on market prices at the reporting date. The fair value of financial instruments not quoted in an active market is determined using valuation techniques that are based on methods and assumptions related to market conditions at the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, demand deposits and other short-term and highly liquid financial investments that are readily convertible into cash, or that can be converted into cash within 90 days of the original acquisition date and are exposed to a non-significant risk of a change in value.

Financial liabilities, trade payables and other payables

Financial liabilities (excluding derivative financial instruments), trade payables and other payables are initially recognised at fair value, net of direct ancillary costs and subsequently measured at amortised cost, applying the effective interest rate criterion. If there is a significant change in the expected cash flows, the liability value is recalculated to reflect this change on the basis of the present value of the expected new cash flows and the initial rate of return.
Financial liabilities are recognised as current liabilities unless the Group has an unconditional right to defer their payment for at least 12 months after the reference date.

Financial liabilities are derecognised when they are discharged and when the Group has transferred all the risks and charges related to the instrument.

Provisions for risks and charges

Provisions for risks and charges are recognised with respect to losses or charges of a definite nature, which are certain or probable, whose amount and/or date of occurrence cannot however be determined.

Provisions are recognised only when there is a current (legal or implied) obligation for a future outlay as a result of past events and it is likely that such outlay is required to fulfil the obligation. This amount represents the best estimate of the cost for discharging the obligation. The rate used in determining the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

When the financial effect of time is significant and the payment dates of the obligations are reliably estimated, the provisions are measured at the present value of the expected outlay using a rate that reflects market conditions, the change in the cost of money over time and the specific risk associated with the obligation. The increase in the value of the provision determined by changes in the cost of money over time is accounted for as a financial expense.

Those risks for which the occurrence of a liability is only possible are indicated in the relevant information section on contingent liabilities and no provision is made for them.

Personnel provisions – Employee benefits

Personnel provisions include the following defined benefit plans:

- employee severance indemnities accrued prior to 31 December 2007, as governed by Article 2120 of the Italian Civil Code;
- additional four or five monthly payments, under the applicable National Collective Labour Agreement, for employees or former employees at the time they leave the company;
- company loyalty award, to be paid to employees who have been in service for more than 20 years.

With reference to defined benefit plans, the net liabilities of the Group are determined separately for each plan, estimating the present value of future benefits that employees have accrued in the current and previous financial years and deducting the fair value of any assets of the plan. The present value of the obligations is based on actuarial techniques that attribute the benefit deriving from the plan to the periods in which the payment obligation arises (Credit Unit Projection Method) and is based on actuarial assumptions that are objective and mutually compatible. Plan assets are recognised and measured at fair value.

If the calculation results in a potential asset, the amount to be recognised is limited to the present value of any economic benefit available in the form of future redemptions or reductions of future contributions to the plan (asset limit).

The cost components of defined benefits are recognised as follows:

- service costs are recognised in the income statement under "personnel costs" while
- net financial charges on the defined benefit asset or liability are recognised in the income statement as "financial income / (charges)" and are determined by multiplying the net liability / (asset) value by the rate used to discount the obligations, taking into account the payments of contributions and the benefits received during the period;
- the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in profit or loss) and any change in the limit of the assets, are immediately recognised as Other total profits (losses); these components must not be reclassified to the income statement in a subsequent period.

Public grants

Public grants are recognised at their fair value when there is reasonable assurance that all the conditions necessary for their obtainment will be met and that they will be received.

Grants received for specific expenses are recognised as liabilities and credited to the income statement using a systematic criterion in the years in which they can be matched to the related expenses.

Grants received for capital expenditures are recognised as a decrease in the tangible assets to which they relate and are then recognised in the income statement as a reduction to the amortisation/depreciation charge.

Conversion of items expressed in foreign currencies

Transactions denominated in foreign currencies are converted into euros using the exchange rate on the date of the transaction. At the closing date of the financial year, monetary assets and liabilities are converted at the exchange rate at the end of the period. The resulting exchange rate differences are recognised in the income statement.

Assets and liabilities held for sale (Discontinued Operations)

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the related carrying amount will be recovered principally through a sale. This condition is considered to be met when the sale is highly probable and the disposal group or asset is available for immediate sale under its current conditions. Non-current assets held for sale, current and non-current assets of disposal groups and the directly associated liabilities are recognised in the statement of financial position separately from other assets and liabilities.

Non-current assets held for sale are not depreciated and are measured at the lower of their carrying amount and the related fair value, net of selling costs.

Any difference between the carrying amount and the fair value less selling costs is recognised in the income statement as a write-down; any subsequent write-backs are recognised up to the amount of the previously recognised write-downs, including those recognised prior to the designation of the asset as held for sale.

Non-current assets and current and non-current assets of disposal groups classified as held for sale constitute a discontinued operation if, alternatively:

- they constitute a significant autonomous business division or a significant geographical area of activity; or
- they are part of a divestment program of a significant autonomous business division or a significant geographical area of activity; or
- they are a subsidiary exclusively acquired for the purpose of being sold.

The results of discontinued operations as well as any gains/losses on disposal are shown separately in the income statement in a separate item, net of the related tax effects; the income statement values of discontinued operations are also shown for comparative years.

If there is a plan to sell a subsidiary which results in loss of control, all assets and liabilities of that subsidiary are classified as held for sale.

In the absence of specific guidance in IFRS 5 and IFRS 10 on the need to proceed or otherwise with the elimination of intragroup transactions with companies subject to discontinuing, and

- in the first case, concerning the manner in which such eliminations are to be made;

the Alperia Group has consistently adopted the following accounting policy:

- regular intra-group eliminations of assets and liabilities and profit and loss;

- reconciliation of the residual balances following the eliminations referred to in the previous point to the balance sheet items "Assets held for sale and discontinued operations", "Liabilities held for sale and discontinued operations" and "Net profit/(loss) from discontinued operations".

Recognition of revenues

Revenues from the sales of goods are recognised in the income statement at the time the risks and benefits of the transferred product are transferred to the customer, which normally coincides with the delivery or shipment of the goods to the customer; revenues from services are recognised in the accounting period in which the services are rendered. Revenues from the sale of commodities are adjusted by the effects of contracts designated as hedging in the accounts.

Revenues are recognised at fair value of the consideration received. The Group recognises revenues when their amount can be reliably estimated and their future economic benefits are likely to be recognised.

Depending on the type of transaction, revenue is recognised on the basis of the following specific criteria:

i. revenues from the sale and distribution of electricity, thermal energy, gas, heat and steam are recognised upon transfer of ownership, which essentially occurs at the time of delivery or service, although not invoiced, and are determined by completing with appropriate estimates those obtained based on metered use;

ii. revenues from the sale of certificates are recognised at the time of sale;

iii. revenues from services are recognised when provided or according to contractual clauses;

iv. dividends of companies not included in the scope of consolidation are recognised when the Group has the right to collect them, which normally occurs in the year in which the shareholders' meeting of the investee company that approves the distribution of profits or reserves is held;

v. revenues for connection fees – starting from 2018, the year of the first-time adoption of IFRS 15 – are deferred based on the useful life of the reference assets.

Recognition of costs

Costs are recognised at the time of purchase of the good or service. Costs from the purchase of commodities are adjusted by the effects of contracts designated as hedging in the accounts.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis. Value adjustments referred to derivative financial instruments, which are not designated as hedging in the accounts are recognised as described in the section "Derivative financial instruments" and "Derivative financial instruments on commodities".

Taxes

Current taxes are calculated on the basis of taxable income for the year, by applying the tax rates applicable at the reporting date.

Deferred tax assets and liabilities are calculated on the basis of all the differences that arise between the tax value of an asset or liability and the related carrying amount. Deferred tax assets, including those relating to losses carried forward, for the portion not offset by deferred tax liabilities, are recognised to the extent that it is probable that future taxable income will be available through which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to apply in the years in which the differences will be recovered or paid, on the basis of the tax rates in force or substantially in force at the reporting date.

Current and deferred taxes are recognised in the income statement, except for those relating to items directly debited or credited to equity, in which case the related tax effect is also directly recognised in equity. Taxes are offset when they are levied by the same tax authority and there is a legal right to offset.

Segment information

Segment information was prepared in accordance with the provisions of IFRS 8 "Operating Segments", which require information to be presented in accordance with the methods adopted by management when making operating decisions. Therefore, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by management to allocate resources to the different segments and to analyse their performance.

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are audited regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; iii) for which discrete financial information is available.

Management has identified the following operating segments encompassing all the services and products supplied to customers in 2022:

- Production (hydropower and photovoltaics);
- Sale and trading (electricity, natural gas, heat and various services);
- Networks (distribution and transmission of electricity, natural gas distribution);
- Heat and services (cogeneration, district heating and biomass plants);
- Smart Regions (Smart Land areas, photovoltaics and energy efficiency).

3. Estimates and assumptions

3.1 General information

The preparation of financial statements requires the directors to apply accounting principles and methodologies that, under certain circumstances, are grounded on assessments and estimates based on historical experience and on assumptions that are from time to time considered reasonable and realistic depending on the relevant circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statements and the information provided. The final results of financial statement items for which the above estimates and assumptions have been used may differ from those reported in the financial statements that reflect the effects of the estimated event, due to the uncertainty characterising assumptions and the conditions on which estimates are based.

The items that, in relation to the Group, require the greatest degree of subjectivity from the directors in preparing the estimates, and for which a change in the underlying assumptions could have a significant impact on the Group's financial results are briefly listed below.

a) impairment testing: the carrying amount of intangible and tangible assets, and especially of the concessions acquired through business combinations, is subject to periodic assessment and whenever the circumstances or events require more frequent verification. Goodwill is instead tested for impairment at the end of each reporting period.

   If it is considered that the carrying amount of a non-current asset group has been impaired, the group is depreciated to its recoverable amount, estimated by reference to its use (intended as the ability to generate income, e.g. from equity investments) or its future sale, in relation to the provisions of the most recent business plans. The estimates of such recoverable amounts are believed to be reasonable, but any variation in the estimate factors underlying the calculation of the recoverable values could result in different valuations.

b) bad debt provisions: the bad debt provisions reflect the best estimate of the directors regarding the losses of the portfolio of customer receivables. This estimate, in line with IFRS 9, is based on the Alperia Group's expected losses, determined on the basis of past experience of similar receivables, current and historic past-due receivables, careful monitoring of credit quality and projections of economic and market conditions.

c) deferred tax assets: deferred tax assets are accounted for on the basis of the expected taxable income in future periods necessary for their recovery. The assessment of the expected taxable income for the purposes of deferred tax asset recognition depends on elements that may vary over time and that may have significant effects on the recoverability of deferred tax assets.

d) provisions for risks and charges: in relation to legal risks, provisions are recognised that represent the risk associated with an adverse outcome. The value of the provisions recognised in the financial statements in relation to these risks represents the best estimate to date made by the directors. This estimate is based on assumptions that depend on factors that may change over time and could therefore have a significant effect on the current estimates made by the directors in the preparation of the Alperia Group's financial statements.

e) fair value of derivative financial instruments: the fair value measurement of non-listed financial assets, such as derivative financial instruments, is based on commonly used financial valuation techniques that require basic assumptions and estimates. These assumptions may not occur according to the expected timing and manner. As a result, the estimates made by the Alperia Group may differ from the final figures.

f) Financial assets: the financial receivable held by the Alperia Group vis-à-vis Terna SpA in relation to the ownership and use of the Merano-Bolzano high-voltage transmission network (the "Network") was determined, pursuant to IFRS 16, based on estimates and assumptions that take into account, inter alia, the expected useful life of the network, as well as the maintenance costs to be incurred. During the 2020 financial year, the Regulatory Authority for Energy, Networks and the Environment (ARERA) published consultation document no. 336/2020/R/EEL on the formation of measures as part of the proceedings initiated by its Resolution 126/2019/R/EEL, concerning measures for the infra-period updating of the regulation on electricity transmission, distribution and metering services. In the consultation document, ARERA set out its final guidelines on updating the remuneration of owners of portions of the national transmission grid, which also include the Alperia Group. Although the information necessary to quantify in a reasonably reliable manner the potential effects of the envisaged change in the remuneration method on the Network's margins is only partially available, for the purpose of preparing the Consolidated Financial Statements as of and for the year ended 31 December 2020, the Group has decided, on a prudential basis, to already adjust the related financial activity in the year in question, while waiting for further developments to make it possible to subsequently refine the estimate. At the end of 2022, the Group entered into a contract with Terna Spa for the imminent sale (2023) of the company that owns the grid, as discussed in more detail in section "9.10 Assets and liabilities held for sale and discontinued operations" of these Notes.

g) IFRS 16: the adoption of IFRS 16 implies a significant reliance on professional judgement with regard, in particular, to contractual matters falling within scope of the standard, and to forward-looking considerations carried out.

3.2 Changes in estimates

With reference to the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, two changes in estimates made during 2022 are described below:

- the one-year extension (and, therefore, up until 31 December 2024) of the useful life of the deficit arising from the merger by incorporation of Hydros Srl and SEL Srl, allocated at the higher value of some concessions, as well as the related wet works and works of the concessions relating to Lappago - Neves and Naturno in order to adapt the same to the provisions of Law 118 of 5 August 2022; the positive effect, net of taxes, of the aforementioned change in estimate on the 2022 income statement amounted to Euro 5,984 thousand;

- the one-year extension (and, therefore, from three to four years) of the useful life of the commissions paid to agents, subject to capitalization under intangible assets, on the basis of a review of the dynamics highlighted by the so-called “Churn rate” of commodity sales contracts that the Group secured by paying the aforementioned commissions; the positive effect, net of taxes, of the aforementioned change in estimate on the 2022 income statement amounted to Euro 269 thousand.

4. Amendments to international accounting standards in force since 2022

It should be noted that amendments to the international accounting standards that came into force in 2022 had no effect on the Consolidated Financial Statements.

During 2022, some minor amendments came into force, introduced by Commission Regulation (EU) 2021/1080 in relation to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment and IAS 37 Provisions, Liabilities and potential assets.

5. International accounting standards with application after 2022

During 2022, the following documents were approved by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements and to IFRS Practice Statement 2 - Disclosure of Accounting Policies (Commission Regulation (EU) 2022/357), applicable to financial statements for periods starting on or after 1 January 2023;

- amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Defining Estimates (Commission Regulation (EU) 2022/357), applicable to financial statements for periods starting on or after 1 January 2023;
- amendments to IAS 12 Income taxes - Deferred tax related to assets and liabilities arising from a single transaction (Commission Regulation (EU) 2022/1392), applicable to financial statements for periods starting on or after 1 January 2023;
- amendments to IFRS 17 Insurance Contracts – First-time adoption of IFRS 17 and IFRS 9 – Comparative Information (Commission Regulation (EU) 2022/1491), applicable to financial statements for periods starting on or after 1 January 2023.

At present, the amendments introduced by the above Regulations are not considered to have significant impacts on the Company's consolidated financial statements.

6. Accounting standards not yet endorsed by the European Commission

The following accounting standards, which are not relevant to the preparation of the Consolidated Financial Statements, are set out in the table below, assuming that their application is subject to approval by the European Commission through the issue of specific EU Regulations.

Date of publication	**Accounting standard IAS/IFRS or SIC/IFRIC interpretation**	**Subject matter**
23 January 2020	IAS 1	Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
15 July 2020	IAS 1	Amendments to IAS 1: Presentation of Financial Statements: Classification of

		Liabilities as Current or Non-current - Deferral of Effective Date
22 September 2022	IFRS 16	Amendments to IFRS 16: Lease Liability in Sale and Leaseback
31 October 2022	IAS 1	Amendments to IAS 1: Presentation of Financial Statements: Classification of Debit with Covenants

7. Information on financial risks

Within the scope of business risks, the following main risks are identified, monitored and, as far as specified below, actively managed by the Group:

- market risk (defined as interest rate risk and risk of change in commodity prices);
- credit risk (both in relation to normal business relationships with customers and financing activities);
- exchange rate risk (essentially with reference to the bullet bond denominated in Norwegian kroner and stipulated by the Parent Company);
- liquidity risk (with reference to the availability of financial resources and access to the credit market and the market of financial instruments in general);
- operating risk (with reference to the ability to produce products and services efficiently and effectively);
- regulatory risk (with reference to regulatory changes to the regulated services in which the Group is engaged).
- risks arising from climate change (with reference to the prospects of the businesses in which the Group operates).

The Group's objective is to maintain a balanced management of its financial exposure over time, to ensure its liabilities are in balance with respect to the composition of its assets and the group has the necessary operational flexibility through the use of liquidity generated from current operating activities and the use of borrowings from banks.

The management of the related financial risks is centrally guided and monitored. Specifically, the function in charge of assessing and approving expected financial requirements, monitors the progress and, if necessary, takes appropriate corrective actions.

The following section provides qualitative and quantitative information on how these risks affect the Group.

7.1 Market risk

7.1.1 Interest rate risk

The Group uses external financial resources in the form of debt and uses the liquidity on bank deposits. Changes in interest rates levels affect the cost and return of the various forms of financing and investments, thereby affecting the Group's financial charges and income. The Group, which is exposed to interest rate fluctuations that affect the extent of borrowing costs, regularly assesses its exposure to interest rate risk and manages it by using less costly forms of financing.

At 31 December 2022, the Group's financial debt consisted, inter alia, of four tranches of Notes issued under the EMTN programme, listed on the Irish Stock Exchange. The first tranche of Notes, admitted to listing on 30 June 2016 for a nominal value of Euro 100 million and expiring on 30 June 2023, has a fixed interest rate of 1.41%. The second tranche of Notes, admitted to listing again on 30 June 2016 for a nominal value of Euro 125 million and expiring on 28 June 2024, has a fixed interest rate of 1.68%. The third tranche of Notes, admitted to listing on 23 December 2016 for a nominal value of Euro 150 million and expiring on 23 December 2026, has a fixed interest rate of 2.50%. Finally, the fourth tranche of Notes, admitted to listing on 18 October 2017 for a nominal value of NOK 935 million and expiring on 18 October 2027, has a fixed interest rate of 2.204% as a result of hedging by a derivative.

In addition, the Group has various floating rate loans in place, predominantly linked to the Euribor rate plus a spread, which depends on the type of credit line used. The spreads applied are comparable to the best market standards.

7.1.2 Interest rate risk sensitivity analysis

The Group exposure to interest rate risk was measured through a sensitivity analysis that considered current and non-current financial liabilities and bank deposits. The assumptions were used to assess the impact on the Group's income statement and shareholders' equity for the year ended 31 December 2022 of a hypothetical change in market rates that would respectively reflect an appreciation and a depreciation of 50 bps. The calculation method applied the hypothesis of a change in the precise balances of gross bank debt and the interest rate paid during the year to remunerate these liabilities at a variable rate. The analysis is based on the assumption of a general and instantaneous change in the level of the reference interest rates.

The results of this hypothetical, instantaneous and favourable (unfavourable) change in the level of short-term interest rates applicable to the Group's floating rate financial liabilities are shown in the table below:

(in thousands of Euros)	**For the year ended 31 December 2022**			
	Impact on profit net of tax effect		**Impact on equity net of tax effect**	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Current and non-current bank loans	3,078	(3,078)	3,078	(3,078)
Total	**3,078**	**(3,078)**	**3,078**	**(3,078)**

7.1.3 Commodity risk

The commodity price risk associated with the price volatility of energy commodities (electricity, gas, fuel oil, etc.) and environmental certificates consists in the potential adverse effects that a change in the market price of one or more commodities may have on the Group's cash flows and expected profits.

The assessment of this risk involves managing and monitoring market and commodity risk, developing and evaluating structured energy products, proposing financial hedging strategies for energy risk, and supporting the management in defining appropriate management policies for this risk.

In addition, during the year the Alperia Group, through its subsidiary Alperia Trading Srl, entered into forward contracts for the purchase and sale of energy and natural gas both for trading purposes and to hedge the risk of fluctuations in energy and natural gas prices.

Accordingly, the Alperia Group recognised the total positive fair value of derivative contracts (forward contracts) as other receivables and current financial assets, and the total negative fair value of derivative contracts stipulated for trading or settlement (futures and commodity swap contracts) equal to Euro 58,803 thousand and Euro 210,585 thousand, with an overall negative effect of Euro 151,782 thousand.

Forward contracts stipulated to meet requirements to purchase or sell energy/natural gas which would be executed, on expiry, through the delivery or receipt of commodities, pursuant to IFRS 9, were not considered as derivative contracts, but instead as contract commitments to hedge price fluctuation risk ("Own use exemption"). The relative net fair value at 31 December 2022 was negative (Euro 116,186 thousand) as regards contracts for the purchase and sale of electricity, and positive (Euro 7,027 thousand), as regards contracts for the purchase and sale of natural gas.

7.2 Credit risk

Credit risk represents the Group's exposure to potential losses arising from the non-fulfilment of the obligations assumed by counterparties.

The Group manages this type of risk through appropriate procedures and ad hoc mitigation actions aimed at assessing in advance the counterparty's creditworthiness and at constantly verifying compliance with the exposure limit as well as through the request for adequate guarantees.

Trade receivables are recognised net of the provision for bad debt that is calculated on the basis of the counterparty's default risk, determined on the basis of the information available on customer solvency and on historical data.

The overall exposure to credit risk at 31 December 2022 is the sum of the financial assets recognised in the financial statements, which are summarised below:

(in thousands of Euros)	**At 31 December 2022**
Trade receivables	884,122
Other receivables and other assets (current and non-current)	325,919
Bad debt provisions trade and financial receivables	(12,384)
Total	**1,197,657**

7.3 Exchange rate risk

Exchange rate risk is defined as the possibility that fluctuations in market exchange rates may produce significant changes, both positive and negative, in the value of the Group's assets.

The Group is mainly exposed to exchange rate risk only with reference to the bullet bond denominated in Norwegian kroner (NOK) issued on 18 October 2017 by the Parent Company Alperia SpA.

In order to completely neutralise the exchange rate risk relating to the aforementioned liability, on 11 October 2017 Alperia SpA stipulated a "Cross Currency Swap" derivative financial instrument, with effective date 18 October 2017. This instrument transforms – at the same due dates as the payments related to the bond issue – the coupon flows of the liability, due at a rate of 3.116% and the final flow related to the payment of the principal amount to be paid in Norwegian kroner for a total of NOK 935,000 thousand, respectively in coupon flows in Euro to be paid at 2.204% and in a final flow related to the payment of the principal amount of Euro 99,733 thousand. Owing to these characteristics, this derivative financial instrument, following the adequate preparation of the hedge documentation, was considered a hedge.

7.4 Liquidity risk

Liquidity risk may consist in the inability to find, at financially viable conditions, the financial resources necessary for the Group's operations. The two main factors influencing the liquidity of the Group are:

- the financial resources generated or absorbed by operating and investing activities;
- the maturities of financial debt.

Prudent management of liquidity risk arising from normal operations implies maintaining an adequate level of liquidity, short-term securities and the availability of funds that can be obtained through an adequate amount of credit lines. The Group's liquidity requirements are monitored by a central function to ensure efficient funding and adequate investment of/return on liquidity.

The Group's objective is to establish a financial structure that, consistent with business objectives, ensures an adequate level of liquidity, minimising its opportunity cost and maintaining a balance in terms of maturities and type of financing.

At July 2016, the Group has established a centralised treasury system with almost all subsidiaries.

The following table analyses the financial liabilities (including trade payables and other payables), the repayment of which is expected within or after the financial year:

(in thousands of Euros)	Type	
	Current	**Non-current**
Borrowings from banks and other lenders	808,256	919,440
Trade payables	474,078	0
Other payables and other liabilities	50,417	67,457
Total	**1,332,750**	**986,897**

7.5 Operating risk

Operating risk is represented by the ability of Group companies to produce and offer their services and products on an ongoing basis and with high quality standards.

The Group seeks to ensure a high performance of its plants by adopting the most modern control methods.

The production of photovoltaic, but especially hydroelectric energy, is inevitably subject to weather conditions, and specifically to the rainfall and snowfall index that will characterise the coming years.

7.6 Regulatory risk

With reference to the regulated sectors in which the Group companies are engaged, there are specific functions dedicated to monitoring changes in sectoral legislation, to ensure its timely and correct application.

7.7 Risks from climate change

As mentioned previously, aware of how crucial climate change can be for its business, the Group decided to launch the “Climate Change” project in 2022, which aims to identify and assess the risk factors in relation to the ongoing structural climate change that is having long-term repercussions on the Group’s assets and activities; (i) an Austrian company specializing in sustainable finance, ESG management and decarbonization and (ii) the European Academy of Bolzano - EURAC were appointed for the assessment.

Please also refer to the comments in the Sustainability Plan section above.

It can be said, however, that climate change is not expected to have significant impacts on Group company operations, at least in the short term.

7.8 Fair value measurement

With regard to financial instruments measured at fair value, the following table provides information on the method chosen for determining the fair value. The applicable methods can be broken down in the following levels, which depend on the source of available information, as described below:

- level 1: fair value calculated on the basis of quoted prices (unadjusted) on active markets for identical financial instruments;
- level 2: fair value calculated using valuation techniques that make use of variables observable on active markets;
- level 3: fair value calculated using valuation techniques that make use of unobservable market variables.

The Group's financial instruments measured at fair value are classified in Level 2 and the general criterion used to calculate fair value is the present value of the expected future cash flows of the instrument being assessed.

The table below shows the assets and liabilities measured at fair value at 31 December 2022:

(in thousands of Euros)	At 31 December 2022		
	Level 1	**Level 2**	**Level 3**
Derivative financial instrument (cross currency swap)	0	(7,143)	0
Energy/natural gas financial instruments – net fair value	0	(151,782)	0
Non-Qualified Equity Interests	0	0	60

With reference to the above table:

- the first row refers to the derivative financial instrument entered into as part of a hedging transaction designed to hedge the interest rate risk arising from fluctuations in the variable rate (cash flow hedging) in relation to a loan granted to Alperia SpA by a leading bank;
- the fourth row relates to financial derivative assets on commodities with the fair values indicated in the previous section "7.1.3 Commodity risk".

Trade receivables and payables have been valued at carrying amount as it approximates the current value.

The following table provides a breakdown of financial assets and liabilities by category at 31 December 2022:

(in thousands of Euros)	**Financial assets / liabilities measured at fair value through profit or loss**	**Financial assets/ liabilities measured at fair value recognised in equity**	**Liabilities measured at amortised cost**	**Total**
Current assets				
Cash and cash equivalents	0	0	251,097	**251,097**
Trade receivables	0	0	873,773	**873,773**
Other current receivables and financial assets	4,959	53,844	219,504	**278,307**
Non-current assets				
Other non-current receivables and financial assets	0	0	45,577	**45,577**

Current liabilities				
Trade payables	0	0	474,078	**474,078**
Current borrowings from banks and other lenders	7,911	202,674	597,670	**808,256**
Current tax liabilities	0	0	14,083	**14,083**
Other current payables	0	0	50,417	**50,417**
Non-current liabilities				
Non-current borrowings from banks and other lenders	0	7,143	912,297	**919,440**
Other non-current payables	0	0	67,457	**67,457**

It should be noted that the items "Other non-current receivables and financial assets", "Current borrowings from banks and other lenders" and "Non-current borrowings from banks and other lenders" shown in the table include the fair value of derivative financial instruments entered into by the Group.

In addition, the accounting model applicable to the Cross Currency Swap derivative financial instrument entered into by the Group to hedge the risk of exchange rate fluctuations and classified in the above table in the sub-item "Financial assets/liabilities measured at fair value recognised in equity" provides, since it is part of an effective "Cash flow hedging" relationship:

- the recording in profit or loss of the portion of the change in its fair value that corresponds to the – opposite sign – change highlighted following the conversion of the hedged bond at year-end exchange rates (also recorded in profit or loss);
- recognition in the cash flow hedging reserve of the remaining portion of the change in fair value.

8. Operating segment reporting

The identification of the operating segments and the related information contained in this paragraph was based on elements used by the management to make its operating decisions.

Specifically, the internal reporting periodically reviewed and used by the Group's chief decision-makers refers to the following operating segments:

- Production (hydropower and photovoltaics);
- Sale and trading (electricity, natural gas, heat and various services);
- Networks (distribution and transmission of electricity, natural gas distribution);
- Heat and services (cogeneration, district heating and biomass plants);
- Smart Regions (Smart Land areas, photovoltaics and energy efficiency).

The operating segments performance is measured by analysing revenues and EBITDA, which is defined as profit for the period before amortisation/depreciation, provisions for risks, impairment of assets, financial income and charges and taxes. Specifically, the management believes that EBITDA provides a good indication of performance as it is not affected by tax legislation and amortisation/depreciation policies. EBITDA is reported according to the "view by responsibility" of the various Business Units.

The income and cost information by operating segment continuing operations is provided below:

(in millions of euros)	**Energy production**	**Networks**	**Commercial and Trading**	**Heat and Services**	**Smart Regions**	**Eliminations**	**Total**
Total revenues and other income	174.4	107.5	3,446.6	130.9	123.2	-344.8	**3,637.9**
EBITDA BY OPERATING SEGMENT	57.7	39.0	150.8	14.4	10.2		**272.0**
% of revenues	33.1%	36.3%	4.4%	11.0%	8.3%		7.5%

9. Notes to the Statement of Financial Position

9.1 Concessions, goodwill and other intangible assets

Changes in "Concessions and software licences", "Assets under construction and advances" and "Other intangible assets" for 2022 and 2021 are shown below:

(in thousands of Euros)	**Concessions and software licences**	**Goodwill**	**Assets under construction and advances**	**Other intangible assets**	**Right of Use IFRS 16**	**Total**
Balance at 31 December 2020	**471,392**	**83,512**	**26,485**	**1,909**	**55**	**583,352**
Increases/Decreases historical cost	20,149	0	4,917	3,230	0	**28,296**
Amortisation/Depreciation	(47,252)	(0)	0	(965)	(6)	**(48,224)**
Write-downs	0	(401)	0	0	0	**(401)**
Reversal of previous write-downs of intangible assets	10,887	0	0	0	0	**10,887**
Reversal of provisions for write-downs	2,554	0	0	0	0	**2,554**
Balance at 31 December 2021	**457,730**	**83,110**	**31,402**	**4,173**	**49**	**576,464**
Historical cost	730,890	172,798	31,402	7,163	68	942,322
Accumulated depreciation	(273,160)	(89,287)	0	(2,990)	(19)	(365,456)
Bad debt provisions	0	(401)	0	0	0	(401)

(in thousands of Euros)	**Concessions and software licences**	**Goodwill**	**Assets under construction and advances**	**Other intangible assets**	**Right of Use IFRS 16**	**Total**
Balance at 31 December 2021	**457,730**	**83,110**	**31,402**	**4,173**	**49**	**576,464**
Increases/Decreases historical cost	46,024	124	(31,010)	2,409	0	**17,547**
Change in the scope of consolidation	3	24,091	0	76	0	**24,170**
Amortisation/Depreciation	(48,549)	0	0	(1,504)	(6)	**(50,060)**
Write-downs	0	(749)	0	0	0	**(749)**
Balance at 31 December 2022	**455,208**	**106,576**	**392**	**5,154**	**42**	**567,372**

Historical cost	779,874	197,390	392	13,764	68	991,488
Accumulated depreciation	(324,666)	(84,194)	0	(8,610)	(26)	(417,496)
Bad debt provisions	0	(6,620)	0	0	0	(6,620)

As can be seen from the table above, the main increases refer:

- as regards the sub-item "Licensing and software", almost entirely to improvements to the ERP "SAP S/4HANA" and CRM Salesforce as well as to further IT projects (mainly Corporate Application and Reporting & Analytics) – partly launched during previous years – and which went into operation in 2022, with the consequent start of the related amortisation process;
- as regards goodwill, essentially to the extraordinary operations described in section "2.3 Scope of consolidation and its changes" of these Notes;
- as regards other intangible assets, mainly to the capitalisation of fees recognised for obtaining long-term commodity supply contracts.

Lastly, the write-downs refer to goodwill recognised in 2020, in the context of the purchase of a business unit concerning the sale of electricity and natural gas.

9.2 Tangible assets

The changes in the items "Tangible assets" for 2022 and 2021 are reported below:

(in thousands of Euros)	**Land and building**	**Plants and machinery**	**Industrial and commercial equipment**	**Other assets**	**Tangible assets under construction and advances**	**Right of Use IFRS 16**	**Total**

Balance at 31 December 2020	**155,954**	**603,356**	**1,935**	**9,032**	**83,753**	**42,492**	**896,523**
Increases historical cost	6,316	60,063	630	2,075	65,148	1,026	**135,259**
Decreases historical cost	(2,239)	(35,712)	(110)	(778)	(435)	(445)	**(39,719)**
Decreases – accumulated depreciation	256	27,856	77	614	0	385	**29,188**
Amortisation/Depreciation	(4,850)	(45,720)	(412)	(2,033)	0	(3,558)	**(56,573)**
Write-downs	(357)	(2,185)	0	(33)	0	0	**(2,575)**
Reversal of previous write-downs of tangible assets	0	8,706	0	0	0	0	**8,706**
Use of write-down provision	0	5,785	0	0	0	0	**5,785**
Reversal of provisions for write-downs	0	304	0	0	0	0	**304**
Balance at 31 December 2021	**155,079**	**622,453**	**2,121**	**8,877**	**148,466**	**39,900**	**976,898**
of which:							
Historical cost	255,358	1,863,621	8,705	36,530	148,466	50,199	2,362,880
Accumulated depreciation	(99,560)	(1,227,375)	(6,584)	(27,588)	0	(10,299)	(1,371,406)
Bad debt provisions	(719)	(13,792)	0	(64)	0	0	(14,576)

(in thousands of Euros)	**Land and building**	**Plants and machinery**	**Industrial and commercial equipment**	**Other assets**	**Tangible assets under construction and advances**	**Right of Use IFRS 16**	**Total**
Balance at 31 December 2021	**155,079**	**622,453**	**2,121**	**8,877**	**148,466**	**39,900**	**976,898**
Increases historical cost	9,199	95,387	244	1,534	42,456	688	**149,507**
Decreases historical cost	(32)	(30,276)	(27)	(664)	(209)	(713)	**(31,922)**
Decreases – accumulated depreciation	6	24,944	20	585	0	713	**26,269**
Change in the scope of consolidation	28	2	3	194	0	467	**695**
Amortisation/Depreciation	(4,859)	(45,768)	(408)	(2,134)	0	(3,449)	**(56,618)**
Write-downs	(357)	(810)	0	(4)	0	0	**(1,172)**
Reversal of provisions for write-downs	0	163	0	0	0	0	**163**
Balance at 31 December 2022	**159,064**	**669,503**	**1,952**	**8,456**	**190,713**	**37,606**	**1,067,262**
of which:							

Historical cost	264,552	1,931,669	8,943	37,729	190,713	50,905	2,484,512
Accumulated depreciation	(104,412)	(1,251,133)	(6,991)	(29,273)	0	(13,299)	(1,405,107)
Bad debt provisions	(1,076)	(11,033)	0	0	0	0	(12,109)

With reference to the table above, we point out that:

- the increases in tangible assets in 2022 mainly refer to renovation work on the hydropower power plants of Bressanone, Cardano, Lasa and Tel undertaken by the company Alperia Greenpower Srl, and the plant at Glorenza, operated by Alperia Vipower Spa, as well as increases in the low and medium-voltage network of the company Edyna Srl, to the district heating system of the company Alperia Ecoplus Srl, and to investments in machinery and plants to install at customers sites, in the context of Energy Performance Contracts, undertaken by Alperia Green Future Srl;
- the decreases essentially relate to the disposal of the replaced assets in the context of the renovation work and increases referred to in the previous point;
- the write-downs are partly due to the adjustment of the value of assets to be replaced by Alperia Greenpower Srl (Euro 167 thousand), Edyna Srl (Euro 625 thousand) and Alperia Ecoplus Srl (Euro 19 thousand) and, for the remainder, are attributable to land owned by the investee Biopower Sardegna Srl (Euro 357 thousand);
- the sub-item “Reversal of provisions for write-downs” refers to the utilisation of provisions set aside in the past for the replacement of Group assets, in connection with the occurrence of this event in 2022.

The sub-item “Right of Use”, which arose in the first half of 2019 as a result of IFRS 16 First Time Adoption, mainly relates to concessions for the large-scale diversion of hydroelectric power assigned to various companies of the Alperia Group following a tender, after their expiry. According to IFRS 16, the concessions in question qualify as contracts containing a leasing component referring to the so-called "Wet works", consisting of the collection and regulation works, penstocks and drainage channels which, on the occasion of their original expiry, passed to the grantor body pursuant to Article 25(1) of Royal Decree 1775/1933.

9.3 Investments

The breakdown of the item "Investments" is provided below:

(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021**
Investments in associates or joint ventures	36,514	37,344
Investments in other companies	60	60
Total	**36,575**	**37,405**

The changes in investments in associates or joint ventures subject to joint control recognised using the equity method are reported below:

(in thousands of Euros)	**% of share capital at 31 December 2022**	**Registered office**	**At 31 December 2021**	**Changes scope of consolidation**	**Recapitalization**	**Dividends**	**Valuation effect equity method (income statement)**	**At 31 December 2022**
Teleriscaldamento di Silandro Srl	49.00	Bolzano – Italy	5,698	0	0	(392)	347	5,654
I.I.T. Bolzano Scarl	47.68	Bolzano – Italy	339	0	735	0	(604)	469
SF Energy Srl	50.00	Rovereto (Trento) - Italy	24,789	0	0	0	(791)	23,999
Azienda Elettrica Campo Tures Scarl	49.00	Campo Tures (Bolzano) - Italy	257	0	0	0	0	257
Enerpass Scarl	34.00	San Martino in Passiria (Bolzano) – Italy	4,836	0	0	0	458	5,294
Centrale Elettrica Moso Scarl	25.00	Moos in Passeier (Bolzano) - Italy	477	0	0	0	(43)	434

Neogy Srl	50.00	Bolzano – Italy	456	0	1,000	0	(1,510)	(54)
Alpen 2.0 Srl	42.86	Turin - Italy	185	0	0	0	0	185
Care4U Srl	24.70	Bolzano – Italy	300	0	0	0	(29)	271
Balma Srl	21.43	Turin - Italy	6	0	0	0	0	6
Total			**37,344**	**0**	**1,735**	**(392)**	**(2,172)**	**36,514**

As shown in the table above, the changes in investments in associates or joint ventures recognised using the equity method during 2022 were attributable to:

- the collection of dividends by the company Teleriscaldamento di Silandro Srl;
- the subscription of a capital increase in IIT Bolzano Scarl, as well as capital contributions made – on an equal footing with the other shareholder – in the Neogy Srl joint venture;
- the effects of using the equity method to measure individual investees.

The following table, instead, shows the situation of investments in other companies:

(in thousands of Euros)	**% of share capital at 31 December 2022**	**Registered office**	**At 31 December 2021**	**Change in the scope of consolidation**	**Value adjustments**	**At 31 December 2022**
Medgas Italia Srl	9.61	Rome – Italy	0	0	0	0
BIO.TE.MA Srl in liquidation	11.43	Rome – Italy	0	0	0	0
Banca Popolare Alto Adige	N.A.	Bolzano – Italy	19	0	0	19
Conai	N.A.	Bolzano – Italy	0	0	0	0
JPE 2010 Scrl	2.90	Turin - Italy	14	0	0	14
Art Srl	5.00	Parma - Italy	27	0	0	27
Total			**60**	**0**	**0**	**60**

As shown in the table above, the carrying amounts of investments in other companies did not change in 2022.

9.4 Deferred tax assets and liabilities

The following table provides a breakdown of the items on which deferred tax assets and liabilities were calculated at 31 December 2022 and 2021:

(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021**
Amortisation/Depreciation	19,034	18,110
Provision for bad debts	2,304	1,240
Performance bonus	1,327	1,202
Provision for pension obligations	585	571
Write-down of fixed assets	3,311	3,962
Write-down of inventories	4,663	151
Deferred income from connection fees	18,635	16,896
Provisions for contracts for a consideration	72	419
Provisions for risks and charges	13,543	10,546
Other	564	2,076
Deferred tax assets with balancing entry in the income statement		
Hedging derivatives	88,836	48,705
Impairment of receivables - FTA IFRS 9	249	249
Amortised cost - FTA IAS/IFRS	43	43
Staff provisions - FTA IAS/IFRS	154	25
Deferred tax assets with balancing entry in shareholders' equity		
Total deferred tax assets	**153,319**	**104,195**
Concessions	106,603	113,443
Amortisation/Depreciation	8,426	7,523
Other	1,994	4,144
Deferred tax liabilities with balancing entry in the income statement		
Hedging derivatives	1,651	0
TFR – FTA IAS/IFRS	388	49
Deferred tax liabilities with balancing entry in shareholders' equity		
Total deferred tax liabilities	**119,062**	**125,160**

As shown in the table, no significant changes occurred in 2022 with reference to these items, except for the allocation of significant deferred tax assets recognised with a balancing entry in shareholders' equity with reference to commodity derivatives accounted for using the hedge accounting model, as a result of the decreasing fluctuation of the fair value.

9.5 Other non-current receivables and financial assets

The breakdown of the item "Other non-current receivables and financial assets" at 31 December 2022 and 31 December 2021 is provided below:

(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021**
Initial deposit future	23,174	51,404
Receivables from local authorities	1,032	1,246
Receivables from associates	10,693	9,937
Financial receivables from other companies	5,260	5,623
Provision for other bad debts (financial)	(182)	(182)
Tax receivables related to tax benefits	3,591	5,884
Other receivables	3,000	3,224
Other bad debt provision	(992)	(992)
Total	**45,577**	**76,145**

With reference to the above table:

- the sub-item "Initial deposit future" is attributable to the so-called "Initial deposit" set up at the European Commodity Clearing for the fulfilment of margin requirements in relation to the commodity futures activity of the company Alperia Trading Srl, the variation of which is attributable to multiple variables (market volatility, spread, etc.) and is connected to the dynamics affecting the volume of financial derivative futures stipulated by the company;

- the sub-item "Receivables from associates" as at 31 December 2022 mainly includes a receivable owed to Alperia Greenpower Srl from the consortium company Tauferer Elektrowerk Konsortial GmbH for past incentives;
- the sub-item "Financial receivables from other companies" at 31 December 2022 mainly includes the balance arising from the sale of assets included in a business unit consisting of fibre optic plants during 2020, the consideration for which is to be collected in instalments by the end of 2029 with accrued interest;
- tax receivables related to tax benefits are composed of the portion that the Group expects to collect (through sale to third parties) or that may be used to offset tax payables beyond 2023, of the receivables from the tax benefits acquired by the Group companies operating in the subsidised building and energy efficiency sectors;
- the sub-item "Other receivables" is mainly composed of deposits and advances.

9.6 Trade receivables

The breakdown of the item "Trade receivables" at 31 December 2022 and 31 December 2021 is provided below:

(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021**
Trade receivables	878,765	586,935
Amounts due from associates	5,357	5,348
Provisions for bad debts	(10,349)	(5,382)
Total	**873,773**	**586,901**

Trade receivables, net of the bad debt provision, mainly include receivables from customers and accruals for invoices and credit notes to be issued. The increase reported in 2022 is mainly attributable to:

- the operations of the Group's commodity sales companies, with reference to the significant increase in the prices of electricity and natural gas illustrated in the Report on Operations, as well as the acquisition of the reseller Fintel Gas e Luce Srl, commented in section "2.3 Scope of consolidation and its changes" of these Notes);
- the significant increase in the operations of Group companies active in the energy efficiency and subsidized housing sectors, linked to the market context.

The criteria for adjusting receivables to their estimated realisable value take into account different valuations according to the state of the dispute, as well as the requirements of the International Accounting Standard IFRS 9, starting from 2018.

The provision for trade receivables showed the following movements in 2022:

(in thousands of Euros)	**Provisions for bad debts**
At 31 December 2021	5,382
Change in the scope of consolidation	328
Provisions	6,764
Applications	(2,125)
At 31 December 2022	**10,349**

The provision for bad debts was determined on the basis of an analytical valuation of items showing signs of impairment, plus a further value adjustment calculated on a lump-sum basis using historical loss rates since the Alperia Group was established, for receivables not subject to previous analytical valuation.

9.7 Inventories

The breakdown of the item "Inventories" at 31 December 2022 and 31 December 2021 is provided below:

(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021**
Raw, ancillary and consumable materials	26,237	21,711
Contract work in progress	170,603	53,483
Finished products and goods	5,206	6,943
Advance payments	171	0
Provisions for inventory write-down	(18,627)	(3,252)
Total	**183,591**	**78,885**

Inventories of raw, ancillary and consumable materials, amounting to Euro 26,237 thousand, include stocks of palm oil, consumables and minor equipment. The increase in 2022 of these items is almost entirely attributable to the increase in raw material inventories held by Biopower Sardegna Srl, due to the combined effect of the increase in stocks and the price of palm oil.

Contract work in progress, amounting to Euro 170,603 thousand, mainly refers to contracts for works planning and management. The significant increase in this balance during the year is due to the increased operations of Group companies active in the subsidised building and energy efficiency sectors. This category of inventories is mainly related to the provision for write-downs, recognised for Euro 18,627 thousand, in order to consider, in accordance with the accrual basis of accounting, the effect of the discount that will be applied to the nominal value of receivables for tax benefits, which are part of the contract consideration, at the time of their transfer to financial intermediaries by the Group.

Finished products and goods include mainly inventories of Energy Efficiency Certificates and Certificates of Origin held by the Alperia Group companies Edyna Srl and Alperia Trading Srl, as well as stocks of natural gas held by Alperia Trading Srl.

9.8 Cash and cash equivalents

The breakdown of the item "Cash and cash equivalents" at 31 December 2022 and 31 December 2021 is provided below:

(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021**
Bank and postal deposits	250,958	12
Cash on hand	139	79,374
Total	**251,097**	**79,385**

For further information regarding the reasons for the change compared to the previous year, please refer to the cash flow statement and the description of financial debt of the Group in section "9.14 Payables to banks and other lenders (current and non-current)" of these Notes.

9.9 Other current receivables and financial assets

The breakdown of the item "Other current receivables and financial assets" at 31 December 2022 and 31 December 2021 is provided below:

(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021**
Value added tax credits, requested as refunds	3,677	5,272
Miscellaneous tax receivables	8,389	12,857

Tax receivables related to tax benefits	29,755	24,342
Receivables from GSE for incentives and environmental certificates	6,559	12,218
Allowance for doutbful accounts regarding GSE for environmental incentives and certificates	(861)	(861)
Energy and Environmental Services Fund	23,045	14,819
Receivables from Edison SpA	5,733	5,733
Prepaid hydroelectric and river fees	6,234	6,853
Advances and deposits to suppliers	17,074	29,219
Other accrued income and prepaid expenses	12,019	4,284
Financial derivatives on commodities	58,803	77,787
Deposits for derivative transactions	75,763	94,441
Current receivables from credit institutions	19,905	0
Financial receivables from associates	2,750	2,293
Financial receivables from other companies	454	287
Securities	531	531
Other miscellaneous receivables	8,475	4,613
Total	**278,307**	**294,688**

With reference to the table above, we point out that:

- the decrease in other tax receivables is mainly attributable to the fact that the IRES (corporate income tax) position, with a receivable as at 31 December 2021, recorded a payable at the end of 2022;
- tax receivables related to tax benefits are composed of the portion that the Group expects to collect (through sale to third parties) or that may be used to offset tax payables beyond 2023, of the receivables from the tax benefits acquired by the Group companies operating in the subsidised building and energy efficiency sectors;
- the significant decrease in the sub-item “Receivables from GSE for environmental incentives and certificates” is attributable to the significant decrease in GRIN incentives received by various companies of the Alperia Group, in turn attributable to the considerable increase in the parameter relating to the sale price of energy determined by ARERA for the related calculation;

- the significant increase in the sub-item "Energy and Environmental Services Fund" is attributable to the temporary increase in the equalization component pursuant to Article 22 of the TIV concerning the protected market, linked to contingent factors (temporary imbalance – both in terms of quantity and price – between the cost incurred by the company Alperia Smart Services Srl for the supply of electricity sold to customers under enhanced protection and revenue associated with the sale of this commodity);
- prepayments for hydroelectric fees refer mainly to the portion for 2023 of fees paid in 2022 for various hydroelectric power plants operated by Alperia Greenpower Srl and Alperia Vipower Spa;
- the decrease of Euro 12,145 thousand shown in the sub-item "Advances and deposits to suppliers" is mainly attributable to the partial reabsorption of previous items, referring to the companies of the Alperia Group active in the subsidized building and energy efficiency sectors;
- the sub-item "Other accrued income and prepaid expenses" refers nearly entirely to the recognition of expenses for fees and licences related to the implementation of applications as part of the digitalisation project started by the Group in 2018; the relative increase is related to the company's operations;
- the sub-items "Financial derivative assets on commodities" and "Deposits for derivative transactions" refer to the overall fair value of forward contracts to buy and sell energy and natural gas, as described in Section 7.1.3 "Commodity Risk" of these Notes and, on the liabilities side, to the countervalue of the overall variation margins paid; the decrease in these balances in 2022 is strictly related to the trend of transactions on the European Energy Exchange, in terms of the volumes of commodities comprising the notional

amounts of the financial derivatives stipulated on this exchange and the dynamics of related prices;

- current receivables from credit institutions consist of items – collected in January 2023 – arising from the transfer to third-party counterparties of receivables for tax benefits;
- the sub-item "Financial receivables from associates" mainly refers to an outstanding exposure with the company Neogy Srl;
- other receivables, amounting to Euro 8,475 thousand at 31 December 2022, mainly include items related to the application of IFRS 16 to contract income, other security deposits, as well as receivables from employees and social security institutions; the incremental fluctuation is linked to the Group's operations, as well as to the changes highlighted in the related scope of consolidation during 2022.

9.10 Assets and liabilities held for sale and Discontinued Operations

These two items include the balances of assets and liabilities, net of intercompany eliminations, of Edyna Transmission Srl at 31 December 2022; the agreements signed by the Group at the end of 2022 with Terna Spa in fact provide for their disposal by 2023.

Their composition at that date was therefore as follows:

(in thousands of Euros)	**Edyna Transmission Srl**
Tangible and intangible assets	(1,816)
Investments	0
Other current and non-current assets	16,271
Total assets	**14,455**
Provisions for risks and charges	(496)
Other current and non-current liabilities	(1,989)

Total liabilities	**(2,485)**

The net carrying amounts of groups being disposed of are considered overall as being at least equal to the relative fair values net of costs to sell.

9.11 Shareholders' equity

The changes in equity reserves are presented in these Consolidated Financial Statements. At 31 December 2022, the share capital of the Parent Company Alperia SpA amounted to Euro 750 million, consisting of 750 million ordinary shares with a par value of Euro 1 each.

The following table shows the reconciliation between the shareholders' equity and the result for the period of Alperia SpA and the shareholders' equity and the result for the period of the Group at 31 December 2022.

(in thousands of Euros)	**Profit (loss) for the period**	**Shareholders' equity**
Result for the period and shareholders' equity Parent Company	**34,157**	**895,866**
Elimination of the carrying amount of consolidated investments		
Contribution value of investments in aggregate	118,548	991,747
Effects of elimination of equity investments and any allocation of higher value	(13,704)	(925,350)
Effects on other equity investments		
Valuation of equity investments using the equity method	(79)	4,794
Elimination of the effects of transactions between consolidated companies		
Elimination of dividends	(69,268)	0
Elimination of gains from the sale of property realised in previous years	149	(6,460)
Elimination of capital gains from the sale of an intragroup business unit	(61)	(61)
Elimination of capital gains from previous intragroup contributions	18	(728)
IAS/IFRS alignment effects		
Measurement of contributions on connections pursuant to IFRS 15	(4,431)	(47,487)
Adoption of IFRS 16	(1,124)	3,241
Adoption of IAS 20	(2,871)	1,874
Reversal of statutory goodwill amortisation in accordance with IAS 38	2,968	21,345
Measurement of severance indemnities and employee benefits in accordance with IAS 19	253	404
Other effects arising from the adoption of IAS/IFRS	1	0
Put & call options on investments IFRS 10	(204)	(1,699)

Other effects		
Various minor effects	(2,639)	(4,247)
Result for the period and consolidated shareholders' equity	**61,714**	**933,240**
Result for the period and shareholders' equity attributable to non-controlling interests	***896***	***26,181***
Result for the period and shareholders' equity attributable to owners of the parent	***60,819***	***907,059***

9.12 Provisions for risks and charges

The item "Provisions for risks and charges" amounted to Euro 70,923 thousand at 31 December 2022; its breakdown is presented below:

(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021**
IMU/ICI/IMI Fund	220	422
Provision for environmental expenses	13,343	14,509
Performance bonus provision	5,626	4,572
Other provisions for risks and charges	51,734	31,750
Total	**70,923**	**51,252**

The "IMU/ICI/IMI Fund", amounting to Euro 220 thousand, was allocated to the subsidiary Alperia Greenpower Srl following the publication of Land Registry Circular 6/2012 of 30 November 2012 "Determination of land registry income of special and specialised property units: technical and estimate aspects", which redefined the criteria for estimating land registry income of facilities and buildings. Since the end of 2016, several South Tyrolean Municipalities have submitted assessment notices for previous years, against which, since the beginning of 2017, Alperia Greenpower Srl has promptly filed the necessary appeals or appeals/complaints for mediation purposes where required. In 2018-2022, the company settled its outstanding positions with various Municipalities and paid the agreed fees accordingly.

The “Provision for environmental expenses”, amounting to Euro 13,343 thousand, was set up mainly due to the commitments undertaken in the concession regulations signed between Alperia Greenpower Srl and Alperia Vipower Spa, on the one hand, and the Autonomous Province of Bolzano and riverside/lakeside Municipalities, on the other, in terms of environmental improvement measures. These agreements provide that the works in question are partially carried out by the Companies, which retain the costs incurred for this purpose from the fee for environmental improvement measures paid annually to the coastal Municipalities.

The “Provision for performance bonuses”, equal to Euro 5,626 thousand, was set aside to cover the estimate for employee bonuses for 2022.

“Other provisions for risks and charges”, amounting to Euro 51,734 thousand, mainly include:

- Euro 17,125 thousand, referring to the negative balance for 2018, 2019 and 2022 (the last of these made in these financial statements, together with an additional amount referring to previous years totalling Euro 13,401 thousand) concerning the reinstatement of generation costs pertaining to Alperia Trading Srl as user of the dispatching of the plant located in Ottana (Nuoro) owned by the Alperia Group company, Biopower Sardegna Srl, pursuant to ARERA Resolution 111/2006 (as amended);
- Euro 17,070 thousand, relating to the dispute with Edison Spa, as explained in greater detail in the section of the Report on Operations “Contingent liabilities from extraordinary transactions”;
- Euro 5,000 thousand, referred to the best estimate, that could be made with reasonable reliability only in 2021, of the cost that the Group believes it will incur to fulfil the commitments undertaken with a multi-utility company in South Tyrol pursuant to a memorandum of understanding signed in previous years;

- Euro 3,500 thousand, referred to charges expected in relation to the negative trend of some of the Group's businesses.

The changes in this item during 2022 are summarised in the table below:

(in thousands of Euros)	**Provisions for risks and charges**
At 31 December 2021	51,252
Changes in the scope of consolidation	51
Provisions	35,257
Reclassifications	(280)
Releases	(1,499)
Applications	(13,858)
At 31 December 2022	**70,923**

With reference to the above table:

- the provisions made in 2022 mainly refer to the employee bonus accrued in the period, to provisions for environmental expenses made by the companies Alperia Greenpower Srl and Alperia Vipower Spa, as well as the previously mentioned provisions for the reintegration of generation costs and the dispute with Edison Spa;
- releases mainly relate to the release of a provision made in 2021 to take into account a potential outlay that the company Alperia Trading Srl could have incurred in the future, following the successful outcome of the matter for which the provision had been made;
- uses in 2022 mainly concern the provision for performance bonuses and the provision for environmental expenses illustrated above, as well as a provision for charges made at the end of 2021 in relation to the expected coverage of compensation for damages sustained by third parties due to water leaks at a Group plant.

9.13 Employee benefits

The item "Employee Benefits" at 31 December 2022 includes Euro 9,485 thousand of the provision for Employee Severance Indemnities and Euro 2,402 of the provision for personnel expenses that covers the actuarial valuation of liabilities associated with defined benefit plans within the Group relating to: (i) the loyalty bonus, due to employees who remain in service for a certain number of years, and (ii) additional monthly payments, due to employees hired before 24 July 2001.

The changes in the provision for Employee Severance Indemnities at 31 December 2022 are presented below:

(in thousands of Euros)	**At 31 December 2022**
At 31 December 2021	10,828
Provisions	451
Change in the scope of consolidation	604
Applications	(1,125)
Actuarial (profits) / losses	(1,273)
Total	**9,485**

The table below contains the detailed economic and demographic assumptions used for the actuarial valuations of the employee severance indemnities:

Annual technical discount rate	3.77%
Annual inflation rate	5.9% for 2023, 2.3% for 2024, 2.0% from 2025
Mortality tables	State General Accounting Department RG48 Mortality Table
Annual rate of overall salary increase	6.9% for 2023, 3.3% for 2024, 3.0% from 2025
Annual rate of increase in employee severance indemnity	5.9% for 2023, 3.2% for 2024, 3.0% from 2025

The table below contains a sensitivity analysis of the liability at 31 December 2022, in which the above assumptions are taken as a base scenario, increasing and decreasing the inflation rate and discount rate by 0.25% and 0.5% respectively. The results obtained are summarised in the following tables:

(in thousands of Euros)	At 31 December 2022	
	Inflation rate	
	0.25%	**-0.25%**
Provision for post-employment benefits	9,585	9,400

(in thousands of Euros)	At 31 December 2022	
	Discount rate	
	0.5%	**-0.5%**
Provision for post-employment benefits	9,148	9,860

The changes in the provision personnel expenses at 31 December 2022 are presented below:

(in thousands of Euros)	At 31 December 2021	Provisions	Applications	Discount effect	Releases	At 31 December 2022
Loyalty bonus	1,144	130	(106)	(212)	0	956
Additional monthly payments	1,659	66	(249)	(183)	0	1,293
Provision for indemnities	136	66	(50)	0	0	152
Total	**2,939**	**262**	**(405)**	**(394)**	**0**	**2,402**

9.14 Borrowings from banks and other lenders (current and non-current)

The table below shows the current and non-current financial liabilities at 31 December 2022 and 31 December 2021:

(in thousands of Euros)	At 31 December 2022			At 31 December 2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Borrowings from banks and other lenders	492,030	511,067	1,003,097	19,203	329,708	348,911
Debenture loan	102,343	362,347	464,690	2,473	466,430	468,903
Financial derivative contracts	210,585	7,143	217,728	205,983	11,891	217,874
Liabilities due to the adoption of IFRS 16	3,297	37,352	40,649	3,041	39,737	42,777
Other financial liabilities	0	1,531	1,531	3,003	0	3,003
Total	**808,256**	**919,440**	**1,727,696**	**233,704**	**847,766**	**1,081,469**

Borrowings

The breakdown of borrowings from banks at 31 December 2022 with reference to both the non-current and the current portion is presented below:

(in thousands of Euros)	**Date taken out**	**Maturity date**	**Rate**	**Spread**	**Amount disbursed**	**As at 31 December 2022**
BEI	21/10/2014	21/10/2026	1.80%	-	25,000	12,282
BEI	21/10/2014	21/10/2025	2.00%	-	50,000	18,693
BEI	31/08/2021	28/08/2037	0.896%	-	48,850	49,004
CDP	30/06/2011	30/06/2023	Euribor 6 m	0.38%	80,000	3,200
"FACILITY A"	03/11/2022	03/11/2023	Euribor 3 m	1.35%	480,000	480,095
"FACILITY B"	03/11/2022	30/09/2024	Euribor 3 m	1.05%	440,000	440,079
BANCA INTESA	24/11/2020	24/11/2026	1.60%	-	1,000	980
BANCA INTESA	15/11/2017	18/10/2027	1.97%	-	600	300
BANCA DEL PIEMONTE	23/12/2020	01/01/2023	1.50%	-	300	300
OTHER PAYABLES						215
TOTAL						**1,005,148**
Incidental expenses on loans (amortised cost)						(2,051)
Borrowings from banks and other lenders (short and long term)						**1,003,097**

As may be inferred from the table above, in 2022 the Group started the process of consolidating its financial debt, which increased sharply in 2021 and 2022 – moreover in line with events at the level of its main competitors – essentially in due to particular market dynamics. More specifically, in November 2022 the parent company signed a so-called "Facilities Agreement", including the following three lines of financing:

- *a "Facility A"* (Euro 480,000 thousand), to meet liquidity needs pending the renewal of some of the bond loans issued. It should be noted that the financing relating to the credit line in question was prudentially classified under current liabilities, even though two consecutive options are contractually envisaged for the six-month extension of each of the original maturities (November 2023) in favour of the Company, as it intends taking out new debt on the bond market in 2023, as better illustrated in the section "Strengthening of credit lines" of the Management Report;
- *a "Facility B"* (Euro 440,000 thousand), guaranteed in part by SACE, intended to meet the working capital financing needs of the Group company, Alperia Smart Services Srl; the Parent Company is considering the early repayment of part of the aforementioned line;
- a *"Facility C"* (Euro 480,000 thousand), in the form of a so-called *"Revolving Credit Facility"*, undrawn however by the Company as at 31 December 2022.

It should be noted that some loans provide for the commitment to maintain an investment grade rating of Alperia Spa or provide for a review – both in terms of improvement and deterioration – of the interest rate applied to them, depending on changes in the aforementioned rating. As previously noted, on 15 December 2022 the rating agency Fitch, while revising the outlook from "stable" to "negative", confirmed Alperia Spa's long-term rating at the BBB level, thus confirming its investment grade.

Debenture loan

At 31 December 2022, the Parent Company issued bonds for a total amount of about Euro 475 million. At the same maturity date, the company of the Hydrodata Spa Group also had a debenture loan in place for Euro 450 thousand. The bond issues in question are summarised below in table form:

(in thousands of Euros)	**Date taken out**	**Maturity date**	**Rate**	**Amount**
Tranche 1 (Alperia Spa)	30/06/2016	30/06/2023	1.41%	100,000
Tranche 2 (Alperia Spa)	30/06/2016	28/06/2024	1.68%	125,000
Tranche 3 (Alperia Spa)	23/12/2016	23/12/2026	2.50%	150,000
Tranche 4 (Alperia Spa)	18/10/2017	18/10/2027	2.20%	99,920
Tranche 5 (Hydrodata Spa)	30/06/2020	31/12/2025	variable	450
				475,370
Incidental expenses (amortised cost)				309
Foreign exchange effect **(*)**				(10,989)
				464,690

(*) The fourth bond issue carried out in October 2017 by Alperia SpA as part of the current EMTN programme took place in Norwegian kroner (NOK). As described in section "7.3 Exchange rate risk" of this report, the risk of fluctuations in the issue exchange rate of the tranche in question and therefore the impact on the income statement of the Company deriving from the translation of the liability due to fluctuations in the Norwegian krone have been neutralised by subscription of a Cross Currency Swap derivative financial instrument.

Financial derivative contracts

Financial derivative contracts with a negative fair value can be broken down as follows:

- financial instruments on commodities (Euro 210,585 thousand);
- Cross Currency Swap to hedge the bond in NOK issued by the parent company Alperia Spa (Euro 7,143 thousand).

For further information, see section "7.1.1 Interest rate risk" of these Notes.

Liabilities due to the adoption of IFRS 16

This sub-item arose in the first half of 2019 as a result of IFRS 16 First Time Adoption and relates to the outstanding liability for lease contracts arising from the obligation to pay the respective lease payments, offset by the leased asset recognised in fixed assets (defined as the Right of Use).

Other financial liabilities

This sub-item is mainly attributable to the accounting treatment of put and call options on the minority interest referred to the acquisition of Fintel Gas e Luce Srl described in section "2.3 Scope of consolidation and its changes" of these Notes.

Financial debt

The breakdown of consolidated net financial debt of the Alperia Group as at 31 December 2022 is provided below, drawn up in compliance with the guidelines to that effect published by the European Securities and Markets Authority (ESMA) in 2021, together with the relative comparison with the situation as at 31 December 2021.

	(in thousands of Euros)	**At 31 December 2022**	**At 31 December 2021 restated**	**Restatement**	**At 31 December 2021**
A	Cash and cash equivalents	251,097	79,385	0	79,385
B	Cash equivalents	0	0	0	0
C	Other current financial assets	102,802	129,612	96,696	32,915
D	**Liquidity (A + B + C)**	**353,898**	**208,997**	**96,696**	**112,300**
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(485,282)	(64,335)	0	(64,335)

F	Current portion of non-current financial debt	(119,005)	(24,717)	0	(24,717)
G	**Current financial debt (E + F)**	**(604,287)**	**(89,052)**	**0**	**(89,052)**
H	**Net current financial debt (G - D)**	**(250,389)**	**119,945**	**96,696**	**23,248**
I	Non-current financial debt (excluding current portion and debt instruments)	(549,950)	(369,445)	0	(369,445)
J	Debt instruments	(362,347)	(466,430)	0	(466,430)
K	Trade payables and other non-current payables	0	0	0	0
L	**Non-current financial debt (I + J + K)**	**(912,297)**	**(835,875)**	**0**	**(835,875)**
M	**Total financial debt (H + L)**	**(1,162,686)**	**(715,930)**	**96,696**	**(812,627)**

It should be noted that the balances as at 31 December 2021 were restated – with the aim of improving the overall significance of the KPI in question, to better adapt it to the operating context of the Alperia Group – which saw the inclusion, in the line item referring to "Other current financial assets", of the positive balance relating to deposits for operations at the European Energy Exchange concerning futures recognised in compliance with the hedge accounting model.

The overall increase in financial debt in 2022 was essentially due to the need to finance working capital, which, as shown in the consolidated cash flow statement, increased by Euro 523,036 thousand compared to the previous year. This increase is mainly attributable to i) the significant cash absorption in 2022 in due to the sale of commodities to end customers, which was strongly influenced by the relative price dynamics as described in the Report on Operations, and ii) the significant increase in operations of Group companies active in the energy efficiency and subsidised housing sectors.

Therefore, that with the reduction in electricity sales prices described in the Report on Operations and considering the size and quality of trade receivables, a reabsorption of working capital is expected, which will therefore allow an improvement in the Group's financial debt.

It should also be noted that the data present in the above financial debt do not include the cash and cash equivalents of the Alperia Group company, Edyna Transmission Srl, subject to reclassification – like all the other balances present in the respective financial statements duly adjusted by intragroup eliminations – in the line items "Assets held for sale and Discontinued Operations", "Liabilities held for sale and Discontinued Operations" and "Net result (B) from Discontinued Operations" of the interim consolidated financial statements.

Finally, it should be noted that financial debt does not include the Group's non-current financial receivables (as at 31 December 2022 and 31 December 2021, equal to Euro 33,917 thousand and Euro 62,131 thousand respectively).

9.15 Other payables (current and non-current)

The breakdown of the item "Other payables – current and non-current" at 31 December 2022 and 31 December 2021 is provided below:

(in thousands of Euros)	At 31 December 2022			At 31 December 2021		
	Non-current	Current	Total	Non-current	Current	Total
Payables to Energy and Environmental Services Fund	0	1,194	1,194	0	14,101	14,101
Tax payables	0	13,085	13,085	0	11,914	11,914
Payables to employees	0	4,302	4,302	0	3,655	3,655
Payables to pension and social security institutions	0	3,757	3,757	0	3,364	3,364
Accrued liabilities and deferred income	63,630	3,663	67,294	57,804	3,165	60,969
Other	3,827	24,414	28,241	0	15,853	15,853
Total	**67,457**	**50,417**	**117,874**	**57,804**	**52,052**	**109,855**

With reference to the table above, it should be noted that:

- the significant decrease of Euro 12,907 thousand recorded in payables relating to the Cassa per i Servizi Energetici e Ambientali is attributable to the effects of the regulatory measures which eliminated the general system charges with regard to some types of utilities during 2022;

- the sub-item "Accrued liabilities and deferred income" refers nearly entirely to the current and non-current portion of deferred income on connection fees recognised in the income statement pursuant to IFRS 15, based on the useful life of the reference assets, as described in greater detail in section "2.6 Measurement criteria" of these Notes; the increase is due to the higher number of connections made, compared to 2021;
- the sub-item "Other" is mainly made up of payables relating to the payment of state fees envisaged by the concession regulations signed by the companies Alperia Greenpower Srl and Alperia Vipower Spa; the increase in the same item in 2022 is chiefly due to liabilities for future earn-outs arising in 2022 and linked to the extraordinary operations described in section "2.3 Scope of consolidation and its changes" of these Notes.

9.16 Trade payables

The item "Trade payables" includes payables for the supply of goods and services amounting – at 31 December 2022 – to Euro 474,078 thousand (Euro 440,342 thousand at 31 December 2021).

9.17 Current tax liabilities

This item, zero at 31 December 2021, includes the payable balance to the tax authorities relating to IRES (corporate income tax), IRAP (regional business tax) as well as the so-called "2023 solidarity contribution" provided for by Law 197/2022, with an overall balance of Euro 14,083 million. The incremental change compared to 2021 – in addition to the contingent presence of the aforementioned contribution – is due to the various dynamics affecting advances and balances referring to direct taxes.

10. Notes to the Income Statement

10.1 Revenues

With regard to the breakdown of total revenues and income by business area, see the contents of section 8 of these Notes.

The total value of revenues, which amounted to Euro 3,602,277 thousand in 2022, represented a significant increase (+82%) on the figure of Euro 1,976,559 thousand recorded in the previous year.

The reason for this significant increase is mainly due to the increase in revenues from the sale of electricity (+75%) and natural gas (+137%), which in turn is related to the joint effect of the change in the total volumes sold by the Group and the price dynamic of both commodities, which was particularly favourable during the year in question (even if mitigated by the effects of the hedging relations put in place by the Group), as explained in the Report on Operations and the acquisition of the reseller Fintel Gas e Luce Srl in 2022.

This trend was also supported by the significant growth in the turnover of Group companies operating in the subsidised building and energy efficiency sectors (+133%), driven by the tax benefits introduced by legislation.

Further increases, albeit more contained in terms of turnover, were also recorded for revenues from district heating (+37%).

10.2 Other revenues and income

The breakdown of the item “Other revenues and income” for the year 2022 and 2021 is provided below:

(in thousands of Euros)	**2022**	**2021**
Non-recurring income	204	697
Sale of materials	751	218
Price adjustments following previous Purchase Price Allocations	34	200
Leases	235	255
Revenue from incentive tariffs and operating grants	16,361	67,102
Proceeds from the “Superbonus 110%” tax benefit	7,098	1,193
Recovery of expenses	1,524	1,554
Revenues from environmental certificates	1,801	6,438
Capital gains from disposals of tangible assets	240	793
Compensation for damages	3,471	3,606
Release of funds	1,499	1,547
Reversal of previous write-downs of tangible and intangible assets	0	19,593
Other	2,401	3,069
Total	**35,620**	**106,266**

With reference to the above table, please note that:

- the reduction in revenues relating to incentive tariffs and operating grants is essentially attributable to the decrease in GRIN incentives in 2022, attributable to the significant increase in the parameter relating to the sale price of energy determined by ARERA for the related calculation;
- the sub-item “Superbonus 110% income” is linked to the recognition – on an accrual basis – of the income linked to the 10% increase, in addition to the cost referring to activities incentivized by this initiative, benefitting Group companies active in the energy efficiency and subsidized building sectors by relative customers; the significant increase in the revenue component in question is related to the increase in operations of the aforementioned companies;

- the significant decrease in the sub-item "Revenues from environmental certificates" is attributable to the Group's operations, mainly in terms of lower income from the cancellation of Energy Efficiency Certificates purchased to comply with current legislation and from the sale of Energy Efficiency Certificates obtained on investments carried out;
- unlike 2021, the Group did not record reversals of previous write-downs of tangible and intangible assets;
- the sub-item "Other" mainly refers to various fees and revenues.

10.3 Costs for raw materials, consumables and goods

The breakdown of the item "Costs for raw materials, consumables and goods" for the year 2022 and 2021 is provided below:

(in thousands of Euros)	**2022**	**2021**
Electricity	2,090,004	814,635
Fuels and lubricants	77,577	60,592
Natural gas	319,083	131,534
Electricity imbalance	66,632	34,237
Gas imbalance	171,012	45,787
Energy savings certificates or similar (including the change in relative inventories)	12,920	12,279
Consumables	66,805	61,937
Costs for raw materials, consumables and goods capitalised under fixed assets	(45,491)	(50,407)
Change in inventories and contract work in progress	(6,089)	(19,461)
Total	**2,752,453**	**1,091,134**

In relation to the above table, please note the following:

- the increase in costs related to the purchase of electricity and natural gas (including the relevant imbalances) is strictly related to the trend of revenues deriving from the sale of the two commodities, commented in section "10.1 Revenues" of these Notes;
- the significant increase in the sub-item "Fuels and lubricants" is attributable to the significant increase in 2022 in costs for the purchase of palm oil and urea recorded by the Group company, Biopower Sardegna Srl, which in turn is mainly due to the effect of the dynamic increase in related prices;
- the trend of costs of commodities, consumables and goods (considered net of the amount suspended under assets in the statement of financial position), is mainly attributable to the business operations of the Group companies active in the generation sector and in energy efficiency and subsidized building.

10.4 Cost of services

The breakdown of the item "Cost of services" for the year 2022 and 2021 is provided below:

(in thousands of Euros)	**2022**	**2021**
Electricity transport	110,502	337,895
Fees and additional fees	68,643	58,651
Dispatching service charges	127,131	92,554
Professional services	249,948	135,025
Commercial services	14,354	8,015
Natural gas distribution	3,764	22,739
Natural gas transport	34,074	13,130
Insurance	7,573	6,526
Leases	2,057	1,803
Rentals	2,079	2,446
Charges and commissions for banking services	2,698	756
Recruiting, training and other personnel expenses	3,729	3,234
Remuneration of corporate bodies	1,600	1,664
Post, telephone and internet expenses	1,472	1,380
Cost of services capitalised under fixed assets	(74,758)	(75,927)

Change in contract work in progress	(98,711)	(19,758)
Advertising and marketing expenses	6,403	6,273
IT and management services	36,506	37,306
Ordinary and periodic maintenance	6,906	6,958
Other	5,465	19,246
Total	**511,436**	**659,916**

With reference to the table above, we point out that:

- the significant decrease in transit items (transportation and distribution, considered as a whole) is essentially attributable to the effects of regulatory measures which eliminated general system charges, as regards some types of users, during 2022;
- the sub-item "Fees and surcharges", amounting to Euro 68,643 thousand, mainly refers to State fees, surcharges relating to mountain catchment areas, surcharges due to coastal Municipalities and other charges connected with the production of hydroelectric energy; the significant increase is almost entirely attributable to the higher charges relating to the fee due to the Autonomous Province of Bolzano for free energy, which it chose not to collect, to the change in the parameter indicated by the Council Resolution which regulates its quantification, in turn influenced by incremental dynamics affecting the price of electricity;
- the incremental dynamics shown by dispatching items are attributable to the increase in sales volumes of electricity and natural gas commented on in the Report on Operations;
- the increase in charges for professional and commercial services is largely attributable to the increase in operations of companies active in the energy efficiency and subsidized building sectors, in terms of more subcontracted activities and an increased use of agents; this trend was also reflected in the increase in the change in inventories of contract work in progress;

- the increase in insurance costs is essentially attributable to changes in receivables and is a direct consequence of the increase in turnover;
- the sub-item "Other", equal to Euro 5,465 thousand, essentially includes expenses for maintenance work (which mainly concern plant operations and maintenance, works relating to hydropower plants, vehicle maintenance and expenses for plant and network maintenance services); the portion of long-term charges of these costs was capitalised; the significant decrease in this component of costs for services is linked to the Group's operations.

10.5 Personnel costs

The breakdown of the item "Personnel costs" for the year 2022 and 2021 is provided below:

(in thousands of Euros)	**2022**	**2021**
Salaries and wages	62,295	59,038
Social security contributions	19,847	18,761
Provision for employee severance indemnities and pensions	4,373	4,047
Other costs	2,729	1,598
Staff costs capitalised under fixed assets	(10,608)	(11,651)
Total	**78,636**	**71,792**

The increase in this item recognised in 2022 is essentially attributable to the combined effect of the increase in the average number of Group employees, which went from 1,118 units in 2021 to 1,167 units in 2022, and the lower capitalization of personnel costs compared to 2021 - the latter partly attributable to the fact that a significant part of the digitization project launched by the Group in previous years was completed, with a related increase in the part of costs attributable solely to keeping the systems in good working order.

10.6 Amortisation/depreciation, provisions and write-downs

The breakdown of the item "Amortisation/depreciation, provisions and write-downs" for the year 2022 and 2021 is provided below:

(in thousands of Euros)	**2022**	**2021**
Amortisation of intangible assets	50,060	48,224
Reversal of provisions for write-downs of intangible assets	0	(2,554)
Depreciation of tangible assets	56,618	56,573
Reversal of provisions for write-downs of tangible assets	(163)	(304)
Write-down of fixed assets	1,921	2,976
Price adjustments following previous Purchase Price Allocations	0	799
Provision to reserve for risks for financial charges	26,895	19,848
Write-down of trade receivables	7,083	482
Total	**142,413**	**126,045**

In addition to the contents of section "3.2 Changes in estimates" in these Notes, with reference to the table above, it is noted that:

- the increase in the sub-item "Amortisation of intangible assets" is essentially attributable to the start of the amortisation process in 2021 and 2022 of assets related to digitalisation, which more than offset the decreasing effect exerted on amortisation costs by the changes in the aforementioned accounting estimates;
- the sub-item "Reversal of provisions for write-downs of tangible assets" represents the gradual releases of provisions set aside in previous years for the replacement of assets following the adoption of planned measures; during 2021, the Group recognised a significant write-back referring to previous write-downs for Euro 19,593 thousand;

- the balance of the sub-item "Write-down of fixed assets" at 31 December 2022 is indicated in section "9.2 Tangible assets" of these Notes;
- the breakdown of the sub-item "Allocations to provisions for risks and charges" is explained in section"9.12 Provisions for risks and charges" of these Notes;
- the increase in write-downs of trade receivables relates to the increase in the stock of trade receivables outstanding compared to the end of 2021, as well as to the worsening of the market situation.

10.7 Profit / (loss) arising from the fair value measurement of investments in associates and joint ventures

At 31 December 2022, no amounts were to be reported in this regard.

10.8 Other operating costs

The breakdown of the item "Other operating costs" for the year 2022 and 2021 is provided below:

(in thousands of Euros)	**2022**	**2021**
Contingent liabilities	121	99
Taxes on real estate property	2,740	2,626
Donations	644	462
Other tax charges	504	367
Capital losses on disposals of assets	1,990	2,065
Registration tax	880	851
Authority contribution	892	753
Membership costs	489	535
Fees for occupation of public land	528	511
Other licenses and fees	728	561
Losses on bad debts	278	174

Refunds, environmental activities and more	725	1,921
Other miscellaneous charges	1,148	574
Total	**11,665**	**11,498**

As may be inferred from the table above, the overall balance of the item in question – substantially in line with 2021 – is influenced by the combined effect of various contingent dynamics, mainly concerning the decrease in capital losses on asset disposals, the lower incidence of reimbursements due by the Group, as well as the greater weight of other sundry charges, mainly attributable to costs incurred for the purchase of European Union Allowance certificates, which went up due to the significant increase recorded by the related price in 2022.

10.9 Net income/(expenses) from commodity derivatives

This item includes the economic effects both in valuation and implementation terms of commodity derivatives not recognised according to the hedge accounting model. In particular, the item refers to transactions entered into for speculative purposes, or with the aim of an operating hedge, but without the designation of a hedge accounting relationship.

The composition of the item and the related comparison with 2021 are shown in the table below:

(in thousands of Euros)	**2022**	**2021**
Valuation effects	7,245	(9,021)
Implementation effects	(18,986)	11,229
Total	**(11,741)**	**2,208**

The change during the year is related to normal business operations.

10.10 Gains (losses) on valuation of investments

This item, showing a negative balance of Euro 2,172 thousand at 31 December 2022 compared to a negative balance of Euro 1,529 thousand at 31 December 2021, includes the net result of the valuation of investments - detailed in the tables included in section "9.3 Investments" of these Notes - and, in particular:

- negative adjustments for a total of Euro 2,977 thousand;
- positive adjustments for a total of Euro 805 thousand.

10.11 Financial income and charges

The breakdown of the item "Financial income" and "Financial charges" for the year 2022 and 2021 is provided below:

(in thousands of Euros)	**2022**	**2021**
Interest income on government bonds	32	32
Interest income from associates	143	72
Interest income on trade receivables	143	129
Interest income on current accounts	393	115
Unrealized income on financial derivative instruments	395	0
Foreign exchange gains	4,711	4,317
Other financial income	1,713	1,486
Total financial income	**7,530**	**6,151**
Interest expense on loans	(10,065)	(1,087)
Negative differentials on derivative financial instruments to hedge interest rates	(188)	(462)
Value adjustments on financial receivables	0	(12)
Interest on debenture loans	(10,092)	(10,100)
Interest expense due to the adoption of IFRS 16	(1,019)	(1,059)
Charges on foreign exchange differences	(4,701)	(4,323)
Other financial charges	(5,109)	(2,788)

Total financial charges	**(31,174)**	**(19,832)**

With reference to the above table:

- the sub-items "Foreign exchange gains" and "Charges on foreign exchange differences" essentially refer to the positive exchange rate difference recorded during the conversion of the last tranche of bond issues issued in NOK, at year-end exchange rates, and to the specular trend of the effective portion of the change in the fair value of the related cross currency swap hedging derivative financial instrument recorded in 2022;
- the significant increase in the sub-item "Interest expense on loans" is attributable to the effects of the Group debt consolidation operation illustrated in section "9.14 Payables to banks and other lenders (current and non-current)" of these Notes;
- the increase in the sub-item "Other financial charges" is mainly attributable to transfers of receivables for tax deductions deriving from energy efficiency measures carried out by the Group in past years and is a direct consequence of the significant decrease in 2022 in the market prices at which these items are transferred.

10.12 Taxes

The cost for taxes recognised at 31 December 2022 amounts to Euro 41,699 thousand and includes:

- charges for current IRES taxes, for Euro 50,991 thousand;
- charges for current IRAP taxes, for Euro 9,732 thousand;
- charges for the so-called "2023 solidarity contribution" pursuant to Law 197/2022, for Euro 6,535 thousand;

- net income for deferred tax assets and liabilities for IRES (including tax consolidation) and IRAP, for Euro 25,754 thousand;
- charges for taxes relative to previous years, for Euro 195 thousand.

The total tax rate outstanding at 31 December 2022 was therefore approximately 40%, compared to 33% in 2021. The increase shown by this indicator in 2022 is attributable to the presence of the extraordinary contribution mentioned above.

10.13 Net profit/(loss) from discontinued operations

In compliance with IFRS 5, this item comprises the balances referred to net assets and liabilities classified as Discontinued operations, or sold in the year, net of intra-group eliminations.

Their composition is shown below in the table:

(in thousands of Euros)	**Edyna Transmission Srl**
Revenues	(1,457)
Cost of production	1,688
EBITDA	**231**
Financial management result	0
Profit before taxes	**231**
Taxes	93
Profit after tax	**325**

For further information in relation to the discontinuing group to which the above balances refer, please see section "9.10 Assets and liabilities held for sale and Discontinuing Operations" of these Notes.

10.14 Impacts on the income statement from the adoption of IFRS 16

The impact on the consolidated income statement for 2022 resulting from the adoption of IFRS 16 is summarised in table form below.

(in thousands of Euros)	**2022**
Reversal of fees	4,185
Impact on EBITDA	**4,185**
Recognition of depreciation	(3,456)
Impact on operating income	**729**
Financial charges	(1,020)
Impact on profit before taxes	**(291)**
Taxes	81
Impact on the net result of continuing operations	**(210)**
Impact on the net result of discontinued operations	0
Impact on the result for the period	**(210)**

11. Commitments and guarantees

This item includes the comfort letters issued by the Parent Company to third parties in the interest of subsidiaries and associates for a total amount of Euro 13,279 thousand.

The item also includes bank and insurance guarantees issued to third parties in the interest of Group companies for Euro 255,599 thousand.

It should also be noted that, at 31 December 2022, the Group had entered into a contract for the purchase of a total of 63,500 metric tonnes of palm oil at the exchange price in effect at the end of each month of the supply, with the addition of a mark-up, to meet its entire needs for 2023 and the first quarter of 2024.

For commitments related to forward purchase/sale transactions of commodities that qualify as "Own use exemption", please refer to section "7.1.3 Commodity risk" of these Notes.

12. Transactions with related parties

Related parties are those that share the same controlling entity with the Group, the companies that directly or indirectly control it, are controlled, or are jointly controlled by the Parent Company and those in which the Parent Company holds a stake enabling it to exercise a significant influence.

In accordance with the provisions of IAS 24, "Disclosure on Related Party Transactions", paragraph 25, the Company is exempted from the information requirements set out in paragraph 18 (according to which the Company must specify the nature of the relationship with the related party, in addition to providing information on such transactions, on outstanding balances, including commitments, which is necessary for financial statements users to understand the potential effects of those transactions on the financial statements) in case it carries out transactions with another entity that is a related party because the same local public entity has a considerable influence over the entity that prepares the annual accounts and the other entity.

In the 2022 financial year, the main transaction with related parties concerned dividends to shareholders of the parent company for Euro 30,000 thousand.

13. Directors' and Statutory Auditors' remuneration

The following table details the remuneration of directors and statutory auditors of Group companies consolidated on a line-by-line basis for 2022 (gross amounts):

(in thousands of Euros)	**2022**
Administrative bodies	399
Control bodies	470
Total	**869**

14. Remuneration of Key Managers

The overall remuneration paid to Key Managers for the duties performed in 2022 amounted to approximately Euro 713 thousand (taxable amount); the amount referring to 2021 was the same.

No short-term or long-term benefits accruing over time are currently envisaged for the above Key Managers, with the exception of some executives who have signed a non-competition agreement for an amount of approximately Euro 180 thousand. There are no stock-based payments (stock options).

15. Remuneration of the independent auditors

The table below shows the fees received by the independent auditor PricewaterhouseCoopers Spa for auditing and accounting control services provided for both the separate and Consolidated Financial Statements at 31 December 2022, as well as for other services.

Company providing the service	**Entity receiving the service**	**Type of services**	**Fees for 2022 (in thousands of Euros)**
PwC Spa	Alperia Spa	Auditing of the financial statements	19
PwC Spa	Alperia Spa	Auditing of the consolidated financial statements	24
PwC Spa	18 Subsidiaries	Auditing of the financial statements and of the Group Reporting Packages	359
PwC Spa	Alperia Spa	Limited auditing of the 2022 consolidated interim report	12
PwC Spa	17 Companies	Limited auditing of 2022 interim Group Reporting Packages	11

Total audit services provided in 2022 for the Alperia Group by the Independent Auditors			**425**
PwC Spa	Alperia Spa	Limited auditing of the Consolidated Non-Financial Statement	37
PwC Spa	Alperia Spa	Auditing of separate financial statements (Unbundling of accounts)	5
PwC Spa	9 Subsidiaries	Auditing of separate financial statements (Unbundling of accounts)	26
PwC Spa	6 Subsidiaries	Auditing of Receivables and Payables statements pursuant to Article 11 of Legislative Decree 118/11	3
PwC Spa	Aperia Trading Srl	Agreed audit procedures pursuant to paragraph 65.30 of ARERA Resolution 111/06 (essential for the 2021 balance and 2022 advance payment)	13
PwC Spa	Alperia Smart Services Srl	Auditing of the statement relating to the General System Charges subject to the application concerning the "Mechanism in the 2021 session" recognised and collected	5
Total other audit services provided in 2022 for the Alperia Group by the Independent Auditors			**89**
Total other non-audit services provided in 2022 to Alperia Group companies by entities belonging to the PwC network			-

16. Subsequent events

See the Report on Operations for disclosure on "Subsequent events" and the progress of pending disputes.

17. Information pursuant to Article 1, paragraph 125, of Law 124/2017

In 2022, the Group received the following public grants, shown in the table.

Paying agency	Company	Type of incentive	Amount collected in 2022 (in Euros)
European Union	Alperia Spa	LIFE4HEAT	14,676
European Union	Alperia Spa	SECLI FIRM	4,730
European Union	Alperia Spa	LIFEALPS	4,795
R3 GIS	Alperia Spa	IDEAS PROJECT	21,945
Autonomous Province of Bolzano	Alperia Spa	Prosumers Community	33,342

Fundacion Circe	Edyna Srl	EU project “eFort”	21,440
Autonomous Province of Bolzano	Alperia Spa	PERSONNEL TRAINING	12,650
			12,650
Autonomous Province of Bolzano	Edyna Srl	grant for installations	22,948
Autonomous Province of Bolzano	Edyna Srl	grant for installations	101,244
Autonomous Province of Bolzano	Edyna Srl	grant for installations	14,260
Autonomous Province of Bolzano	Edyna Srl	grant for installations	378,895
Autonomous Province of Bolzano	Edyna Srl	grant for installations	40,881
Autonomous Province of Bolzano	Edyna Srl	grant for installations	85,722
Autonomous Province of Bolzano	Edyna Srl	grant for installations	27,324
Autonomous Province of Bolzano	Edyna Srl	grant for installations	28,599
Autonomous Province of Bolzano	Edyna Srl	grant for installations	41,478
			741,351
Revenue Agency	Alperia Ecoplus Srl	carbon tax – biomass	721
			721
FONDIMPRESA	Alperia Spa	PERSONNEL TRAINING	4,629
FONDIMPRESA	Edyna Srl	PERSONNEL TRAINING	26,441
GSE	Alperia Ecoplus Srl	PV incentive - Bosin	1,541
GSE	Alperia Ecoplus Srl	PV incentive - TF Merano	23,266
GSE	Alperia Ecoplus Srl	PV incentive - Zipperle	267,186
GSE	Alperia Ecoplus Srl	PV incentive - Bolzano Ecotherm	4,529
GSE	Alperia Green Power Srl	Photovoltaics	20,294
GSE	Alperia Green Power Srl	Photovoltaics	25,845
GSE	Alperia Green Power Srl	Photovoltaics	28,284
GSE	Alperia Green Power Srl	Photovoltaics	9,945
GSE	Alperia Green Power Srl	Photovoltaics	5,762
GSE	Alperia Green Power Srl	Photovoltaics	23,765
			410,418
GSE	Alperia Green Power Srl	GRIN	2,003,634
GSE	Alperia Green Power Srl	GRIN	2,067,433

GSE	Alperia Green Power Srl	GRIN	1,793,818
GSE	Alperia Green Power Srl	GRIN	284,127
GSE	Alperia Green Power Srl	GRIN	539,750
GSE	Biopower Sardegna Srl	GRIN	17,694,364
			24,383,125
GSE	Alperia Green Power Srl	FER003974	378,555
GSE	Alperia Green Power Srl	FER005410	173,170
GSE	Alperia Green Power Srl	FER102759	185,565
			737,290
GSE	Alperia Green Power Srl	RID000260	15,638
GSE	Alperia Green Power Srl	RID066142	1,266,644
GSE	Alperia Green Power Srl	RID000243	189,889
GSE	Alperia Green Power Srl	RID002256	15,549
GSE	Alperia Green Power Srl	RID002258	8,745
GSE	Alperia Green Power Srl	RID003279	14,638
GSE	Alperia Green Power Srl	RID003665	11,734
GSE	Alperia Green Power Srl	RID003667	5,447
GSE	Alperia Green Power Srl	RID066139	610,509
			2,138,793
GSE	Alperia Green Future Srl	white certificates	6,448,499
GSE	Edyna Srl	white certificates	880,197
			7,328,696
GSE	Alperia Ecoplus Srl	CO2 certificates	3,805
			3,805
ENERPASS	Alperia Green Power Srl	GRIN_001496	1,198,675
			1,198,675
Stato/AdE	Alperia Ecoplus Srl	tax receivable on investments 2020	10,573
Stato/AdE	Alperia Green Power Srl	tax receivable on investments 2020-2021	103,507
Stato/AdE	Alperia Spa	tax receivable on investments 2020-2021	100,596
Stato/AdE	Alperia Trading Srl	tax receivable on investments 2020-2021	21,215

Revenue Agency	Edyna Srl	tax receivable on investments 2020	53,864
			289,755
Stato/AdE	Alperia Ecoplus Srl	energy tax credit	22,693
Stato/AdE	Alperia Green Power Srl	energy tax credit	206,338
Stato/AdE	Alperia Vipower Spa	energy tax credit	3,160
Stato/AdE	Alperia Spa	energy tax credit	32,807
			264,997
Stato/AdE	Alperia Green Future Srl	advertising investment receivable ARTICLE 57-BIS LEGISLATIVE DECREE 50/2017	2,326
Stato/AdE	Fintel Gas e Luce Srl	advertising investment receivable ARTICLE 57-BIS LEGISLATIVE DECREE 50/2017	1,095
			3,421

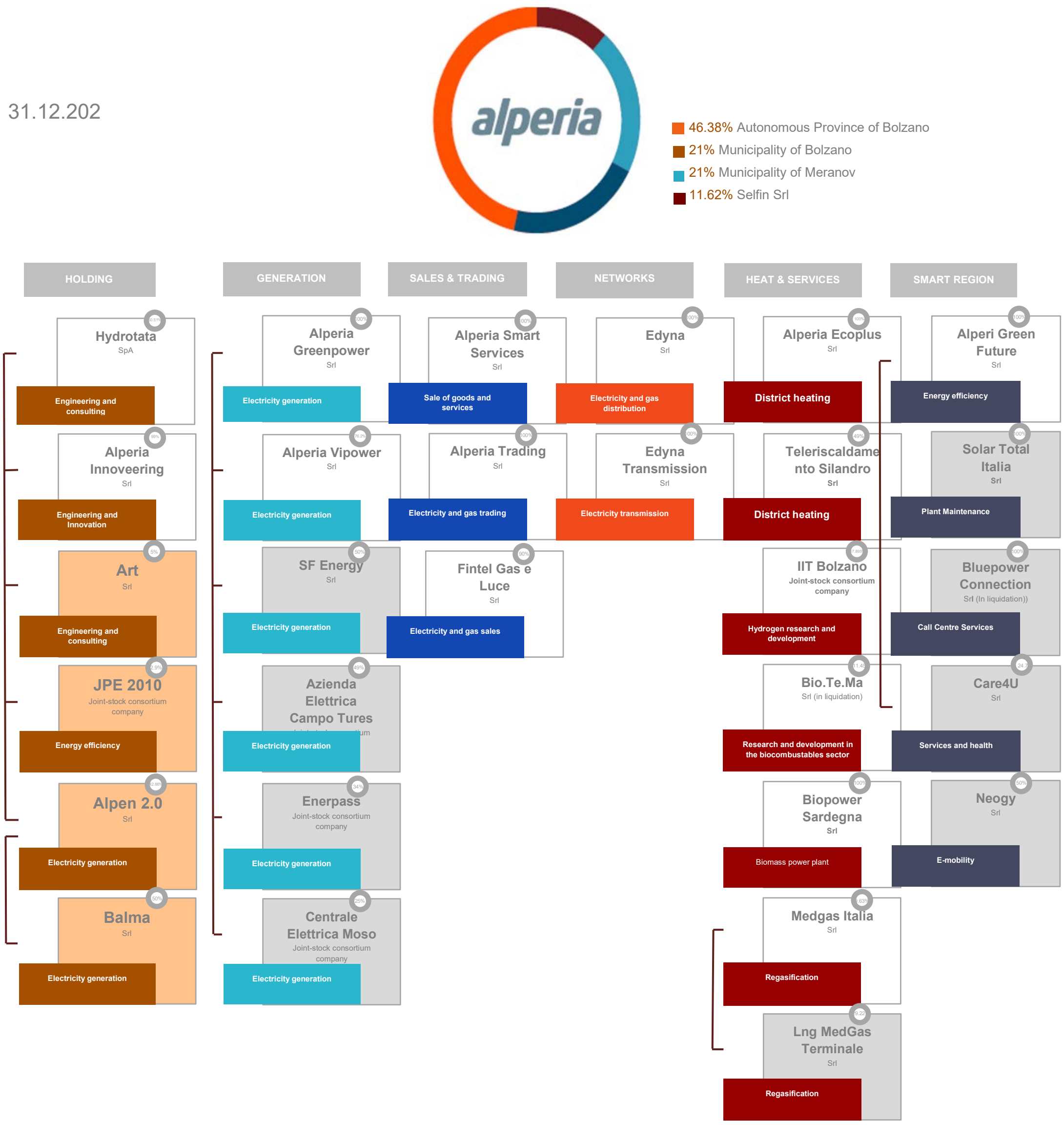
For any other information, reference can be made to the National Register of State Aid.

Bolzano, 30 March 2023

The Chair of the Management Board

Flora Emma Kröss

Annex A to the Consolidated Financial Statements - Scope of Consolidation 2022



Annex B to the Consolidated Financial Statements - Further information on the scope of consolidation

Company name	% of ownership	Country	Registered office	Currency	At 31 December 2022 (in thousands of Euros)		Method of consolidation	Reporting date
					Profit (loss) for the year	Shareholders' equity		
Parent Company								
Alperia Spa			Via Dodiciville 8, 39100 Bolzano		34,157	895,865	Line-by-line	31/12/2022
Subsidiaries								
Alperia Greenpower Srl	100%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	6,370	421,382	Line-by-line	31/12/2022
Alperia Vipower Spa	76.1%	Italy	Via della Rena 8, 39020 Castelbello-Ciardes (Bolzano)	Euro	989	100,118	Line-by-line	31/12/2022
Alperia Smart Services Srl	100%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	(15,454)	52,172	Line-by-line	31/12/2022
Edyna Srl	100%	Italy	Lungo Isarco Sinistro 45/A, 39100 Bolzano	Euro	15,644	348,218	Line-by-line	31/12/2022
EfficienteRete	51%	Italy	Corso V. Emanuele II 36, Soave (Verona)	Euro	1,198	1,494	Line-by-line	31/12/2022
Alperia Trading Srl	100%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	104,168	49,091	Line-by-line	31/12/2022
Edyna Transmission Srl **(**)**	100%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	273	10,286	Line-by-line	31/12/2022
Alperia Green Future Srl	100%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	3,689	40,866	Line-by-line	31/12/2022
Bluepower Connection Srl	100%	Romania	Str. Diaconu Coresi nr 31, jud Timis – Timisoara	Euro	(73)	94	Line-by-line	31/12/2022
Alperia Ecoplus Srl	100%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	769	55,008	Line-by-line	31/12/2022
Biopower Sardegna Srl	100%	Italy	Via Dodiciville	Euro	961	7,065	Line-by-line	31/12/2022

			8, 39100 Bolzano					
Hydrodata Spa	50.51%	Italy	Via Pomba, 23, 10123 Turin	Euro	669	3,324	Line-by-line	31/12/2022
Alperia Innoveering Srl	1%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	526	763	Line-by-line	31/12/2022
Solar Total Italia Srl	100%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	(398)	(250)	Line-by-line	31/12/2022
Fintel Gas e Luce Srl	90%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	54	1,160	Line-by-line	31/12/2022
Joint associates / subsidiaries								
Azienda Elettrica Campo Tures Scarl	49%	Italy	Via Von Ottental 2/C, 39032 Campo Tures (BZ)	Euro	0	525	Shareholders' equity	31/12/2022
Neogy Srl **(*)**	50%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	(3,020)	(108)	Shareholders' equity	31/12/2022
Enerpass Scarl	34%	Italy	Via Pianlargo 2/B, 39010 San Martino in Passiria (BZ)	Euro	0	1,000	Shareholders' equity	31/12/2022
SF Energy Srl **(*)**	50%	Italy	Via Dodiciville 8, 31900, Bolzano (Bolzano)	Euro	28	18,995	Shareholders' equity	31/12/2022
Centrale Elettrica Moso Scarl	25%	Italy	Aue 129/A, 39013 Moso in Passiria (Bolzano)	Euro	0	100	Shareholders' equity	31/12/2022
Teleriscaldamento Silandro Srl	49%	Italy	Via Dodiciville 8, 39100 Bolzano	Euro	709	11,535	Shareholders' equity	31/12/2022
IIT Bolzano Scarl	47.68%	Italy	Via Enrico Mattei 1, 39100 Bolzano	Euro	(1,257)	983	Shareholders' equity	31/12/2022
Care4U Srl	24.7%	Italy	Via Luigi Negrelli, 13 Bolzano	Euro	(170)	247	Shareholders' equity	31/12/2022
Alpen 2.0 Srl	42.86%	Italy	Via Pomba, 23, 10123 Turin	Euro	(3)	428	Shareholders' equity	31/12/2022
Balma Srl	21.43%	Italy	Via Pomba 23, 10123 Turin	Euro	(7)	29	Shareholders' equity	31/12/2021
Other companies								
Bio.Te.Ma Srl in liquidation	11.43%	Italy	Via Malpighi 4, 09126 Cagliari	Euro	(2)	215	Fair value through profit or loss	31/03/2019

Medgas Italia Srl	9.61%	Italy	Via del Seminario 113, 00186 Rome	Euro	(17)	4,341	Fair value through profit or loss	31/12/2019
LNG MedGas Terminal Srl	2.81%	Italy	Via Barberini 47, 00187 Rome	Euro	(36)	16,117	Fair value through profit or loss	31/12/2021
JPE 2010 Scrl	2.9%	Italy	Corso Re Umberto 56, 10128 Turin	Euro	64	437	Fair value through profit or loss	31/12/2020
Art Srl	5%	Italy	Strada Pietro Del Prato 15/A, 43121 Parma	Euro	62	787	Fair value through profit or loss	31/12/2020

(*) Jointly controlled company on the basis of the articles of association and/or specific shareholders' agreements.

(**) Company in discontinuing operation.

Annex C to the Consolidated Financial Statements – Information on significant investees measured with the equity method

(in thousands of Euros)	**SF Energy Srl (*)**	**Neogy Srl**
Non-current assets	18,900	5,295
Current assets	12,759	4,397
Of which cash and cash equivalents	*5,188*	*646*
Non-current liabilities	(8,000)	(1,370)
Of which financial liabilities	*(8,000)*	*0*
Provisions for risks and charges	(692)	0
Current liabilities	(3,972)	(8,430)
Of which financial liabilities	*(50)*	*(5,516)*
Revenues	16,678	3,323
EBIT	482	(2,957)
Interest income	11	0
Interest expense	(200)	(57)
Income tax and tax income	(265)	(6)

(*) The Group has made a contractual commitment to purchase a quota, equal to 50% of the electricity produced overall by the investee, based on a predetermined amount.